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, 2018

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number 1-3619

PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-5315170**
(State 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	Name of each exchange on which registered
Common Stock, $.05 par value	**New York Stock Exchange**
Floating Rate Notes due 2019	**New York Stock Exchange**
0.000% Notes due 2020	**New York Stock Exchange**
0.250% Notes due 2022	**New York Stock Exchange**
1.000% Notes due 2027	**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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒
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, July 1, 2018 , was approximately $212 billion . This excludes shares of common stock held by directors and executive officers at July 1, 2018 . 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 26, 2019 was 5,551,804,790 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2018 Annual Report to Shareholders	Parts I, II and IV
Portions of the Proxy Statement for the 2019 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 2018 Form 10-K (defined below) refer to Pfizer Inc. and its subsidiaries. We also have used several other terms in this 2018 Form 10-K, most of which are explained or defined below.

2018 Financial Report	Exhibit 13 to this 2018 Form 10-K
2018 Form 10-K	This Annual Report on Form 10-K for the fiscal year ended December 31, 2018
2019 Proxy Statement	Proxy Statement for the 2019 Annual Meeting of Shareholders
ACA	U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act
ACIP	Advisory Committee on Immunization Practices
Alliance revenues	Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us
Anacor	Anacor Pharmaceuticals, Inc.
ANDA	Abbreviated New Drug Application
Astellas	Astellas Pharma Inc., Astellas US LLC and Astellas Pharma US, Inc.
Bain Capital	Bain Capital Private Equity and Bain Capital Life Sciences
BLA	Biologics License Application
BMS	Bristol-Myers Squibb Company
Cerevel	Cerevel Therapeutics, LLC
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
EFPIA	European Federation of Pharmaceutical Industries and Associations
EH	Essential Health
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
HIS	Hospira Infusion Systems
Hospira	Hospira, Inc.
ICU Medical	ICU Medical, Inc.
IH	Innovative Health
IPR&D	In-process Research and Development
LIBOR	London Interbank Offered Rate
LOE	Loss of Exclusivity
MCO	Managed Care Organization
Medivation	Medivation, Inc.
NDA	New Drug Application
NMPA	National Medical Product Administration (formerly known as China Food and Drug Administration or CFDA)
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
R&D	Research and Development
SEC	U.S. Securities and Exchange Commission
Tax Cuts and Jobs Act	Legislation commonly referred to as the U.S. Tax Cuts and Jobs Act of 2017
U.K.	United Kingdom
U.S.	United States
VAI	Voluntary Action Indicated
WRD	Worldwide Research and Development

Working together for a healthier world®

~$53.6 Billion in Revenues in 2018

10 Products with Direct Product and/or Alliance Revenues of Greater than $1 Billion in 2018

2 Distinct Business Segments in 2018 —
Pfizer Innovative Health *(~$33.4 Billion 2018 Revenues)* / Pfizer Essential Health *(~$20.2 Billion 2018 Revenues)*

6 Primary Therapeutic Areas in Pfizer Innovative Health in 2018 —
Internal Medicine, Vaccines, Oncology, Inflammation & Immunology, Rare Disease and Consumer Healthcare

4 Pfizer Essential Health Product Categories in 2018 —
Global Brands *(Legacy Established Products & Peri-LOE Products)* , Sterile Injectable Pharmaceuticals, Biosimilars and Pfizer CentreOne

>125 Countries Where We Sell Our Products

100 Projects in Clinical Research & Development*

~$8 Billion 2018 R&D Expense

58 Manufacturing Sites Worldwide Operated by PGS

~92,400 Employees Globally

Unless indicated otherwise, the information contained in this summary is as of December 31, 2018 . This summary does not include information that will be incorporated by reference into Part III of this 2018 Form 10-K from our 2019 Proxy Statement.

* As of January 29, 2019

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 and manufacture of healthcare products. Our global portfolio includes medicines and vaccines, as well as many of the world's best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered or developed by other companies or us . 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 shareholders.

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:

- On December 19, 2018, we announced that we entered into a definitive agreement with GSK under which we and GSK have agreed to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture that will operate globally under the GSK Consumer Healthcare name. The joint venture is expected to be a category leader in pain relief, respiratory, vitamin and mineral supplements, digestive health, skin health and therapeutic oral health and will be the largest global OTC consumer healthcare business. In exchange for contributing our Consumer Healthcare business, we will receive a 32% equity stake in the company and GSK will own the remaining 68%. The transaction is expected to close in the second half of 2019, subject to customary closing conditions including GSK shareholder approval and required regulatory approvals.

- On February 3, 2017, we completed the sale of Pfizer's global infusion systems net assets, HIS, to ICU Medical for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock and seller financing . HIS, which was acquired as part of the Hospira acquisition in September 2015, includes intravenous pumps, solutions and devices.

- On December 22, 2016, for $1,040 million we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S. , which includes the marketed products Zavicefta™ (ceftazidime-avibactam), Merrem™/Meronem™ (meropenem) and Zinforo™ (ceftaroline fosamil), and the clinical development assets aztreonam-avibactam and ceftaroline fosamil-avibactam.

- On September 28, 2016, we acquired Medivation for approximately $14.3 billion in cash ($13.9 billion , net of cash acquired). Medivation is a biopharmaceutical company focused on developing and commercializing small molecules for oncology.

- On June 24, 2016, we acquired Anacor for approximately $4.9 billion in cash ($4.5 billion net of cash acquired), plus $698 million debt assumed. Anacor is a biopharmaceutical company focused on novel small-molecule therapeutics derived from its boron chemistry platform.

For a further discussion of our strategy and our business development initiatives, see the Notes to Consolidated Financial Statements— *Note 2 . Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment* and the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Strategy* and *— Our Business Development Initiatives* sections in our 2018 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 (formerly CFDA) 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 below.

Note: Some amounts in this 2018 Form 10-K may not add due to rounding. All percentages have been calculated using unrounded amounts.

AVAILABLE INFORMATION AND PFIZER WEBSITE

Our website is located at *www.pfizer.com* . This 2018 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 2018 Form 10-K, we “incorporate by reference” certain information from other documents filed or to be filed with the SEC, including our 2019 Proxy Statement and the 2018 Financial Report, portions of which are filed as Exhibit 13 to this 2018 Form 10-K, and which also will be contained in Appendix A to our 2019 Proxy Statement. The SEC allows us to disclose important information by referring to it in that manner. Please refer to this information. Our 2018 Annual Report to Shareholders consists of the 2018 Financial Report and the Corporate and Shareholder Information attached to the 2019 Proxy Statement. Our 2018 Financial Report will be available on our website on or about February 28, 2019. Our 2019 Proxy Statement will be available on our website on or about March 14, 2019.

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 does not, and shall not be deemed to, constitute a part of this 2018 Form 10-K. Pfizer’s references to the URLs for websites are intended to be inactive textual references only.

COMMERCIAL OPERATIONS

From the second quarter of our 2016 fiscal year until the end of 2018, we managed our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). The IH and EH operating segments were each led by a single manager. Each operating segment had responsibility for its commercial activities and for certain IPR&D projects for new investigational products and additional indications for in-line products that generally have achieved proof-of-concept. Each business had a geographic footprint across developed and emerging markets.

At the beginning of our fiscal year 2019, we began to manage our commercial operations through a new global structure consisting of three businesses, each of which is led by a single manager—Pfizer Biopharmaceuticals Group (Biopharma), Upjohn and Consumer Healthcare. We designed this new global structure to take advantage of new growth opportunities driven by the evolving and unique dynamics of relevant markets.

Some additional information about each business follows:

- *Pfizer Biopharmaceuticals Group* - a science-based Innovative Medicines business that includes our Innovative Health business units (except Consumer Healthcare) as well as a new Hospital business unit that commercializes our global portfolio of sterile injectable and anti-infective medicines. We also incorporated our biosimilar portfolio into our Oncology and Inflammation & Immunology therapeutic areas;
- *Upjohn* - an off-patent branded and generic established medicines business headquartered in China that includes 20 of our off-patent solid oral dose legacy brands, including *Lyrica* , *Lipitor* , *Norvasc, Viagra* and *Celebrex* , as well as certain generic medicines; and
- *Consumer Healthcare* - an over-the-counter medicines business, which we announced on December 19, 2018 will be contributed to, and combined with, GSK's consumer healthcare business to form a new consumer healthcare joint venture.

Results for 2018 and prior periods in our 2018 Form 10-K are reported on the basis under which we managed our businesses in 2018 and do not reflect the 2019 reorganization. Beginning with our first-quarter 2019 financial results, our financial reporting will reflect the new organizational structure.

For additional information regarding our new global structure, 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 in our 2018 Financial Report.

Some additional information about our business segments as of December 31, 2018 (prior to our new 2019 commercial organizational re-alignment) follows:

Pfizer INNOVATIVE HEALTH	Pfizer ESSENTIAL HEALTH
IH focused on developing and commercializing novel, value-creating medicines and vaccines that significantly improve patients' lives, as well as products for consumer healthcare. Key therapeutic areas included internal medicine, vaccines, oncology, inflammation & immunology, rare disease and consumer healthcare.	EH included legacy brands that have lost or will soon lose market exclusivity in both developed and emerging markets, branded generics, generic sterile injectable products, biosimilars and select branded products including anti-infectives. EH also included an R&D organization, as well as our contract manufacturing business. Through February 2, 2017, EH also included HIS.
Leading brands included: - *Prevnar 13/Prevenar 13* - *Xeljanz* - *Eliquis* - *Lyrica* (U.S., Japan and certain other markets) - *Enbrel* (outside the U.S. and Canada) - *Ibrance* - *Xtandi* - *Chantix/Champix* - Several OTC consumer healthcare products (e.g., *Centrum* and *Advil*)	**Leading brands included:** - *Lipitor* - *Norvasc* - *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia countries) - *Celebrex* - *Viagra** - *Inflectra/Remsima* - *Sulperazon* - Several sterile injectable products

* Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, were reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra worldwide revenues were reported in EH.

For a further discussion of these operating segments, see the *Innovative Health* and *Essential Health* sections below and the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* , including the tables therein captioned *Selected Income Statement Information* , *Geographic Information* and *Significant Product Revenues* , the table captioned *Revenues by Segment and Geography* in the *Analysis of the Consolidated Statements of Income* section, and the *Analysis of Operating Segment Information* section in our 2018 Financial Report, which are incorporated by reference.

INNOVATIVE HEALTH

The key therapeutic areas comprising our IH business segment included:

Therapeutic Area	*Description*	*Key Products*
Internal Medicine	Included innovative brands from two therapeutic areas, Cardiovascular Metabolic and Pain, as well as regional brands.	*Lyrica* (outside Europe, Russia, Turkey, Israel and Central Asia countries), *Chantix/Champix* and *Eliquis* (jointly developed and commercialized with BMS)
Vaccines	Included innovative vaccines brands across all ages—infants, adolescents and adults—in pneumococcal disease, meningitis and tick-borne encephalitis, with a pipeline focus on healthcare-acquired infections and maternal health.	*Prevnar 13/Prevenar 13* (pediatric/adult), *Trumenba* and *FSME-IMMUN*
Oncology	Included innovative oncology brands of biologics, small molecules and immunotherapies across a wide range of cancers.	*Ibrance, Sutent, Xalkori, Inlyta* and *Xtandi* (jointly developed and commercialized with Astellas)
Inflammation and Immunology	Included innovative brands for chronic immune and inflammatory diseases.	*Enbrel* (outside the U.S. and Canada), *Xeljanz* and *Eucrisa*
Rare Disease	Included innovative brands for a number of rare diseases, including hematology, neuroscience, and inherited metabolic disorders.	*BeneFix* , *Genotropin* and *Refacto AF/Xyntha*
Consumer Healthcare*	Included over-the-counter (OTC) brands with a focus on dietary supplements, pain management, gastrointestinal and respiratory and personal care. In 2018, according to Nicholas Hall's retail sales data (based on moving annual total data through the third quarter of 2018), Pfizer's Consumer Healthcare business was the fifth-largest branded multi-national, OTC consumer healthcare business in the world and produced two of the ten largest selling consumer healthcare brands (Centrum and Advil) in the world.	Dietary Supplements: *Centrum* brands, *Caltrate* and *Emergen-C* Pain Management: *Advil* brands and *ThermaCare* Gastrointestinal: *Nexium 24HR/Nexium Control* and *Preparation H* Respiratory and Personal Care: *Robitussin* , *Advil Cold & Sinus* and *ChapStick*

* On December 19, 2018, we announced that we entered into a definitive agreement with GSK under which we and GSK have agreed to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture, which will operate globally under the GSK Consumer Healthcare name. Assets and liabilities associated with our Consumer Healthcare business were reclassified as held for sale in the consolidated balance sheet as of December 31, 2018. We expect to complete the transaction during the second half of 2019, subject to customary closing conditions, including GSK shareholder approval and required regulatory approvals. For additional information, see the Notes to Consolidated Financial Statements— *Note 2 C. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Assets and Liabilities Held for Sale* .

We recorded direct product and/or alliance revenues of more than $1 billion for each of eight IH products in 2018 , and seven IH products in 2017 and 2016 :

Innovative Health $1B+ Products

2018	**2017**	**2016**
Prevnar 13/Prevenar 13	*Prevnar 13/Prevenar 13*	*Prevnar 13/Prevenar 13*
Lyrica IH	*Lyrica IH*	*Lyrica IH*
Ibrance	*Ibrance*	*Enbrel*
*Eliquis**	*Eliquis**	*Ibrance*
Enbrel	*Enbrel*	*Eliquis**
Xeljanz	*Xeljanz*	*Viagra IH*
Chantix/Champix	*Sutent*	*Sutent*
Sutent		

* *Eliquis* includes alliance revenues and direct sales in 2018, 2017 and 2016.

For a discussion of certain IH products and additional information regarding the revenues of our IH business, including revenues by geography and of significant IH products, see the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* and the *Analysis of the Consolidated Statements of Income — Revenues — Overview, — Revenues by Segment and Geography* and *— Revenues—Selected Product Discussion* sections in our 2018 Financial Report; and for additional information on the key operational revenue drivers of our IH business, see the *Analysis of Operating Segment Information — Innovative Health Operating Segment* section of our 2018 Financial Report. For a discussion of the risks associated with our dependence on certain of our major products, see *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.

ESSENTIAL HEALTH

The product categories in our EH business segment included:

Product Category	*Description*	*Key Products*
Global Brands — Legacy Established Products	Included products that have lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products).	*Lipitor* , *Premarin* family and *Norvasc*
Global Brands — Peri-LOE Products	Included products that have recently lost or are anticipated to soon lose patent protection.	*Lyrica* (Europe, Russia, Turkey, Israel and Central Asia), *Viagra** , *Celebrex* , *Pristiq* , *Zyvox* , *Vfend* , *Revatio* and *Inspra*
Sterile Injectable Pharmaceuticals	Included generic injectables and proprietary specialty injectables (excluding Peri-LOE Products).	*Medrol* , *Sulperazon* , *Fragmin* and *Tygacil*
Biosimilars	Included recombinant and monoclonal antibodies, primarily in inflammation, oncology and supportive care.	*Inflectra* / *Remsima* (biosimilar infliximab) (U.S., Canada, the EU, Australia and certain international markets), *Nivestim/Nivestym* (biosimilar filgrastim) (U.S. and certain European, Asian and Africa/Middle East markets), *Retacrit* (biosimilar epoetin alfa-epbx/epoetin zeta) (U.S. and certain European and Africa/Middle East markets) and *Ixifi Infliximab BS for I.V. Infusion 100mg* (Japan)
Pfizer CentreOne	Included 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, including with Zoetis Inc.	--

* Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, were reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra worldwide revenues were reported in EH.

We recorded direct product revenues of more than $1 billion for two EH products in 2018 , one EH product in 2017 , and two EH products in 2016 :

Essential Health $1B+ Products

2018	**2017**	**2016**
Lipitor	*Lipitor*	*Lipitor*
Norvasc		*Premarin* family of products

For a discussion of certain EH products and additional information regarding the revenues of our EH business, including revenues by geography and of significant EH products, see the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* and the *Analysis of the Consolidated Statements of Income — Revenues — Overview, — Revenues by Segment and Geography* and *— Revenues—Selected Product Discussion* sections in our 2018 Financial Report; and for additional information on the key operational revenue drivers of our EH business, see the *Analysis of Operating Segment Information — Essential Health Operating Segment* section of our 2018 Financial Report. For a discussion of the risks associated with our dependence on certain of our major products, see *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.

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 being commercialized in collaboration with 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 generated from selling any products containing avelumab from this collaboration. *Bavencio* is currently approved in metastatic Merkel cell carcinoma and for patients with locally advanced or metastatic urothelial carcinoma in certain countries and in development as a potential treatment for multiple other types of cancer.

RESEARCH AND DEVELOPMENT

Innovation is critical to the success of our company, and drug discovery and development is time-consuming, expensive and unpredictable. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs.

Our R&D Priorities and Strategy

Our R&D priorities include:

- delivering a pipeline of differentiated therapies and vaccines with the greatest medical and commercial potential;
- advancing our capabilities that can position Pfizer for long-term leadership; and
- creating new models for biomedical collaboration that will expedite the pace of innovation and productivity.

To that end, our research and development primarily focuses on:

- Inflammation and Immunology ;
- Internal Medicine ;
- Oncology ;
- Rare Diseases ;
- Vaccines ; and
- Biosimilars.

In January 2018, we announced our decision to end internal neuroscience discovery and early development efforts and re-allocate funding to other areas where we have stronger scientific leadership. The development of tanezumab and potential treatments for rare neuromuscular disorders is not impacted by this decision. In June 2018, we announced our plan to invest up to $600 million in biotechnology and other emerging growth companies through Pfizer Ventures, our venture investment vehicle. In September 2018, we and Bain Capital entered into a transaction 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, including Parkinson's disease, epilepsy, Alzheimer's disease, schizophrenia and addiction. For additional information on the transaction with Bain Capital, see the Notes to Consolidated Financial Statements— *Note 2B. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Divestitures* in our 2018 Financial Report.

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, 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 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 and to access external scientific and technological expertise, and provide us the opportunity to advance our own products as well as the in-licensed or acquired products.

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 2018, 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 in 2018 was conducted through a number of matrix organizations:

- Research Units within our WRD organization were generally responsible for research and early-stage development assets for our IH business (assets that have not yet achieved proof-of-concept).
- Our R&D organization within the EH business supported the large base of EH products and helped develop potential new sterile injectable drugs and therapeutic solutions, as well as biosimilars.
- Our Global Product Development organization, a unified center for late-stage development for our innovative products that was generally responsible for the operational execution of clinical trials for both early-stage assets in the WRD portfolio as well as late-stage assets in the Innovative portfolio. For WRD

assets, GPD worked in close collaboration with the Early Clinical Development group, which has expertise in various disciplines such as Biostatistics, Clinical Pharmacology and Digital Medicine.

- Our science-based and other platform-services organizations, where a significant portion of our R&D spending occurred, provided technical expertise and other services to the various R&D projects, and were organized into science-based functions (which were part of our WRD organization), such as Pharmaceutical Sciences, Medicine Design, Regulatory and Drug Safety, and non-science-based functions, such as Facilities, Business Technology and Finance.

At the beginning of 2019, we reorganized our R&D operations as part of our Organizing for Growth reorganization:

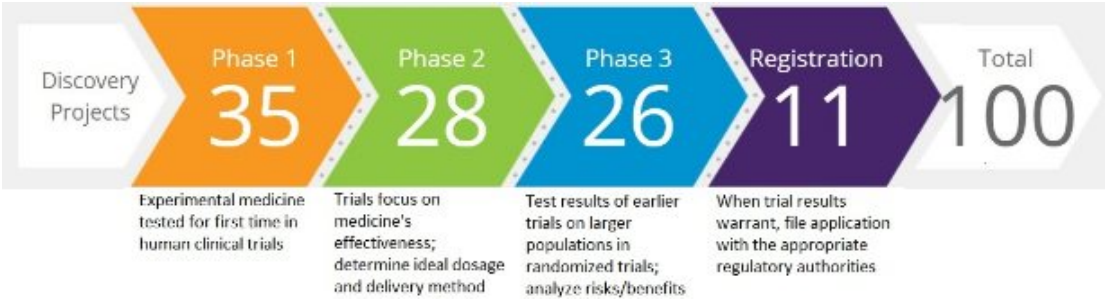
- WRD is renamed Worldwide Research, Development and Medical (WRDM) as we have created a new Worldwide Medical & Safety organization that incorporates the former Chief Medical Office as well as the Worldwide Safety function;
- The R&D organization within the EH business has been integrated into the WRDM, GPD and Upjohn organizations, including moving biosimilars into WRDM and GPD and realigning them with the relevant therapeutic areas (e.g., Oncology and Inflammation & Immunology);
- The Regulatory function has been moved from the WRDM organization into the GPD organization; and
- Late-stage portfolio spend has been moved from IH to GPD and from EH to GPD and Upjohn.

For discussion regarding these R&D matrix organizations and additional information on our R&D operations and expenses, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Strategy — Description of Research and Development Operations* and *Costs and Expenses — Research and Development (R&D) Expenses* sections in our 2018 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 29, 2019 , we had the following number of projects in various stages of R&D:



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.

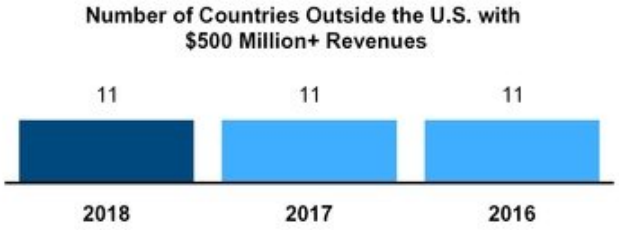
Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth in the *Analysis of the Consolidated Statements of Income — Product Developments—Biopharmaceutical* section in our 2018 Financial Report, which is incorporated by 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 below.

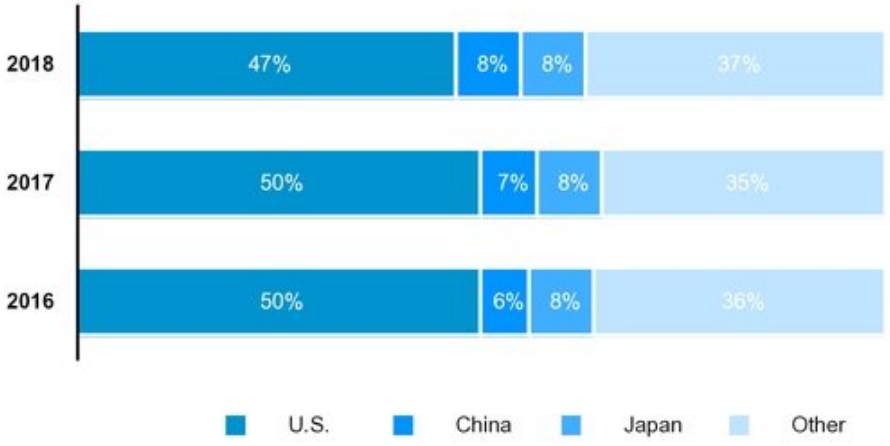
INTERNATIONAL OPERATIONS

We have significant operations outside the U.S. In 2018, operations in developed and emerging markets were managed through our two business segments: IH and EH. 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 in emerging markets, particularly in Asia, is creating additional access opportunities for our medicines.

We sell our products in over 125 countries. Revenues from operations outside the U.S. of $28.3 billion accounted for 53% of our total revenues in 2018 . By total revenues, China and Japan are our two largest national markets outside the U.S. For a geographic breakdown of revenues, see the table captioned *Geographic Information* in the Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* in our 2018 Financial Report, and the *Analysis of the Consolidated Statements of Income — Revenues — Overview* and *— Revenues by Segment and Geography* sections in our 2018 Financial Report.



Revenues by National Market


2018
47%
8%
8%
37%
2017
50%
7%
8%
35%
2016
50%
6%
8%
36%
U.S.
China
Japan
Other

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 *Item 1A. Risk Factors — International Operations* below. Our international businesses are also subject to government-imposed constraints, including laws and regulations on pricing, reimbursement, and access to our products. See *Item 1. Business — Government Regulation and Price Constraints — Outside the United States* below 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 7 F . Financial Instruments : Derivative Financial Instruments and Hedging Activities* in our 2018 Financial Report, as well as the *Forward-Looking Information and Factors That May Affect Future Results — Financial Risk Management* section in our 2018 Financial Report. Those sections of our 2018 Financial Report are incorporated by reference.

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, Pharmacy Benefit Managers 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 to assist them with disease management, patient education and other tools that help their medical treatment routines.

In 2018 , our top three biopharmaceutical wholesalers accounted for approximately 37% of our total revenues (and approximately 76% of our total U.S. revenues).

% of 2018 Total Revenues and U.S. Revenues from Major Biopharmaceutical Wholesalers and Other Customers

Our global Consumer Healthcare business uses its own sales and marketing organizations to promote its products, and occasionally uses distributors and agents, principally in smaller markets. The advertising and promotions for our Consumer Healthcare business are generally disseminated to consumers through television, print, digital and other media advertising, as well as through in-store promotion. Consumer Healthcare products are sold through a wide variety of channels, including distributors, pharmacies, retail chains and grocery and convenience stores. Our Consumer Healthcare business generates a significant portion of its sales from several large customers, the loss of any one of which could have a material adverse effect on the Consumer Healthcare business.

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 *Item 1. Business — Government Regulation and Price Constraints — Outside the United States — Intellectual Property* below.

In various markets, a period of regulatory exclusivity may be provided to certain therapeutics 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 therapeutic.

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, the additional six-month pediatric exclusivity period and/or the granted patent term extension), 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	2021	2024
Ibrance	2023	2028	2028
Inlyta	2025	2025	2025
Xeljanz	2025	2028 [4]	2025
Prevnar 13/Prevenar 13	2026	2026 [5]	2029
Eucrisa	2026	N/A [6]	N/A [6]
Eliquis [7]	2026	2026	2026
Xtandi [8]	2027	* [8]	* [8]
Besponsa	2027	2023	2028 [9]
Xalkori	2029	2027	2028
Bavencio [10]	2033	2032	2033

[1] In November 2018, the FDA granted pediatric exclusivity for Lyrica in the U.S. for an additional six months to June 2019; pediatric exclusivity applies to both the basic product patent for Lyrica and a method of treatment patent, both of which expired in the U.S. in December 2018.

[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* has been revoked following an opposition proceeding. This first instance decision has been appealed. There are other EU patents and pending applications covering the formulation and various aspects of the manufacturing process of *Prevenar 13* that remain in force.

[6] *Eucrisa* is not approved in the EU or Japan.

[7] *Eliquis* was developed and is being commercialized in collaboration with BMS.

[8] *Xtandi* is being developed and commercialized in collaboration with Astellas, which has exclusive commercialization rights for *Xtandi* outside the U.S.

[9] *Besponsa* Japan expiry is provided by regulatory exclusivity.

[10] *Bavencio* is being developed and commercialized in collaboration with Merck KGaA.

A number of our current products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years. For additional information, including further discussion of our products experiencing, or expected to experience in 2019 , patent expirations or loss of regulatory exclusivity in the U.S., Europe or Japan, see 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 2018 Financial Report and *Item 1A. Risk Factors — Dependence on Key In-Line Products* below.

Companies have filed applications with the FDA seeking approval of product candidates that such companies claim do not infringe our patents; these include candidates that would compete with, among other products, *Eliquis* , *Xeljanz* and *Xtandi* . 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. For additional information, see the Notes to Consolidated Financial Statements— *Note 17 A1 . Contingencies and Certain Commitments — Legal Proceedings—Patent Litigation* in our 2018 Financial Report.

The expiration of a basic product patent or loss of patent protection resulting from a legal challenge normally results in significant competition from generic products against the originally patented product and can result in a significant reduction in revenues for that product 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.

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), may face in the future, or already face, 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. See *Item 1A. Risk Factors — Biologic Products* below.

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 *Item 1. Business — Government Regulation and Price Constraints — Outside the United States — Intellectual Property* below.

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, generic and biosimilar drug manufacturers and consumer healthcare 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 understanding 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 salespersons' 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 or next generation vaccines. For example, *Prevnar 13* may face competition in the form of alternative 13-valent or additional valent next-generation pneumococcal conjugate vaccines prior to 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, as well as biosimilars. 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.

Our Consumer Healthcare business faces competition from OTC business units in other major pharmaceutical and consumer packaged goods companies, and retailers who carry their own private label brands. Our competitive position is affected by several factors, including the amount and effectiveness of our and our competitors' promotional resources; customer acceptance; product quality; our and our competitors' introduction of new products, ingredients, claims, dosage forms, or other forms of innovation; and pricing, regulatory and legislative matters (such as product labeling, patient access and prescription to OTC switches).

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 298 million people in the U.S. now have some form of health insurance coverage. Due to the expansion of health insurance coverage (see *Item 1. Business — Government Regulation and Price Constraints — In the United States* below), 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, "copay accumulator" programs and value-based pricing/contracting 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. MCOs are currently evaluating the appropriate placement of biosimilars on their formularies.

Exclusion of a product from a formulary or other MCO-implemented restrictions can significantly impact drug usage in the MCO patient population. 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. We anticipate continued Congressional interest in modifying provisions of the ACA, particularly given the recent ruling in *Texas v. Azar* to invalidate the law as unconstitutional, though we believe it is unlikely Congress will find bipartisan consensus to advance any significant changes to the ACA until the legal process unfolds. We are monitoring any such actions to see if any changes to the ACA will be enacted that would impact our business.

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 strong competition by certain generic manufacturers in 2019, 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 2018 , 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 2019.

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 17 A . Contingencies and Certain Commitments — Legal Proceedings* in our 2018 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 postmarket 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 postmarket 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. Our Consumer Healthcare products are also subject to FDA regulation.

Other U.S. federal agencies, including the DEA, also regulate certain of our products. The U.S. Federal Trade Commission has the authority to regulate the advertising of consumer healthcare products, including OTC drugs and dietary supplements. 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 NDA or BLA as appropriate. Companies seeking to market a generic prescription drug must scientifically demonstrate that the generic drug is bioequivalent to the innovator drug. The ANDA, 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, any modifications to the product must be notified to the FDA and 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. Over the next several years, the FDA is expected to issue additional draft and final guidance documents impacting biosimilars, including updated draft or 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 should lead 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, in the first year under the newly authorized fee structure, the FDA estimates its revenues from biosimilar user fees will increase by more than $10 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 in our 2018 Financial Report and in the Notes to Consolidated Financial Statements— *Note 1 G . Basis of Presentation and Significant Accounting Policies : Revenues and Trade Accounts Receivable* in our 2018 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. For example, 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. Given certain states' current and potential ongoing fiscal crises, a growing number of states are considering a variety of cost-control strategies, including capitated managed care plans that typically contain cost by restricting access to certain treatments. In addition, we expect that consolidation and integration of pharmacy chains and wholesalers, who are the primary purchasers of our pharmaceutical products in the U.S., will increase pricing pressures on pharmaceutical manufacturers, including us.

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. Recently, there has been considerable public and government scrutiny of pharmaceutical pricing and proposals to address the perceived high cost of pharmaceuticals. At the federal level, for example, in May 2018, President Trump released his *Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs* (Blueprint). Certain proposals in the Blueprint, and related drug pricing measures proposed since the Blueprint, could cause significant operational and reimbursement changes for the pharmaceutical industry. As another example, in October 2018, the Centers for Medicare and Medicaid Services solicited public comments on potential changes to payment for certain Medicare Part B drugs, including reducing the Medicare payment amount for selected Medicare Part B drugs to more closely align with international drug prices. In addition, in January 2019, the White House Office of Management and Budget released the long awaited proposed rule submitted by the Office of Inspector General of the Department of Health and Human Services to remove safe harbor protections for drug rebates paid to insurance plans and PBMs for Medicare Part D and Managed Medicaid and to create new safe harbors. Among other changes, the proposed rule would explicitly exclude the reductions in price offered by drug manufacturers to PBMs in Medicare Part D and Managed Medicaid plans from protection under the "discount" safe harbor. It would also create a new safe harbor designed specifically for price reductions in pharmaceutical products, but only those that are fully reflected in the price to the patient at the pharmacy counter. Additionally, a new safe harbor was proposed to protect administrative fees paid to PBMs, which must be at fair market value, a fixed fee and not based upon a percentage of volume or list price. Manufacturers could continue to negotiate price reductions with PBMs and Medicare Part D and Managed Medicaid plans if their reductions meet that criterion. The proposed rule represents a large step toward significantly altering the current rebate model in place with MCOs. We are in the process of evaluating the implications of the proposed rule on our operations and processes, as well as the infrastructure that will be required in order to implement the rule once it is finalized. 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. Certain state legislation has been subject to legal challenges. Adoption of new legislation regulating drug pricing at the federal or state level could further affect demand for, or pricing of, our products.

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 will continue to work with lawmakers 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.

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. For example, 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. For example, tax reform legislation enacted at the end of 2017 eliminates the tax penalty for individuals who do not maintain sufficient health insurance coverage beginning in 2019 (the so-called "individual mandate"). We anticipate continued Congressional interest in modifying provisions of the ACA, particularly given the recent ruling in *Texas v. Azar* to invalidate the law as unconstitutional. At this time, the law remains in effect pending appeals of the decision. Given the outcomes of the 2018 U.S. midterm elections with Democrats taking over the U.S. House of Representatives and Republicans growing their majority in the U.S. Senate, we believe it is unlikely Congress will find bipartisan consensus to advance any significant changes to the ACA until the legal process unfolds. The revenues generated for Pfizer by the health insurance exchanges and Medicaid expansion under the ACA are not material, so the impact of the change in law and similar recent administration actions is expected to be limited. Any future replacement, modification or repeal of the ACA may adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage. As another example, the Bipartisan Budget Act of 2018, which increased the discount we pay in the Medicare Part D "coverage gap" from 50% to 70%, will modestly increase our future Medicare Part D rebates. 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.

Outside the United States

We encounter similar regulatory and legislative issues in most other countries.

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. 2018 was another active year in this respect, with a number of reforms coming into effect, and more proposals and drafts being issued for consultation. Also, in 2018, a significant government restructuring resulted in the creation of the National

Medical Product Administration (NMPA), replacing the former CFDA.

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, detailed legislation and guidance on pharmacovigilance has increased and strengthened in recent years. 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 . In Europe, Japan, China, Canada, South Korea and some other international markets, governments 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 economic 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 and international reference pricing (i.e., the practice of a country linking its regulated medicine prices to those of other countries). This international patchwork of price regulation and differing economic conditions and incomplete value assessments across countries has led to varying health outcomes 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 (UN), including the World Health Organization (WHO), and the Organization for Economic Cooperation and Development (OECD), are increasing scrutiny of international pharmaceutical pricing through issuing reports and policy recommendations (e.g., *2016 UN High Level Panel Report on Access to Medicines*). Late in 2018, two new reports critical of the pharmaceutical industry's pricing practices were published: OECD's *Pharmaceutical Innovation and Access to Medicines* and WHO's *Pricing of Cancer Medicines and its Impacts* . These reports and upcoming public forums focused on their recommendations will continue to exert additional pricing pressures.

In China, pricing pressures have increased in recent years. Top Chinese government officials have consistently emphasized the importance of improved health outcomes, the need for healthcare reform and decreased drug prices as a key indicator of progress towards reform. Even though the government provides basic health insurance for the vast majority of Chinese citizens, the insurance is not adequate to cover innovative medicines. Alternative funding sources for innovative medicines remain suboptimal, as private health insurance growth is restrained by issues with access to healthcare data, potential corruption concerns and control over providers.

In 2017 and 2018, Chinese authorities entered into special negotiations with China's National Medical Security Bureau to add approximately 60 high-value drugs (mainly oncology medicines) to the National Reimbursement Drug List. Prices for drugs were reduced dramatically through these negotiations, some by as much as 70 percent. While these negotiations included a path to access for companies, market access is not strictly assured. In addition, significant questions about the processes and negotiations for provincial tendering remain. In addition, multi-layered negotiations are required across provincial, municipal and hospital levels, and the linkage of price negotiations to reimbursement is inconsistent. In the off-patent space, in 2013, China began to implement a quality consistency (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 the QCE. A pilot project for centralized procurement of 31 categories of drugs covering 11 major Chinese cities now drives patients to generics that have passed the QCE, which has resulted in dramatic price cuts for off-patent drugs.

In Japan, the access environment for innovative medicines continued to deteriorate in 2018 with tighter restrictions around the criteria to gain a price maintenance premium and a push by the Japanese government to adopt healthcare technology assessments based on rigid cost-effectiveness criteria for re-pricing of reimbursed medicines. Additionally, the Japanese government has officially requested the Ministry of Health, Labour and Welfare to look into using cost-effectiveness analyses to make reimbursement decisions at the launch of a drug.

EU Regulatory Changes . The EU adopted a new Clinical Trials Regulation in May 2014, which is expected to come into effect sometime in late 2019. This regulation is aimed at simplifying and harmonizing the governance of clinical trials in the EU and will require increased public posting of clinical trial results.

Brexit . In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". In March 2017, the U.K. government formally notified the European Council of its intention to leave the EU after it triggered Article 50 of the Lisbon Treaty to begin the two-year negotiation process establishing the terms of the exit and outlining the future relationship between the U.K. and the EU. Formal negotiations officially started in June 2017. This process continues to be highly complex and the end result of these negotiations 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. The EMA will be relocating from London, U.K. to Amsterdam, Netherlands by the scheduled date of Brexit at the end of March 2019. At present, it is still unclear whether and to what extent the U.K. will remain within or aligned to the EU system of medicines regulation, and/or what separate requirements will be imposed in the U.K. after it leaves the EU. 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 in the event of a 'hard Brexit', meaning an outcome where no negotiated settlement is reached. For additional information on Brexit, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — The Global Economic Environment* in our 2018 Financial Report .

China Regulatory Changes . In an effort to encourage drug innovation and reduce backlogs for existing applications for drug approval, the NMPA has unveiled numerous reform initiatives for China's drug approval system, and engaged in significant efforts to build its capabilities. The NMPA now 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) will not be 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 2017 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 relevant regulatory agency. The "marketing authorization holder" system, which will allow for more flexibility in contract manufacturing arrangements and

asset transfers, is now being piloted in ten Chinese provinces, but not yet for imported drugs.

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 entry into the Management Committee of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use, are expected to pave the way for integration of Chinese regulations with global practices. These changes include introducing an umbrella clinical trial authorization for all three phases of registration studies (instead of the original phase-by-phase approvals), a filing/recordation system for bioequivalence studies on generics (instead of the original review and approval system), admitting more categories of drugs as innovative drugs eligible for the fast track/"green channel" approval pathway and ongoing implementation of previously announced regulatory reforms. In 2018, the review timeline for clinical trial authorizations was shortened to 60 working days due to the introduction of a clinical trial notification system, and China's Fast Track Policy was finalized, for a specific group of products selected by the Center for Drug Evaluation, part of the NMPA.

In addition, China's Human Genetic Resources Administrative Office strictly scrutinizes clinical trials involving the collection, storage, export and use of human genetic resources and relevant deriving data from the Chinese population, adding an extra layer of review in addition to that of the NMPA.

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 EFPIA's 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 for reducing the price of imported 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, issuance (and threat of issuance) of compulsory licenses, 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. In developed countries as well, including the EU, we are facing an increasingly challenging intellectual property environment.

Canada's intellectual property regime for drugs provides some level of patent protection and data exclusivity (currently eight years plus six-month pediatric extension), but it lacks the predictability and stability that otherwise comparable countries provide. Through intense negotiations as part of the Canada/EU Comprehensive Economic & Trade Agreement (CETA), Canadian authorities have amended the Patent Medicines (Notice of Compliance) Regulations to provide the innovator a right of appeal, and Canada now provides *sui generis* protection for patent term extensions of up to two years for basic patents. Furthermore, the US-Mexico-Canada Agreement (USMCA), if ratified and implemented, would establish 10 years of data protection for biologics and patent term adjustment for unreasonable or unnecessary delays in the grant of patents.

In China, the intellectual property environment has improved, 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, and several companies, including Pfizer, have established R&D centers in China due to increased confidence in China's intellectual property environment. Despite this, China remained on the U.S. Trade Representative's Priority Watch List for 2018. 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 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.

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 17 A3 . Contingencies and Certain Commitments — Legal Proceedings—Commercial and Other Matters* in our 2018 Financial Report. As a result, we incurred capital and operational expenditures in 2018 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows:

- environment-related capital expenditures— $33 million ; and
- other environment-related expenses— $162 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. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Business — Impact of Hurricanes in Puerto Rico* section of the 2018 Financial Report. 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 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 2018 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, 2018 , we employed approximately 92,400 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 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 (the Executive Orders). In some instances, ITRSHRA requires companies to disclose these types of transactions, even if they were permissible under U.S. law or were conducted by a non-U.S. affiliate in accordance with the local law under which such entity operates.

As a global biopharmaceutical company, we conduct business in multiple jurisdictions throughout the world. During 2018 , our activities included supplying life-saving medicines, medical products and consumer 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 2018 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 2018 Form 10-K and in our 2018 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, in-line products and product candidates, including anticipated regulatory submissions, data read-outs, study starts, approvals, performance, timing of exclusivity and potential benefits of Pfizer's products and product candidates, strategic reviews, capital allocation, business-development plans, the benefits expected from the reorganization of our commercial operations into three businesses effective at the beginning of our 2019 fiscal year, our acquisitions and other business development activities, 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, business plans and prospects, our acquisitions and other business development activities, our proposed transaction with GSK to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture, prospective products or product approvals, our product pipeline, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, plans relating to share repurchases and dividends, government regulation and financial results, including, in particular, the availability of raw materials for 2019 set forth in Item 1. Business— Raw Materials in this 2018 Form 10-K; the anticipated progress in remediation efforts at certain of our Hospira manufacturing facilities and the expectations related to our supply issues set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Business — Product Manufacturing section in our 2018 Financial Report; the benefits expected from the reorganization of our commercial operations into three businesses effective at the beginning of our 2019 fiscal year 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 2018 Financial Report; the expected timing of completion and benefits of our proposed transaction with GSK to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture set forth in the Item 1. Business— About Pfizer and — Innovative Health , and Item 1A. Risk Factors sections in this 2018 Form 10-K and in the Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Business , — Our Strategy and — Our Business Development Initiatives sections in our 2018 Financial Report; the anticipated costs related to our preparations for Brexit set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—The Global Economic Environment section in our 2018 Financial Report; our anticipated liquidity position set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — The Global Economic Environment and the Analysis of Financial Condition, Liquidity and Capital Resources sections in our 2018 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 2018 Financial Report; the financial guidance set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Financial Guidance for 2019 section in our 2018 Financial Report; the anticipated costs and savings, including from our cost-reduction/productivity initiatives, as well as from our Organizing for Growth initiative, set forth in the Costs and Expenses — Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives section in our 2018 Financial Report and in the Notes to Consolidated Financial Statements— Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives ; 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 2018 Financial Report; and the contributions that we expect to make from our general assets to the Company's pension, postretirement and deferred compensation plans during 2019 set forth in the Analysis of Financial Condition, Liquidity and Capital Resources — Selected Measures of Liquidity and Capital Resources — Contractual Obligations section and in the Notes to Consolidated Financial Statements— Note 11 . Pension and Postretirement Benefit Plans and Defined Contribution Plans in our 2018 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 and other managed care entities, such as pharmacy benefit managers, 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 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, including self-insured employers, 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. Private 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. Private third-party payers also are 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. 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. The date at which generic competition commences may be different from the date that the patent or regulatory exclusivity expires. However, upon the loss or expiration of patent protection for one of our products, or upon the “at-risk” launch (despite pending patent infringement litigation against the generic product) by a generic manufacturer of a generic version of one of our patented products, we can lose the major portion of revenues for that product in a very short period of time, which can adversely affect our business. A number of our products are expected to face significantly increased generic competition over the next few years. In China, for example, we are expected to face strong competition by certain generic manufacturers in 2019, 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; these include candidates that would compete with, among other products, *Eliquis, Xeljanz* and *Xtandi* . 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. Prices for products typically decline, sometimes dramatically, following generic or biosimilar entry, and as additional companies receive approvals to market that product, competition intensifies. If a company’s generic or biosimilar product can be “first-to-market” such that its only competition is the branded drug for a period of time, higher levels of sales and profitability can be achieved until other generic or biosimilar competitors enter the market. With increasing competition in the generic or biosimilar product market, the timeliness with which we can market new generic or biosimilar products will increase in importance. 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. While the FDA is taking steps to address the backlog of pending applications, continued approval delays may be experienced by generic drug applicants over the next few years. Also, we may face access challenges for our biosimilar products where our product may not receive appropriate formulary access or remains in a disadvantaged position relative to the innovator product. For example, *Inflectra/Remsima* 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 ten biopharmaceutical products in 2018: *Prevnar 13/Prevenar 13* , *Lyrica* , *Ibrance* , *Eliquis* , *Enbrel* , *Lipitor* , *Xeljanz* , *Chantix/Champix, Sutent* and *Norvasc* . Those products accounted for 51% of our total revenues in 2018 . 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 current products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years (including some of our billion-dollar and previously billion-dollar products), 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* in the U.S. in December 2017. In addition, the basic product patent for *Lyrica* in the U.S. will expire in June 2019, which includes the FDA's grant of pediatric exclusivity that extended the period of market exclusivity in the U.S. for *Lyrica* for an additional six months from December 2018. 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 *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Intellectual Property Rights and Collaboration/Licensing Rights — Recent Losses and Expected Losses of Product Exclusivity* section in our 2018 Financial Report. 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.

BIOLOGIC PRODUCTS

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 developed Europe markets. The expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant regulatory exclusivity period has expired. We may face litigation with respect to the validity and/or scope of patents relating to our biologic products.

We are developing biosimilar medicines. Risks related to our development of biosimilars include the potential for steeper than anticipated price erosion due to increased competitive intensity (or, as in the case of *Inflectra/Remsima* , exclusionary contracting by the originator that leads to a lack of payer coverage and lower uptake), coupled with high costs associated with clinical development or 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 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, as discussed above, 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. For Pfizer to date, a number of factors create a more challenging paradigm given our growing specialty business portfolio. These include 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 in markets around the world.

CONSUMER HEALTHCARE

The Consumer Healthcare business may be impacted by economic volatility, the timing and severity of the cough, cold and flu season, generic or store brand competition affecting consumer spending patterns and market share gains of competitors' branded products or generic store brands. In addition, regulatory and legislative outcomes regarding the safety, efficacy or unintended uses of specific ingredients in our Consumer Healthcare products may require withdrawal, reformulation and/or relabeling of certain products (e.g., cough/cold products). See *Consumer Healthcare Joint Venture with GSK* and *The Global Economic Environment* risk factors below.

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 or shortages, reputational harm, product liability, unanticipated costs or otherwise. 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 incoming materials may be delayed or become unavailable and that the quality of incoming materials may be substandard and not detected; the possibility that we may fail to maintain appropriate quality standards throughout the 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; or failure to maintain the integrity of our supply chains against intentional and criminal acts such as economic adulteration, product diversion, product theft, counterfeit goods and cyberattacks.

Regulatory agencies periodically inspect our drug manufacturing facilities to evaluate compliance with applicable cGMP 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, voluntary recall of a product or failure to secure product approvals, 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 are undertaking 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 status 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. Communication with the FDA on the status of the McPherson site is ongoing. As a result of this status, the FDA has refused, and may continue to 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 will require a successful re-inspection by the FDA. The product shortages we have been experiencing within our portfolio are primarily for products from the legacy Hospira portfolio and are largely driven by capacity constraints, technical issues and supplier quality concerns. We continue to remediate issues at legacy Hospira facilities manufacturing sterile injectables. Any continuing product shortage interruption at these manufacturing facilities could negatively impact our financial results, specifically in our Sterile Injectable Pharmaceuticals portfolio.

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. Meridian responded to the warning letter and committed to making improvements across the sites. We are undertaking corrective actions to address the concerns raised by the FDA, and communication with the FDA is ongoing. Until the corrective actions are implemented and confirmed by the FDA following a re-inspection, 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.

OUTSOURCING

We 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. Outsourcing of services to third parties could expose us to suboptimal quality of service delivery or deliverables and potentially result in repercussions such as missed deadlines or other timeliness issues, erroneous data, supply disruptions, non-compliance (including with applicable legal or regulatory requirements and industry standards) and/or reputational harm, with potential negative effects on our results.

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. Third parties may not complete activities on schedule or in accordance with our expectations. Failure by one or more of these third 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 and could also result in non-compliance or reputational harm, all with potential negative implications for our product pipeline and business.

BIOPHARMACEUTICAL WHOLESALERS

In 2018 , our largest biopharmaceutical wholesaler accounted for approximately 15% of our total revenues (and approximately 31% of our total U.S. revenues), and our top three biopharmaceutical wholesalers accounted for approximately 37% of our total

revenues (and approximately 76% 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 pose a 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 the threat of counterfeit medicines, which is exacerbated by the complexity of the supply chain, 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 undertake significant efforts to counteract the threats associated with counterfeit medicines, including, among other things, working with the FDA and other regulatory authorities and multinational coalitions to combat the counterfeiting of medicines and 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; implementing business practices designed to protect patient health; promoting public policies intended to hinder counterfeiting; working diligently to raise public awareness about the dangers of counterfeit medicines; working collaboratively with wholesalers, pharmacies, customs offices, and law enforcement agencies to increase inspection coverage, monitor distribution channels, and improve surveillance of distributors and repackagers, 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 payments 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 of this 2018 Form 10-K. 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.

We encounter similar regulatory and legislative issues in most other countries. In certain international markets, such as the different EU Member States, Japan, China, 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.

The adoption of restrictive price controls in new jurisdictions or more restrictive ones in existing jurisdictions, 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 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 under the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — Industry-Specific Challenges — Regulatory Environment/Pricing and Access—U.S. Healthcare Legislation* section in our 2018 Financial Report and in *Item 1. Business — Government Regulation and Price Constraints — In the United States* . 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. For example, tax reform legislation enacted at the end of 2017 eliminates the tax penalty for individuals who do not maintain sufficient health insurance coverage beginning in 2019 (the so-called “individual mandate”). We anticipate continued Congressional interest in modifying provisions of the ACA, particularly given the recent ruling in *Texas v. Azar* to invalidate the law as unconstitutional. At this time, the law remains in effect pending appeals of the decision. Given the outcomes of the 2018 U.S. midterm elections with Democrats taking over the U.S. House of Representatives and Republicans growing their majority in the U.S. Senate, we believe it is unlikely Congress will find bipartisan consensus to advance any significant changes to the ACA until the legal process unfolds. The revenues generated for Pfizer by the health insurance exchanges and Medicaid expansion under the ACA are not material, so the impact of the change in law and similar recent administration actions is expected to be limited. Any future replacement, modification or repeal of the ACA may adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage, and we cannot predict how other future federal or state legislative or administrative changes relating to healthcare reform will affect our business.

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 is 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. For example, during the October 2018 ACIP meeting, the U.S. Centers for Disease Control and Prevention presented initial data and indicated formal evaluation of evidence (grading) and a potential vote on the maintenance of the 65 years and older recommendation for Prevnar 13 would likely happen in 2019. A potential adverse change in the ACIP recommendation would negatively impact future Prevnar 13 revenues. For additional information, see the *Analysis of the Consolidated Statements of Income — Revenues — Selected Product Discussion* section of our 2018 Financial Report. 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. 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 the Tax Cuts and Jobs Act), 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 Notes to Consolidated Financial Statements— *Note 1 B. Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018* in our 2018 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 of claims or revise our expectations regarding the outcomes 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. As a result, we have interactions with government agencies on an ongoing basis. 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 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 2018 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 Notes to Consolidated Financial Statements — *Note 17 A . Contingencies and Certain Commitments — Legal Proceedings* in our 2018 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., a policy of routine compulsory licensing (or threat of compulsory licensing) of pharmaceutical intellectual property). 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 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 June 2018, the Patent Trial and Appeal Board ruled on one patent, holding that one claim was valid and that all other claims were invalid. The party challenging that patent has appealed the decision. Challenges to other patents remain pending before the U.S. Patent and Trademark Office. The invalidation of these patents 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. To achieve a “first-to-market” or early market position for generic pharmaceutical products and biosimilars, 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.

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.

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 — Product Manufacturing* section in our 2018 Financial Report.

CONSUMER HEALTHCARE JOINT VENTURE WITH GSK

The required shareholder and regulatory approvals may not be obtained or the regulatory approvals may contain materially burdensome conditions that could have an adverse effect on us or the joint venture or the other conditions to the completion of the proposed transaction may not be satisfied in a timely manner or at all.

Completion of the proposed transaction is subject to a number of conditions, including, among others, the approval of GSK's shareholders and the receipt of certain governmental and regulatory approvals, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of all required approvals under the antitrust laws of certain other jurisdictions, including the EU. Although Pfizer and GSK have agreed to do all things necessary under applicable antitrust laws to complete the proposed transaction as promptly as reasonably practicable, there can be no assurance that these approvals will be obtained in a timely manner or at all or that the other conditions to closing will be satisfied. In addition, in connection with obtaining the required regulatory approvals, governmental authorities may impose conditions on the completion of the proposed transaction or require changes to the terms of the proposed transaction. If any such conditions or changes are imposed, they may jeopardize or delay completion of the proposed transaction, reduce or delay the anticipated benefits of the proposed transaction or allow the parties to terminate the stock and asset purchase agreement, which could negatively impact our stock price and our or the joint venture's, as applicable, future business and financial results.

We may fail to realize all of the anticipated benefits of the proposed transaction.

The success of the proposed transaction will depend, in part, on the joint venture's ability to realize the anticipated benefits and cost synergies from the proposed 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 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, as applicable, future business and financial results.

Moreover, uncertainty about the effect of the proposed transaction on employees, customers, suppliers, distributors and other business partners may have an adverse effect on us and the joint venture. These uncertainties may impair our and/or the joint venture's ability to attract, retain and motivate key personnel until the transaction is consummated and for a period of time thereafter, and could cause customers, suppliers, distributors and others who deal with us and/or the joint venture to seek to change or cancel existing business relationships with us and/or the joint venture or fail to renew existing relationships. Employee retention may be challenging during the pendency of the proposed transaction, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with the combined business, our business and the business of the joint venture following the completion of the transaction could be adversely affected.

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. GSK will have the sole right to decide whether and when to initiate a separation and listing for a period of five years from closing of the proposed transaction. GSK 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 proposed 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 during the first five years after 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.

The joint venture may be subject to additional risks beyond those associated with Pfizer's consumer healthcare business.

After completion of the transaction, the joint venture will be subject to the risks associated with GSK's consumer healthcare business in addition to the risks associated with Pfizer'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 currently affecting the independent business, financial condition and results of operations of Pfizer's 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. Moreover, although we will have certain consent, board representation and other governance rights with respect to the joint venture, Pfizer will be a minority owner of the joint venture following the completion of the proposed transaction. As a result, Pfizer will 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.

The market value of our common stock may be adversely affected as a result of expected and unexpected costs associated with the proposed transaction and integration of the businesses.

We have incurred, and expect to incur, transaction- and integration-related costs in connection with the proposed transaction. We expect that a substantial portion of these transaction- and integration-related costs will be comprised of non-recurring fees for professional services to complete the proposed transaction, facilities and systems consolidation costs and employment-related costs, although certain unanticipated costs and expenses may be incurred as well. If the stock and asset purchase agreement is terminated, we would have incurred many of these costs, fees and expenses without realizing the expected benefits of the transaction. These costs, fees and expenses could adversely affect our financial results.

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. 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. Examples include the different EU Member States, Japan, China, Canada, South Korea and a number of other international markets. The U.S. continues to maintain competitive insurance markets, but has also seen significant increases in patient cost-sharing and growing government influence as government programs continue to grow as a source of coverage.

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 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 see the *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Operating Environment — The Global Economic Environment* section in our 2018 Financial Report.

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. 53% of our total 2018 revenues were derived from international operations, including 21% from Europe and 22% from China, Japan and the rest of Asia. As we operate in multiple foreign currencies, including the euro, the Japanese yen, the Chinese renminbi, the U.K. pound, the Canadian dollar and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar 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 *Overview of Our Performance, Operating Environment, Strategy and Outlook — Our Financial Guidance for 2019* and *Analysis of Financial Condition, Liquidity and Capital Resources* sections in our 2018 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 *Forward-Looking Information and Factors That May Affect Future Results — Financial Risk Management* section in our 2018 Financial Report. For additional details, see the Notes to Consolidated Financial Statements— *Note 7 F . Financial Instruments : Derivative Financial Instruments and Hedging Activities* and *— Note 11 . Pension and Postretirement Benefit Plans and Defined Contribution Plans* in our 2018 Financial Report and the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions —Benefit Plans* section in our 2018 Financial Report. Those sections of our 2018 Financial Report 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. There is currently uncertainty around whether LIBOR will continue to exist after 2021. If LIBOR ceases to exist, we may need to amend certain agreements and we cannot predict what alternative index would be negotiated with our counterparties. 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 *Analysis of Financial Condition, Liquidity and Capital Resources — Selected Measures of Liquidity and Capital Resources — LIBOR* .

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 the first quarter of 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 equity investments. For additional information, see Notes to Consolidated Financial Statements— *Note 1 B. Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018* and the *Forward-Looking Information and Factors That May Affect Future Results — Financial Risk Management* sections in our 2018 Financial Report.

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 Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* and the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions — Benefit Plans* section in our 2018 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 into three businesses effective at the beginning of the company's 2019 fiscal year; (iii) any other corporate strategic initiatives; and (iv) any acquisitions, divestitures or other initiatives, such as our proposed transaction with GSK to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture.

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 2018 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The accuracy of our financial reporting depends on the effectiveness of our internal control over financial reporting. Internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements. Failure to maintain effective internal control over financial reporting, or lapses in disclosure controls and procedures, could undermine the ability to provide accurate disclosure (including with respect to financial information) on a timely basis, which could cause investors to lose confidence in our disclosures (including with respect to financial information), require significant resources to remediate the lapse or deficiency, and expose us to legal or regulatory proceedings.

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, 2018 , we had 498 owned and leased properties, amounting to approximately 53 million square feet.

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 over 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 are 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 will operationalize the new R&D facilities in St. Louis, Missouri and Andover, Massachusetts.

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, 2018 , PGS had responsibility for 58 plants around the world, which manufacture products for our commercial divisions. Locations with major manufacturing facilities include Belgium, China, Germany, India, Ireland, Italy, Japan, Puerto Rico, Singapore and the U.S. Our PGS division's plant network strategy is expected to result in the exit of four of these sites over the next several years. PGS also operates multiple distribution facilities around the world.

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 2018 Financial Report, which provides amounts invested in land, buildings and equipment and which is incorporated by reference. See also the discussion in the Notes to Consolidated Financial Statements— *Note 15 . Lease Commitments* in our 2018 Financial Report, which is also 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 17 A . Contingencies and Certain Commitments — Legal Proceedings* in our 2018 Financial Report, which is incorporated by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

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 2019 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	57	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. Area President Europe, Africa, Asia and Pacific of Pfizer Animal Health from 2009 until November 2010. Area President Europe, Africa and Middle East of Pfizer Animal Health from 2005 until 2009. 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	61	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. Prior to joining Pfizer, he was Senior Executive Vice President of Integration and Chief Administrative Officer of Alcatel-Lucent from November 2006 until August 2007. Prior to the Alcatel-Lucent merger, he was Chief Operating Officer of Lucent and before that Chief Financial Officer of Lucent. Director of Zoetis Inc. and of Humana Inc. and Chair of the Humana Audit Committee. Director of the Independent College Fund of New Jersey.
Mikael Dolsten	60	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. He was a Private Equity Partner at Orbimed Advisors, LLC from January 2008 until June 2008. Director of Karyopharm Therapeutics Inc. Chairman of the Translational Advisory Board of Apple Tree Partners from 2016 to 2017.
Lidia Fonseca	50	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.
Michael Goettler	51	Group President, Pfizer Upjohn since January 2019. Executive Vice President from July 2018 until December 2018. Global President of Pfizer Inflammation & Immunology from January 2018 until June 2018. Global President of Pfizer Rare Disease from January 2016 until December 2017. Global Commercial Officer, Senior Vice President for Pfizer's Global Innovative Pharma Business from January 2014 until December 2015. Regional President, Europe for Pfizer Specialty Care and the chair of the European Management Team from June 2012 until December 2013. Regional President Asia - Pacific for Specialty Care from October 2009 until June 2012. Member of the board of directors of PSI (Population Services International).
Angela Hwang	53	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	57	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	53	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. Senior Vice President, Associate General Counsel and Chief Compliance Officer from October 2006 until August 2009.

Freda C. Lewis-Hall	64	Chief Patient Officer, Executive Vice President since January 2019. Executive Vice President, Chief Medical Officer from December 2010 until December 2018. Senior Vice President, Chief Medical Officer from May 2009 until December 2010. Previously, she was Chief Medical Officer and Executive Vice President, Medicines Development at Vertex Pharmaceuticals from June 2008 until May 2009. Dr. Lewis-Hall was Senior Vice President, U.S. Pharmaceuticals, Medical Affairs for Bristol-Myers Squibb Company from 2003 until May 2008. Director of Tenet Healthcare Corporation from December 2014 to May 2017.
A. Rod MacKenzie	59	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. Senior Vice President, Head of Worldwide Research from 2007 until 2010. Dr. MacKenzie represents Pfizer as a member of the Board of Directors of ViiV Healthcare Limited.
Dawn Rogers	54	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. Vice President of Human Resources for Pfizer's European Commercial Operations from 2006 to 2008.
Sally Susman	57	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. Senior Vice President and Chief Communications Officer from February 2008 until December 2009. Prior to joining Pfizer, Ms. Susman held senior level positions at The Est é e Lauder Companies, including Executive Vice President from 2004 to January 2008. Director of WPP plc.
John D. Young	54	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. U.K. Country Manager from 2007 until 2009. Director of Johnson Controls International 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 26, 2019 , there were 150,398 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 2018 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 2018 :

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 [a]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan [a]
October 1, 2018 through October 28, 2018	38,477,427	$ 44.25	38,410,129	$ 7,487,879,989
October 29, 2018 through November 30, 2018	43,812,603	$ 43.50	43,795,856	$ 5,582,880,460
December 1, 2018 through December 31, 2018	32,598,112	$ 43.77	32,559,080	$ 14,157,881,147
Total	114,888,142	$ 43.83	114,765,065	

[a] For additional information, see the Notes to Consolidated Financial Statements — *Note 12 . Equity* in our 2018 Financial Report, which is incorporated by reference.

[b] In addition to the amounts purchased under our share repurchase program, these columns represent (i) 118,667 shares, primarily representing 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 4,410 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.

On February 7, 2019 , we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. LLC. This agreement was entered into pursuant to our previously announced share repurchase authorization. For additional information, see the Notes to Consolidated Financial Statements — *Note 19. Subsequent Event* in our 2018 Financial Report, which is incorporated by reference .

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is incorporated by reference from the discussion under the heading *Financial Summary* in our 2018 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 2018 Financial Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is incorporated by reference from the discussion under the *Forward-Looking Information and Factors That May Affect Future Results — Financial Risk Management* section in our 2018 Financial Report.

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 on the Consolidated Financial Statements* in our 2018 Financial Report and from the consolidated financial statements, related notes and supplementary data in our 2018 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 2018 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 2018 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 2019 Proxy Statement. Information about compliance with Section 16(a) of the Exchange Act is incorporated by reference from the discussion under the heading *Securities Ownership — Section 16(a) Beneficial Ownership Reporting Compliance* in our 2019 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 2019 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 2020 Annual Meeting* in our 2019 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 2019 Proxy Statement. The balance of the information required by this item is contained in the discussion entitled *Executive Officers of the Company* in Part I of this 2018 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 2019 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 2019 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 2019 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 2019 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 2018 and 2017 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 2019 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 2019 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 2018 Financial Report are incorporated by reference into Item 8 of Part II of this 2018 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 2018 Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10.1 through 10.33 are management contracts or compensatory plans or arrangements.

2.1	Agreement and Plan of Merger, dated as of August 20, 2016, among Pfizer Inc., Montreal, Inc. and Medivation, Inc. is incorporated by reference from our Current Report on Form 8-K filed on August 22, 2016 (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 Merger Agreement.)
*2.2	Stock and Asset Purchase Agreement, dated December 19, 2018, by and among Pfizer Inc., GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited. (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.) [1]
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).

[1] Application has been made to the Securities and Exchange Commission for confidential treatment of certain portions of this exhibit. Omitted material for which confidential treatment has been requested has been separately filed with the Securities and Exchange Commission.

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	Except as set forth in Exhibits 4.1-19 above, the instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries have been omitted. [2]

[2] 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.

10.1	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.
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.
*10.13	Amendment No. 5 to the Pfizer Supplemental Savings Plan.
10.14	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).
10.15	Executive Annual Incentive Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.16	Amended and Restated Deferred Compensation Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.17	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).
10.18	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).
10.19	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).
10.20	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).
10.21	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).
10.22	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).
10.23	The form of Indemnification Agreement with each of the Named Executive Officers identified in our 2018 Proxy Statement is incorporated by reference from our 1997 Annual Report on Form 10-K (File No. 001-03619).
10.24	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).
10.25	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).
*10.26	Amendment No. 1 to Pfizer Inc. Executive Severance Plan.

10.27	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).
10.28	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).
10.29	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).
10.30	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).
10.31	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).
10.32	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).
* 10.33	Time Sharing Agreement, dated December 17, 2018, by and between Pfizer Inc. and Ian C. Read.
* 13	Portions of the 2018 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.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*101.DEF	XBRL Taxonomy Extension Definition Document

ITEM 16. FORM 10-K SUMMARY

A Form 10-K summary is provided at the beginning of this 2018 Form 10-K, with hyperlinked cross-references. This allows users to easily locate the corresponding items in this 2018 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 2019 Proxy Statement.

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 28, 2019

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**	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2019
/S/ FRANK A. D'AMELIO **Frank A. D'Amelio**	Chief Financial Officer, Executive Vice President, Business Operations and Global Supply (Principal Financial Officer)	February 26, 2019
/S/ LORETTA V. CANGIALOSI **Loretta V. Cangialosi**	Senior Vice President—Controller (Principal Accounting Officer)	February 26, 2019
/S/ IAN C. READ **Ian C. Read**	Executive Chairman of the Board	February 28, 2019
/S/ DENNIS A. AUSIELLO **Dennis A. Ausiello**	Director	February 26, 2019
/S/ RONALD E. BLAYLOCK **Ronald E. Blaylock**	Director	February 27, 2019
/S/ W. DON CORNWELL **W. Don Cornwell**	Director	February 26, 2019
/S/ JOSEPH J. ECHEVARRIA **Joseph J. Echevarria**	Director	February 26, 2019
/S/ HELEN H. HOBBS **Helen H. Hobbs**	Director	February 28, 2019

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Signature	Title	Date
/S/ JAMES M. KILTS **James M. Kilts**	Director	February 26, 2019
/S/ DAN R. LITTMAN **Dan R. Littman**	Director	February 26, 2019
/S/ SHANTANU NARAYEN **Shantanu Narayen**	Director	February 26, 2019
/S/ SUZANNE NORA JOHNSON **Suzanne Nora Johnson**	Director	February 26, 2019
/S/ JAMES C. SMITH **James C. Smith**	Director	February 26, 2019

EXHIBIT 2.2

STOCK AND ASSET PURCHASE AGREEMENT

by and among

PFIZER INC.,

GLAXOSMITHKLINE PLC

and

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

DATED AS OF DECEMBER 19, 2018

Confidential Treatment Requested by Pfizer Inc.

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ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER PARENT

ARTICLE VI

COVENANTS

STOCK AND ASSET PURCHASE AGREEMENT

This STOCK AND ASSET PURCHASE AGREEMENT, dated as of December 19, 2018 (this " Agreement "), is by and among Pfizer Inc., a Delaware corporation (" Seller Parent "), GlaxoSmithKline Plc, a public limited company incorporated under the laws of England (" Purchaser Parent ", and together with Seller Parent, the " Parents "), and GlaxoSmithKline Consumer Healthcare Holdings Limited, a company incorporated under the laws of England (" Purchaser ," and together with the Parents, the " Parties ").

W I T N E S S E T H :

WHEREAS, in addition to its other businesses, Seller Parent is engaged through certain of its Subsidiaries in the Business (as defined below);

WHEREAS, in addition to its other businesses, Purchaser Parent is engaged through Purchaser in the Purchaser Business (as defined below);

WHEREAS, the Parties desire that (a) the Sellers (as defined below) sell and transfer to Purchaser or the Purchaser Designated Affiliates (as defined below), and that Purchaser or such Purchaser Designated Affiliates purchase from the Sellers, all of Seller Parent's and the other Sellers' right, title and interest in the Purchased Assets; (b) Purchaser and such Purchaser Designated Affiliates assume the Assumed Liabilities (as defined below); and (c) Purchaser allot and issue to Seller Parent or its applicable designee B Ordinary Shares in the capital of Purchaser, in the case of each of clauses (a) , (b) , and (c) , in the manner and upon the terms and conditions set forth herein;

WHEREAS, certain Sellers, Purchaser, Purchaser Parent and the Purchaser Designated Affiliates, at or prior to the Closing, will execute each of the Ancillary Agreements; and

WHEREAS, the respective Boards of Directors of Seller Parent, Purchaser Parent and Purchaser have approved this Agreement, the Structuring Considerations Agreement, the Purchaser Shareholders Agreement and the transactions contemplated hereby and thereby.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements contained herein, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS AND TERMS

Section 1.1 Definitions . As used in this Agreement, the following terms have the meanings set forth or as referenced below:

" A Ordinary Shares " has the meaning set forth in Section 2.7 .

" ABO " has the meaning set forth in Section 6.6(e)(i) .

" Accounting Principles " has the meaning set forth in Section 2.8 .

" Action " means any action, cause of action, claim, charge, suit, countersuit, hearing, complaint, arbitration, subpoena, audit, investigation, litigation or proceeding by or before any court, Governmental Authority or arbitration tribunal.

" ADR " means American Depositary Receipts of Purchaser Parent issued under the Deposit Agreement.

" Affiliate " means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person at any time during the period for which the determination of affiliation is being made. For purposes of this Agreement, (a) the Conveyed Subsidiaries (and their Subsidiaries) shall be deemed to be (i) Affiliates of Seller Parent (and not Purchaser Parent or Purchaser) prior to the Closing, and (ii) Affiliates of Purchaser Parent and Purchaser (and not Seller Parent or any other Seller) as of and following the Closing and (b) Purchaser and its Subsidiaries shall be deemed to be Affiliates of Purchaser Parent (and not Seller Parent) prior to, as of and following the Closing.

" Agreement " has the meaning set forth in the preamble of this Agreement, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

" Amended Consignment Selling Agreement " means the amended consignment selling agreement, substantially in the form provided to Seller Parent prior to the date hereof, to be entered into between Hindustan Unilever Limited and Leo Asia Private Limited on or around the time of completion of the divestiture of Horlicks and other consumer healthcare nutrition brands to Unilever plc and the merger of Leo Consumer Healthcare Limited India with Hindustan Unilever Limited.

" Ancillary Agreements " means, collectively, the Transition Services Agreement, Intellectual Property License Agreement, Manufacturing and Supply Agreement (Seller Parent as Supplier), Manufacturing and Supply Agreement (Purchaser as Supplier), IP Assignment Agreements, Transitional Trademark License Agreement, Safety Data Exchange Agreement, Lease Agreement, Local Implementing Agreements, the Structuring Considerations Agreement and the Purchaser Shareholders Agreement.

" Ancillary Implementing Agreements " means, collectively, the IP Assignment Agreements and the Local Implementing Agreements.

" Anti-Corruption Laws " means the U.S. Foreign Corrupt Practices Act of 1977, as amended; the U.K. Bribery Act of 2010; and any applicable Law related to anti-bribery or anti-corruption in any other jurisdiction in which the Business or the Purchaser Business, as applicable, markets, commercializes, distributes and sells products as of the date of this Agreement or as of the Closing.

" Antitrust Laws " means statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other Laws of any jurisdiction that are designed or intended to prohibit, restrict or regulate actions that may have the purpose or effect of creating a monopoly, lessening competition or restraining trade.

" Approvals " means any consent, approval or authorization of, permit or license issued or granted by, Governmental Order, waiver or exemption by, negative clearance from, or the expiration or early termination of any waiting period imposed by, any Person (including any third party or Governmental Authority (including any Governmental Antitrust Authority)).

" Assumed Contracts " has the meaning set forth in Section 2.1(e) .

" Assumed Liabilities " has the meaning set forth in Section 2.4 .

" B Ordinary Shares " has the meaning set forth in Section 2.7 .

" Balance Sheet Date " has the meaning set forth in Section 4.6(a) .

" Business " means the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling (a) the products sold under the brand names set forth on Annex E-1 or variations or derivatives of such names (including translations thereof) (the " Business Key Products ", and such brands, the " Business Key Brands "), as conducted by Seller Parent (directly and indirectly through its Subsidiaries) as of the date of this Agreement and as of immediately prior to the Closing and (b) any over-the-counter consumer healthcare or medicine products, wellness products and other personal care, oral care, nutrition, skin health, cosmetic and related products (other than the PCH Split Products), as conducted by Seller Parent (directly and indirectly through its Subsidiaries) through its Pfizer Consumer Healthcare business unit (directly or indirectly pursuant to a contractual arrangement with any other Pfizer business unit, to the extent of the Pfizer Consumer Healthcare business unit's rights pursuant to such contractual arrangement) as of the date of this Agreement and as of immediately prior to the Closing.

" Business Copyrights " means all Copyrights, Copyright registrations and applications for Copyright registration that both (a) are owned by Seller Parent or its Subsidiaries and (b) are Related to the Business.

" Business Day " means any day other than a Saturday, a Sunday or a day on which banks in New York City or London are authorized or obligated by Law or executive order to close.

" Business Employee " means each individual who, immediately prior to the Closing (a) is employed by Seller Parent or its Affiliates (other than the Conveyed Subsidiaries or their Subsidiaries) and devotes 70% or more of his or her services to the Business, or (b) is employed by any of the Conveyed Subsidiaries (or their Subsidiaries), including, to the extent required by Law, any individual described in clause (a) or (b) who is not actively at work as a result of an approved leave of absence (including disability leave, military leave, or family medical leave).

" Business Employee (non-U.S.) " means a Business Employee based outside of the United States.

" Business Employee (U.S.) " means a Business Employee based in the United States.

" Business IP " means (a) all Business Copyrights, Business Patent Rights , Business Trademark Rights, Business Know-How and Business Software, (b) all other Intellectual Property that both (i) is owned, or purported to be owned, by Seller Parent or its Subsidiaries and (ii) is Related to the Business, and (c) all Intellectual Property listed in the IP Schedules; provided that the Business IP does not include any Registered IP that is not listed, or required to be listed, on the IP Schedules .

" Business IT Systems " means all Information Systems that both (a) are owned by Seller Parent or its Subsidiaries and (b)(i) are solely related to, solely held for use with, or solely used in connection with the Business; or (ii) located at a Facility.

" Business Key Brands " has the meaning set forth in the definition of "Business."

" Business Key Products " has the meaning set forth in the definition of "Business."

" Business Know-How " means all Know-How that both (a) is owned by Seller Parent or its Subsidiaries and (b) is Related to the Business.

" Business Licensed IP " has the meaning set forth in Section 4.13(c) .

" Business Net Cash " means the amount (which may be a positive or negative number) equal to (a) all Cash Equivalents *minus* (b) all outstanding Funded Indebtedness, in each case, of the Conveyed Subsidiaries and their Subsidiaries, as of 12:01 a.m. (New York time) on the Closing Date; provided that any Cash Equivalents or Funded Indebtedness of the Conveyed Subsidiaries or their Subsidiaries as of 12:01 a.m. (New York time) on the Closing Date that will not be Purchased Assets or Assumed Liabilities (subject to the last sentence of Section 2.2(b)) shall be excluded from the calculation of Business Net Cash.

" Business Patent Rights " means all Patent Rights that (a) both (i) are owned by Seller Parent or its Subsidiaries and (ii) are solely related to, solely held for use with, or solely used in connection with the Business; or (b) are listed on the IP Schedules.

" Business Software " means all Software that both (a) is owned or purported to be owned by Seller Parent or its Subsidiaries and (b) is Related to the Business.

" Business Trademark Rights " means all of the following that are owned by or registered to Seller Parent or its Subsidiaries (a)(i) all Trademarks (including Trademark registrations and applications for Trademark registrations) that are (A) solely related to, solely held for use with, or solely used in connection with the Business; or (B) listed in the IP Schedules; (b) all Trademarks that contain, comprise, or include (but only to the extent they include) a Trademark described in the foregoing clause (a); (c) all Trademarks that are confusingly similar to the Trademarks described in clauses (a) or (b) such that they could not be used in commerce without infringing such Trademarks; (d) all Internet Identifiers and telephone numbers or other alphanumeric addresses or mnemonics containing any of the foregoing; and (e) the goodwill of the Business symbolized by any of the foregoing.

" Business Working Capital " means the amount (which may be a positive or negative number) equal to (a) the sum of the assets of the Business as of 12:01 a.m. (New York time) on the Closing Date represented in the line items shown on the Sample Closing Statement for the Business as of such time, *minus* (b) the sum of the liabilities of the Business as of 12:01 a.m. (New York time) on the Closing Date represented in the liability line items shown on the Sample Closing Statement for the Business as of such time, in each case calculated in a manner consistent with the Accounting Principles and the Sample Closing Statement; provided that there shall be excluded from such calculation the Excluded Assets, the Retained Liabilities, all assets or Liabilities in respect of Income Taxes (whether current, deferred, or contingent), any amounts included in the calculation of Business Net Cash, any intercompany accounts or Liabilities to be repaid or extinguished pursuant to this Agreement in connection with the Closing, including pursuant to Section 6.7 , and any intercompany receivables and intercompany payables, and other intercompany Liabilities, solely between or among any Conveyed Subsidiaries and any of their Subsidiaries.

" Cash Equivalents " means, with respect to any Person and as of any time, all cash and cash equivalents, checks, money orders, marketable securities, short-term instruments, bank and other depositary accounts, certificates of deposit, time deposits, negotiable instruments, securities and brokerage accounts, funds in time and demand deposits or similar accounts of such Person as of such time, calculated, in the case of Seller Parent, in a manner consistent with the Accounting Principles and the Sample Closing Statement, and in the case of Purchaser, in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement, (a) excluding the value of outstanding checks and wire transfers that have been issued or transmitted by such Person but have not yet cleared as of such time, unless a corresponding liability is included in the calculation of Business Working Capital or Purchaser Working Capital, as applicable, (b) including the value of uncollected bank deposits of such Person and outstanding checks and wire transfers that have been issued or transmitted to such Person but have not yet cleared as of such time (provided that such outstanding checks and wire transfers ultimately clear), unless in each case a corresponding asset is included in the calculation of Business Working Capital or Purchaser Working Capital, as applicable, and (c) including (i) with respect to Purchaser, the value of any out-of-pocket costs or expenses incurred by either Purchaser or Purchaser Parent prior to the Closing pursuant to Section 2.2 , Section 6.3(d) or Section 6.3(i) (in each case, other than any Purchaser Parent Transaction Expenses) and (ii) with respect to the Conveyed Subsidiaries and their Subsidiaries, the value of any out-of-pocket costs or expenses incurred by either Seller Parent or

its Affiliates prior to the Closing pursuant to Section 2.2 , Section 6.3(d) or Section 6.3(i) (in each case, other than any Seller Parent Transaction Expenses).

" China Entities " has the meaning set forth in Section 6.5(g)(iii)(A) .

" Clean Team Agreement " means the Clean Team Confidentiality Agreement between Seller Parent and Purchaser Parent, dated as of December 17, 2018, as amended or supplemented from time to time.

" Closing " means the closing of the transactions contemplated by this Agreement pursuant and subject to the terms of this Agreement.

" Closing Date " has the meaning set forth in Section 3.1(a) .

" Closing Statement Finalization Date " has the meaning set forth in Section 2.9(f) .

" Code " means the Internal Revenue Code of 1986, as amended.

" Collateral Source " has the meaning set forth in Section 7.6 .

" Collective Bargaining Agreement " means any collective bargaining agreement, labor agreement, work rules or practices, or any other labor-related agreements or arrangements with any labor union, labor organization, works council or consultation body.

" Comparable Position " has the meaning set forth in Section 6.6(b)(i) .

" Compliance Requirements " has the meaning set forth in Section 6.15(a) .

" Confidential Information " has the meaning set forth in Section 6.12(b) .

" Confidentiality Agreement " means the Confidentiality Agreement between Seller Parent and Purchaser Parent, dated as of October 11, 2018, as amended or supplemented from time to time.

" Continuation Period " has the meaning set forth in Section 6.6(c)(i) .

" Contract " means any contract, agreement, lease or license (other than any Governmental Authorization) that is binding on any Person or any part of its property under applicable Law, including any amendment thereto, other than any Seller Group Plan, Purchaser Group Plan, Foreign Seller Group Plan and Foreign Purchaser Group Plan.

" Controlling Party " has the meaning set forth in Section 6.5(e)(iii) .

" Conveyed Subsidiaries " means those entities set forth in Section 1.1(A) of the Seller Disclosure Letter, as such Section may be amended by Seller Parent prior to the Closing Date solely to reflect any changes pursuant to the Seller Internal Restructurings (including any steps Seller

Parent shall undertake to effect the Seller Internal Restructurings) made in accordance with Section 6.5(f)(i).

" Conveyed Subsidiary Excluded Asset " has the meaning set forth in Section 2.1.

" Conveyed Subsidiary Plan " means each Seller Group Plan and each Foreign Seller Group Plan sponsored and maintained by any Conveyed Subsidiary or Subsidiary thereof.

" Copyrights " has the meaning set forth in the definition of "Intellectual Property."

" Counterparty " has the meaning set forth in Section 6.3(d)(ii)(A).

" D&O Indemnitees " has the meaning set forth in Section 6.21(a).

" DC Employees (non-U.S.) " has the meaning set forth in Section 6.6(g)(i).

" DC Employees (U.S.) " has the meaning set forth in Section 6.6(f)(i).

" DC Transfer Amounts " has the meaning set forth in Section 6.6(g)(ii).

" Deductible " has the meaning set forth in Section 7.5(a).

" De Minimis Claim Threshold " has the meaning set forth in Section 7.5(a).

" Delayed Antitrust Approval " has the meaning set forth in Section 6.3(e)(i).

" Delayed Business " has the meaning set forth in Section 6.3(e)(i).

" Delayed Business Cut-Off Date " has the meaning set forth in Section 6.3(e)(i).

" Delayed Business Notice " has the meaning set forth in Section 6.3(e)(i).

" Delayed Business Purchaser " has the meaning set forth in Section 6.3(e)(i).

" Delayed Employment Period " has the meaning set forth in Section 6.6(b)(iii).

" Delayed Transfer Employee " has the meaning set forth in Section 6.6(b)(iii).

" Deposit Agreement " means the deposit agreement dated December 27, 2000, as amended and restated as of December 21, 2007, between Purchaser Parent, the Bank of New York Mellon (as depositary thereunder) and the owners and holders of ADRs issued thereunder.

" Direct Transfer " has the meaning set forth in Section 6.5(g)(iii)(A).

“ Disability Employee ” has the meaning set forth in Section 6.6(b)(iv) .

“ Disputed Item ” has the meaning set forth in Section 2.9(b) .

" Environmental Law " means the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., and any applicable Law of any jurisdiction, as in effect on or prior to the Closing Date, relating to pollution or the protection of the environment, natural resources, wildlife or threatened or endangered species (including indoor and outdoor air, soil, sediment, surface water, groundwater, drinking water, and surface or subsurface land), public or worker health or safety with respect to Hazardous Materials, or the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, Release, disposal, recycling, treatment or other management of Hazardous Materials.

" Environmental Liability " means any Liability arising under Environmental Laws.

" Environmental Permit " means any Governmental Authorization held by either a Conveyed Subsidiary (or a Subsidiary thereof) for its then-current operations or a Seller for the then-current operation of any Real Property, each following the consummation of any Seller Internal Restructurings and as of the Closing Date, and required pursuant to an Environmental Law.

" Equipment " has the meaning set forth in Section 2.1(d) .

" Equipment Leases " has the meaning set forth in Section 2.1(d) .

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended.

" ERISA Affiliate " means any Person that would be treated at a relevant time as a single employer with any other Person under Section 4001(b) of ERISA or Section 414 of the Code.

" Estimated Business Deficit Adjustment " has the meaning set forth in Section 2.8(c) .

" Estimated Business Excess Adjustment " has the meaning set forth in Section 2.8(b) .

" Estimated Business Net Cash " means Seller Parent's good-faith estimate of the Business Net Cash as set forth on the Estimated Closing Statement.

" Estimated Business Working Capital " means Seller Parent's good-faith estimate of the Business Working Capital as set forth on the Estimated Closing Statement.

" Estimated Closing Statement " means a written statement setting forth the Estimated Business Working Capital and the Estimated Business Net Cash, prepared in a manner consistent with the Accounting Principles and the Sample Closing Statement.

" Estimated Purchaser Closing Statement " means a written statement setting forth the Estimated Purchaser Working Capital and the Estimated Purchaser Net Cash, prepared in a manner consistent with the Purchaser Accounting Principles and the Sample Purchaser Closing Statement.

" Estimated Purchaser Deficit Adjustment " has the meaning set forth in Section 2.8(e) .

" Estimated Purchaser Excess Adjustment " has the meaning set forth in Section 2.8(d) .

" Estimated Purchaser Net Cash " means Purchaser Parent's good-faith estimate of the Purchaser Net Cash as set forth on the Estimated Purchaser Closing Statement.

" Estimated Purchaser Working Capital " means Purchaser Parent's good-faith estimate of the Purchaser Working Capital as set forth on the Estimated Purchaser Closing Statement.

" Excluded Assets " has the meaning set forth in Section 2.3(a) .

" Facilities " means the manufacturing and research and development facilities listed in Section 1.1(B) of the Seller Disclosure Letter.

" FCA " means the United Kingdom Financial Conduct Authority.

" FICA " has the meaning set forth in Section 6.6(p) .

" Filings " means any registrations, applications, declarations, reports, submissions or other filings with, or any notices to, any Person (including any third party or Governmental Authority (including any Governmental Antitrust Authority)).

" Final Business Deficit Adjustment " has the meaning set forth in Section 2.9(h) .

" Final Business Excess Adjustment " has the meaning set forth in Section 2.9(g) .

" Final Business Net Cash " has the meaning set forth in Section 2.9(e) .

" Final Business Working Capital " has the meaning set forth in Section 2.9(e) .

" Final Closing Statement " means (a) if no notice of Disputed Items with respect to the Proposed Closing Statement is delivered by either Parent within the period provided in Section 2.9(b) , the Proposed Closing Statement as prepared by Purchaser, or (b) if such a notice of Disputed Items with respect to the Proposed Closing Statement is timely delivered by a Parent, the Proposed Closing Statement with modifications as agreed to in writing by the Parties and/or as directed by the Independent Accountant pursuant to Section 2.9(d) , as applicable.

" Final Determination " means (a) with respect to U.S. federal Income Taxes, a "determination" as defined in Section 1313(a) of the Code, and (b) with respect to Taxes other than U.S. federal Income Taxes, any final determination of Liability in respect of a Tax that, under applicable Law, is not subject to further appeal, review or modification through proceedings or otherwise, including the expiration of a statute of limitations or a period for the filing of claims for refunds, amended Tax Returns or appeals from adverse determinations.

" Final Pre-Closing Income Tax Amount " has the meaning set forth in Section 6.5(d)(vi)(A) .

" Final Purchaser Net Cash " has the meaning set forth in Section 2.9(e) .

" Final Purchaser Parent Deficit Adjustment " has the meaning set forth in Section 2.9(j) .

" Final Purchaser Parent Excess Adjustment " has the meaning set forth in Section 2.9(i) .

" Final Purchaser Working Capital " has the meaning set forth in Section 2.9(e) .

" Financial Statements " has the meaning set forth in Section 4.6(a) .

" Foreign Purchaser Group Plan " means each pension, profit sharing, savings, retirement, health, life, disability, deferred compensation, incentive, bonus, employment, retention, change in control, termination, severance and fringe benefit plan, program, or arrangement maintained, or contributed to, by Purchaser Parent or any of its Affiliates in which any Purchaser Business Employee (non-U.S.) or Former Purchaser Business Employee (non-U.S.) participates or is a party, other than plans, programs, or arrangements required to be maintained or contributed to by the Laws of the relevant jurisdiction and other than the Purchaser Group Plans.

" Foreign Seller Group Plan " means each pension, profit sharing, savings, retirement, health, life, disability, deferred compensation, incentive, bonus, employment, retention, change in control, termination, severance and fringe benefit plan, program, or arrangement maintained, or contributed to, by Seller Parent or any of its Affiliates in which any Business Employee (non-U.S.) or Former Business Employee (non-U.S.) participates or is a party, other than plans, programs, or arrangements required to be maintained or contributed to by the Laws of the relevant jurisdiction and other than the Seller Group Plans.

" Form Ancillary Agreement " has the meaning set forth in Section 6.14(a) .

" Former Business Employee " means an employee of Seller Parent or its Affiliates who both (A) performed services on behalf of or to the Business as of immediately prior to his or her termination of employment, and (B) would have been considered a Business Employee if his or her employment had not terminated prior to the Closing. The term "Former Business Employee" when followed by "(U.S.)" means a Former Business Employee who was employed in the United States and when followed by "(non-U.S.)" means a Former Business Employee who was employed outside the United States.

" Former Purchaser Business Employee " means an employee of Purchaser Parent or its Affiliates who both (A) performed services on behalf of or to the Purchaser Business as of immediately prior to his or her termination of employment, and (B) would have been considered a Purchaser Business Employee if his or her employment had not terminated prior to the Closing. The term "Former Purchaser Business Employee" when followed by "(U.S.)" means a Former Purchaser Business Employee who was employed in the United States and when followed by "(non-U.S.)" means a Former Purchaser Business Employee who was employed outside the United States.

" FSMA " means the UK Financial Services and Markets Act 2000.

" Fundamental Purchaser Parent Representations " means the representations and warranties of Purchaser Parent contained in Section 5.1 , Section 5.2 , Section 5.3(a) , Section 5.3(b) , Section 5.16 and Section 5.20 .

" Fundamental Seller Parent Representations " means the representations and warranties of Seller Parent contained in Section 4.1 , Section 4.2 , Section 4.3(a) , Section 4.3(b) , Section 4.15 and Section 4.19 .

" Funded Indebtedness " means, with respect to any Person and as of any time, without duplication, the following obligations of such Person as of such time (including in respect of principal, accrued and unpaid interest, premiums (including make-whole premiums), prepayment penalties, breakage costs and other fees, expenses and charges that would arise as a result of the discharge of such amount owed and directly attributable to the consummation of the Closing), calculated, in the case of Seller Parent, in a manner consistent with the Accounting Principles and the Sample Closing Statement, and in the case of Purchaser, in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement: (a) the outstanding principal amount of any indebtedness for borrowed money; (b) all capitalized lease obligations that are classified by such Person as a balance sheet liability in accordance with the Accounting Principles or Purchaser Accounting Principles, as applicable; (c) all direct reimbursement obligations in respect of letters of credit, solely to the extent such letters of credit have actually been drawn; (d) all obligations evidenced by bonds, notes, debentures or debt securities; (e) any net payment obligations under any interest rate or currency hedging Contract to the extent classified by such Person as a balance sheet liability in accordance with the Accounting Principles or Purchaser Accounting Principles, as applicable, calculated as of such time as the net amount of payment that would be required to be paid by such Person to the counterparty bank(s) upon the unwind or early termination of such Contract at such time; (f) any amounts owing as deferred purchase price of, or a contingent payment for, any business, assets, property, goods or services (other than ordinary course trade payables and those listed on Section 1.1(C) of the Seller Disclosure Letter); (g) all guarantees and keepwell arrangements issued by such Person to a creditor against a loss with respect to the obligations described in clauses (a) through (f) of another Person; and (h) in the case of the Conveyed Subsidiaries and their Subsidiaries, Seller Accrued Income Taxes and, in the case of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), Purchaser Accrued Income Taxes; provided that Funded Indebtedness shall not include (i) any intercompany payables, or other intercompany Liabilities, solely between or among (A) any Conveyed Subsidiaries (or any of their Subsidiaries) and any of their Subsidiaries or (B) Purchaser (or any of its Subsidiaries) and any of its Subsidiaries, (ii) any intercompany accounts or other Liabilities to be repaid or extinguished pursuant to this Agreement in connection with the Closing, including pursuant to Section 6.7 , (iii) any Liabilities in respect of Taxes (other than Purchaser Accrued Income Taxes or Seller Accrued Income Taxes), including any reserves for contingent Taxes, or (iv) any amounts included in the calculation of the Business Working Capital or Purchaser Working Capital.

" FUTA " has the meaning set forth in Section 6.6(p) .

" GAAP " means generally accepted accounting principles in the United States.

" Global Trade Control Laws " means U.S. Export Administration Regulations; the U.S. International Traffic in Arms Regulations; the U.S. economic sanctions rules and regulations implemented under statutory authority and/or the President's Executive Orders and administered by the U.S. Department of the Treasury Office of Foreign Assets Control; European Union (E.U.) Council Regulations on export controls, including Nos. 428/2009, 267/2012; other E.U. Council sanctions regulations, as implemented in E.U. Member States; United Nations sanctions policies; and other relevant economic sanctions, export and import control Laws in any other jurisdiction in which the Business or the Purchaser Business, as applicable, markets, commercializes, distributes and sells products as of the date of this Agreement or as of Closing.

" Goods in Transit " means Products that have left a facility of Seller Parent (or any Subsidiary of Seller Parent), were recorded by Seller Parent (or the Subsidiary of Seller Parent) as sales in their accounting systems at or prior to 12:01 a.m. (New York time) on the Closing Date, but have not been received by customers or Purchaser.

" Governmental Antitrust Authority " means any of the U.S. Federal Trade Commission, the Antitrust Division of the U.S. Department of Justice, the attorneys general of the several states of the United States and any other Governmental Authority having jurisdiction with respect to the transactions contemplated hereby pursuant to applicable Antitrust Laws.

" Governmental Authority " means any supra-national, transnational, national, state, municipal or local government, any federal, state, city, municipality or other political subdivision thereof and any entity, department, bureau, body, agency, commission, authority or court of competent jurisdiction, whether domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government and any executive official thereof or any arbitral body .

" Governmental Authorizations " means all licenses, permits, certificates, clearances, registrations, consents and other authorizations and approvals from any Governmental Authority required to carry on the Business or the Purchaser Business, as applicable, under the applicable Laws of any Governmental Authority.

" Governmental Order " means any order, writ, judgment, injunction, decree, ruling, stipulation, determination or award entered by or with any Governmental Authority.

" Hazardous Materials " means all pollutants, contaminants, wastes or chemicals or other materials or substances defined, classified, listed or regulated as "hazardous," "extremely hazardous," "restricted hazardous wastes," "dangerous," "pollutants," "contaminants," "toxic," or words of similar import under any Environmental Law, including asbestos, asbestos containing materials, lead-based paint, toxic mold, petroleum, and petroleum products, or for which Liability may be imposed under Environmental Law.

" Hold-Back Termination Date " has the meaning set forth in Section 6.3(e)(i) .

" HSR Act " means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

" IFRS " means the body of pronouncements issued by the International Accounting Standards Board (IASB), including International Financial Reporting Standards and interpretations approved by the IASB, International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee as endorsed under the EU accounting regulations and included in the periodic report showing the status of endorsement by the European Financial Reporting Advisory Group.

" Income Tax " means any U.S. federal, state, local or non-U.S. Taxes imposed on or calculated by reference to net income or profits (however denominated), franchise Taxes and other similar Taxes.

" Income Tax Return " means any Tax Return in respect of Income Taxes.

" Indebtedness " means, with respect to any Person and as of any time, without duplication, the following obligations as of such time: (a) all Funded Indebtedness of such Person and (b) all letters of credit or performance bonds issued for the account of such Person (and reimbursement obligations in respect thereof).

" Indemnified Party " has the meaning set forth in Section 7.3(a) .

" Indemnifying Party " has the meaning set forth in Section 7.3(a) .

" Independent Accountant " means any registered independent public accounting firm of international standing as Seller Parent and Purchaser shall mutually agree upon.

" Indirect Transfers " has the meaning set forth in Section 6.5(g)(iii)(B) .

" Information Systems " means (a) computer systems, servers, workstations, routers, hubs, switches, data communications networks (other than the Internet) and other information technology equipment used to create, store, transmit, exchange or receive information, voice or data and (b) documentation, user manuals, and training manuals documenting the functionality or use of any of the foregoing.

" Insurance Matter " has the meaning set forth in Section 6.18(b) .

" Insurance Policy " has the meaning set forth in Section 6.18(b) .

" Intellectual Property " means all intellectual property rights throughout the world, including: (a) Patent Rights, (b) trademarks, service marks, corporate names, trade names, Internet Identifiers, logos, slogans, trade dress, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing (" Trademarks "), (c) copyrights and intellectual property rights in copyrightable and other works, moral rights, design rights and other sui generis rights (" Copyrights "), (d) trade secrets or other proprietary rights in clinical, technical, scientific, manufacturing, regulatory and other information, inventions (whether or not patentable), discoveries, designs, results, techniques, database rights, data, databases, data collections and other know-how, including plans, processes, practices, methods, trade secrets, instructions, formulae, formulations, recipes, compositions, specifications, protocols, analytical and quality control

information and procedures, test data and results, reports, studies, and marketing, pricing, distribution, cost and sales information (" Know-How "), (e) intellectual property rights in Software and (f) applications and registrations and renewals for, and all associated rights with respect to, any of the foregoing in any jurisdiction, including all rights to collect royalties, products and proceeds with respect to any of the foregoing.

" Intellectual Property License Agreement " has the meaning set forth in Section 6.14(a) .

" Intentional Breach " means, with respect to any representation, warranty, covenant or agreement in this Agreement, an action or omission taken or omitted to be taken on or after the date hereof that the breaching Person intentionally takes (or fails to take) and knows would, or would reasonably be expected to, cause a material breach of such representation, warranty, covenant or agreement.

" Internet Identifier " means any Internet domain name or electronic address, Internet domain name registration, uniform resource locator, social media accounts, or social media account addresses or other identifiers, alpha-numeric designations associated with any of the foregoing, and account names or identifiers, passwords or other credentials to access or modify the access rights to any of the foregoing.

" Inventory " means (a) all raw material inventory, work-in-process inventory, Goods in Transit and finished Products inventory, in each case, solely owned by Sellers or the Conveyed Subsidiaries (or any of their Subsidiaries) and solely used or held for use in the Business (other than any raw material inventory, work-in-process inventory and finished products inventory subject to a Manufacturing and Supply Agreement (Seller Parent as Supplier)) and (b) raw material inventory, work-in-process inventory and finished products inventory, in each case, solely owned by Sellers or the Conveyed Subsidiaries (or any of their Subsidiaries) and solely used or held for use in a Manufacturing and Supply Agreement (Purchaser as Supplier), but excluding any raw material inventory or work-in-process inventory (including any active pharmaceutical ingredients) that Seller Parent or any of its Affiliates supplies through a tolling or similar arrangement (including, following the Closing, any Manufacturing and Supply Agreement (Purchaser as Supplier), and including all Customer-Supplied Materials (as defined therein)) to a Facility prior to, on or following the Closing for the manufacture of products subject to a Manufacturing and Supply Agreement (Purchaser as Supplier) (which raw material inventory and work-in-process inventory (including such Customer-Supplied Materials), for clarity, shall not be Inventory or any other Purchased Asset and Purchaser shall acquire no right, title or interest therein).

" IP Assignment Agreements " has the meaning set forth in Section 6.14(a) .

" IP Schedules " has the meaning set forth in Section 4.13(a) .

" IRS " means the U.S. Internal Revenue Service.

" Know-How " has the meaning set forth in the definition of "Intellectual Property."

" Knowledge of Purchaser Parent " means the actual knowledge of any of the individuals listed in Section 1.1(B) of the Purchaser Parent Disclosure Letter.

" Knowledge of Seller Parent " means the actual knowledge of any of the individuals listed in Section 1.1(D) of the Seller Disclosure Letter.

" Laws " means any law, act, statute, ordinance, rule, directive, regulation, code, treaty (including any Tax treaty) of any Governmental Authority or any Governmental Order.

" Lease Agreement " has the meaning set forth in Section 6.14(d) .

" Leased Purchaser Real Property " means all real property primarily related to, held for use with, or used in connection with the Purchaser Business, other than the Owned Purchaser Real Property.

" Leased Real Property " has the meaning set forth in Section 2.1(c) .

" Liabilities " means any and all Losses, debts, liabilities and obligations, whether accrued or unaccrued, fixed or variable, known or unknown, absolute or contingent, matured or unmatured or determined or determinable.

" Liens " means any lien, security interest, mortgage, charge, pledge, license, easement or other similar encumbrance, title defect or material use or transfer restriction, it being understood and agreed that "Lien" does not include any non-exclusive license or other non-exclusive grant of rights to Intellectual Property.

" Listing Rules " means the rules and regulations made by the FCA pursuant to Part 6, section 73A of the FSMA and contained in the FCA's publication of the same name.

" Local Implementing Agreements " means the various Share transfer agreements, Purchased Asset transfer agreements and other agreements and the schedules and exhibits thereto to be entered into by Purchaser and the Purchaser Designated Affiliates and the applicable Sellers for purposes of implementing the sale, transfer, conveyance, and assignment, as applicable, of the applicable Sellers' right, title and interest in the Shares and the other Purchased Assets to, and the employment of the Business Employees consistent with Section 6.6 by, Purchaser and such Purchaser Designated Affiliates, and the assumption of the Assumed Liabilities, as the case may be, in the appropriate jurisdictions, prepared and executed in accordance with Section 6.14 . The Parties agree that the Local Implementing Agreements shall not expand or limit the rights and obligations of the Parties or their Affiliates beyond those provided for in this Agreement, and that the Local Implementing Agreements shall not provide for any additional rights, obligations or indemnities of the Parties or their Affiliates, that are not provided for in this Agreement. For clarity, the Indirect Transfers shall be effected pursuant to a Local Implementing Agreement.

" Loss " means any and all damages, losses, Taxes, penalties, judgments, settlements, payments, fines, interest, costs and expenses (including the reasonable out-of-pocket costs and expenses of attorneys and other professional advisors incurred in the investigation, defense and/or

settlement thereof), but excluding any damages to the extent not reasonably foreseeable, loss of business reputation, or punitive or exemplary damages (in each case, other than to the extent such damages are awarded to any third party by Governmental Order against, and paid by, an Indemnified Party).

" Make-Whole Award " has the meaning set forth in Section 6.6(c)(vi) .

" Manufacturing and Supply Agreement (Purchaser as Supplier) " has the meaning set forth in Section 6.14(a) .

" Manufacturing and Supply Agreement (Seller Parent as Supplier) " has the meaning set forth in Section 6.14(a) .

" Manufacturing Registrations " means all Governmental Authorizations granted to Seller Parent or any of its Affiliates by, or pending with, any Governmental Authority for manufacturing facilities that are Facilities.

" Material Adverse Effect " means any change, event, development, occurrence or effect that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect on the business, results of operations or financial condition of the Business, taken as a whole; provided , however , that any change, event, development, occurrence or effect to the extent resulting from or arising out of any of the following, either alone or in combination, shall not be considered in determining whether there has been or may be a Material Adverse Effect: (i) general economic conditions (including changes in (A) financial or market conditions, (B) currency exchange rates, (C) prevailing interest rates or credit markets or (D) the price of commodities or raw materials) applicable in countries, jurisdictions or markets in which there are Purchased Assets or sales of Products (or the securities, syndicated loan, credit or financial markets globally or in any such economies, countries, jurisdictions or markets); (ii) changes (or proposed changes) in the legal, Tax, regulatory or political conditions (including changes in Law or in the interpretation or application of Law) applicable in countries, jurisdictions or markets in which there are Purchased Assets or sales of Products; (iii) changes (or proposed changes) in GAAP or other applicable accounting standards or the interpretations thereof; (iv) conditions in or affecting the industries in which the Business operates; (v) conditions resulting from natural disasters, earthquakes, hurricanes, tsunamis, floods, fires, storms, typhoons, lightning, hail storms, blizzards, tornadoes, droughts, cyclones, arctic frosts, mudslides, wildfires, manmade disasters, acts of God, pandemics or other weather-related or natural conditions, or the commencement, occurrence, continuation or intensification of any war (whether or not declared), sabotage, armed hostilities, civil unrest, military attacks or acts of terrorism or declaration of national emergency; (vi) any failure by the Business to meet budgets, plans, projections or forecasts (whether internal or otherwise) for any period (it being understood that the underlying causes of the failure to meet such budgets, plans, projections or forecasts may be taken into account in determining whether a Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph; provided that this clause (vi) shall not be construed as implying that Seller Parent is making any representation or warranty herein with respect to any budgets, plans, projections or forecasts, and no such representations or warranties are being made); (vii) any change in Seller Parent's stock price or trading volume (it being understood that the underlying causes of such change may be taken

into account in determining whether a Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph); (viii) Seller Parent's pursuit of strategic alternatives for the Business or the negotiation, execution, announcement, performance, pendency or consummation of this Agreement, the transactions contemplated hereby or by any of the Ancillary Agreements (it being understood and agreed that the foregoing shall not apply to the representations and warranties set forth in Section 4.4), the identity of Purchaser or any of its Affiliates or any acts or omissions of Purchaser or its Affiliates or any communication by Purchaser or any of its Affiliates, including in respect of its plans or intentions (including in respect of the Business Employees) with respect to the Business, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees; (ix) without limiting clause (viii) above, any action taken by Seller Parent or its Affiliates (including any Conveyed Subsidiary and their Subsidiaries) as expressly required by this Agreement, including any changes, events or effects arising out of the application of Antitrust Laws (including any action or judgment arising under Antitrust Laws) to this Agreement or the transactions contemplated hereby or the effect of any action taken (or agreed to be taken) by Seller Parent, Purchaser, or any of their respective Affiliates pursuant to Section 6.3 ; (x) any action taken, or failure to take action, or such other changes or events, in each case, to which Purchaser has consented in writing; (xi) any labor strike, slow down, lockout or stoppage, pending or threatened, against the Business; or (xii) any Excluded Assets or Retained Liabilities; provided , further , that any change, event, development, occurrence or effect referred to in clauses (i) , (ii) , (iii) , (iv) and (v) may be considered in determining whether there has been or may be a Material Adverse Effect to the extent such change, event, development, occurrence or effect has a disproportionate adverse impact on the business, results of operations or financial condition of the Business, taken as a whole, relative to the other businesses in the industries in which the Business operates (in which case only such incremental disproportionate impact may be considered in determining whether there has been or may be a Material Adverse Effect).

" Material Contract " has the meaning set forth in Section 4.12(a) .

" Most Cost-Effective Manner " means a Remedial Action based upon (a) the least stringent clean-up standards that, based on the use classification (industrial, commercial or residential) as of the Closing Date of the applicable real property subject to the Remedial Action, are established under Environmental Law and (b) the least-costly methods that are in accordance with Environmental Law, in each case of (a) and (b) that are approved by or otherwise acceptable to the applicable Governmental Authorities, including the use of engineering and institutional controls to eliminate or minimize exposure pathways, and may also include, in the reasonable discretion of the Party responsible for such Remedial Action, any other Remedial Action that is allowed under applicable Environmental Law and approved by or otherwise acceptable to the applicable Governmental Authorities.

" Name Change Date " has the meaning set forth in Section 6.15(a) .

" New Subsidiaries " has the meaning set forth in Section 6.27 .

" Non-Controlling Party " has the meaning set forth in Section 6.5(e)(iii) .

" Non-Indemnified Claims " has the meaning set forth in Section 6.17(b) .

" Notice 7 " has the meaning set forth in Section 6.5(g)(iii)(B) .

" Off-the-Shelf Software " means software licensed from a third party on general commercial terms that continues to be commonly available for license on such general commercial terms.

" Ordinary Shares " means the A Ordinary Shares and the B Ordinary Shares.

" Outside Date " has the meaning set forth in Section 9.1(b) .

" Outstanding Antitrust Jurisdiction " has the meaning set forth in Section 6.3(e)(i) .

" Owned Purchaser Real Property " means the real property that both (a) is owned by Purchaser Parent or its Subsidiaries and (b) is primarily related to, held for use with, or used in connection with the Purchaser Business.

" Owned Real Property " has the meaning set forth in Section 2.1(b) .

" Parent Indemnified Parties " has the meaning set forth in Section 7.2 .

" Parents " has the meaning set forth in the preamble of this Agreement.

" Parties " has the meaning set forth in the preamble of this Agreement.

" Patent Rights " means (a) issued patents, (b) invention disclosures, and pending patent applications, including all provisional applications, substitutions, continuations, continuations-in-part, divisions and renewals, and all patents granted thereon, (c) patents-of-addition, reissues, reexaminations and extensions or restorations by existing or future extension or restoration mechanisms, including patent term adjustments, patent term extensions, supplementary protection certificates or the equivalent thereof, (d) inventor's certificates, (e) registered or other utility model rights, registered or other design rights and registered or other industrial property rights and (f) United States and foreign counterparts of any of the foregoing.

" PCH Split Products " has the meaning set forth in the definition of "Retained Businesses."

" Pension Transfer Amounts " has the meaning set forth in Section 6.6(e)(ii) .

" Permitted Liens " means (a) Liens approved in writing by Purchaser; (b) statutory Liens arising out of operation of Law with respect to a Liability incurred in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Financial Statements; (c) Liens and other imperfections of title that do not materially detract from the value or materially impair the use of the property subject thereto or make such property unmarketable or uninsurable; (d) with respect to real property, (i) easements, declarations, covenants, rights-of-way, restrictions and other charges, instruments or encumbrances that are recorded against title to real estate which do not materially impair the use or occupancy of such real property in the operation of the Business conducted thereon; (ii) zoning ordinances,

variances, conditional use permits and similar regulations, permits, approvals and conditions which are not violated by the current use of the real property subject thereto in the operation of the Business conducted thereon; (iii) Liens not created by the Sellers that affect the underlying fee interest of any leased real property, including master leases or ground leases, which do not materially impair the use or occupancy of such real property in the operation of the Business conducted thereon; and (iv) all matters of record and any state of facts that an accurate survey or inspection of the property would disclose to the extent such matters or states of fact do not materially detract from the value or materially impair the use or occupancy of such real property in the operation of the Business conducted thereon; (e) Liens for Taxes, assessments or other governmental charges or levies (i) that are not yet due or payable or (ii) that are being contested in good faith by appropriate proceedings and for which an adequate reserve has been established in the Financial Statements; (f) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' or other similar Liens and security obligations arising in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Financial Statements; (g) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; (h) Liens that will be released and, as appropriate, removed of record, at or prior to the Closing Date in accordance with the terms of this Agreement; (i) Liens arising on assets and products sold in the ordinary course of business; (j) Liens arising in connection with any consignment arrangement entered into in the ordinary course of business; (k) Liens identified in the Financial Statements (including in the notes thereto); (l) with respect to any equity of a Conveyed Subsidiary (or any of its Subsidiaries), any restrictions under applicable securities Laws and any Lien set forth in the governing documents of such Conveyed Subsidiary (or any of its Subsidiaries); (m) other Liens that do not materially detract from the value of, or materially impair the current use of, the assets subject thereto; and (n) Liens disclosed or set forth in the Seller Disclosure Letter.

" Person " means an individual, a limited liability company, joint venture, a corporation, a partnership, an association, a trust, a division or operating group of any of the foregoing or other entity or organization, including a Governmental Authority.

" Plan Regulatory or Funding Documents " means (to the extent applicable) (i) the most recent summary plan description with respect to each such plan, (ii) any related trust or other funding vehicle and any current administrative or service contract or insurance policy, (iii) the most recent annual report on IRS Form 5500 and the most recent actuarial report, financial statements or similar reports or statements, (iv) the most recent determination or opinion letter received from the IRS with respect to each such plan intended to qualify under Section 401 of the Code and (v) any documents applicable to a Foreign Seller Group Plan or Foreign Purchaser Group Plan (as applicable) that are analogous to those contemplated by clauses (i) through (iv) .

" Post-Closing Representation " has the meaning set forth in Section 10.17(a) .

" Post-Closing Tax Period " means any taxable period (or portion thereof) beginning after the Closing Date and, in the case of any Straddle Period, the portion of such period beginning after the Closing Date.

" PRC Taxing Authority " means any Taxing Authority in the People's Republic of China.

" Pre-Closing Income Tax Amount " has the meaning set forth in Section 6.5(d)(vi)(A) .

" Pre-Closing Separate Tax Returns " has the meaning set forth in Section 6.5(a)(i) .

" Pre-Closing Tax Period " means any taxable period (or portion thereof) ending on or before the Closing Date and, in the case of any Straddle Period, the portion of such period ending on and including the Closing Date.

" Preference Shares " means non-voting, irredeemable preference shares with a nominal value of £1.00 each in the capital of Purchaser, having the rights and restrictions set out in the Restated Purchaser Articles of Association and the Purchaser Shareholders Agreement.

" Product Registrations " means all Governmental Authorizations granted to a Conveyed Subsidiary or a Seller by, or pending with, any Governmental Authority and Related to the Business, to market any Product, including FDA drug listings, FDA Product Marketing Authorizations, other national or regional marketing authorizations or permits and CE marks anywhere in the world. "Product Registrations" shall not include any Manufacturing Registrations.

" Products " means (a) the products researched, developed, manufactured, marketed, commercialized, distributed and/or sold under the brand names set forth on Annex E-1 or variations or derivatives of such names (including translations thereof) that are researched, developed, manufactured, marketed, commercialized, distributed and/or sold by or on behalf of Seller Parent (directly and indirectly through its Subsidiaries) as of the date hereof and as of immediately prior to the Closing, (b) any over-the-counter consumer healthcare or medicine products, wellness products and other personal care, oral care, nutrition, skin health, cosmetic and related products (other than the PCH Split Products) that are researched, developed, manufactured, marketed, commercialized, distributed and/or sold by or on behalf of Seller Parent (directly and indirectly through its Subsidiaries) through the Pfizer Consumer Healthcare business unit (directly or indirectly pursuant to a contractual arrangement with any other Pfizer business unit, to the extent of the Pfizer Consumer Healthcare business unit's rights pursuant to such contractual arrangement) as of the date hereof and as of immediately prior to the Closing and (c) with respect to each of the foregoing products (clauses (a) and (b)), any line extensions or other developments with respect to such product that are in progress as of the date hereof or immediately prior to the Closing Date.

" Property Taxes " means real, personal and intangible *ad valorem* property Taxes.

" Proposed Closing Statement " has the meaning set forth in Section 2.9(a) .

" Proposed Divestiture " has the meaning set forth in Section 6.3(d)(ii) .

" Purchase Consideration " has the meaning set forth in Section 2.7 .

" Purchased Assets " has the meaning set forth in Section 2.1 .

" Purchaser " has the meaning set forth in the preamble of this Agreement.

" Purchaser Account " means the bank account or accounts controlled solely by Purchaser specified by Purchaser in writing to the other Parties at least two (2) Business Days before the Closing Date.

" Purchaser Accrued Income Taxes " means an amount (not less than zero) equal to the aggregate current Income Tax liabilities of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries) (which shall not be less than zero in any jurisdiction) for all taxable periods (or portions thereof) ending on or before the Closing Date for which final Tax Returns have not been filed. The calculation of Purchaser Accrued Income Taxes shall (i) exclude any deferred Tax liabilities or deferred Tax assets and any amounts in respect of speculative or contingent liabilities for Tax, (ii) include estimated (or other prepaid) Income Tax payments only to the extent that such payments have the effect of reducing (not below zero) the particular current Income Tax liability in respect of which such payments were made, (iii) include Income Tax deductions or Tax refunds (including for overpayments of estimated Taxes), in each case, only to the extent such deductions or Tax refunds have the effect of reducing (not below zero) a particular current Income Tax liability to which they are relevant, (iv) be prepared in accordance with the past practice (including reporting positions and accounting methods) of Purchaser or its applicable Subsidiary in preparing Tax Returns for Income Taxes and (v) in the case of a Straddle Period, be determined in accordance with Section 6.5(d)(iii) .

" Purchaser Accounting Principles " has the meaning set forth in Section 2.8(a) .

" Purchaser Adverse Action " has the meaning set forth in Section 6.3(f) .

" Purchaser Ancillary Agreement " has the meaning set forth in Section 6.7(b) .

" Purchaser Assumed Employee Liabilities " has the meaning set forth in Section 6.6(a)(i) .

" Purchaser Assumed Severance Liabilities " has the meaning set forth in Section 6.6(c)(ii) .

" Purchaser Business " means (a) the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling the products sold under the brand names set forth on Annex E-2 or variations or derivatives of such names (including translations thereof) (the " Purchaser Key Products ", and such brands, the " Purchaser Key Brands "), as conducted by Purchaser Parent (directly and indirectly through its Subsidiaries, including Purchaser and its Subsidiaries) as of the date of this Agreement and as of immediately prior to the Closing, (b) the business reflected in the Purchaser Financial Statements, including the assets, rights, properties, activities, operations and liabilities that comprise such business, (c) the business of marketing, commercializing, distributing and selling any over-the-counter consumer healthcare or medicine products, wellness products and other personal care, oral care, nutrition, skin health, cosmetic and related products (the " Consumer Healthcare Products ") as conducted by Leo Asia Private Limited (including, for clarity, pursuant to the Amended Consignment Selling Agreement) as of the date of

this Agreement and as of immediately prior to the Closing and (d) to the extent not otherwise reflected in the Purchaser Financial Statements, the research and development of any Consumer Healthcare Products, as conducted by Purchaser Parent (directly and indirectly through its Subsidiaries) through its GlaxoSmithKline Consumer Healthcare business (directly or indirectly pursuant to a contractual arrangement with any other GlaxoSmithKline business, to the extent of the GlaxoSmithKline Consumer Healthcare business' rights pursuant to such contractual arrangement) as of the date of this Agreement and as of immediately prior to the Closing. Notwithstanding the foregoing, the following shall not be included in Purchaser Business: (x) the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling pharmaceutical products to the extent such business and the economic benefit attendant to such business is not reflected in the Purchaser Financial Statements and (y) those assets listed in Annex G .

" Purchaser Business Employee " means each individual who, immediately prior to the Closing: (a) is employed by Purchaser Parent or its Affiliates (other than Purchaser or its Subsidiaries) and devotes 70% or more of his or her services to the Purchaser Business but excluding any individual who is based in France or employed by any French Affiliate of Purchaser Parent, or (b) is employed by Purchaser (or its Subsidiaries).

" Purchaser Business Employee (non-U.S.) " means a Purchaser Business Employee based outside of the United States.

" Purchaser Business Employee (U.S.) " means a Purchaser Business Employee based in the United States.

" Purchaser Business Plan " means each Purchaser Group Plan and each Foreign Purchaser Group Plan sponsored and maintained by Purchaser or a Subsidiary of Purchaser.

" Purchaser Copyrights " means all Copyrights, Copyright registrations and applications for Copyright registration that are owned by Purchaser or its Subsidiaries.

" Purchaser Current Representation " has the meaning set forth in Section 10.17(b) .

" Purchaser DC Plans (non-U.S.) " has the meaning set forth in Section 6.6(g)(i) .

" Purchaser DC Plans (U.S.) " has the meaning set forth in Section 6.6(f)(i) .

" Purchaser Designated Affiliate " has the meaning set forth in Section 10.3 (b).

" Purchaser Designated Person " has the meaning set forth in Section 10.17(b) .

" Purchaser Environmental Permit " means any Governmental Authorization held by Purchaser Parent or any of its Subsidiaries for the then-current operations of the Purchaser Business or for the then-current operation of any Purchaser Real Property, as of the Closing Date, and required pursuant to an Environmental Law.

" Purchaser Facilities " has the meaning set forth in Section 5.15(d) .

" Purchaser Financial Statements " has the meaning set forth in Section 5.6(a) .

" Purchaser FSA Plan " has the meaning set forth in Section 6.6(i) .

" Purchaser Group Plan " means any employee benefit plan as defined in Section 3(3) of ERISA and any other material written fringe benefit, incentive, bonus, employment, retention, change in control, termination or severance plan, program, fund, agreement or arrangement, whether or not subject to ERISA, maintained (or contributed to or required to be contributed to) by Purchaser Parent or any of its Affiliates, in which any Purchaser Business Employee (U.S.) or Former Purchaser Business Employee (U.S.) participates or is a party.

" Purchaser Indemnified Parties " has the meaning set forth in Section 7.1(a) .

" Purchaser Internal Restructurings " has the meaning set forth in Section 6.5(f)(ii) .

" Purchaser IP " means (a) all Purchaser Copyrights, Purchaser Patent Rights , Purchaser Trademark Rights, Purchaser Know-How and Purchaser Software, and (b) all other Intellectual Property that is owned, or purported to be owned, by Purchaser or its Subsidiaries.

" Purchaser IT Systems " means all Information Systems that are owned by Purchaser or its Subsidiaries.

" Purchaser Key Products " has the meaning set forth in the definition of "Purchaser Business."

" Purchaser Key Brands " has the meaning set forth in the definition of "Purchaser Business."

" Purchaser Know-How " means all Know-How that is owned by Purchaser or its Subsidiaries.

" Purchaser Liabilities " means any and all Liabilities of Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries), other than Liabilities identified as Purchaser Parent Retained Liabilities in clauses (a) through (f) of the definition of "Purchaser Parent Retained Liabilities", whether arising prior to, on or after the Closing, to the extent resulting from or arising out of the past, present or future ownership, operation, use or conduct of the Purchaser Business.

" Purchaser Licensed IP " means all Intellectual Property owned by Purchaser Parent or any of its Affiliates that has been licensed to Purchaser or its Subsidiaries pursuant to a Purchaser Ancillary Agreement, including the Purchaser Licensed Trademark Rights .

" Purchaser Licensed Trademark Rights " has the meaning set forth in Section 5.14(h) .

" Purchaser Manufacturing Registrations " means all Governmental Authorizations granted to Purchaser Parent or any of its Affiliates by, or pending with, any Governmental Authority for manufacturing facilities that are Purchaser Facilities.

" Purchaser Material Adverse Effect " means any change, event, development, occurrence or effect that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect on the business, results of operations or financial condition of the Purchaser Business, taken as a whole, or Purchaser and its Subsidiaries, taken as a whole; provided , however , that any change, event, development, occurrence or effect to the extent resulting from or arising out of any of the following, either alone or in combination, shall not be considered in determining whether there has been or may be a Purchaser Material Adverse Effect: (i) general economic conditions (including changes in (A) financial or market conditions, (B) currency exchange rates, (C) prevailing interest rates or credit markets or (D) the price of commodities or raw materials) applicable in countries, jurisdictions or markets in which there are assets of the Purchaser Business or sales of Purchaser Products (or the securities, syndicated loan, credit or financial markets globally or in any such economies, countries, jurisdictions or markets); (ii) changes (or proposed changes) in the legal, Tax, regulatory or political conditions (including changes in Law or in the interpretation or application of Law) applicable in countries, jurisdictions or markets in which there are assets of the Purchaser Business or sales of Purchaser Products; (iii) changes (or proposed changes) in IFRS or other applicable accounting standards or the interpretations thereof; (iv) conditions in or affecting the industries in which the Purchaser Business operates; (v) conditions resulting from natural disasters, earthquakes, hurricanes, tsunamis, floods, fires, storms, typhoons, lightning, hail storms, blizzards, tornadoes, droughts, cyclones, arctic frosts, mudslides, wildfires, manmade disasters, acts of God, pandemics or other weather-related or natural conditions, or the commencement, occurrence, continuation or intensification of any war (whether or not declared), sabotage, armed hostilities, civil unrest, military attacks or acts of terrorism or declaration of national emergency; (vi) any failure by the Purchaser Business to meet budgets, plans, projections or forecasts (whether internal or otherwise) for any period (it being understood that the underlying causes of the failure to meet such budgets, plans, projections or forecasts may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph; provided that this clause (vi) shall not be construed as implying that Purchaser Parent is making any representation or warranty herein with respect to any budgets, plans, projections or forecasts, and no such representations or warranties are being made); (vii) any change in Purchaser Parent's stock price or trading volume (it being understood that the underlying causes of such change may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph); (viii) the negotiation, execution, announcement, performance, pendency or consummation of this Agreement, the transactions contemplated hereby or by any of the Ancillary Agreements (it being understood and agreed that the foregoing shall not apply to the representations and warranties set forth in Section 5.4); (ix) without limiting clause (viii) above, any action taken by Purchaser Parent, Purchaser or any of their Affiliates as expressly required by this Agreement, including any changes, events or effects arising out of the application of Antitrust Laws (including any action or judgment arising under Antitrust Laws) to this Agreement or the transactions contemplated hereby or the effect of any action taken (or agreed to be taken) by Seller Parent, Purchaser or any of their respective Affiliates pursuant to Section 6.3 ; (x) any action taken, or failure to take action, or such other changes or events, in each case, to which Seller Parent has consented in writing; (xi) any labor strike, slow down, lockout or stoppage, pending or threatened, against the Purchaser Business; or (xii) any Purchaser Parent Retained Liabilities; provided , further , that any change, event, development, occurrence or effect referred to in clauses (i) , (ii) , (iii) , (iv) and (v)

may be considered in determining whether there has been or may be a Purchaser Material Adverse Effect to the extent such change, event, development, occurrence or effect has a disproportionate adverse impact on the business, results of operations or financial condition of the Purchaser Business, taken as a whole, relative to the other businesses in the industries in which the Purchaser Business operates (in which case only such incremental disproportionate impact may be considered in determining whether there has been or may be a Purchaser Material Adverse Effect).

" Purchaser Material Contract " has the meaning set forth in Section 5.13(a) .

" Purchaser Net Cash " means the amount (which may be a positive or negative number) equal to (a) all Cash Equivalents *minus* (b) all outstanding Funded Indebtedness, in each case, of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), as of 12:01 a.m. (New York time) on the Closing Date; provided that all proceeds, payments or consideration received by Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) as a result of any action taken (or agreed to be taken) by Seller Parent, Purchaser Parent, Purchaser or any of their respective Affiliates pursuant to Section 6.3 shall be excluded from the calculation of Purchaser Net Cash.

" Purchaser Parent " has the meaning set forth in the preamble of this Agreement.

" Purchaser Parent Account " means the bank account or accounts specified by Purchaser Parent in writing to the other Parties hereto at least two (2) Business Days before the Closing Date.

" Purchaser Parent Adverse Recommendation Change " has the meaning set forth in Section 6.24(e) .

" Purchaser Parent Board Recommendation " has the meaning set forth in Section 5.2(a) .

" Purchaser Parent Combined Tax Returns " has the meaning set forth in Section 6.5(e)(v) .

" Purchaser Parent Disclosure Letter " means the disclosure letter that Purchaser Parent has delivered to Seller Parent as of the date of this Agreement.

" Purchaser Parent Estimated Closing Statement " means a written statement setting forth the Estimated Purchaser Working Capital and the Estimated Purchaser Net Cash, prepared in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement.

" Purchaser Parent Final Plan " has the meaning set forth in Section 6.5(f)(iv) .

" Purchaser Parent Indemnified Parties " has the meaning set forth in Section 7.1(a) .

" Purchaser Parent Indemnified Taxes " has the meaning set forth in Section 6.5(d)(ii) .

" Purchaser Parent Retained Businesses " mean all businesses of Purchaser Parent or any of its Subsidiaries other than the Purchaser Business, including the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling (i) any products not included in the definition of "Purchaser Business" and (ii) without limiting the foregoing clause (i) , any pharmaceutical products or pharmaceutical products that have become or may in the future become, in whole or in part, over-the-counter products (other than the products included in the definition of "Purchaser Business").

" Purchaser Parent Retained Liabilities " means any Liabilities of Purchaser Parent or its Affiliates (including Purchaser and its Subsidiaries) other than the Purchaser Liabilities. The Purchaser Parent Retained Liabilities shall include:

(a) all Liabilities for which Purchaser Parent or any of its Affiliates (other than Purchaser and its Subsidiaries) expressly has responsibility pursuant to the terms of this Agreement or any Purchaser Ancillary Agreement;

(b) all Purchaser Parent Transaction Expenses;

(c) all Liabilities, including Liabilities for Taxes, of Purchaser Parent or its Subsidiaries to the extent related to or arising out of the assets, properties and rights of Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) or the Purchaser Parent Retained Businesses (including the assets listed in Annex G) (other than any Liabilities for which Purchaser or Seller Parent expressly has responsibility pursuant to the terms of this Agreement or any Ancillary Agreement, and other than any Liabilities that are separately allocated pursuant to any other agreement or transaction related to such assets, properties or rights between Seller Parent or any of its Affiliates, on the one hand, and Purchaser Parent or any of its Affiliates, on the other hand, including any commercial or other agreements unrelated to this Agreement), including Environmental Liabilities, whether arising prior to, on or after the Closing, to the extent arising out of or related to the ownership or occupancy of any manufacturing, office, research and development, or warehouse facilities owned, leased or operated by Purchaser Parent or its Affiliates other than the Purchaser Facilities;

(d) all Indebtedness of Purchaser Parent and its Affiliates other than (i) Funded Indebtedness of Purchaser and its Subsidiaries included in the calculation of Final Purchaser Net Cash and (ii) Indebtedness of Purchaser and its Subsidiaries that is not Funded Indebtedness;

(e) all Liabilities of Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) (i) pursuant to the Put Option Implementation Agreement, dated as of March 27, 2018, by and among Purchaser Parent, Purchaser and Novartis AG (among others), or (ii) related to or arising out of the divestiture of Horlicks and other consumer healthcare nutrition brands to Unilever plc or its Affiliates and the merger of GSK Consumer Healthcare Limited India with Hindustan Unilever Limited, and the transactions contemplated thereby and any related Contracts entered into in connection therewith other than the Amended Consignment Selling Agreement; and

(f) all Liabilities of Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) set forth in Section 1.1(C) of the Purchaser Parent Disclosure Letter.

" Purchaser Parent Shareholder Approval " has the meaning set forth in Section 5.2(a) .

" Purchaser Parent Shareholder Approval Resolution " means the ordinary resolution of Purchaser Parent's shareholders required to approve the arrangements as contemplated herein or by any of the Ancillary Agreements.

" Purchaser Parent Shareholder Circular " means the related party (as defined in Chapter 11 of the Listing Rules) circular to be prepared and published by Purchaser Parent in connection with the Purchaser Parent Shareholder Meeting.

" Purchaser Parent Shareholder Meeting " has the meaning set forth in Section 6.24(a) .

" Purchaser Parent Termination Fee " has the meaning set forth in Section 9.2(b) .

" Purchaser Parent Transaction Expenses " means any outside counsel, investment banking, accounting, financial advisory and other advisory costs, fees and expenses incurred by Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) at or prior to the Closing specifically in connection with the evaluation and negotiation of a transaction involving Seller Parent and the Business, and the negotiation, execution and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, including the Purchaser Internal Restructurings, in each case other than costs, fees and expenses for which Seller Parent or its Affiliates expressly has responsibility (including pursuant to payment, reimbursement, indemnification or other similar obligations set forth herein) pursuant to the terms of this Agreement.

" Purchaser Patent Rights " means all Patent Rights that are owned by Purchaser or its Subsidiaries.

" Purchaser Pension Plans " has the meaning set forth in Section 6.6(e)(i) .

" Purchaser Permitted Liens " means (a) Liens approved in writing by Seller Parent; (b) statutory Liens arising out of operation of Law with respect to a Liability incurred in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Purchaser Financial Statements; (c) Liens and other imperfections of title that do not materially detract from the value or materially impair the use of the property subject thereto or make such property unmarketable or uninsurable; (d) with respect to real property, (i) easements, declarations, covenants, rights-of-way, restrictions and other charges, instruments or encumbrances that are recorded against title to real estate which do not materially impair the use or occupancy of such real property in the operation of the Purchaser Business conducted thereon; (ii) zoning ordinances, variances, conditional use permits and similar regulations, permits, approvals and conditions which are not violated by the current use of the real property subject thereto in the operation of the Purchaser Business conducted thereon; (iii) Liens not created by Purchaser Parent or its Affiliates that affect the underlying fee interest of any leased real property, including master leases or ground leases, which do not materially impair the use or occupancy of such real property in the operation of the Purchaser Business conducted thereon; and (iv) all matters of record and any state of facts that an accurate survey or inspection of the property would disclose to the extent such matters or states of fact do not materially detract from the value or materially impair the use

or occupancy of such real property in the operation of the Purchaser Business conducted thereon; (e) Liens for Taxes, assessments or other governmental charges or levies (i) that are not yet due or payable or (ii) that are being contested in good faith by appropriate proceedings and for which an adequate reserve has been established in the Purchaser Financial Statements; (f) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' or other similar Liens and security obligations arising in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Purchaser Financial Statements; (g) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; (h) Liens that will be released and, as appropriate, removed of record, at or prior to the Closing Date in accordance with the terms of this Agreement; (i) Liens arising on assets and products sold in the ordinary course of business; (j) Liens arising in connection with any consignment arrangement entered into in the ordinary course of business; (k) Liens identified in the Purchaser Financial Statements (including in the notes thereto); (l) with respect to any equity of Purchaser or any of its Subsidiaries, any restrictions under applicable securities Laws and any Lien set forth in the governing documents of Purchaser (or any of its Subsidiaries); (m) other Liens that do not materially detract from the value of, or materially impair the current use of, the assets subject thereto; and (n) Liens disclosed or set forth in the Purchaser Parent Disclosure Letter.

" Purchaser Privileged Communications " has the meaning set forth in Section 10.17(d) .

" Purchaser Product Registrations " means all Governmental Authorizations granted to Purchaser Parent or a Subsidiary of Purchaser Parent by, or pending with, any Governmental Authority and Related to the Purchaser Business to market any Purchaser Products, including FDA drug listings, FDA Product Marketing Authorizations, other national or regional marketing authorizations or permits and CE marks anywhere in the world. "Purchaser Product Registrations" shall not include any Purchaser Manufacturing Registrations.

" Purchaser Products " means the products researched, developed, manufactured, marketed, commercialized, distributed and/or sold by the Purchaser Business, and any line extensions or other developments with respect to such products that are in progress as of the date hereof or immediately prior to the Closing Date.

" Purchaser Real Property " means, collectively, the Leased Purchaser Real Property and the Owned Purchaser Real Property.

" Purchaser Real Property Leases " means real property leases, subleases, licenses and occupancy arrangements with respect to the Leased Purchaser Real Property.

" Purchaser Related Party Contract " means any Contract between Purchaser Parent and any of its Affiliates (other than Purchaser and its Subsidiaries), on the one hand, and Purchaser or its Subsidiaries, on the other hand.

" Purchaser Retiree Medical Plan " has the meaning set forth in Section 6.6(h) .

" Purchaser Shared Contract " means any Contract, sales order, purchase order, instrument or other commitment, obligation or arrangement entered into prior to the date hereof (or entered into prior to the Closing in accordance with this Agreement) that is between Purchaser Parent or any of its Subsidiaries (including Purchaser and its Subsidiaries), on the one hand, and one or more third parties, on the other hand, that inures to the benefit or burden of both the Purchaser Business and any Purchaser Parent Retained Business, other than any enterprise-wide Contracts, Contracts with respect to Off-the-Shelf Software, Purchaser Group Plans, Foreign Purchaser Group Plans, Collective Bargaining Agreements and any agreement or grant with any Taxing Authority; provided that any such Contract that provides only *de minimis* assets or services to the Purchaser Business or the Purchaser Parent Retained Business, as the case may be, shall not be deemed to be a Purchaser Shared Contract for purposes hereof.

" Purchaser Shareholders Agreement " has the meaning set forth in Section 6.14(b) .

" Purchaser Software " means all Software (a) that is owned by Purchaser or its Subsidiaries and (b) that is exclusively used by Purchaser or its Subsidiaries in the operation of the Purchaser Business.

" Purchaser Tax Act " has the meaning set forth in Section 6.5(d)(i) .

" Purchaser Tax Indemnified Parties " has the meaning set forth in Section 6.5(d)(i) .

" Purchaser Trademark Rights " means all Trademarks, including Trademark registrations and applications for Trademark registrations, (a) that are owned by or registered to Purchaser or its Subsidiaries (including any Purchaser Key Brands); or (b) containing, comprising, or including (but only to the extent they include) any of the foregoing clause (a), including, in each case of clauses (a) and (b), (x) all Trademarks that are confusingly similar to the Trademarks described in clauses (a) and (b) (such that they could not be used in commerce without infringing such Trademarks), (y) all Internet Identifiers and telephone numbers or other alphanumeric addresses or mnemonics containing any of the foregoing and (z) the goodwill symbolized by any of the foregoing.

" Purchaser Working Capital " means the amount (which may be a positive or negative number) equal to (a) the sum of the assets of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), on a consolidated basis, as of 12:01 a.m. (New York time) on the Closing Date represented in the asset line items shown on the Purchaser Sample Closing Statement as of such time, *minus* (b) the sum of the liabilities of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), on a consolidated basis, as of 12:01 a.m. (New York time) on the Closing Date represented in the liability line items shown on the Purchaser Sample Closing Statement for Purchaser as of such time, in each case calculated in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement; provided that there shall be excluded from such calculation any Purchased Assets (regardless of the time of day at which the Closing occurs), the Purchaser Parent Retained Liabilities, all assets or Liabilities in respect of Income Taxes (whether current, deferred, or contingent), any amounts included in the calculation of Purchaser Net Cash, the proceeds, payments or consideration paid or payable to Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries)

as a result of any action taken (or agreed to be taken) by Seller Parent, Purchaser Parent, Purchaser or any of their respective Affiliates pursuant to Section 6.3 , any intercompany accounts or other Liabilities to be repaid or extinguished pursuant to this Agreement in connection with the Closing, including pursuant to Section 6.7 , and any intercompany receivables and intercompany payables, and other intercompany Liabilities, solely between or among Purchaser (or any of its Subsidiaries) and any of its Subsidiaries.

" Real Property " means, collectively, the Leased Real Property and the Owned Real Property.

" Real Property Leases " has the meaning set forth in Section 2.1(c) .

" Records " means (a) all current and historical books, records, reports and other documents and information that pertain to business plans, budgets, financial and accounting data, brand insights and research, Business IP, vendors, manufacturing, customers, research and development of the Products, invoices, marketing and advertising operations, policies, procedures, techniques, systems, employee handbooks or manuals, training materials, operating manuals and documentation, and production manuals and documentation, in each case, in any form or medium, but in each case excluding personnel files and Seller Combined Tax Returns and (b) Registration Information (including in relation to pending applications for Product Registrations and Manufacturing Registrations).

" Registered IP " has the meaning set forth in Section 4.13(a).

" Registered Business IP " has the meaning set forth in Section 4.13(a) .

" Registered Purchaser IP " has the meaning set forth in Section 5.14(a) .

" Registration Information " means copies of the Product Registrations and Manufacturing Registrations and any existing files Related to the Product Registrations and Manufacturing Registrations in the possession of the relevant Seller.

" Regulatory Action " has the meaning set forth in Section 6.3(c)(iv) .

" Related to the Business " or " Relating to the Business " means primarily relating to, primarily held for use with, or primarily used in connection with the Business.

" Related to the Purchaser Business " or " Relating to the Purchaser Business " means primarily relating to, primarily held for use with, or primarily used in connection with the Purchaser Business.

" Release " means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, injecting, depositing, disposing, discharging, dispersal, escaping, dumping, migrating or leaching into the environment, including ambient air, indoor air, sediments, drinking water, water, surface or subsurface strata or groundwater, including the movement of Hazardous Materials through or in the indoor or outdoor air, soil, surface water, groundwater or property.

" Remedial Action " means any action required by a Governmental Authority or Governmental Order or pursuant to Environmental Law to clean up or remediate soil, sediments, air, building materials, drinking water, surface water, groundwater or other environmental media in response to a Release or presence of Hazardous Materials, including any associated action taken to investigate, monitor, assess and evaluate the extent and severity of any such Release, action taken to remediate any such Release, post-remediation monitoring of any such Release, and preparation of all reports, studies, analyses or other documents relating to the foregoing. "Remedial Action" also refers to any Action relating to any of the above, including the negotiation and execution of judicial or administrative consent decrees, or defending claims brought by any Governmental Authority or any other Person, whether such claims are equitable or legal in nature, relating to the relevant cleanup or remediation in response to the relevant Release or presence of Hazardous Materials and associated actions.

" Remediation Completion Date " means the date that (a) the Governmental Authority with jurisdiction over a Remedial Action issues a written notice indicating that no further action, other than operation and maintenance of institutional or engineering controls is required, or (b) if, after requesting in writing such a notice from such a Governmental Authority, despite the Party responsible for such a Remedial Action having reasonably completed the requirements to obtain such a written notice, no such written notice is issued within 90 days after such Governmental Authority's receipt of such request or any longer time period granted to such Governmental Authority under the relevant Environmental Law, then the Remediation Completion Date shall mean the date that an engineering firm mutually selected by the Parties and consistently ranked on the list of the Top 200 Environmental Firms published by the Engineering News-Record, and employing an Environmental Professional as defined in 40 CFR Part 312.10 and ASTM E1527-13, concurs that no further action, other than operation and maintenance of institutional or engineering controls, is required.

" Replacement Shared Contract " has the meaning set forth in Section 2.2(d) .

" Representatives " means, with respect to any Person, such Person's Affiliates and any of such Person's or any of its Affiliates' directors, officers, managers, partners, employees, counsel, financial advisors, accountants, consultants and other advisors, representatives and agents.

" Resolution Period " has the meaning set forth in Section 2.9(c) .

" Restated Purchaser Articles of Association " has the meaning set forth in Section 3.2 .

" Restricted Market " means, as applicable under Global Trade Control Laws, the Crimean Peninsula, Cuba, the Donbass Region, Iran, North Korea, Sudan, and Syria.

" Restricted Party " means any individual(s) or entity(ies) on any of the following lists (such lists, the " Restricted Party Lists "): the list of sanctioned entities maintained by the United Nations; the Specially Designated Nationals List and the Sectoral Sanctions Identifications List, as administered by the U.S. Department of the Treasury Office of Foreign Assets Control; the U.S. Denied Persons List, the U.S. Entity List, and the U.S. Unverified List, all administered by the U.S. Department of Commerce; the entities subject to restrictive measures and the Consolidated List of

Persons, Groups and Entities Subject to E.U. Financial Sanctions, as implemented by the E.U. Common Foreign & Security Policy; the List of Excluded Individuals / Entities, as published by the U.S. Health and Human Services – Office of Inspector General; any lists of prohibited or debarred parties established under the U.S. Federal Food Drug and Cosmetic Act; the list of persons and entities suspended or debarred from contracting with the U.S. government; and similar lists of restricted parties maintained by a Governmental Authority of any other jurisdiction in which the Business or the Purchaser Business, as applicable, markets, commercializes, distributes and sells products as of the date of this Agreement or as of the Closing Date.

" Restricted Party Lists " has the meaning set forth in the definition of "Restricted Party."

" Retained Brands " has the meaning set forth in Section 6.15(a) .

" Retained Businesses " mean all businesses of Seller Parent or any of its Subsidiaries (including the Conveyed Subsidiaries and any of their Subsidiaries) other than the Business, including the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling (a) any products not included in the definition of "Business", (b) each of the products set forth on Annex D (the " PCH Split Products "), (c) without limiting the foregoing clauses (a) and (b) , any pharmaceutical products or pharmaceutical products that have become or may in the future become, in whole or in part, over-the-counter products (other than the products included in the definition of "Business") and (d) any products set forth on Annex F .

" Retained Environmental Liabilities " has the meaning set forth in Section 2.5(b) .

" Retained Facilities " means the manufacturing, office, research and development, and warehouse facilities owned, leased or operated by Seller Parent or any of its Affiliates, other than the Facilities.

" Retained Facilities Environmental Liabilities " has the meaning set forth in Section 2.5(b) .

" Retained Liabilities " has the meaning set forth in Section 2.5 .

" Retained Names " means (a) the Pfizer trademark, name and brand, (b) the Wyeth trademark, name and brand, (c) all Trademarks owned or used by Seller Parent or any of its Affiliates other than the Business Trademark Rights, and (d) all Trademarks containing, comprising, or related to any of the foregoing, including (i) all Trademarks that are variations or derivatives thereof or confusingly similar thereto, and (ii) all Internet Identifiers and telephone numbers or other alphanumeric addresses or mnemonics containing any of the foregoing. Notwithstanding anything in this Agreement to the contrary, Retained Names expressly includes those Trademarks set forth in Section 1.1(E) of the Seller Disclosure Letter.

" Retained Real Property " shall mean all real property owned, leased or used by Seller Parent or any of its Affiliates, other than the Owned Real Property and the Leased Real Property.

" Retained Subsidiaries " means any Subsidiary of Seller Parent, other than the Conveyed Subsidiaries and their Subsidiaries.

" Review Period " has the meaning set forth in Section 2.9(b) .

" Safety Data Exchange Agreement " has the meaning set forth in Section 6.14(a) .

" Sale " has the meaning set forth in Section 2.6 .

" Sample Closing Statement " means the calculation set forth on Annex B-2 , in a manner consistent with the Accounting Principles, for illustrative purposes only, of the Business Working Capital and the Business Net Cash, in each case, as of December 31, 2017, including the line items to be included as assets and liabilities in the calculation of the Business Working Capital.

" Sample Purchaser Closing Statement " means the calculation set forth on Annex B-4 , in a manner consistent with the Purchaser Accounting Principles, for illustrative purposes only, of the Purchaser Working Capital and the Purchaser Net Cash, in each case, as of December 31, 2017, including the line items to be included as assets and liabilities in the calculation of the Purchaser Working Capital.

" Securities Act " means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Seller Account " means the bank account or accounts specified by Seller Parent in writing to the other Parties at least two (2) Business Days before the Closing Date.

" Seller Accrued Income Taxes " means an amount (not less than zero) equal to the aggregate current Income Tax liabilities of the Conveyed Subsidiaries and their Subsidiaries (which shall not be less than zero in any jurisdiction) for all taxable periods (or portions thereof) ending on or before the Closing Date for which final Tax Returns have not been filed. The calculation of Seller Accrued Income Taxes shall (i) exclude any deferred Tax liabilities or deferred Tax assets and any amounts in respect of speculative or contingent liabilities for Tax, (ii) include estimated (or other prepaid) Income Tax payments only to the extent that such payments have the effect of reducing (not below zero) the particular current Income Tax liability in respect of which such payments were made, (iii) include Income Tax deductions or Tax refunds (including for overpayments of estimated Taxes), in each case, only to the extent such deductions or Tax refunds have the effect of reducing (not below zero) a particular current Income Tax liability to which they are relevant, (iv) be prepared in accordance with the past practice (including reporting positions and accounting methods) of the applicable Conveyed Subsidiary or its applicable Subsidiary in preparing Tax Returns for Income Taxes and (v) in the case of a Straddle Period, be determined in accordance with Section 6.5(d)(iii) .

" Seller Cash Incentive Plan " has the meaning set forth in Section 6.6(c)(v) .

" Seller Closing Bonus " has the meaning set forth in Section 6.6(c)(v) .

" Seller Combined Tax Returns " has the meaning set forth in Section 6.5(a)(i) .

" Seller Current Representation " has the meaning set forth in Section 10.17(a) .

" Seller DC Plans (non-U.S.) " has the meaning set forth in Section 6.6(g)(i) .

" Seller DC Plans (U.S.) " has the meaning set forth in Section 6.6(f)(i) .

" Seller Designated Person " has the meaning set forth in Section 10.17(a) .

" Seller Disclosure Letter " means the disclosure letter that Seller Parent has delivered to Purchaser as of the date of this Agreement.

" Seller Facilities " has the meaning set forth in Section 4.14(d) .

" Seller FSA Plan " has the meaning set forth in Section 6.6(i) .

" Seller Group Plan " means any employee benefit plan as defined in Section 3(3) of ERISA and any other material written fringe benefit, incentive, bonus, employment, retention, change in control, termination or severance plan, program, fund, agreement or arrangement, whether or not subject to ERISA, maintained (or contributed to or required to be contributed to) by any Seller or any Conveyed Subsidiary (or Subsidiary thereof), or any of their respective Affiliates, in which any Business Employee (U.S.) or Former Business Employee (U.S.) participates or is a party.

" Seller Indemnifiable Tax Return " has the meaning set forth in Section 6.5(a)(ii) .

" Seller Indemnified Taxes " has the meaning set forth in Section 6.5(d)(i) .

" Seller Internal Restructurings " has the meaning set forth in Section 6.5(f)(i) .

" Seller LTD Plan " has the meaning set forth in Section 6.6(b)(iv) .

" Seller Parent " has the meaning set forth in the preamble of this Agreement.

" Seller Parent Equity Awards " has the meaning set forth in Section 6.6(c)(vi) .

" Seller Parent Final Plan " has the meaning set forth in Section 6.5(f)(iii) .

" Seller Parent Guarantees " means all obligations of Seller Parent or any of the Retained Subsidiaries under any Contract, instrument or other commitment, obligation or arrangement (other than Seller Parent LCs) or other obligation in existence as of the Closing Date to the extent related to the Business for which Seller Parent or any of the Retained Subsidiaries is or may be liable, as guarantor, indemnitor, original tenant, primary obligor, Person required to provide financial support or collateral in any form whatsoever, or otherwise (including by reason of performance guarantees).

" Seller Parent Indemnified Parties " has the meaning set forth in Section 7.1(b) .

" Seller Parent LCs " means all letters of credit issued by or for the account of Seller Parent or the Retained

Subsidiaries on behalf of or in favor of any Conveyed Subsidiary, any of

their Subsidiaries or the Business, and all obligations (including reimbursement obligations) of Seller Parent or the Retained Subsidiaries in respect of the foregoing.

" Seller Parent Related Party Contract " means any Contract between a Conveyed Subsidiary or any of their Subsidiaries, on the one hand, and Seller Parent or its Subsidiaries (other than the Conveyed Subsidiaries or any of their Subsidiaries), on the other hand.

" Seller Pension Plans " has the meaning set forth in Section 6.6(e)(i) .

" Seller Privileged Communications " has the meaning set forth in Section 10.17(c) .

" Seller Retained Plan " means each Seller Group Plan and Foreign Seller Group Plan that is not a Conveyed Subsidiary Plan.

" Seller Retained Severance Liabilities " has the meaning set forth in Section 6.6(c)(ii) .

" Seller Retention Awards " has the meaning set forth in Section 6.6(j) .

" Seller Retiree Medical Plans " has the meaning set forth in Section 6.6(h) .

" Seller Tax Act " has the meaning set forth in Section 6.5(d)(ii) .

" Seller Transaction Expenses " means any outside counsel, investment banking, accounting, financial advisory and other advisory costs, fees and expenses incurred by Seller Parent or any of its Subsidiaries (including the Conveyed Subsidiaries and any of their Subsidiaries) at or prior to the Closing specifically in connection with the Strategic Process conducted by Seller Parent or the negotiation, execution and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, including the Seller Internal Restructurings, other than costs, fees and expenses for which Purchaser or its Affiliates expressly has responsibility (including pursuant to payment, reimbursement, indemnification or other similar obligations set forth herein) pursuant to the terms of this Agreement.

" Sellers " means (i) Seller Parent and (ii) all of the Subsidiaries of Seller Parent that, as of immediately prior to the Closing, own any Purchased Assets.

" Shared Contract " means any Contract, sales order, purchase order, instrument or other commitment, obligation or arrangement entered into prior to the date hereof (or entered into prior to the Closing in accordance with this Agreement) that is between Seller Parent or any of its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries), on the one hand, and one or more third parties, on the other hand, that inures to the benefit or burden of both the Business and any Retained Business, other than any enterprise-wide Contracts, Contracts with respect to Off-the-Shelf Software, Seller Group Plans, Foreign Seller Group Plans, Collective Bargaining Agreements and any agreement or grant with any Taxing Authority; provided that any such Contract that provides only *de minimis* assets or services to the Business or the Retained Businesses, as the case may be, shall not be deemed to be a Shared Contract for purposes hereof.

" Shared Contractual Liabilities " means Liabilities in respect of Shared Contracts.

" Shares " has the meaning set forth in Section 2.1(a) .

" Software " means (a) computer programs, including software implementation of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, (b) user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons and (c) documentation, user manuals, and training manuals documenting the functionality or use of any of the foregoing.

" Specified Records " has the meaning set forth in Section 2.1(j) .

" Straddle Period " has the meaning set forth in Section 6.5(a)(ii) .

" Straddle Period Tax Returns " has the meaning set forth in Section 6.5(a)(ii) .

" Strategic Process " means all matters, whether occurring before or after the date of this Agreement, relating to the review of strategic alternatives with respect to the Business, including the potential sale or other separation of the Business, and all activities in connection therewith, including matters relating to (a) the solicitation of proposals from and negotiations with third parties in connection with the potential sale of the Business or (b) the drafting, negotiation or interpretation of any of the provisions of this Agreement or the Ancillary Agreements, or the determination of the allocation of any assets or Liabilities pursuant to the foregoing agreements or the transactions contemplated thereby.

" Subsequent Loss " has the meaning set forth in Section 6.5(b) .

" Subsidiary " means an entity as to which Seller Parent, Purchaser Parent or Purchaser or any other relevant entity, as the case may be, owns as of the date of determination, directly or indirectly, more than fifty percent (50%) of the voting power or other similar interests. Any Person which comes within this definition as of the date of this Agreement but thereafter fails to meet such definition shall from and after such time not be deemed to be a Subsidiary of Seller Parent, Purchaser Parent or Purchaser or any other relevant entity, as the case may be. Similarly, any Person which does not come within such definition as of the date of this Agreement but which thereafter meets such definition shall from and after such time be deemed to be a Subsidiary of Seller Parent, Purchaser Parent or Purchaser or any other relevant entity, as the case may be.

" Target Business Net Cash " means [***].

" Target Business Working Capital " means [***].

" Target Purchaser Net Cash " means [***].

" Target Purchaser Working Capital " means [***].

Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the SEC.

" Tax Asset " means any Tax Item that could reduce a Tax otherwise payable, including a net operating loss, net capital loss, general business credit, foreign Tax credit, investment credit, research or experimentation credit, charitable deduction or credit related to alternative minimum Tax or other Tax credit.

" Tax Benefit " means the Tax effect of any Tax Item that decreases Taxes paid or payable, including any interest with respect thereto or interest that would have been payable but for such item. For purposes of determining the amount and timing of any Tax Benefit, the recipient of the Tax Benefit shall be deemed to realize or utilize any Tax Benefit as and when such recipient actually receives such Tax Benefit in the form of a reduction in the amount of Taxes that would otherwise be payable, including as a credit against estimated Taxes, or actually receives such Tax Benefit in the form of a cash refund, with the amount of such Tax Benefit being determined on a "with and without" basis taking the Tax Item into account by treating it as the last item available in computing taxable income and as having been used after any other Tax attribute, and such Tax Benefit shall be determined net of any Tax detriments (including reduction of Tax basis of any asset) attributable to any Loss generating the Tax Item giving rise to such Tax Benefit.

" Tax Claim " has the meaning set forth in Section 6.5(e)(i) .

" Tax Item " means any item of income, gain, loss, deduction, credit, recapture of credit or any other item that increases or decreases Taxes paid or payable, including an adjustment under Section 481 of the Code (or any similar provision of state, local or foreign Law) resulting from a change in accounting method.

" Tax Proceeding " means any audit, inquiry, examination, contest, litigation or other Action by, with, or against any Taxing Authority.

" Tax Return " means any return, report, declaration, information return, statement or other document filed or required to be filed with any Taxing Authority (including any schedule or attachment thereto and any amendment thereof), in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

" Taxes " means all taxes, charges, duties, imposts, fees, levies and other assessments of any kind whatsoever, whether or not disputed, including income, alternative or add-on minimum, gross receipts, estimated, capital stock, excise, real or personal property, sales or use, value added, goods and services, registration, windfall, profits, excess profits, documentary, *ad valorem* , intangibles, license, withholding (with respect to compensation or otherwise), payroll, employment, workers' compensation, unemployment compensation, premium, occupancy, disability, net worth, capital gains, transfer, stamp, social security, environmental, occupation and franchise taxes, imposed by any Governmental Authority, and including any interest, penalties and additions attributable thereto.

" Taxing Authority " means any Governmental Authority responsible for the imposition, regulation, collection or administration of any Taxes.

" Termination Expenses " has the meaning set forth in Section 6.6(c)(ii) .

" Third Party Claim " has the meaning set forth in Section 7.3(a) .

" Trademarks " has the meaning set forth in the definition of "Intellectual Property."

" Transfer of Undertakings Laws " means (a) the Council of the European Union Directive 2001/23/EC of March 21, 2001 on the approximation of the Laws of the member states of the European Union relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses and/or local implementing legislation both as amended from time to time or (b) any similar or equivalent Laws applicable in jurisdictions outside of the European Union providing for an automatic transfer of employment or employer substation.

" Transfer Taxes " means any federal, state, county, local, foreign and other sales, bulk sales, use, transfer, real property transfer, excise, license, privilege, gross receipts, conveyance, documentary transfer, stamp, land, customs, recording, registration or other similar Tax (including any notarial fee), but excluding any VAT, imposed in connection with, or otherwise relating to, the transactions contemplated by this Agreement or the recording of any sale, transfer, conveyance or assignment of property (or any interest therein) effected pursuant to or contemplated by this Agreement.

" Transferred Employee (non-U.S.) " has the meaning set forth in Section 6.6(b)(v) .

" Transferred Employee (U.S.) " has the meaning set forth in Section 6.6(b)(v) .

" Transferred Employees " has the meaning set forth in Section 6.6(b)(v) .

" Transferred FSA Balances " has the meaning set forth in Section 6.6(i) .

" Transferred Pension Plan Employees " has the meaning set forth in Section 6.6(e)(i) .

" Transition Plan " has the meaning set forth in Section 6.4(c) .

" Transition Services Agreement " has the meaning set forth in Section 6.14(a) .

" Transition Team " has the meaning set forth in Section 6.4(b) .

" Transitional Trademark License Agreement " has the meaning set forth in Section 6.14(a) .

" Treasury Regulations " means the United States Treasury regulations promulgated under the Code.

" TUL Employee " has the meaning set forth in Section 6.6(b)(ii) .

" UKLA " means the United Kingdom Listing Authority.

" United States " means the United States of America, including its territories and possessions.

" VAT " means goods and services Tax, value added Tax and other similar transactional indirect Taxes (but excluding transfer Tax, stamp duty and other similar Taxes).

" WARN " means the Worker Adjustment and Retraining Notification Act of 1988, as amended or any similar Law.

Section 1.2 Interpretation . The words "hereof," "herein," "hereto" and "hereunder" and words of similar import refer to this Agreement as a whole, including all Annexes, Exhibits and Schedules, and not to any particular provision of this Agreement and the words "date hereof" refer to the date of this Agreement. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. The terms "dollars" and "$" mean U.S. dollars. Wherever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. When a reference is made in this Agreement to an Article, a Section, an Annex, an Exhibit or a Schedule, such reference shall be to an Article or a Section of, or an Annex, an Exhibit or a Schedule to, this Agreement unless otherwise indicated. Any Law defined or referred to in this Agreement or in any agreement or instrument that is referred to herein means such Law as from time to time amended, modified or supplemented, including (in the case of statutes) by succession of comparable successor Laws and the related regulations thereunder and published interpretations thereof; provided that, for purposes of any representations and warranties contained in this Agreement that are made as of a specific date or dates, references to any Law shall be deemed to refer to such Law, as amended, and the related regulations thereunder and published interpretations thereof, in each case, as of such date. Any reference to "writing" or comparable expressions includes a reference to facsimile transmission, e-mail or comparable means of communication. Where used with respect to information, the phrases "delivered" or "made available" means that the information referred to has been physically or electronically delivered to the relevant parties or their respective Representatives, including material that has been posted in the "data room" (virtual or otherwise) established by a Party two (2) Business Days prior to the date hereof (or the Closing Date, but only in the case of information required to be delivered or made available under this Agreement prior to the Closing Date) . The term "disclosed," when used in reference to information disclosed to Purchaser Parent or Purchaser, shall be understood to include (but not be limited to) all disclosures contained in the Seller Disclosure Letter and all written information as shared over e-mail or otherwise included in Seller Parent's virtual data room made available to Purchaser Parent or its Affiliates or Representatives (including in any confidential information memorandum) two (2) Business Days prior to the date hereof (or the Closing Date, but only in the case of information required to be disclosed under this Agreement prior to the Closing Date), and when used in reference to information disclosed to Seller Parent, shall be understood to include (but not be limited to) all disclosures contained in the Purchaser Parent Disclosure Letter and all written information as shared over e-mail or otherwise included in Purchaser Parent's virtual data room made available to Seller Parent or its Affiliates or Representatives (including in any confidential information memorandum) two (2) Business Days prior to the date hereof (or the Closing Date, but only in the case of information required to be

disclosed under this Agreement prior to the Closing Date) . Reference to "day" or "days" are to calendar days. When calculating the period of time before which, within which or following which any act is to be done or step taken (or not taken) pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded, except that if the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day. Amounts used in any calculations for purposes of this Agreement, the Ancillary Agreements or any other document delivered in connection herewith may be either positive or negative, it being understood that the addition of a negative number shall mean the subtraction of the absolute value of such negative number and the subtraction of a negative number shall mean the addition of the absolute value of such negative number.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Purchased Assets . Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller Parent shall, and shall cause the other Sellers to, sell, convey, assign and transfer to Purchaser or the applicable Purchaser Designated Affiliates, and Purchaser shall or shall cause the applicable Purchaser Designated Affiliates to purchase, acquire and accept, all of Seller Parent's and its Subsidiaries' right, title and interest, free and clear of all Liens other than Permitted Liens, as at the Closing in the following (collectively, the " Purchased Assets "):

(a) the equity interests in the Conveyed Subsidiaries (collectively, the " Shares ");

(b) the real property that is set forth in Section 2.1(b) of the Seller Disclosure Letter (collectively, the " Owned Real Property ") and the Facilities (including the related improvements and fixtures), and all easements and other rights and interests appurtenant thereto;

(c) the real property leases, subleases, licenses and occupancy arrangements that are set forth in Section 2.1(c) of the Seller Disclosure Letter (collectively, the " Real Property Leases " and the real property related to such Real Property Leases, the " Leased Real Property "), including the right to all security deposits and other amounts and instruments deposited by or on behalf of the Sellers thereunder;

(d) (i) other than Information Systems (which are the subject of clauses (ii) and (iii)), the owned and leased furniture, equipment, fixtures, machinery, supplies, spare parts, tools, tangible personal property and other tangible property (A) that is Related to the Business and located at a Facility, except as set forth on Section 2.3(a)(xx) of the Seller Disclosure Letter, or (B) set forth on Section 2.1(d)(i)(B) of the Seller Disclosure Letter, (ii) personal computers and vehicles primarily used by the Transferred Employees in respect of the Business (the assets described in the foregoing clauses (i) and (ii) , collectively, the " Equipment "), (iii) Business IT Systems, and (iv) any leases relating to such Equipment or Business IT Systems (the " Equipment Leases ");

(e) Contracts, sales orders, purchase orders, instruments and other commitments, obligations and arrangements (i) to which Seller Parent or any of its Subsidiaries is a party and that

are related solely to the Business, a Purchased Asset or an Assumed Liability, or (ii) that constitute a Shared Contract, but only the portion of such Shared Contract related to the Business (collectively, the " Assumed Contracts ");

(f) all Inventory and samples of any Product;

(g) all Business IP, including the right to sue and recover and retain damages for past, present and future infringement or misappropriation of or other violation of any Business IP and all corresponding rights that, now or hereafter, may be secured throughout the world with respect to any Business IP, but for clarity excluding all Retained Names;

(h) all Registration Information (including in relation to pending applications for Product Registrations and Manufacturing Registrations) Related to the Business;

(i) all Governmental Authorizations, including Product Registrations, Manufacturing Registrations and Environmental Permits, that are owned, used or licensed (subject to the terms of such licenses) and Related to the Business;

(j) without duplication, (A) all Records Relating to the Business (including any applicable attorney-client privilege, attorney work product protection and expectation of client privilege attaching to any such Record), other than the Records set forth on Section 2.1(j) of the Seller Disclosure Letter (the " Specified Records "); provided that the Sellers and their Affiliates may retain one (1) copy of each of the foregoing pursuant to Section 6.8 and remove or redact the names of any customers or vendors from such lists to the extent such customers or vendors relate solely to the Retained Businesses, (B) copies of (x) the portions of all Records that relate to, but do not primarily relate to, the Business and (y) the Specified Records, and (C) the corporate books and records (including Tax Returns other than any Seller Combined Tax Returns) of the Conveyed Subsidiaries and their Subsidiaries to the extent related to the Business; provided , further , that in each case of clauses (A)-(C), Seller Parent may redact or remove any information not related to the Business;

(k) all accounts receivable and all other assets, in each case included in the calculation of Final Business Working Capital, and all Cash Equivalents included in the calculation of Final Business Net Cash;

(l) the goodwill Relating to the Business, together with the right to represent to third parties that Purchaser is the successor to the Business;

(m) all claims, defenses, causes of action, counterclaims and rights of set-off against third parties (at any time or in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent) relating primarily to the Business, a Purchased Asset or an Assumed Liability;

(n) all credits, prepaid expenses, rebates, deferred charges, advance payments, security deposits and other deposits or amounts held as surety by third Persons and prepaid items,

in each case Related to the Business or primarily related to a Purchased Asset or an Assumed Liability and included in the calculation of Final Business Working Capital or Final Business Net Cash;

(o) the amount of any insurance proceeds, recoveries or refunds (net of any reasonable costs of investigating and pursuing the underlying claim and of collection and any Taxes imposed in respect thereof) received by Seller Parent or any of its Affiliates under the Insurance Policies after the date hereof in respect of any Loss prior to the Closing in respect of any Purchased Asset or Assumed Liability to the extent Purchaser does not otherwise receive the benefit thereof (including through application of such proceeds) and except to the extent the related Liabilities are included in the calculation of Final Business Working Capital or Final Business Net Cash;

(p) the assets of all Conveyed Subsidiary Plans and the assets transferred to Purchaser and the Purchaser Designated Affiliates pursuant to Section 6.6 ;

(q) the assets set forth in Section 2.1(q) of the Seller Disclosure Letter;

(r) to the extent legally transferable, all third-party warranties, indemnities, further assurance and other similar covenants, and guarantees to the extent relating to any of the Equipment, Inventory, other Purchased Assets and Assumed Liabilities; and

(s) any other assets, properties or rights in each case Relating to the Business, other than those assets specifically identified as Excluded Assets in clauses (i) through (xx) of Section 2.3(a) .

Notwithstanding anything else herein to the contrary, (i) any assets, properties or rights of any Conveyed Subsidiary (or Subsidiary thereof) that constitute Purchased Assets hereunder shall be deemed Purchased Assets for all purposes of this Agreement (including Article VII), except to the extent any such asset, property or right otherwise would be an Excluded Asset had it not been an asset, property or right of such Conveyed Subsidiary or Subsidiary (and instead an asset, right, or property of Seller Parent or any of its Affiliates (other than a Conveyed Subsidiary (or a Subsidiary thereof))) (a " Conveyed Subsidiary Excluded Asset "), (ii) any Conveyed Subsidiary Excluded Asset shall be deemed an Excluded Asset for all purposes of this Agreement (including Article VII) and Seller Parent shall use commercially reasonable efforts to transfer such Conveyed Subsidiary Excluded Asset, subject to obtaining required consents and Approvals, out of the relevant Conveyed Subsidiary (or Subsidiary thereof) on or prior to the Closing, or thereafter in accordance with Section 6.22 , and (iii) any Liability of any Conveyed Subsidiary (or Subsidiary thereof) that otherwise would be a Retained Liability had it not been a Liability of such Conveyed Subsidiary or Subsidiary (and instead a Liability of Seller Parent or any of its Affiliates (other than a Conveyed Subsidiary (or a Subsidiary thereof))) shall be deemed a Retained Liability for all purposes of this Agreement (including Article VII) and Seller Parent shall use commercially reasonable efforts to transfer such Retained Liability, subject to obtaining required consents and Approvals, out of such Conveyed Subsidiary (or Subsidiary thereof) on or prior to the Closing, or thereafter in compliance with Section 6.22 . The transfer of assets, properties and rights of any Conveyed Subsidiaries (or any Subsidiary thereof) deemed a Purchased Asset shall be effected solely by virtue of the transfer of the Sellers' right, title and interest in the Shares and not through the direct transfer of such assets, properties or rights, and Seller Parent and its Subsidiaries shall not be required to transfer any such

assets, properties or rights of the Conveyed Subsidiaries and their Subsidiaries other than through the transfer of the Sellers' right, title and interest in the Shares.

Section 2.2 Consents; Shared Contracts .

(a) Notwithstanding any other provision of this Agreement, neither this Agreement nor any Ancillary Agreement shall constitute an agreement to, directly or indirectly, sell, convey, assign, transfer or deliver any interest in any Purchased Asset (other than the Shares) or any right or benefit arising thereunder or resulting therefrom if such sale, conveyance, assignment, transfer or delivery, or the purchase or assumption thereof by Purchaser or the applicable Purchaser Designated Affiliates, without the consent or Approval of any Person(s) (including consents or Approvals of any Governmental Authorities), or otherwise, (i) would constitute a breach or other contravention of the rights of such Person(s), (ii) would be ineffective under, or contravene, applicable Law or (iii) would result in the termination, cancellation or acceleration of any material right or obligation of, or result in the loss of any material benefit of, or otherwise adversely affect in any material respect the contractual rights of, the Sellers or any of their Affiliates, or upon transfer, Purchaser or the applicable Purchaser Designated Affiliates; provided , however , that the Parties shall treat Purchaser or the applicable Purchaser Designated Affiliate, as the case may be, as the owner of any such Purchased Asset (and of (x) any portion of any Shared Contract that relates to and is allocated to the Business and the benefits and burdens of which are to be transferred to Purchaser or a Purchaser Designated Affiliate, as the case may be, pursuant to Section 2.2(d) and (y) any Delayed Business) to the fullest extent permitted by applicable Law for all purposes as of the Closing Date. Without limiting the foregoing, if any direct or indirect sale, conveyance, assignment, transfer or delivery, or any agreement to do the same, by the Sellers of, or any direct or indirect purchase or assumption by Purchaser or any Purchaser Designated Affiliate of, any interest in any Purchased Asset or any right or benefit arising thereunder or resulting therefrom, requires the consent or Approval of any Person(s) (including consents or Approvals of any Governmental Authorities), then such sale, conveyance, assignment, transfer, delivery, agreement, purchase or assumption shall be made subject to (and shall only be effective upon) such consent or Approval being obtained and the remainder of this Section.

(b) Each of Seller Parent, Purchaser Parent and Purchaser shall, and shall cause its Affiliates to, use their reasonable best efforts to obtain all consents or Approvals referred to in Section 2.2(a) (other than from Governmental Authorities under applicable Law, which are the subject of Section 6.3 and Section 6.4 , and with respect to the Purchaser Parent Shareholder Approval, which is the subject of Section 6.24), including by executing, acknowledging and delivering such assignments, transfers, consents, assumptions, and other agreements, documents and instruments and taking such other actions as may reasonably be requested by the other Party in order to carry out the intent of this Agreement and any Ancillary Agreements and in order to convey and transfer to, and vest in, Purchaser and the applicable Purchaser Designated Affiliates, the Sellers' right, title and interest in the Purchased Assets and to effectuate the assumption by Purchaser of the Assumed Liabilities, as contemplated by this Agreement, the Local Implementing Agreements and the transactions contemplated hereby and thereby; provided that except as otherwise expressly provided by this Agreement or any Ancillary Agreement, none of Seller Parent, Purchaser Parent or Purchaser or any of their respective Affiliates shall be required to expend any money or

commence any litigation, or offer or grant any accommodation (financial or otherwise) to obtain any such consent or Approval. Purchaser Parent and Purchaser agree to provide such reasonable security and assurances as to financial capability, resources and creditworthiness as may be reasonably requested by any Person(s) whose consent or Approval is sought in connection with the transactions contemplated hereby. If any consent or Approval referred to in Section 2.2(a) is not obtained prior to the Closing, subject to Article VIII , the Closing shall nonetheless take place, and (i) for a period of up to twenty-four (24) months following the Closing Date or until such earlier time as such consent or Approval is obtained, in the case of consents or Approvals other than those required from Governmental Authorities under applicable Law, and (ii) until (A) the earliest to occur of (x) thirty-six (36) months following the Closing Date, (y) the completion of a Listing Transaction (as defined in the Purchaser Shareholders Agreement) or (z) such time as such consent or Approval is obtained, in the case of consents or Approvals from Governmental Authorities under applicable Law other than Antitrust Laws or (B) the Delayed Business Cut-Off Date, in the case of any Delayed Business subject to a Delayed Antitrust Approval, Seller Parent shall use reasonable best efforts to continue to perform its obligations under and comply with the terms of any Purchased Asset, as applicable, upon the direction of Purchaser, in all material respects in the ordinary course of business, and the Parties shall (and shall cause their Affiliates to) use reasonable best efforts to, at no cost to the Sellers or their Affiliates, (x) in the case of consents or Approvals other than those required from Governmental Authorities under applicable Law (which are the subject of Section 6.3 and Section 6.4) , obtain such consents or Approvals, subject to and in accordance with the first sentence of this Section 2.2(b) and (y) obtain or structure an arrangement for Purchaser or such Purchaser Designated Affiliates to receive (or for the Sellers and their Affiliates to enforce for the benefit of Purchaser or such Purchaser Designated Affiliates), whether by license, sub-license, sub-assignment, or by other means, the economic and operational claims, rights and benefits of ownership of such Purchased Assets (including any Delayed Business), including the net profits from the operation or subsequent sale of such Purchased Assets (including any Delayed Business), and including the right to manage and control such Purchased Assets and direct the exercise of voting rights associated with any Purchased Assets that are Shares or, if such arrangement is not made, to agree to such other good faith equitable result; provided that the Sellers and their Affiliates shall not be required to take any action that would, in the good-faith reasonable judgment of the Sellers, constitute a breach or other contravention of the rights of any Person(s), be ineffective under, or contravene, applicable Law (but only to the extent enforceable against Seller Parent or any of its Affiliates) or result in the termination, cancellation or acceleration of any material right or obligation of, or result in the loss of any material benefit of, or otherwise adversely affect in any material respect the contractual rights of, the Sellers or any of their Affiliates. To the extent Seller Parent is not permitted under applicable Law to obtain or structure an arrangement for Purchaser or such Purchaser Designated Affiliates to receive (or for the Sellers and their Affiliates to enforce for the benefit of Purchaser or such Purchaser Designated Affiliates) the economic and operational claims, rights and benefits of ownership of such Purchased Assets (including any Delayed Business), Seller Parent shall use reasonable best efforts to segregate any net profits associated with the ownership of such Purchased Assets (including any Delayed Business) in an account for Purchaser's benefit, such funds to be released as promptly as practicable once permitted under applicable Law. Purchaser shall indemnify and hold harmless the Sellers and the Seller Parent Indemnified Parties for and against all burdens (including losses from the operation or subsequent sale of such Purchased Assets (including any Delayed Business)) and Liabilities arising out of or relating to each such arrangement

or the ownership of the underlying Purchased Asset (including any Delayed Business), and any risk of loss or damage to such Purchased Asset (including any Delayed Business), and shall be responsible for all Assumed Liabilities related thereto in accordance with this Agreement (without limiting any express indemnification obligations of Seller Parent set forth in Section 7.1). Without limiting Section 6.3(f) , upon obtaining the requisite consents and Approvals following the Closing, any such Purchased Asset shall be transferred and assigned to, and accepted and assumed by, Purchaser and the applicable Purchaser Designated Affiliates hereunder. The obligations of the Parties pursuant to Section 6.3 shall be in addition to this Section 2.2(b) , and in the event of any conflict between this Section 2.2(b) and Section 6.3 , Section 6.3 shall control. Without limiting Section 2.2(a) or Section 6.3(f)(i) , notwithstanding the fact that any applicable consent or Approval referred to in Section 2.2(a) is not obtained prior to the Closing (including any consent or Approval required to transfer an interest in a Purchased Asset to which an Assumed Liability relates), each of the assets, properties and rights described in Section 2.1 shall be deemed to be Purchased Assets under this Agreement and each of the Liabilities described in Section 2.4 shall be deemed to be Assumed Liabilities under this Agreement.

(c) Purchaser Parent and Purchaser acknowledge that certain consents or Approvals of or related to the transactions contemplated by this Agreement may be required from certain Persons (including Governmental Authorities) with respect to the Purchased Assets, and the sale, conveyance, assignment, transfer, delivery, purchase or assumption of any interest therein, and that such consents and Approvals may not be obtained. Notwithstanding anything to the contrary set forth in this Agreement, Purchaser Parent and Purchaser agree that the Sellers and their Affiliates shall not have any Liability whatsoever arising out of or relating to the failure to obtain any consents or Approvals that may have been or may be required in connection with or related to the transactions contemplated by this Agreement or because of any default under, or acceleration or termination of or loss of any benefit under, any Real Property Lease, Equipment Lease, Contract, sales order, purchase order, instrument or other commitment, obligation or arrangement, Product Registration, Manufacturing Registration, Environmental Permit, Governmental Authorization or any claim, right or benefit arising under or from any Purchased Asset, as a result thereof, except in the case of a breach by Seller Parent of its express covenants, agreements, obligations, representations or warranties set forth in this Agreement related thereto. Notwithstanding anything to the contrary set forth in this Agreement, Purchaser Parent and Purchaser expressly acknowledge and agree that (other than the conditions expressly set forth in Sections 8.1(a) and 8.1(b)) in no event shall the receipt of any such consents and Approvals be a condition to the obligations of Purchaser Parent or Purchaser to consummate the Sale and the other transactions contemplated by this Agreement, and Purchaser Parent and Purchaser reaffirm their respective obligations to consummate the Sale and the other transactions contemplated by this Agreement subject only to the express conditions set forth in Sections 8.1 and 8.2 , irrespective and independent of whether any such consents or Approvals are obtained.

(d) Except as otherwise agreed by Seller Parent and Purchaser Parent or as otherwise provided in this Agreement or an Ancillary Agreement, and except with respect to any Shared Contracts that relate to services to be provided under the Transition Services Agreement, and without limiting the other provisions of this Section 2.2 , to the extent reasonably requested by Purchaser (i) Seller Parent, Purchaser Parent and Purchaser shall, and shall cause their respective

Affiliates to, reasonably cooperate and use their reasonable best efforts (at Purchaser's cost) to obtain the consent and agreement of the third party that is a counterparty to any Shared Contract to enter into a new Contract with Purchaser or the applicable Purchaser Designated Affiliate (or a Conveyed Subsidiary or its Subsidiary) or to assign or transfer, to the extent assignable or transferable under the terms of such Shared Contract, to Purchaser or the applicable Purchaser Designated Affiliate (or a Conveyed Subsidiary or its Subsidiary) the portion of such Shared Contract (and the rights, benefits, obligations and burdens thereunder) that relates to the Business, pursuant to which Purchaser or the applicable Purchaser Designated Affiliate (or a Conveyed Subsidiary or its Subsidiary) receives the rights and benefits, and bears the obligations and burdens, of such portion of any such Shared Contract that relates to and is allocated to the Business, as reasonably agreed by Seller Parent and Purchaser, in each case effective as of the Closing Date (each, a " Replacement Shared Contract "), unless such Shared Contract relates to a Delayed Business, in which case effective as of the date of transfer of such Delayed Business to Purchaser or the applicable Purchaser Designated Affiliate; provided that the failure to obtain such consent or agreement or such Replacement Shared Contract shall in no event be deemed a breach of this Agreement by Seller Parent or any of its Affiliates, except in the case of a breach by Seller Parent of its express covenants, agreements, obligations, representations or warranties set forth in this Agreement related thereto, and (ii) to the extent such a Replacement Shared Contract is not obtained, until the earlier of twenty-four (24) months following the Closing Date and the expiration or termination date of the applicable Shared Contract (assuming, for these purposes, that the then-current term in effect as of immediately prior to the Closing is not renewed or extended), the Parties shall (and shall cause their Affiliates to) use reasonable best efforts to, at Purchaser's cost, obtain or structure an arrangement for Purchaser or the applicable Purchaser Designated Affiliates to receive the rights and benefits, and bear the obligations and burdens, of such portion of any such Shared Contract that relates to and is allocated to the Business, as reasonably agreed by Seller Parent and Purchaser; provided that in the case of each of clauses (i) and (ii) , the Sellers, Purchaser Parent and Purchaser and their respective Affiliates shall not be required to take any action that would, in the good-faith reasonable judgment of the Sellers or Purchaser, constitute a breach or other contravention of the rights of any Person(s), be ineffective under, or contravene, applicable Law or any such Shared Contract or result in the termination, cancellation or acceleration of any material right or obligation of, or result in the loss of any material benefit of, or otherwise adversely affect in any material respect the contractual rights of, the Sellers, Purchaser or any of their respective Affiliates. Purchaser shall indemnify and hold harmless the Sellers and the Seller Parent Indemnified Parties for and against all burdens and Liabilities arising out of any Replacement Shared Contract, each such arrangement referred to in this Section 2.2(d) and the portion of any Shared Contract that is subject to any such arrangement (other than Shared Contractual Liabilities allocated to Seller Parent in accordance with the following sentence). With respect to Shared Contractual Liabilities pursuant to, under or relating to any Shared Contract, such Shared Contractual Liabilities shall be allocated between Seller Parent and Purchaser as follows: (i) if a Liability is incurred solely in respect of the Business or the Retained Businesses, such Liability shall be allocated to Purchaser (in respect of the Business) or Seller Parent (in respect of the Retained Businesses); and (ii) if a Liability cannot be so allocated under clause (i) , such Liability shall be allocated to Seller Parent or Purchaser, as the case may be, based on the relative proportion of total benefit received by the Business and the Retained Businesses under the relevant Shared Contract, as reasonably agreed by Seller Parent and Purchaser. Notwithstanding the foregoing, (A) each of Seller Parent and Purchaser shall be responsible for any or all Liabilities

arising from its (or its Affiliates') direct or indirect breach of any Shared Contract and (B) Purchaser shall be solely responsible for any or all Liabilities arising out of or relating to any Replacement Shared Contract.

(e) To the extent an asset or liability that comprises the business as reflected in the Financial Statements is not a Purchased Asset or an Assumed Liability, the Parties shall work together in good faith to determine whether, consistent with the terms of this Agreement, and if so how best to, transfer the benefit or detriment of such asset or liability to Purchaser.

Section 2.3 Excluded Assets .

(a) Notwithstanding any provision in this Agreement, Purchaser and the Purchaser Designated Affiliates are not purchasing or acquiring any of Seller Parent's or its Affiliates' (including the Conveyed Subsidiaries' or their Subsidiaries') right, title or interest in any assets, properties or rights other than the Purchased Assets (the " Excluded Assets "), including:

(i) all assets constituting ownership interests in, or that are used or held for use in, the Retained Businesses, other than those assets identified as Purchased Assets in clauses (a) through (s) of Section 2.1 ;

(ii) all Retained Real Property;

(iii) (A) the Retained Facilities, (A) any owned and leased furniture, equipment, fixtures, machinery, supplies, spare parts, tools, tangible personal property and other tangible property located at the Retained Facilities or not Related to the Business, except as set forth on Section 2.1(d)(i)(B) of the Seller Disclosure Letter, and any personal computers and vehicles that are not primarily used by the Transferred Employees in respect of the Business, (A) the Information Systems of Seller Parent and its Subsidiaries, other than the Business IT Systems and (A) any leases relating to the assets described in the foregoing clauses (B) through (D) ;

(iv) all legal and beneficial interest in the share capital or equity interest of any Person other than the Conveyed Subsidiaries (and their Subsidiaries), other than those equity interests set forth on Section 2.1(q) of the Seller Disclosure Letter;

(v) all Shared Contracts and all other Contracts, sales orders, purchase orders, instruments and other commitments, obligations and arrangements to which Seller Parent or any of its Affiliates is a party or by which any of its or their properties, assets or rights is subject, in each case other than Assumed Contracts;

(vi) all inventory (including all raw material inventory, work-in-process inventory, spare parts inventory and finished products inventory) other than the Inventory and any samples of Products;

(vii) the Retained Names and all other Intellectual Property that is not Business IP, including such Intellectual Property licensed to Purchaser under an

Ancillary Agreement or otherwise, and including as set forth on Section 2.3(a)(vii) of the Seller Disclosure Letter, and including the right to sue and recover and retain damages for past, present and future infringement or misappropriation or any other violation of any such Intellectual Property;

(viii) all Governmental Authorizations, including product registrations, manufacturing registrations and environmental permits, owned, used or licensed by Seller Parent or any of its Affiliates and not Related to the Business;

(ix) all customer and vendor lists, all advertising, marketing, sales and promotional materials, and business and financial records, books, and documents and other Records, in each case not Related to the Business, and the Specified Records;

(x) all accounts receivable and other current assets and all cash and cash equivalents, checks, money orders, marketable securities, short-term instruments, bank and other depositary accounts, certificates of deposit, time deposits, negotiable instruments, securities and brokerage accounts, funds in time and demand deposits or similar accounts of Seller Parent or any of its Affiliates (including the Conveyed Subsidiaries or any of their Subsidiaries) (other than the accounts receivable and other assets, in each case included in the calculation of the Final Business Working Capital, and the Cash Equivalents included in the calculation of Final Business Net Cash);

(xi) all Tax refunds, Tax credits or other Tax Assets of the Sellers and any refund or credit against Seller Indemnified Taxes to which Seller Parent is entitled pursuant to Section 6.5(c), whether or not derived from the Business and whether or not existing prior to the Closing, but excluding any refunds or credits or other Tax Assets to the extent reflected as an asset on the Final Closing Statement and taken into account in the calculation of (a) the Final Business Working Capital or (b) Seller Accrued Income Taxes (to the extent, with respect to clause (b), offsetting a Tax Liability in such calculation);

(xii) all Seller Combined Tax Returns and all Tax Returns of the Sellers or any of their Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries) that do not relate solely to Purchased Assets or Assumed Liabilities, and in each case any books and records relating thereto;

(xiii) all claims, defenses, causes of action, counterclaims and rights of set-off against third parties (at any time or in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent) other than those identified as Purchased Assets in Section 2.1;

(xiv) all rights of Seller Parent or any of its Affiliates (for clarity, other than, from and after the Closing, the Conveyed Subsidiaries and their Subsidiaries) under

this Agreement or the Ancillary Agreements and any documents delivered or received in connection herewith or therewith;

(xv) except as set forth in Section 2.1(o) and subject to Section 6.18 , all current and prior insurance policies and all rights of any nature with respect thereto, including all insurance recoveries thereunder and rights to assert claims with respect to any such insurance recoveries;

(xvi) except as expressly set forth in this Agreement (including Section 2.1(p) and Section 6.6), all assets of any Seller Group Plan or Foreign Seller Group Plan that is not a Conveyed Subsidiary Plan;

(xvii) all corporate-level services (but not the assets related to such services to the extent such assets are Purchased Assets) of the type currently provided to the Business by Seller Parent or any of its Affiliates, and without limiting Seller Parent's obligations under the Transition Services Agreement;

(xviii) all third-party warranties, indemnities, further assurances and similar covenants and guarantees other than those identified as Purchased Assets in Section 2.1 ;

(xix) all assets, properties and rights of any Person that are not Related to the Business, including all assets, properties and rights constituting ownership interests in, or that are used or held for use in, or related to, the Retained Businesses, in each case other than those assets, properties or rights identified as Purchased Assets in clauses (a) through (s) of Section 2.1 ; and

(xx) the assets set forth in Section 2.3(a)(xx) of the Seller Disclosure Letter.

(b) Notwithstanding anything in this Agreement to the contrary but subject to Section 6.5(f) , prior to the Closing, Seller Parent shall use commercially reasonable efforts to take (or cause one or more of its Affiliates to take) such action as is necessary, advisable or desirable to transfer the Excluded Assets from the Conveyed Subsidiaries and their Subsidiaries (and, if needed, from the Sellers) to Seller Parent or one or more of its Retained Subsidiaries for such consideration or for no consideration, as may be determined by Seller Parent in its sole discretion, but in compliance with all applicable Laws and as would not result in any material adverse impact to the Purchased Assets or the Business. After the Closing Date, the Parties shall continue to use commercially reasonable efforts to take all actions (and shall cause their Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) to continue to use commercially reasonable efforts to take all actions) reasonably requested by the other Party to effect the provisions of this Section 2.3 , including the return of any Excluded Assets for no additional consideration. Any action taken pursuant to this Section 2.3(b) after the Closing Date shall be deemed for purposes of calculating the Business Working Capital and the Business Net Cash pursuant to Section 2.9 to have occurred as of 12:01 a.m. (New York time) on the Closing Date.

Section 2.4 Assumption of Assumed Liabilities . Upon the terms and subject to the conditions of this Agreement, at the Closing, Purchaser shall (i) assume and, subject to Section 2.5 , Section 6.5 , Section 6.6 and Article VII , pay, perform, satisfy and discharge any and all Liabilities of the Sellers or any of their Affiliates (including the Conveyed Subsidiaries and their Subsidiaries), whether arising prior to, on or after the Closing, to the extent resulting from or arising out of the past, present or future ownership, operation, use or conduct of the Business or the Purchased Assets (including the Shares) and (ii) cause the Conveyed Subsidiaries and their Subsidiaries to pay, perform, satisfy and discharge any and all of their respective Liabilities, in each case of the foregoing clauses (i) and (ii), other than Liabilities identified as Retained Liabilities in clauses (a) through (g) of Section 2.5 (all of the foregoing Liabilities being collectively referred to herein as the " Assumed Liabilities "). The Assumed Liabilities shall also include the following:

(a) all Liabilities to the extent expressly assumed by, retained by or agreed to be performed by Purchaser or its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) pursuant to the terms of this Agreement, including all Liabilities to the extent transferred to or assumed or retained by Purchaser or its Subsidiaries pursuant to Section 6.6 and Section 6.13 ;

(b) all Liabilities in respect of any Action, whether class, individual or otherwise in nature, in law or in equity, whether or not presently threatened, asserted or pending, to the extent arising out of, or to the extent relating to, the Business or the operation or conduct of the Business prior to, on or after the Closing;

(c) all Liabilities for Taxes of the Conveyed Subsidiaries and their Subsidiaries and, without duplication, all other Liabilities for Taxes imposed with respect to, arising out of or relating to the Purchased Assets or the Business, in each case, other than Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement;

(d) all Liabilities to the extent arising out of, or to the extent relating to, the design, manufacture, testing, marketing, distribution, use or sale of Products prior to, on or after the Closing, including warranty obligations and irrespective of the legal theory asserted;

(e) all Liabilities to suppliers and customers, in each case to the extent arising out of, or to the extent relating to, the Business, including in respect of any Products returned prior to, on or after the Closing;

(f) all accounts payable and all other Liabilities, in each case included in the calculation of Final Business Working Capital, all Funded Indebtedness included in the calculation of Final Business Net Cash and all other Indebtedness of the Conveyed Subsidiaries (or their Subsidiaries) that is not Funded Indebtedness;

(g) all Environmental Liabilities of any nature whatsoever to the extent arising out of, or relating to, or in respect of the Conveyed Subsidiaries (or their Subsidiaries), the Purchased Assets, the Business or the Facilities, whether arising prior to, on or after the Closing, other than the Retained Facilities Environmental Liabilities or the Retained Environmental Liabilities;

(h) all Liabilities to the extent relating to, resulting from or arising out of the Assumed Contracts, including Purchaser's or its Affiliates' (including any Conveyed Subsidiary's or its Subsidiaries') portion of Shared Contractual Liabilities pursuant to Section 2.2(d) ; and

(i) the Liabilities set forth in Section 2.4(i) of the Seller Disclosure Letter.

Section 2.5 Retained Liabilities . Except as otherwise set forth in this Agreement, and subject to Article VII , the Sellers shall retain, and none of Purchaser or any of its Affiliates shall assume or be responsible for pursuant to this Agreement, any Liabilities of Sellers or any of their Affiliates other than the Assumed Liabilities (such Liabilities other than the Assumed Liabilities, the " Retained Liabilities "). The Retained Liabilities shall include:

(a) all Liabilities for which any Seller expressly has responsibility pursuant to the terms of this Agreement or any Ancillary Implementing Agreement, including all Liabilities for which the Sellers have responsibility pursuant to Section 6.6 ;

(b) all Liabilities of any Seller or Conveyed Subsidiary (or Subsidiaries thereof) to the extent related to or arising out of (i) the Excluded Assets (other than any Liabilities for which Purchaser or its Affiliates expressly has responsibility pursuant to the terms of this Agreement or any Ancillary Agreement, and other than any Liabilities that are separately allocated pursuant to any other agreement or transaction related to such Excluded Assets between Seller Parent or any of its Affiliates, on the one hand, and Purchaser or any of its Affiliates, on the other hand, including any commercial or other agreements unrelated to this Agreement), including Environmental Liabilities, whether arising prior to, on or after the Closing, to the extent arising out of or related to the ownership or occupancy of the Retained Facilities (the " Retained Facilities Environmental Liabilities ") or (ii) the matters set forth on Section 2.5(b)(ii) of the Seller Disclosure Letter (the " Retained Environmental Liabilities ");

(c) all Seller Indemnified Taxes;

(d) all Seller Transaction Expenses;

(e) Seller Parent's portion of Shared Contractual Liabilities pursuant to Section 2.2(d) ;

(f) all Indebtedness of Seller Parent and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) that are not Assumed Liabilities under Section 2.4 ; and

(g) all Liabilities of Seller Parent or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) set forth in Section 2.5(g) of the Seller Disclosure Letter.

Section 2.6 Purchase Consideration . In consideration of the sale and transfer to Purchaser or the applicable Purchaser Designated Affiliates of the applicable Sellers' right, title and interest in the Purchased Assets, including the Shares, in accordance with and subject to the terms of this Agreement (the " Sale "), and the other obligations of Seller Parent pursuant to this Agreement, at the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, (a) allot, issue and

deliver the Purchase Consideration in accordance with Section 2.7 , and (b) assume the Assumed Liabilities.

Section 2.7 Delivery of the Purchase Consideration . At the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, allot and issue to Seller Parent (and/or Seller Parent's designee(s) (which shall be one or more Affiliates of Seller Parent), in such allocations as may be directed by Seller Parent), free and clear of all Liens except for Liens arising under applicable securities Laws, and credited as fully paid, a number of B ordinary shares in the capital of Purchaser, having the rights and restrictions set out in the Restated Purchaser Articles of Association (the " B Ordinary Shares "), in such number so that, immediately following Closing, (a) the B Ordinary Shares owned by Seller Parent (and/or Seller Parent's designee(s)) will represent 32% of the Ordinary Shares (such B Ordinary Shares, the " Purchase Consideration ") and (b) the A ordinary shares in the capital of Purchaser, having the rights and restrictions set out in the Restated Purchaser Articles of Association, owned by a wholly owned Subsidiary of Purchaser Parent (the " A Ordinary Shares ") will represent the remaining 68% of the Ordinary Shares, in each case of the foregoing clauses (a) and (b), after giving effect to (and including) the issuance of the B Ordinary Shares, and, together with the Preference Shares, such shares will represent all of the issued share capital of Purchaser.

Section 2.8 Estimated Closing Statement; Estimated Adjustment Payments .

(a) No fewer than seven (7) Business Days before the Closing Date, (a) Seller Parent shall prepare in good faith and deliver to Purchaser Parent the Estimated Closing Statement, which shall include Seller Parent's good faith calculation of the Estimated Business Working Capital, Estimated Business Net Cash and any Estimated Business Excess Adjustment or Estimated Business Deficit Adjustment to be paid at Closing, prepared in a manner consistent with the accounting principles, procedures, policies and methods set forth in Annex B-1 (the " Accounting Principles ") and the Sample Closing Statement and (b) Purchaser Parent shall prepare in good faith and deliver to Seller Parent the Purchaser Estimated Closing Statement, which shall include Purchaser Parent's good faith calculation of the Estimated Purchaser Working Capital, Estimated Purchaser Net Cash and any Estimated Purchaser Parent Excess Adjustment or Estimated Purchaser Parent Deficit Adjustment to be paid at Closing, prepared in a manner consistent with the accounting principles, procedures, policies and methods set forth in Annex B-3 (the " Purchaser Accounting Principles ") and the Sample Purchaser Closing Statement. The Parties shall have the right to review the Estimated Closing Statement and the Purchaser Parent Estimated Closing Statement and the Parties shall cooperate in good faith in an effort to agree to any required modification based on such review.

(b) If (i) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash exceeds (ii) the amount equal to (A) the Target Business Working Capital *plus* (B) the Target Business Net Cash (the amount of such excess, the " Estimated Business Excess Adjustment "), at the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay to Seller Parent (and/or Seller Parent's designee(s), in such allocations as may be directed by Seller Parent) by wire transfer of immediately available funds to the Seller Account, an amount in cash equal to the Estimated Business Excess Adjustment.

(c) If (i) the amount equal to (A) the Target Business Working Capital *plus* (B) the Target Business Net Cash exceeds (ii) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash (the amount of such excess, the " Estimated Business Deficit Adjustment "), at the Closing, Seller Parent shall pay to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the Estimated Business Deficit Adjustment.

(d) If (i) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash exceeds (ii) the amount equal to (A) the Target Purchaser Working Capital *plus* (B) the Target Purchaser Net Cash (the amount of such excess, the " Estimated Purchaser Parent Excess Adjustment "), at the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay to Purchaser Parent (and/or Purchaser Parent's designee(s), in such allocations as may be directed by Purchaser Parent) by wire transfer of immediately available funds to the Purchaser Parent Account, an amount in cash equal to the Estimated Purchaser Parent Excess Adjustment.

(e) If (i) the amount equal to (A) the Target Purchaser Working Capital *plus* (B) the Target Purchaser Net Cash exceeds (ii) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash (the amount of such excess, the " Estimated Purchaser Parent Deficit Adjustment "), at the Closing, Purchaser Parent shall pay to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the Estimated Purchaser Parent Deficit Adjustment.

(f) Any Estimated Business Excess Adjustment, Estimated Business Deficit Adjustment, Estimated Purchaser Parent Excess Adjustment or Estimated Purchaser Parent Deficit Adjustment paid at the Closing shall be subject to the post-Closing adjustment provisions of Section 2.9 .

Section 2.9 Post-Closing Working Capital and Net Cash Adjustments .

(a) Within one hundred and twenty (120) days after the Closing Date, Purchaser shall deliver to Seller Parent and Purchaser Parent a statement setting forth Purchaser's calculation of the Business Working Capital, the Business Net Cash, Purchaser Working Capital and Purchaser Net Cash (together with reasonable documentation, back-up and supporting detail for each of the items and calculations in such statement, the " Proposed Closing Statement "). The Proposed Closing Statement shall be unaudited but shall be prepared in a manner consistent with (i) with respect to the calculation of Business Working Capital and Business Net Cash, the Accounting Principles and the Sample Closing Statement and (ii) with respect to the calculation of Purchaser Working Capital and Purchaser Net Cash, the Purchaser Accounting Principles and the Sample Purchaser Closing Statement, including as to line items and the classification of asset and liability line items set forth thereon, and take into account any transfers made pursuant to Section 2.3(b) , and to the extent the Proposed Closing Statement reflects amounts that are different from amounts presented on the balance sheet included in the Financial Statements or the Purchaser Financial Statements, as applicable, as of the Balance Sheet Date, such differences shall be based on facts or occurrences arising solely between the Balance Sheet Date and the Closing.

(b) Following the delivery of the Proposed Closing Statement until the date that is ninety (90) days thereafter (the " Review Period "), either or both Parents may, by delivering a written notice to the other Parties, dispute the amounts reflected on the line items of the Proposed Closing Statement (any such disputed amount, a " Disputed Item "). A Parent's written notice of Disputed Items shall identify each Disputed Item and specify the nature of such Parent's disagreement, the amount of each item in dispute and the basis therefor, and the amount that such Parent believes is the correct amount of the Business Working Capital, the Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, as applicable, based on the disagreements set forth in its notice of Disputed Items, including the adjustments applied by such Parent to the Proposed Closing Statement in calculating any such amounts. A Parent shall be deemed to have agreed with all other items and amounts contained in the Proposed Closing Statement not so objected to by it in a notice of Disputed Items within the Review Period in accordance with this Section 2.9(b) , and the failure by a Parent to provide a notice of Disputed Items to the other Parties within the Review Period will constitute such Parent's agreement with all of the items in the Proposed Closing Statement, and the Proposed Closing Statement shall be conclusive, final and binding upon the Parties as the Final Closing Statement with respect to the items thereon so agreed by both Parents.

(c) If a notice of Disputed Items shall be timely delivered in accordance with Section 2.9(b) , the Parties shall, during the forty-five (45) days following the date of such delivery (the " Resolution Period "), negotiate in good faith to resolve the Disputed Items. During the Review Period and the Resolution Period, each Party and its Representatives (including its accountants) shall be permitted to review the working papers of the other Parties and their accountants relating to the notice of Disputed Items and the Proposed Closing Statement (subject to execution of customary working paper access letters). To the extent any Disputed Items are so resolved in writing by mutual agreement of all Parties within the Resolution Period, then the Proposed Closing Statement, as revised to incorporate such changes as have been agreed between all Parties, shall be conclusive, final and binding upon the Parties as the Final Closing Statement with respect to the items thereon so agreed.

(d) If during such Resolution Period the Parties are unable to reach agreement on all Disputed Items, the Parties shall refer all unresolved Disputed Items to the Independent Accountant. The Independent Accountant shall make a determination with respect to each unresolved Disputed Item within forty-five (45) days after its engagement by the Parties to resolve such Disputed Items, which determination shall be made in accordance with the rules set forth in this Section 2.9 . Except as the Parties may otherwise agree, all communications between any of the Parties or any of their respective Representatives, on the one hand, and the Independent Accountant, on the other hand, will be in writing with copies simultaneously delivered to the non-communicating Parties. The Parties shall cooperate with the Independent Accountant in its proceedings, including by providing such accounting books and records and working papers of each Party and its accountants, as the Independent Accountant may reasonably request (subject to execution of customary working paper access letters). The Independent Accountant shall make its determination (i) based solely on the documentation submitted by, and presentations made by, any of the Parties (any such documentation or presentation must be provided to the other Parties at the same time as its submission or presentation to the Independent Accountant) and (ii) in a manner consistent with (A) the Accounting Principles and the Sample Closing Statement and the definitions

of Business Working Capital and Business Net Cash, in the case of the calculation of Business Working Capital and Business Net Cash, and (B) the Purchaser Accounting Principles and the Sample Purchaser Closing Statement, and the definitions of Purchaser Working Capital and Purchaser Net Cash, in the case of the calculation of Purchaser Working Capital and Purchaser Net Cash (and in each case each of the defined terms used in each of those terms or in which those terms are used and the related provisions of this Agreement). The Independent Accountant shall deliver to the Parties, within such forty-five (45)-day period, a written report setting forth its adjustments, if any, to the Proposed Closing Statement and the calculations supporting such adjustments, and any such adjustments must be within the range of values established for such Disputed Item by Purchaser in the Proposed Closing Statement and by the applicable Parent(s) in the notice of Disputed Items delivered pursuant to Section 2.9(b) . Absent manifest errors, such report shall be conclusive, final and binding on the Parties and enforceable in a court of law, effective as of the date the Independent Accountant's written determination is received by the Parties, and the Proposed Closing Statement, as revised to incorporate the Independent Accountant's resolution of the Disputed Items, shall be conclusive, final and binding upon the Parties as the Final Closing Statement. Purchaser shall pay the fees and expenses of the Independent Accountant, and the Independent Accountant shall bill Purchaser accordingly. The Parties acknowledge that they have discussed their past contacts, if any, with the Independent Accountant, and that no Party shall have the right to object to the Independent Accountant's service in such role by reason of non-disclosure of past contacts, conflicts of interest or any other reason. If, before the Independent Accountant renders its determination with respect to the Disputed Items in accordance with this Section 2.9(d) , any Disputed Items are resolved in writing by mutual agreement of all Parties, then in each case such items as so agreed will be conclusive, final and binding on the Parties immediately upon such notice as the Final Closing Statement with respect to the items thereon so agreed.

(e) As used herein, " Final Business Working Capital ", " Final Business Net Cash ", " Final Purchaser Working Capital " and " Final Purchaser Net Cash " mean (i) if no notice of Disputed Items with respect to the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, is delivered by either Parent within the period provided in Section 2.9(b) , the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, as shown in the Proposed Closing Statement as prepared by Purchaser, or (ii) if such a notice of Disputed Items with respect to the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, is timely delivered by either Parent, either (A) the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, as mutually agreed to in writing by the Parties or (B) the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, as shown in the Independent Accountant's calculation delivered pursuant to Section 2.9(d) .

(f) Until the date on which the Proposed Closing Statement shall become conclusive, final and binding on the Parties pursuant to this Section 2.9 (the " Closing Statement Finalization Date "), each Party agrees that following the Closing it shall, and shall cause its Representatives to, preserve the accounting books and records of the Business and of Purchaser and its Affiliates on which the Proposed Closing Statement is to be based and shall not take any actions with respect to such books and records that would obstruct or prevent the procedures set

forth in this Section 2.9 (including books and records related to the Business Working Capital, the Business Net Cash, the Purchaser Working Capital and the Purchaser Net Cash or the Proposed Closing Statement or the preparation of the Proposed Closing Statement).

(g) If (i) the amount equal to (A) the Final Business Working Capital *plus* (B) the Final Business Net Cash exceeds (ii) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash (the amount of such excess, the " Final Business Excess Adjustment "), Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay within five (5) Business Days of the Closing Statement Finalization Date to Seller Parent (and/or Seller Parent's designee(s), in such allocations as may be directed by Seller Parent) by wire transfer of immediately available funds to the Seller Account, an amount in cash equal to the amount of the Final Business Excess Adjustment.

(h) If (i) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash exceeds (ii) the amount equal to (A) the Final Business Working Capital *plus* (B) the Final Business Net Cash (the amount of such excess, the " Final Business Deficit Adjustment "), Seller Parent shall pay within five (5) Business Days of the Closing Statement Finalization Date to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the amount of the Final Business Deficit Adjustment.

(i) If (i) the amount equal to (A) the Final Purchaser Working Capital *plus* (B) the Final Purchaser Net Cash exceeds (ii) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash (the amount of such excess, the " Final Purchaser Parent Excess Adjustment "), Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay within five (5) Business Days of the Closing Statement Finalization Date to Purchaser Parent (and/or Purchaser Parent's designee(s), in such allocations as may be directed by Purchaser Parent) by wire transfer of immediately available funds to the Purchaser Parent Account, an amount in cash equal to the amount of the Final Purchaser Parent Excess Adjustment.

(j) If (i) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash exceeds (ii) the amount equal to (A) the Final Purchaser Working Capital *plus* (B) the Final Purchaser Net Cash (the amount of such excess, the " Final Purchaser Parent Deficit Adjustment "), Purchaser Parent shall pay within five (5) Business Days of the Closing Statement Finalization Date to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the amount of the Final Purchaser Parent Deficit Adjustment.

(k) Until the date on which the Proposed Closing Statement shall become conclusive, final and binding on the Parties pursuant to this Section 2.9 , each Party agrees that following the Closing it shall afford and cause to be afforded to the other Parties and their Affiliates and the Representatives retained by the other Parties in connection with the preparation of the Proposed Closing Statement and any adjustment to the Estimated Business Excess Adjustment, Estimated Business Deficit Adjustment, Estimated Purchaser Parent Excess Adjustment or Estimated Purchaser Parent Deficit Adjustment contemplated by this Section 2.9 , reasonable access upon reasonable notice during normal business hours to the properties, books, contracts, personnel and records of the Business and Purchaser and Purchaser Parent and such Party's, its Affiliates' and

their respective accountants' working papers (subject to execution of customary working paper access letters) relevant to the preparation of the Proposed Closing Statement and any adjustment contemplated by this Section 2.9 , including any notice of Disputed Items, and shall provide the other Parties and their Affiliates and Representatives, upon the other Party's reasonable request, with copies of any such books, contracts, records and work papers.

(l) Except in cases of fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, the process set forth in this Section 2.9 shall be the sole and exclusive remedy of any of the Parties and their respective Affiliates for any disputes related to the Final Business Excess Adjustment, the Final Business Deficit Adjustment, the Final Purchaser Parent Excess Adjustment and the Final Purchaser Parent Deficit Adjustment.

Section 2.10 Withholding . Absent any change in Law after the date hereof, Purchaser acknowledges and agrees that no withholding is required in respect of the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9 as a result of Purchaser's tax residence to the extent Seller Parent satisfies its obligations pursuant to Section 3.1(b) . In the event that any deduction or withholding for Taxes in respect of the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9 is required by Law, Purchaser and the Purchaser Designated Affiliates shall be entitled to deduct and withhold such amounts from such payments to the extent required under applicable Law; provided that Purchaser shall give Seller Parent written notice of any such requirement to deduct and withhold any Taxes from such amounts promptly after becoming aware of such requirement. Purchaser and Seller Parent shall reasonably cooperate with each other to minimize the amounts, if any, required to be deducted and withheld. If any amount is withheld in accordance with the foregoing provisions of this Section 2.10 , such withheld amount shall be treated for all purposes of this Agreement as having been paid to the applicable recipient of such amount otherwise payable.

ARTICLE III

CLOSING

Section 3.1 Closing .

(a) Subject to Section 3.1(d) , the Closing shall take place at the offices of Wachtell, Lipton, Rosen & Katz located at 51 West 52nd Street, New York, New York 10019, at 10:00 a.m. (New York time) on the third (3rd) Business Day following the satisfaction or waiver of all the conditions set forth in Article VIII (other than the conditions that by their nature are to be satisfied on the Closing Date, but subject to the satisfaction or waiver of such conditions), or at such other time and place as the Parties may mutually agree. The date on which the Closing occurs is referred to as the " Closing Date ." Unless the Parties agree otherwise, and notwithstanding the actual occurrence of the Closing at any particular time on the Closing Date, the Closing shall be deemed to occur and be effective as of 12:01 a.m. (New York time) on the Closing Date. In addition to payment of the amounts set forth in Section 2.8 :

(b) At the Closing, Seller Parent shall deliver, or cause to be delivered, to Purchaser the instruments and documents set forth in Exhibit A .

(c) At the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, deliver to Seller Parent, as agent for the Sellers, or its designee(s) the following: (i) customary and satisfactory evidence of the allotment and issuance of the Purchase Consideration to Seller Parent or its designee(s), credited as fully paid and (ii) the instruments and documents set forth in Exhibit B .

(d) Seller Parent and Purchaser Parent hereby agree that if the Closing Date does not fall on the last day of a calendar month, the Parties shall cooperate in good faith and discuss designing a lock box construct to facilitate a month end closing for accounting purposes pursuant to which each of Seller Parent and Purchaser Parent is put in the same economic position as if the Closing had occurred on the originally contemplated Closing Date and so that neither Party bears any additional closing conditionality risk or value leakage risk during the interim period.

Section 3.2 Restated Purchaser Articles of Association . Purchaser Parent shall, in accordance with applicable Law and the articles of association of Purchaser, cause the articles of association of Purchaser to be amended and restated, effective as of immediately prior to the Closing, to be in the form set forth in Exhibit E (the " Restated Purchaser Articles of Association ").

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER PARENT

Except as set forth in the Seller Disclosure Letter and in accordance with Section 10.8 , Seller Parent hereby represents and warrants to Purchaser Parent and Purchaser as follows:

Section 4.1 Organization . Seller Parent is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Each Seller is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized, validly existing and, where applicable, in good standing under the Laws of the jurisdiction of its organization, except where the failure to be so organized, existing or in good standing would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date.

Section 4.2 Authority; Binding Effect .

(a) Seller Parent has all requisite corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it will be a party and to perform its obligations hereunder and thereunder. The execution and delivery by Seller Parent of this Agreement and each such Ancillary Agreement, and the performance by Seller Parent of its obligations hereunder and thereunder, have been, or will have been as of the Closing, duly authorized by all requisite corporate action. Each Seller has, or will have as of the Closing, all requisite corporate or other similar applicable power and authority to execute and deliver each Ancillary Agreement

to which it will be a party and to perform its obligations thereunder. The execution and delivery by each Seller of each Ancillary Agreement to which it will be a party, if applicable, and the performance by it of its obligations thereunder, have been, or will have been as of the Closing, duly authorized by all requisite corporate or other similar applicable action.

(b) Seller Parent has, and each other Seller has, or will have as of the Closing, all requisite corporate or other similar applicable power and authority to carry on its respective business as it pertains to the Business as currently conducted and to own, lease and operate its properties and assets related to the Business, except where the failure to have such power and authority would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date.

(c) This Agreement has been duly executed and delivered by Seller Parent and, assuming this Agreement has been duly executed and delivered by Purchaser Parent and Purchaser, constitutes a legal, valid and binding obligation of Seller Parent, and each Ancillary Agreement will be as of the Closing duly executed and delivered by each Seller that will be a party thereto and will, assuming such Ancillary Agreement has been duly executed and delivered by Purchaser Parent, Purchaser or the applicable Purchaser Designated Affiliate, constitute a legal, valid and binding obligation of such Seller, in each case enforceable against Seller Parent or such other Seller in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law).

Section 4.3 Conveyed Subsidiaries; Capital Structure .

(a) Each of the Conveyed Subsidiaries is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized and validly existing, with all requisite corporate or other similar applicable power and authority to own, lease and operate its properties and assets related to the Business and to carry on its respective business as it pertains to the Business, as currently conducted, except where the failure to be so organized or existing or to have such power and authority would not, individually or in the aggregate, be materially adverse to the Business. Each of the Conveyed Subsidiaries is, or will be as of the Closing, duly qualified to do business and, where applicable, in good standing in each jurisdiction where the nature of its business or properties makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, be materially adverse to the Business.

(b) Section 4.3(b) of the Seller Disclosure Letter sets forth, as of immediately prior to the Closing, (i) the name and the jurisdiction of organization of each of the Conveyed Subsidiaries and (ii) the record owners of such outstanding equity interests. All of the outstanding equity interests of each of the Conveyed Subsidiaries are, or will be as of the Closing, validly issued, fully paid and, in the case of any Conveyed Subsidiary which is a corporation, non-assessable, and the Shares are not subject to, and were not issued in violation of, any preemptive right. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which any of the Conveyed Subsidiaries

is or may become obligated to issue, sell, purchase, return, redeem or otherwise acquire any equity interests of the Conveyed Subsidiaries, or any securities convertible into or exchangeable for the capital stock or voting securities of any Conveyed Subsidiary. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, stockholder agreements, proxies or other Contracts in effect with respect to the sale or voting of the equity interests of the Conveyed Subsidiaries. The Sellers own of record and beneficially as of the date of this Agreement, or will own of record and beneficially as of immediately prior to the Closing, all of the issued and outstanding Shares, free and clear of all material Liens except for Liens arising under applicable securities Laws. Except for the Shares and the equity interests of any Subsidiary of a Conveyed Subsidiary, the Purchased Assets do not include, and the Conveyed Subsidiaries do not own, any other equity interests of any Person.

(c) Section 4.3(c) of the Seller Disclosure Letter sets forth, as of immediately prior to the Closing, (i) the name and the jurisdiction of organization of each Subsidiary of the Conveyed Subsidiaries and (ii) the record owners of the outstanding equity interests of such Subsidiaries. Each such Subsidiary is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized and validly existing, with all requisite corporate or other similar applicable power and authority to own, lease and operate its properties and assets related to the Business and to carry on its respective business as it pertains to the Business, as currently conducted, except where the failure to be so organized or existing or to have such power and authority would not, individually or in the aggregate, be materially adverse to the Business. Except as set forth in Section 4.3(c) of the Seller Disclosure Letter, all of the outstanding equity interests of each Subsidiary of a Conveyed Subsidiary are owned of record and beneficially by such Conveyed Subsidiary (or a Subsidiary thereof) as of the date of this Agreement, or will be owned of record and beneficially by such Conveyed Subsidiary (or a Subsidiary thereof) as of immediately prior to the Closing, free and clear of all Liens except for Liens arising under applicable securities Laws. All of the outstanding equity interests of each Subsidiary of a Conveyed Subsidiary are, or will be as of the Closing, validly issued, fully paid and, in the case of any such Subsidiary which is a corporation, non-assessable. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which any Subsidiary of a Conveyed Subsidiary is or may become obligated to issue, sell, purchase, return, redeem or otherwise acquire any equity interests of such Subsidiary, or any securities convertible into or exchangeable for the capital stock or voting securities of such Subsidiary. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, stockholder agreements, proxies or other Contracts in effect with respect to the sale or voting of the equity interests of any Subsidiary of a Conveyed Subsidiary.

Section 4.4 No Conflicts; Consents . The execution, delivery and performance of this Agreement by Seller Parent and each Ancillary Implementing Agreement by a Seller party to such Ancillary Implementing Agreement, and the consummation of the transactions contemplated hereby and thereby, by Seller Parent and such Seller do not and will not (a) violate any provision of the certificate of incorporation or bylaws of Seller Parent or the comparable organizational documents of any of the other Sellers or any of the Conveyed Subsidiaries (or any Subsidiary thereof), (b) subject to obtaining the consents set forth in Section 4.4 of the Seller Disclosure Letter, result in a violation of, or require the consent of any Person pursuant to, or conflict with, constitute

a default under, or result in the breach or termination, cancellation or acceleration (whether with or without the giving of notice or the lapse of time or both) of any right or obligation of the Sellers or the Conveyed Subsidiaries (or any Subsidiary thereof) under, or to a loss of any benefit of the Business to which the Sellers or the Conveyed Subsidiaries (or their Subsidiaries) is entitled, under any Material Contract or Real Property Lease, or result in the imposition of a Lien on any Purchased Assets, other than Permitted Liens, and (c) assuming compliance with the matters set forth in Sections 4.5 and 5.5 , violate or result in a breach of or constitute a default under any Law, Governmental Authorization or other restriction of any Governmental Authority to which any Seller or Conveyed Subsidiary (or Subsidiary thereof) is subject, except, with respect to clauses (b) and (c) , as would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date.

Section 4.5 Governmental Authorization . The execution, delivery and performance of this Agreement by Seller Parent and each Ancillary Implementing Agreement by a Seller party to such Ancillary Implementing Agreement does not require any Approval of, or Filing with, any Governmental Authority, except for (a) the expiration or early termination of the applicable waiting period under the HSR Act, (b) the Approvals and Filings set forth in Section 4.5 of the Seller Disclosure Letter, (c) the Approvals and Filings which if not obtained or made would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date, and (d) the Approvals and Filings required due to the regulatory obligations of Purchaser, Purchaser Parent or any of their Affiliates.

Section 4.6 Financial Information .

(a) Section 4.6(a) of the Seller Disclosure Letter contains copies of the audited balance sheet of the Business as of December 31, 2017 (the " Balance Sheet Date "), December 31, 2016 and December 31, 2015 and the related audited income statement for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 (together with any notes thereto, the " Financial Statements "). Section 4.6(a) of the Seller Disclosure Letter also sets forth the accounts of the Business as of March 31, 2018, June 30, 2018, and September 30, 2018 corresponding to the accounts included in the Sample Closing Statement (the " Business Working Capital Accounts "). The Business Working Capital Accounts were prepared using principles, procedures, policies and methods consistent in all material respects with those used in the preparation of the balance sheet of the Business as of the Balance Sheet Date included in the Financial Statements.

(b) Except as set forth in Section 4.6(b) of the Seller Disclosure Letter or as noted in the Financial Statements, the Financial Statements were prepared in accordance with GAAP, on a consistent basis for each period presented, and present fairly in all material respects, (i) the financial condition, assets and liabilities of the Business as of the dates therein specified and (ii) the results of operations of the Business for the periods indicated; provided that the Financial Statements and the foregoing representations and warranties concerning the Financial Statements are qualified by the fact that the Business has not operated as a separate standalone entity and has received certain

allocated charges and credits as stated therein which do not necessarily reflect amounts that would have resulted from arm's-length transactions or that the Business would incur on a standalone basis.

(c) Except as set forth in Section 4.6(c) of the Seller Disclosure Letter, the Business does not have any Indebtedness or other Liabilities of any nature or kind whatsoever (whether accrued, known or unknown, absolute, contingent or otherwise) that would be required to be reflected on a balance sheet of the Business prepared in accordance with GAAP except for (i) Liabilities accrued for, reflected on, disclosed and/or reserved against on the Financial Statements, (ii) Liabilities incurred subsequent to the Balance Sheet Date in the ordinary course of business, (iii) Liabilities taken into account in the Final Closing Statement, Final Business Working Capital or Final Business Net Cash, (iv) the Retained Liabilities, (v) Liabilities incurred in connection with or arising out of the transactions contemplated hereby, (vi) Liabilities disclosed or set forth in the Seller Disclosure Letter and (vii) Liabilities which would not, individually or in the aggregate, be materially adverse to the Business.

(d) All of the information supplied by Seller Parent or its Affiliates to Purchaser Parent expressly for inclusion, or to support statements made, in the announcement of the Sale and the other transactions contemplated by this Agreement to be released immediately following execution of this Agreement in compliance with the Listing Rules, the Purchaser Parent Shareholder Circular, or any amendment or supplement thereto, or any announcement to any regulatory information service approved by the UKLA in connection with the Purchaser Parent Shareholder Circular, and any other related documents required to be filed or published in connection with the Sale and/or the other transactions contemplated by this Agreement, will have been prepared in good faith and will not to the Knowledge of Seller Parent, in the case of the Purchaser Parent Shareholder Circular, at the time the Purchaser Parent Shareholder Circular and any amendments or supplements thereto are first published in accordance with the Listing Rules and at the time of the Purchaser Parent Shareholder Meeting, and in the case of any other such document, at the time it is first published, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.7 Absence of Material Changes . Except as otherwise contemplated by this Agreement and the transactions contemplated hereby (including the Strategic Process and the Seller Internal Restructurings), since December 31, 2017 (a) there has not been any Material Adverse Effect and (a) until the date of this Agreement, the Business has been operated, in all material respects, in the ordinary course of business.

Section 4.8 No Litigation .

(a) Except as set forth in Section 4.8(a) of the Seller Disclosure Letter, there is no Action pending or, to the Knowledge of Seller Parent, threatened against a Conveyed Subsidiary or any Subsidiaries thereof or the Sellers or their Affiliates relating to the Business or any properties or rights of a Conveyed Subsidiary or its Subsidiaries or any Purchased Asset, before any Governmental Authority or arbitration tribunal other than Actions which would not, individually or in the aggregate, be materially adverse to the Business.

(b) Except as set forth in Section 4.8(b) of the Seller Disclosure Letter, none of the Conveyed Subsidiaries or any Subsidiaries thereof or the Sellers is subject to any Governmental Order relating to the Business or any Purchased Asset other than those which would not, individually or in the aggregate, be materially adverse to the Business.

Section 4.9 Compliance with Laws. Except as set forth in Section 4.9 of the Seller Disclosure Letter:

(a) Each Seller and each Conveyed Subsidiary (and Subsidiary thereof) is, and for the last three (3) years has been, in compliance with all Laws applicable to the ownership, lease or operation of the Purchased Assets and the Business, including (i) the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §301 et seq. and applicable binding implementing regulations issued by the U.S. Food and Drug Administration, (ii) the applicable Laws of the European Union and applicable binding implementing regulations issued by applicable Governmental Authorities in those jurisdictions in the European Union in which the Business markets, commercializes, distributes and sells Products, or otherwise operates, or has marketed, commercialized, distributed or sold Products, or otherwise operated, in the last three (3) years (including European Union's Directive 95/46/EC, as amended, and Regulation EU 2016/679 (the General Data Protection Regulation), and any national implementing legislation of the foregoing) and as of the Closing and (iii) the applicable Laws of any other jurisdiction in which the Business markets, commercializes, distributes and sells Products, or otherwise operates, or has marketed, commercialized, distributed or sold Products, or otherwise operated, in the last three (3) years and as of the Closing, except in the case of each of the foregoing clauses (i), (ii) and (iii) to the extent that the failure to comply therewith would not, individually or in the aggregate, be materially adverse to the Business.

(b) The Sellers and the Conveyed Subsidiaries (and Subsidiaries thereof) collectively possess, or will possess as of the Closing, all Governmental Authorizations necessary for the conduct of the Business, as currently conducted, and each such Governmental Authorization is in full force and effect, except where the failure to possess any such Governmental Authorization or the failure of such Governmental Authorization to be in full force and effect would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole.

Section 4.10 Product Registrations; Manufacturing Registrations; Regulatory Compliance; Product Liability and Recalls.

(a) Except with respect to Environmental Permits (which are the subject of Section 4.11):

(i) Seller Parent and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) own, possess or validly have the right to use all Governmental Authorizations required to research, develop, manufacture, market, commercialize, distribute, test, use, store and sell the Products, except where the failure to so own, possess or validly have such right would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole;

(ii) All Products sold under the Product Registrations are manufactured and marketed in accordance with the specifications and standards contained in such Product Registrations, and the applicable Manufacturing Registrations, except where the failure to comply therewith would not, individually or in the aggregate, be materially adverse to the Business; and

(iii) Except as set forth in Section 4.10(a)(iii) of the Seller Disclosure Letter, a Seller or Conveyed Subsidiary (or Subsidiary thereof) is, or will be as of the Closing, the sole and exclusive owner of each Product Registration and Manufacturing Registration.

(b) Except as set forth in Section 4.10(b) of the Seller Disclosure Letter, there is no Action pending, or, to the Knowledge of Seller Parent, threatened, relating to the Business or Purchased Assets (i) arising from complaints, allegations or Actions relating to any injury to person or property or as a result of ownership, possession, provision or use of any of the Products that were manufactured, processed, distributed, shipped or sold prior to the date of this Agreement or (ii) relating to any alleged hazard or alleged defect in design, manufacture, materials or workmanship, including any failure to warn or alleged breach of express or implied warranty or representation, relating to the Products, except in the case of each of the foregoing clauses (i) and (ii) , for Actions which would not, individually or in the aggregate, be materially adverse to the Business.

(c) Except as set forth in Section 4.10(c) of the Seller Disclosure Letter, since January 1, 2016, there have been no recalls or market withdrawals of Products and, to the Knowledge of Seller Parent, no facts or circumstances exist that would reasonably be expected to result in recalls or market withdrawals of Products that would, individually or in the aggregate, be materially adverse to the Business.

(d) Notwithstanding any other provision of this Agreement, this Section 4.10 sets forth the sole and exclusive representations and warranties of Seller Parent with respect to Product Registrations and Manufacturing Registrations, products liability and product recalls, and the other regulatory matters described in this Section 4.10 .

Section 4.11 Environmental Matters . Except as set forth in Section 4.11 of the Seller Disclosure Letter:

(a) (i) the Sellers (with respect to the Business), the Conveyed Subsidiaries and their Subsidiaries, the Business (as currently or formerly conducted), the Purchased Assets and the Facilities are and have been since January 1, 2016 in compliance with all applicable Environmental Laws and Governmental Authorizations required under Environmental Law (including Environmental Permits); (ii) none of the Sellers nor their Affiliates (in each case, with respect to the Business or the Purchased Assets) are undertaking or required to undertake any Remedial Action at the Real Property or any property formerly owned, leased or operated by a Conveyed Subsidiary or their Subsidiaries (or any of their respective predecessors) or by the Business (as currently or formerly conducted) ; and (iii) since January 1, 2016, none of the Sellers or their Affiliates has received written notice from a Governmental Authority or other Person that it is subject to any unresolved enforcement action or Liability with respect to the Conveyed Subsidiaries or their

Subsidiaries, the Business (as currently or formerly conducted), the Purchased Assets or the Facilities under any applicable Environmental Laws or Environmental Permits, except for such noncompliance, Remedial Actions, Liabilities or enforcement actions that would not, individually or in the aggregate, be materially adverse to the Business;

(b) all Governmental Authorizations (including Environmental Permits) required of the Sellers and their Affiliates (in each case, with respect to the Business or the Purchased Assets) under all applicable Environmental Laws have been obtained and are held by a Seller or Conveyed Subsidiary (or Subsidiary thereof), except for such failures to obtain as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole; and

(c) no Actions or written claims are pending or, to the Knowledge of Seller Parent, threatened against any Seller or their Affiliates (in each case, with respect to the Business or the Purchased Assets) arising from or as a result of, and there have been no (i) exposures to Hazardous Materials , including on, in, under, about or from the Purchased Assets or at the Facilities, (ii) Releases of Hazardous Materials, including at , on, in, under, or from any Purchased Assets or from any Facilities, (iii) off-site treatment, storage or disposal of Hazardous Materials generated by t he Business (as currently or formerly conducted), the Sellers (with respect to the Business) or any Conveyed Subsidiary or their Subsidiaries or (iv) any violations of any Environmental Laws arising, directly or indirectly, in connection with the Business (as currently or formerly conducted) or any of the Purchased Assets or Facilities, in each case that has resulted or would result in Environmental Liability , except for such claims, Actions, Environmental Liabilities or investigations that would not, individually or in the aggregate, be materially adverse to the Business.

(d) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 4.11 are the sole and exclusive representations and warranties of Seller Parent with respect to Environmental Laws, Environmental Permits, Environmental Liabilities, Hazardous Materials and other environmental matters.

Section 4.12 Material Contracts .

(a) Except (x) for Contracts entered into after the date of this Agreement, (y) for intercompany agreements solely between or among Conveyed Subsidiaries (or any of their Subsidiaries) or that shall be terminated as of or prior to the Closing Date in accordance with Section 6.7 or (z) as set forth in Section 4.12(a) of the Seller Disclosure Letter, none of the Conveyed Subsidiaries (or any Subsidiary thereof), Seller Parent or any of its Affiliates is a party to or bound by any Contract in effect as of the date hereof that is material to the Business, taken as a whole (a " Material Contract ").

(b) Except as set forth in Section 4.12(b) of the Seller Disclosure Letter, (i) except as would not, individually or in the aggregate, be materially adverse to the Business, each Material Contract is legal, valid and binding on the Seller or Conveyed Subsidiary (or Subsidiary thereof) that is a party thereto and, to the Knowledge of Seller Parent, each other party thereto, and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights

generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), and (ii) no Seller or Conveyed Subsidiary (or Subsidiary thereof) or, to the Knowledge of Seller Parent, any other party thereto, is in breach of, or default under, any such Material Contract, except for such breaches or defaults as would not, individually or in the aggregate, be materially adverse to the Business.

(c) Section 4.12(c) of the Seller Disclosure Letter lists all material Seller Parent Related Party Contracts.

Section 4.13 Intellectual Property .

(a) Seller Parent has made available to Purchaser (at least two (2) Business Days prior to the date hereof), a complete and accurate listing (the " IP Schedules ") of all issued Patent Rights, pending applications for Patent Rights, registered Trademarks, pending Trademark registration applications and registered Copyrights (collectively, the " Registered IP ") that are Business IP (collectively, the " Registered Business IP ") which listing shall be incorporated by reference into Section 4.13(a) of the Seller Disclosure Letter. To the Knowledge of Seller Parent (but only as to validity and enforceability), as of the date of this Agreement, except as would not, individually or in the aggregate, be materially adverse to the Business, the Registered Business IP is in effect and subsisting and, if registered, is not invalid or unenforceable. The Business Trademarks Rights, together with Trademarks that are licensed to the Sellers or the Conveyed Subsidiaries by a third party, include all of the Business Key Brands.

(b) All material Business IP and Business Licensed IP shall be, following the Closing, transferable and licensable (or sublicensable, as the case may be) by Purchaser and its Subsidiaries, without payment of any kind to Seller Parent or any Affiliate of Seller Parent, as may be needed in the ordinary course of the operation of the Business, and shall be fully transferable, assignable and assumable, as the case may be, without payment of any kind to Seller Parent or any Affiliate of Seller Parent, in connection with a change of control (that constitutes an assignment) of Purchaser or any Listing Transaction (as defined in the Purchaser Shareholders Agreement) or the sale of substantially all of the assets of a business unit of Purchaser to the extent such Business IP or Business Licensed IP is related to such business unit.

(c) Except as would not, individually or in the aggregate, be materially adverse to the Business, and taking into account Section 6.22 , the Business IP, together with the Intellectual Property (i) licensed to Purchaser or its Subsidiaries by Seller Parent or any of its Affiliates under the Ancillary Agreements (the " Business Licensed IP "), (ii) covered by the Assumed Contracts or Shared Contracts, or (iii) to which Purchaser or its Affiliates are provided access under any Ancillary Agreement, including in connection with the services provided under the Transition Services Agreement, constitutes all of the Intellectual Property owned or controlled by Seller Parent or any of its Subsidiaries that is used or held for use in, or that is necessary for, the conduct of the Business, as conducted as of the date of this Agreement. The operation of the Business immediately following the Closing will not infringe any of Seller Parent's or any of its Affiliates' Intellectual Property.

(d) Except as would not, individually or in the aggregate, be materially adverse to the Business, (x) the conduct of the Business does not, to the Knowledge of Seller Parent, infringe,

misappropriate or otherwise violate the Intellectual Property of any Person and (y) as of the date of this Agreement, there is no Action pending or, to the Knowledge of Seller Parent, threatened in writing against any Conveyed Subsidiary or any Subsidiary thereof or any Seller or any of its Affiliates (i) alleging any such infringement, misappropriation, or other violation, or (ii) challenging the validity, enforceability, ownership, use, registrability, or patentability of the Business IP, other than ordinary course prosecution proceedings associated with the application for or registration of Registered IP.

(e) Except as would not, individually or in the aggregate, be materially adverse to the Business, as of the date of this Agreement, to the Knowledge of Seller Parent, no Person is infringing, misappropriating or otherwise violating any Business IP and as of the date of this Agreement, no such Actions are pending or, to the Knowledge of Seller Parent, threatened against any Person by Seller Parent, or any of its Affiliates (including any Conveyed Subsidiary or any Subsidiary thereof) or any other Seller.

(f) Seller Parent or its Subsidiaries (including the Conveyed Subsidiaries), as applicable, are the sole legal owners of all Registered Business IP that is owned or purported to be owned by Seller Parent or its Affiliates. None of the Registered Business IP or any other material Business IP is subject to any Lien, other than Permitted Liens.

(g) Since January 1, 2016, to the Knowledge of Seller Parent, there (i) have been no failures of the Business IT Systems that have materially and adversely impacted the conduct of the Business and (ii) has been no unauthorized access, loss, use or breach of security with respect to the Business IT Systems or any material sensitive, confidential or proprietary information (including personally identifiable information) relating to the Business that have materially and adversely impacted the Business.

(h) Notwithstanding any provision of this Agreement to the contrary, except with respect to Section 4.7 , Section 4.12 , and this Section 4.13 sets forth the sole and exclusive representations and warranties of Seller Parent with respect to Intellectual Property.

Section 4.14 Real Property .

(a) The Sellers or the Conveyed Subsidiaries (or their Subsidiaries) have, or will have as of the Closing, insurable title in fee simple to the Owned Real Property, free and clear of any Liens, other than Permitted Liens. Except as set forth in Section 4.14(a) of the Seller Disclosure Letter or as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, neither Sellers nor the Conveyed Subsidiaries (or their Subsidiaries) is leasing or otherwise granting to any third party the right to use or occupy any Owned Real Property or any portion thereof.

(b) Except as set forth in Section 4.14(b)(i) of the Seller Disclosure Letter, Sellers or the Conveyed Subsidiaries (or their Subsidiaries) has a valid leasehold interest and valid and continuing right to use and occupy each Leased Real Property pursuant to a Real Property Lease. Except (x) as set forth in Section 4.14(b)(ii) of the Seller Disclosure Letter, or (y) as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole,

(i) each Real Property Lease is legal, valid and binding on the Seller or Conveyed Subsidiary (or Subsidiary thereof) that is a party thereto and, to the Knowledge of Seller Parent, each other party thereto and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), (ii) no Seller or Conveyed Subsidiary (or Subsidiary thereof) or, to the Knowledge of Seller Parent, any other party thereto, is in breach of, or default under, any such Real Property Lease and (iii) neither the Sellers nor the Conveyed Subsidiaries (or their Subsidiaries) is leasing or otherwise granting to any third party the right to use or occupy any Leased Real Property or any portion thereof.

(c) Except as set forth in Section 4.14(c) of the Seller Disclosure Letter, (i) no certificate, permit or license from any Governmental Authority having jurisdiction over any of the Real Property, or any Contract, easement or other right which is necessary to permit the lawful occupancy of the buildings and improvements on any of the Real Property or which is necessary to permit the lawful use of all driveways, roads and other means of egress and ingress to and from any of the Real Property, in each case, with respect to the Business, has not been obtained or, to the Knowledge of Seller Parent, is not in full force and effect, which would, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, and (ii) none of the Sellers (in respect of the Business) or the Conveyed Subsidiaries or their Subsidiaries has received any written notice from any Governmental Authority that the Real Property is currently in violation of any applicable Law that would, individually or in the aggregate, materially impair the operations of the Business, taken as a whole.

(d) Section 4.14(d)(i) of the Seller Disclosure Letter sets forth each manufacturing and research and development facility at which Products are manufactured or developed that is owned or operated by Sellers or the Conveyed Subsidiaries (or their Subsidiaries) (the " Seller Facilities "). Except as set forth in Section 4.14(d)(ii) of the Seller Disclosure Letter, Sellers or the Conveyed Subsidiaries (or their Subsidiaries) has insurable title in fee simple to, or a valid leasehold interest and valid and continuing right to use and occupy, each Seller Facility.

Section 4.15 Assets .

(a) Except as otherwise provided in this Agreement or as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, the Sellers or the Conveyed Subsidiaries (or their Subsidiaries) have, or will have as of the Closing, good and valid title to, or other legal rights to possess and use, all of the assets comprising the business reflected in the Financial Statements (for clarity, excluding any assets sold or disposed of in the ordinary course of business after the date thereof), free and clear of any Liens other than Permitted Liens.

(b) Except (i) as set forth in Section 4.15(b) of the Seller Disclosure Letter (ii) for Excluded Services (as defined in the Transition Services Agreement) and (iii) as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, the Purchased Assets (assuming all consents and Approvals as may be required in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements

have been obtained; provided , that no such assumption shall be made to the extent Seller Parent is not in compliance with its obligations under Section 2.2 and Section 6.3 of this Agreement), together with the benefits, services, assets, licenses, sublicenses and other rights and benefits to be provided to Purchaser and its Affiliates pursuant to this Agreement and the Ancillary Agreements, will, in the aggregate, constitute all of the assets either used in or necessary for Purchaser and its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) to conduct the Business as conducted as of the date of this Agreement and as of the Closing.

(c) After giving effect to the Seller Internal Restructurings and the other transactions contemplated by this Agreement and the Ancillary Agreements (assuming all consents and Approvals as may be required in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements have been obtained; provided , that no such assumption shall be made to the extent Seller Parent is not in compliance with its obligations under Section 2.2 and Section 6.3 of this Agreement) and except as provided for in the Ancillary Agreements, the Conveyed Subsidiaries (and the Subsidiaries thereof) will not, directly or indirectly, be engaged in any Retained Business, or hold or be subject to any Retained Liability or Excluded Asset (other than non-material or ministerial liabilities, assets, rights or properties).

Section 4.16 Taxes .

(a) All income and other material Tax Returns that are required to be filed in respect of the Purchased Assets or the Business or by or on behalf of any Conveyed Subsidiary or Subsidiary thereof have been timely filed (taking into account any applicable extensions), and all such Tax Returns are true, correct and complete in all material respects.

(b) All income and other material Taxes required to be paid in respect of the Purchased Assets or the Business or by or in respect of any Conveyed Subsidiary or any Subsidiary thereof have been timely paid (taking into account any applicable extensions).

(c) The Conveyed Subsidiaries (and the Subsidiaries thereof), and the Sellers solely with respect to the Business, have deducted or withheld and paid over to the applicable Taxing Authority all material Taxes required to have been deducted or withheld and paid over in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party and each such Conveyed Subsidiary or Subsidiary thereof has (if required by any applicable Laws to do so) provided appropriate certificates of deduction.

(d) There are no Liens for material Taxes upon any of the Purchased Assets or the assets of the Conveyed Subsidiaries or any of their Subsidiaries, except for Permitted Liens.

(e) Within the past three (3) years, none of the Conveyed Subsidiaries and none of their Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify under Section 355(a) of the Code.

(f) There are no current or pending audits, examinations, contests or other Actions with respect to material Taxes of any Conveyed Subsidiary or any Subsidiary thereof or of

any Seller with respect to any Purchased Assets or the Business, and no such audits, examinations, contests or other Actions have been threatened in writing.

(g) There are no outstanding powers of attorney granted by any of the Conveyed Subsidiaries or any Subsidiary thereof with respect to material Taxes for any taxable period beginning after the Closing Date, other than powers of attorney granted to other Conveyed Subsidiaries or Subsidiaries thereof.

(h) None of the Conveyed Subsidiaries or any Subsidiary thereof is party to any Tax sharing, allocation, indemnity or similar agreement or arrangement (other than (x) any such agreement or arrangement solely between or among two or more Conveyed Subsidiaries and/or Subsidiaries thereof and (y) provisions contained in commercial agreements or arrangements the primary purpose of which is not Taxes (including employment agreements, credit agreements, leases and supply or manufacturing agreements)).

(i) None of the Conveyed Subsidiaries or Subsidiaries thereof is or has been party to any "listed transaction" as defined in Section 6707A of the Code and Treasury Regulations Section 1.6011-4. No Conveyed Subsidiary or Subsidiary thereof has at any time entered into or been engaged in or been a party to or promoter of any scheme, transaction or arrangement which was required by Law to be specifically disclosed to a Taxing Authority or a main or dominant purpose or object of which was the avoidance or deferral of or the obtaining of a reduction in or other advantage in respect of any Taxes.

(j) In the last three (3) years, no claim has been made in writing by any Taxing Authority in any jurisdiction in which any of the Conveyed Subsidiaries or Subsidiaries thereof, or any Seller with respect to the Business or any Purchased Assets, does not file income or franchise Tax Returns to the effect that such entity is or may be subject to income or franchise taxation by such jurisdiction.

(k) None of the Conveyed Subsidiaries or Subsidiaries thereof will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period beginning after the Closing Date as a result of: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date made prior to the Closing, (ii) "closing agreement" executed prior to the Closing, (iii) intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code entered into or existing prior to the Closing, (iv) prepaid amount received on or prior to the Closing, (v) election under Section 108(i) of the Code made prior to the Closing or (vi) installment sale or open transaction disposition occurring on or before the Closing Date.

(l) Neither entering into this Agreement nor consummating the transactions contemplated hereby, nor, so far as Seller Parent is aware, any other event, transaction, action or circumstance will give rise to any Liability for Tax or result in the withdrawal or clawback of any Tax Benefit for any Conveyed Subsidiary or any Subsidiary of any Conveyed Subsidiary as a result of any Conveyed Subsidiary or any Subsidiary of any Conveyed Subsidiary ceasing to be a member of a group with any other Person for Tax purposes.

(m) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 4.16 and Section 4.17 (to the extent related to Taxes) are the sole and exclusive representations and warranties of Seller Parent with respect to Taxes.

Section 4.17 Employee Benefits; Employees .

(a) Set forth in Section 4.17(a) of the Seller Disclosure Letter is a true and complete list of each material Seller Group Plan and Foreign Seller Group Plan categorized by (i) whether the Seller Group Plan or Foreign Seller Group Plan is a Conveyed Subsidiary Plan and (ii) the country or countries for which such Seller Group Plan or Foreign Seller Group Plan provides benefits. No Conveyed Subsidiary Plan provides benefits to, or otherwise covers, any individual who is not a Business Employee, Former Business Employee, or the dependents or beneficiaries thereof.

(b) With respect to each material Conveyed Subsidiary Plan (other than Foreign Seller Group Plans that are not defined benefit pension plans), Seller Parent has made available to Purchaser Parent, prior to the date of this Agreement, true and complete copies of (i) each such plan's governing document and any amendments thereto (or a written summary of all material terms if the plan has not been reduced to writing) and (ii) any applicable Plan Regulatory or Funding Documents. In addition, within thirty (30) days following the date hereof, with respect to each (x) material Conveyed Subsidiary Plan that is a Foreign Seller Group Plan, Seller Parent shall make available to Purchaser true and complete copies of the documents contemplated by the immediately preceding sentence, and (y) each other material Seller Group Plan or Foreign Seller Group Plan for which Purchaser, the Conveyed Subsidiaries or their respective Affiliates have or will assume Liability following the Closing, Seller Parent shall make available to Purchaser Parent summaries of the material terms of such plans, the most recent summary plan description (if any) and excerpts or summaries of the actuarial reports for such plans to the extent relevant to the Liabilities being assumed. Seller Parent has made available to Purchaser Parent, on or prior to the date of this Agreement, a summary that is accurate in all material respects of the value of the assets and Liabilities of the Seller Pension Plans that relate to Business Employees and Former Business Employees as of the end of the 2017 fiscal year of Seller Parent.

(c) The IRS has issued a favorable determination letter, or for a prototype plan, opinion letter, with respect to each Conveyed Subsidiary Plan intended to be qualified within the meaning of Section 401(a) of the Code or, if no such determination has been made, either an application for such determination is pending with the IRS or the time within which such determination may be sought from the IRS has not yet expired, and, to the Knowledge of Seller Parent, nothing has occurred since the date of such determination or opinion that would reasonably be expected to result in disqualification of such Conveyed Subsidiary Plan. Each Conveyed Subsidiary Plan that is intended to qualify for any particular tax or regulatory treatment under the Laws of a country other than the United States (i) has received documentation of such qualification from a Governmental Authority (if available), and, to the Knowledge of Seller Parent, nothing has occurred since the date of such documentation that would reasonably be expected to result in disqualification of such Conveyed Subsidiary Plan or (ii) if such documentation is not available, to the Knowledge of Seller Parent, so qualifies.

(d) No Seller Group Plan is a "multiemployer plan," as such term is defined in Section 3(37) of ERISA, nor is any Conveyed Subsidiary Plan subject to Section 302 or Title IV of ERISA or Section 412 of the Code. None of the Purchased Assets is subject to a lien under Section 430(k) of the Code or Section 4068 of ERISA, and neither Seller Parent nor any of its ERISA Affiliates has incurred any liability under Title IV of ERISA (other than premium payments to the Pension Benefit Guaranty Corporation in the ordinary course) or Section 4971 of the Code which has not been and will not be fully paid as of the Closing. None of the Conveyed Subsidiaries (or the Subsidiaries thereof) or the Business has as of the date of this Agreement, or will have as of the Closing, any Liability in respect of post-employment or post-retirement medical, health or life insurance benefits for any current or former employees, except as required by applicable Law or to avoid excise tax under Section 4980B of the Code. Except as set forth on Section 4.17(d) of the Seller Disclosure Letter, no Seller Group Plan or Foreign Seller Group Plan is a defined benefit pension plan.

(e) Each Seller Group Plan and Foreign Seller Group Plan (other than a Conveyed Subsidiary Plan) has been maintained, operated, funded and administered in compliance in all respects with its terms and applicable Law, except for such instances of noncompliance that would not, individually or in the aggregate, be materially adverse to the Business. Each Conveyed Subsidiary Plan has been established, maintained, funded and administered in compliance in all material respects its terms and applicable Law. All material contributions or premiums with respect to each Conveyed Subsidiary Plan have been paid or deducted in a timely fashion and there are no material outstanding defaults or violations thereunder that have not been properly recorded in the Financial Statements. Other than routine claims for benefits, there are no suits, claims, proceedings, actions, governmental audits or investigations that are pending or threatened against or involving any Seller Group Plan or Foreign Seller Group Plan or asserting any rights to or claims for benefits under any Seller Group Plan or Foreign Seller Group Plan, except for such actions that have not had and would not, individually or in the aggregate, a be materially adverse to the Business.

(f) Except as set forth in Section 4.17(f) of the Seller Disclosure Letter: (i) none of the Conveyed Subsidiaries (or employers of Business Employees who are not as of Closing employed in a Conveyed Subsidiary) recognize a labor union (in the case of employers that are not Conveyed Subsidiaries or Subsidiaries thereof, excluding any labor union that does not represent the Business Employees) and none of the Business Employees are represented by any labor organization, works council or consultation body (other than industry-wide or national labor organizations) or subject to, or covered by, the terms of any material Collective Bargaining Agreement in connection with their services to the Business, (ii) no labor union, labor organization, works council or consultation body has made a demand for recognition or certification, and there are no representation or certification proceedings, union elections or, to the Knowledge of Seller Parent, union organizing activities, pending or threatened in writing with respect to the Business Employees, the Business or the Conveyed Subsidiaries or their Affiliates with respect to the Business, (iii) there are no pending or threatened in writing strikes, lockouts, work stoppages or slowdowns involving the Business Employees or against the Business or the Conveyed Subsidiaries or their Affiliates with respect to the Business and (iv) there is no unfair labor practice charge, labor arbitration or labor grievance proceeding pending or threatened in writing against the Business or the Conveyed Subsidiaries or their Affiliates with respect to the Business that would, in the case of

the foregoing clauses (iii) and (iv) , individually or in the aggregate, be materially adverse to the Business. As of the date hereof, Seller Parent has provided copies to Purchaser of all material Collective Bargaining Agreements applicable to Business Employees, the Business or the Conveyed Subsidiaries or their Subsidiaries. Seller Parent, the Conveyed Subsidiaries and their respective Subsidiaries have satisfied any material pre-signing requirement to provide notice to, or enter into any information and consultation procedure with, any labor union, labor organization, works council or consultation body in connection with the execution of this Agreement or the transactions contemplated by this Agreement as required by any Contract or Laws.

(g) As of the Closing, Seller Parent represents that each Business Employee devotes, and has devoted seventy percent (70%) or more of his or her working time in the last twelve (12) months (or such shorter period he or she has been employed by Seller Parent and its Affiliates) to performing services on behalf of the Business.

(h) As at the date hereof, the Seller Internal Restructurings in France and Netherlands have been completed in accordance with applicable Laws (including obtaining requisite opinions from applicable works councils and employee representative bodies) such that there are no Business Employees employed in the Business in France or Netherlands other than those employed by a Conveyed Subsidiary.

(i) Except as required by plans, programs, or arrangements required to be maintained or contributed to by the Laws of a non-U.S. jurisdiction, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event), will cause any (i) payments to become due or payable to any Business Employee, Former Business Employee, current or former consultant or director, (ii) acceleration, vesting or increase in any compensation or benefits to any Business Employee, Former Business Employee, current or former consultant or director, or (iii) Conveyed Subsidiary (or a Subsidiary thereof) to transfer or set aside any assets to fund any benefits under any Conveyed Subsidiary Plan, or limit or restrict in any material respect the right of Purchaser or any of its Affiliates or any Conveyed Subsidiary (or a Subsidiary thereof) to amend, terminate or transfer the assets of any Conveyed Subsidiary Plan. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein, will constitute a "change in ownership or control" or "change in effective control" of Seller Parent within the meaning of Section 280G of the Code. No Conveyed Subsidiary (or any Subsidiary thereof) is party to any plan, program, policy or arrangement providing for the "gross-up" or other compensation to any individual because of the imposition of any Tax on any payment to the individual related to Section 4999 or Section 409A of the Code.

Section 4.18 Global Trade Controls; Anti-Corruption Matters .

(a) The Sellers (with respect to the Business), the Conveyed Subsidiaries (and their Subsidiaries), as well as their respective directors, officers, and employees, are in compliance with all Global Trade Control Laws, including possession of and compliance with Governmental Authorizations required by Global Trade Control Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to the Business.

(b) The Sellers (with respect to the Business) and the Conveyed Subsidiaries (and their Subsidiaries) do not engage in any business with, or use, directly or indirectly, any corporate funds to contribute to or finance the activities of, any Restricted Party or in any Restricted Market except as permitted by Governmental Authorization, except as would not, individually or in the aggregate, be materially adverse to the Business.

(c) None of the Sellers (with respect to the Business), the Conveyed Subsidiaries (and their Subsidiaries), nor any of their respective directors, officers, and employees, is a Restricted Party or owned or controlled by a Restricted Party.

(d) To Seller Parent's Knowledge, the Sellers (with respect to the Business), the Conveyed Subsidiaries (and their Subsidiaries), as well as their respective directors, officers, and employees are in compliance with all Anti-Corruption Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to the Business. For purposes of this Section 4.18(d) only, "Seller Parent's Knowledge" means that the conduct giving rise to the noncompliance with or violation of Anti-Corruption Law was reported to the Compliance Division of Seller Parent and such conduct is or was the subject of a Compliance Division investigation on or prior to the Closing Date.

(e) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 4.18 are the sole and exclusive representations and warranties of Seller Parent with respect to Global Trade Control Laws and Anti-Corruption Laws.

Section 4.19 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller Parent for which Purchaser or any of its Affiliates (including, after the Closing, the Conveyed Subsidiaries or their Subsidiaries) would be liable. Seller Parent is solely responsible for the fees and expenses of Centerview Partners, LLC, Guggenheim Securities, LLC and Morgan Stanley & Co. LLC.

Section 4.20 No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Seller Parent, the other Sellers, the Conveyed Subsidiaries or any of their respective Subsidiaries or Affiliates, the Purchased Assets, the Business or with respect to any other information provided, or made available, to Purchaser Parent, Purchaser or any of their Affiliates or Representatives in connection with the transactions contemplated hereby. Except as expressly set forth in the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement, neither Seller Parent nor any of its Affiliates, Representatives or any other Person has made any representation or warranty, express or implied, as to the prospects of the Business or its profitability, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Purchaser Parent, Purchaser or any of their Affiliates or Representatives in connection with Purchaser Parent's and Purchaser's review of the Business and

the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information. Except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Purchaser Parent, Purchaser, their Affiliates or Representatives or any other Person resulting from the sale and purchase of the Purchased Assets, or the Business to Purchaser Parent, Purchaser or their Affiliates or Purchaser Parent's or Purchaser's use of, or the use by any of their Affiliates or Representatives of, any information, including information, documents, projections, forecasts, business plans or other material (including any Evaluation Material (as defined in the Confidentiality Agreement)) made available to Purchaser Parent, Purchaser, their Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Seller Parent, the other Sellers or any of their respective Affiliates or Representatives, or Purchaser Parent, Purchaser or their Affiliates or Representatives. Each of Seller Parent and the other Sellers and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement. Notwithstanding anything to the contrary contained in this Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates makes any express or implied representation or warranty with respect to Excluded Assets, Retained Businesses or Retained Liabilities.

(b) Seller Parent acknowledges and agrees that, except for the representations and warranties contained in Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent, Purchaser nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Purchaser Parent, Purchaser or any of their respective Subsidiaries or Affiliates, the Purchaser Business or with respect to any other information provided, or made available, to Seller Parent or any of its Affiliates or Representatives in connection with the transactions contemplated hereby. Seller Parent acknowledges and agrees that, except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent, Purchaser nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Seller Parent or any of its Affiliates or Representatives or any other Person resulting from Seller Parent's use of, or the use by any of its Affiliates or Representatives of any information, including information, documents, projections, forecasts, business plans or other material (including any Evaluation Material (as defined in the Confidentiality Agreement)) made available to Seller Parent or any of its Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Purchaser Parent, Purchaser or any of their respective Affiliates or Representatives. Seller Parent acknowledges and agrees that it is not relying on any representation or warranty of Purchaser Parent, Purchaser, or any of their Affiliates or Representatives or any other Person, other than those representations and warranties specifically set forth in Article V or in any Ancillary Implementing Agreement. Seller

Parent acknowledges and agrees that each of Purchaser Parent and Purchaser and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in Article V or in any Ancillary Implementing Agreement. Seller Parent acknowledges and agrees that neither Purchaser Parent, Purchaser nor any of their respective Affiliates makes any express or implied representation or warranty with respect to the Purchaser Parent Retained Businesses or Purchaser Parent Retained Liabilities.

(c) Seller Parent acknowledges that it has conducted to its satisfaction an independent investigation of the financial condition, results of operations and projected operations of Purchaser and the Purchaser Business and the nature and condition of its properties, assets, liabilities and businesses and, in making the determination to proceed with the transactions contemplated hereby, has relied solely on the results of its own independent investigation and the representations and warranties set forth in Article V or any Ancillary Implementing Agreement. In light of these inspections and investigations and the representations and warranties made to Seller Parent by Purchaser Parent in Article V or in any Ancillary Implementing Agreement, Seller Parent is relinquishing any right to any claim based on any representations and warranties other than those specifically included in Article V or in any Ancillary Implementing Agreement. Any claims Seller Parent may have for breach of representation or warranty shall be based solely on the representations and warranties of Purchaser Parent set forth in Article V or in any Ancillary Implementing Agreement.

(d) Seller Parent acknowledges that, except as explicitly set forth herein, neither Purchaser Parent, Purchaser nor any of their Affiliates has made any warranty, express or implied, as to the prospects of Purchaser or the Purchaser Business or their profitability, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Seller Parent or any of its Affiliates or Representatives in connection with Seller Parent's review of the Purchaser Business and the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER PARENT

Except as set forth in the Purchaser Parent Disclosure Letter and in accordance with Section 10.8 , Purchaser Parent hereby represents and warrants to Seller Parent and Purchaser as follows:

Section 5.1 Organization . Each of Purchaser Parent and Purchaser is validly existing and is a company duly incorporated and registered under the laws of England.

Section 5.2 Authority; Binding Effect .

(a) Purchaser Parent, Purchaser and each applicable Purchaser Designated Affiliate have all requisite corporate or other similar applicable power and authority to execute and

deliver this Agreement and each Ancillary Agreement to which it will be a party, and, subject to receipt of the Purchaser Parent Shareholder Approval, to perform their obligations hereunder and thereunder. The execution and delivery by Purchaser Parent and Purchaser of this Agreement and, subject to receipt of the Purchaser Parent Shareholder Approval, the performance by Purchaser Parent and Purchaser of their obligations hereunder have been, and the execution and delivery by Purchaser Parent, Purchaser and each Purchaser Designated Affiliate of each Ancillary Agreement to which it will be a party and the performance by Purchaser Parent, Purchaser and such Purchaser Designated Affiliates of their obligations thereunder have been or will have been as of the Closing, duly authorized by all requisite corporate or other similar applicable action. At a meeting duly called and held, the Board of Directors of Purchaser Parent has unanimously (i) approved this Agreement and the Sale and the other transactions contemplated hereby in accordance with applicable Law, (ii) directed that the Purchaser Parent Shareholder Circular be prepared and, subject to the approval of that circular by the UKLA, published in accordance with the terms of this Agreement, (iii) subject to the publication of the Purchaser Parent Shareholder Circular and Section 6.24(f) , resolved that the Purchaser Parent Shareholder Meeting be convened for the purpose of obtaining the Purchaser Parent Shareholder Approval and (iv) resolved, subject to Section 6.24(f) , to (1) unanimously recommend approval by Purchaser Parent's shareholders of the Purchaser Parent Shareholder Approval Resolution to Purchaser Parent's shareholders, including in the Purchaser Parent Shareholder Circular, without qualification, and (2) state in the Purchaser Parent Shareholder Circular that the Sale and the other transactions contemplated by this Agreement are, in the Board of Directors of the Purchaser Parent's opinion, fair and reasonable so far as the Purchaser Parent shareholders are concerned and that the Board of Directors have been so advised by Citigroup Global Markets Limited and J.P. Morgan Securities plc (such recommendation and statement being together, the " Purchaser Parent Board Recommendation "). As of the date of this Agreement, the Board of Directors of Purchaser Parent has not subsequently rescinded, modified or withdrawn any of the foregoing resolutions. The approval of the Sale and the other transactions contemplated by this Agreement by the holders of ordinary shares of Purchaser Parent, by way of approval of the Purchaser Parent Shareholder Approval Resolution at the Purchaser Parent Shareholder Meeting (the " Purchaser Parent Shareholder Approval ") is the only Approval required from the holders of Purchaser Parent's ordinary shares or other securities of Purchaser Parent or its Affiliates in connection with the consummation of the Sale and the other transactions contemplated by this Agreement.

(b) Purchaser Parent, Purchaser and each Subsidiary of Purchaser has, or will have as of the Closing, all requisite corporate or other similar applicable power and authority to carry on its respective business as it pertains to the Purchaser Business as currently conducted and to own, lease and operate its properties and assets related to the Purchaser Business, except where the failure to have such power and authority would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business or prevent or reasonably be expected to prevent Purchaser Parent, Purchaser or any Purchaser Designated Affiliate from consummating the Closing prior to the Outside Date. Purchaser is duly qualified to do business and, where applicable, in good standing in each jurisdiction where the nature of its business or properties makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(c) This Agreement has been duly executed and delivered by Purchaser Parent and Purchaser and, assuming this Agreement has been duly executed and delivered by Seller Parent, constitutes a legal, valid and binding obligation of Purchaser Parent and Purchaser, and each Ancillary Agreement will be as of the Closing duly executed and delivered by Purchaser Parent, Purchaser and each Purchaser Designated Affiliate which will be a party thereto and will, assuming such Ancillary Agreement has been duly executed and delivered by each Seller that will be a party thereto, constitute a legal, valid and binding obligation of Purchaser Parent, Purchaser and such Purchaser Designated Affiliate, in each case enforceable against Purchaser Parent, Purchaser and such Purchaser Designated Affiliate (as applicable) in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law).

Section 5.3 Purchaser; Purchaser Subsidiaries; Capital Structure .

(a) As of the date hereof, the issued share capital of Purchaser is 63,500 ordinary shares. All of the issued ordinary shares of Purchaser have been validly issued, fully paid and non-assessable, and are not subject to, and were not issued in violation of, any preemptive right. The B Ordinary Shares, when issued in accordance with this Agreement at Closing, will be validly issued, fully paid and non-assessable, and will not be issued in violation of any preemptive right. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which Purchaser is or may become obliged to issue, sell, purchase, return, redeem or otherwise acquire any of its shares, or any securities convertible into or exchangeable for its shares. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, shareholder agreements, proxies or other Contracts in effect with respect to the sale or voting of any of the shares of Purchaser. A wholly owned Subsidiary of Purchaser Parent owns legally and beneficially as of the date of this Agreement, and will own legally and beneficially as of immediately prior to the Closing, all of the issued shares in the capital of Purchaser, free and clear of all Liens except for Liens arising under applicable securities Laws. As of and immediately following the Closing, after giving effect to the Sale and the issuance of the Purchase Consideration, a wholly owned Subsidiary of Purchaser Parent will own legally and beneficially 680,000 A Ordinary Shares and 300,000 Preference Shares, and Seller Parent (or its applicable designee(s)) will own legally and beneficially 320,000 B Ordinary Shares, in each case on the terms and subject to the rights and restrictions set forth in the Restated Purchaser Articles of Association and the Purchaser Shareholders Agreement, which such shares shall together constitute the entire issued share capital of Purchaser, and there will be no other ordinary shares, preference shares or other equity interests, or warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which Purchaser is or may become obliged to issue, sell, purchase, return, redeem or otherwise acquire any shares, or any other equity interests, or any securities convertible into or exchangeable for shares, or any other equity interests, of Purchaser.

(b) Each Subsidiary of Purchaser is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized and validly existing under the laws of its jurisdiction of organization, with all requisite corporate or other similar applicable power and authority to own,

lease and operate its properties and assets and to carry on its respective business, as currently conducted, except where the failure to be so organized or existing or to have such power and authority would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Each Subsidiary of Purchaser is duly qualified to do business and, where applicable, in good standing in each jurisdiction where the nature of its business or properties makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Section 5.3(b) of the Purchaser Parent Disclosure Letter sets forth (i) the name and the jurisdiction of organization of each Subsidiary of Purchaser and (ii) the record owners of such outstanding equity interests. All of the issued and outstanding equity interests of each Subsidiary of Purchaser are validly issued, fully paid and, in the case of any Subsidiary of Purchaser which is a corporation, non-assessable, and are not subject to, and were not issued in violation of, any preemptive right. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which any Subsidiary of Purchaser is or may become obliged to issue, sell, purchase, return, redeem or otherwise acquire any equity interests of any Subsidiary of Purchaser, or any securities convertible into or exchangeable for any equity interests of any Subsidiary of Purchaser. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, stockholder agreements, proxies or other Contracts in effect with respect to the sale or voting of the equity interests of any Subsidiary of Purchaser. Purchaser or another wholly owned Subsidiary of Purchaser owns legally and beneficially, or will own legally and beneficially as of the Closing, all of the issued and outstanding equity interests of each Subsidiary of Purchaser, free and clear of all Liens except for Liens arising under applicable securities Laws. Except for the equity interests of the Subsidiaries of Purchaser, Purchaser and its Subsidiaries do not own any other equity interests of any Person.

Section 5.4 No Conflicts; Consents . Subject to the receipt of the Purchaser Parent Shareholder Approval, the execution, delivery and performance by Purchaser Parent and Purchaser of this Agreement and each Ancillary Implementing Agreement by Purchaser Parent, Purchaser or a Purchaser Designated Affiliate party to such Ancillary Implementing Agreement, and the consummation of the transactions contemplated hereby and thereby by Purchaser Parent, Purchaser and such Purchaser Designated Affiliate, do not and will not (a) violate any provision of the articles of association or equivalent organizational documents of Purchaser Parent, Purchaser or any of their Affiliates, (b) subject to obtaining the consents set forth in Section 5.4 of the Purchaser Parent Disclosure Letter, result in a violation of, or require the consent of any Person pursuant to, or conflict with, constitute a default under, or result in the breach or termination, cancellation or acceleration (whether with or without the giving of notice or the lapse of time or both) of any right or obligation of (or to the loss of any benefit of) Purchaser Parent, Purchaser or any of their Affiliates under any Purchaser Material Contract or Purchaser Real Property Lease, or result in the imposition of a Lien on any assets, properties or rights, other than Purchaser Permitted Liens, relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, or (c) assuming compliance with the matters set forth in Sections 4.5 and 5.5 , violate or result in a breach of or constitute a default under any Law, Governmental Authorization or other restriction of any Governmental Authority to which Purchaser Parent, Purchaser or any of their Affiliates is subject, except, with respect to clauses (b) and (c) , as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business or prevent or reasonably be expected to prevent Purchaser

Parent, Purchaser or any Purchaser Designated Affiliate from consummating the Closing prior to the Outside Date.

Section 5.5 Governmental Authorization . The execution, delivery and performance of this Agreement by Purchaser Parent and Purchaser and each Ancillary Implementing Agreement by any of Purchaser Parent, Purchaser or any Purchaser Designated Affiliate party thereto does not require any Approval of, or Filing with, any Governmental Authority, except for (a) the expiration or early termination of the applicable waiting period under the HSR Act, (b) the Approvals and Filings set forth in Section 5.5 of the Purchaser Parent Disclosure Letter, (c) Approvals and Filings which if not obtained or made would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business or prevent or reasonably be expected to prevent Purchaser Parent, Purchaser or any Purchaser Designated Affiliate from consummating the Closing prior to the Outside Date, and (d) the Approvals and Filings required due to the regulatory obligations of Seller Parent or any of its Subsidiaries.

Section 5.6 Financial Information .

(a) Section 5.6(a) of the Purchaser Parent Disclosure Letter contains copies of (i) the unaudited balance sheet of Purchaser Business as of September 30, 2018, June 30, 2018 and March 31, 2018 (the " Purchaser Working Capital Statements ") and (ii) the audited balance sheet of the Purchaser Business as of December 31, 2017, December 31, 2016, and December 31, 2015, and the related audited income statement for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 (the " Audited Purchaser Financial Statements ") (the foregoing clauses (i) and (ii) collectively, and together with any notes thereto, the " Purchaser Financial Statements ").

(b) Except as set forth in Section 5.6(b) of the Purchaser Parent Disclosure Letter or as noted in the Audited Purchaser Financial Statements, the Audited Purchaser Financial Statements were prepared in accordance with IFRS, on a consistent basis for each period presented and present a true and fair view of (x) the state of affairs of the Purchaser Business as of the dates therein specified and (y) the results of operations of the Purchaser Business for the periods indicated. The Purchaser Working Capital Statements were prepared using principles, procedures, policies and methods consistent in all material respects with those used in the preparation of the balance sheet of the Purchaser Business as of the Balance Sheet Date included in the Audited Purchaser Financial Statements.

(c) Except as set forth in Section 5.6(c) of the Purchaser Parent Disclosure Letter, the Purchaser Business does not have any Indebtedness or other Liabilities of any nature or kind whatsoever (whether accrued, known or unknown, absolute, contingent or otherwise) that would be required to be reflected on a balance sheet of the Purchaser Business prepared in accordance with IFRS, except for (i) Liabilities accrued for, reflected on, disclosed and/or reserved against on the Purchaser Financial Statements, (ii) Liabilities incurred subsequent to the Balance Sheet Date in the ordinary course of business, (iii) Liabilities taken into account in the Final Closing Statement, Final Purchaser Working Capital or Final Purchaser Net Cash, (iv) Liabilities incurred in connection with or arising out of the transactions contemplated hereby, (v) Liabilities disclosed or set forth in the Purchaser Disclosure Letter and (vi) Liabilities which would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

Section 5.7 Absence of Material Changes . Except as otherwise contemplated by this Agreement and the transactions contemplated hereby (including in connection with the review of strategic alternatives with respect to the Purchaser Business), since December 31, 2017 (a) there has not been any Purchaser Material Adverse Effect and (a) until the date of this Agreement, the Purchaser Business has been operated, in all material respects, in the ordinary course of business.

Section 5.8 Securities Act . Purchaser is acquiring the Shares solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act. Purchaser acknowledges that the Shares are not registered under the Securities Act, any applicable state securities Laws or any applicable foreign securities Laws, and that such Shares may not be transferred or sold except pursuant to the registration provisions of the Securities Act and applicable state and foreign securities Laws or pursuant to an applicable exemption therefrom. Purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Shares and is capable of bearing the economic risks of such investment.

Section 5.9 No Litigation . Except as set forth in Section 5.9 of the Purchaser Parent Disclosure Letter, there is no Action pending or, to the Knowledge of Purchaser Parent, threatened against Purchaser or any of its Subsidiaries, or against Purchaser Parent or any of its Affiliates relating to the Purchaser Business or any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, before any Governmental Authority or arbitration tribunal other than Actions which would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Neither Purchaser nor any of its Affiliates is subject to any outstanding Governmental Order which would, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

Section 5.10 Compliance with Laws . Except as set forth in Section 5.10 of the Purchaser Parent Disclosure Letter:

(a) Purchaser Parent and its Subsidiaries (including Purchaser and its Subsidiaries) are, and for the last three (3) years have been, in compliance with all Laws applicable to the ownership, lease or operation of the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries and the Purchaser Business, including (i) the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §301 et seq. and applicable binding implementing regulations issued by the U.S. Food and Drug Administration, (ii) the applicable Laws of the European Union and applicable binding implementing regulations issued by applicable Governmental Authorities in those jurisdictions in the European Union in which the Purchaser Business markets, commercializes, distributes and sells Purchaser Products, or otherwise operates, or has marketed, commercialized, distributed or sold Purchaser Products, or otherwise operated, in the last three (3) years (including European Union's Directive 95/46/EC, as amended, and Regulation EU 2016/679 (the General Data Protection Regulation), and any national implementing legislation of the foregoing) and (iii) the applicable Laws of any other jurisdiction in which the Purchaser Business markets, commercializes, distributes and sells Purchaser Products, or otherwise operates, or has marketed, commercialized, distributed or sold Purchaser Products, or otherwise operated, in the last three (3) years, except in the case of each of the foregoing clauses

(i) , (ii) and (iii) to the extent that the failure to comply therewith would not, individually or in the aggregate, be materially adverse to the Purchaser Business.

(b) Purchaser and its Subsidiaries collectively possess all Governmental Authorizations necessary for the conduct of the Purchaser Business, as currently conducted, and each such Governmental Authorization is in full force and effect, except where the failure to possess any such Governmental Authorization or the failure of such Governmental Authorization to be in full force and effect would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole.

Section 5.11 Product Registrations; Manufacturing Registrations; Regulatory Compliance; Product Liability and Recalls .

(a) Except with respect to Purchaser Environmental Permits (which are the subject of Section 5.12):

(i) Purchaser and its Subsidiaries own, possess or validly have the right to use all Governmental Authorizations required to research, develop, manufacture, market, commercialize, distribute, test, use, store and sell the Purchaser Products, except where the failure to so own, possess or validly have such right would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole;

(ii) All Purchaser Products sold under the Purchaser Product Registrations are manufactured and marketed in accordance with the specifications and standards contained in such Purchaser Product Registrations, and the applicable Purchaser Manufacturing Registrations, except where the failure to comply therewith would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business; and

(iii) Except as set forth in Section 5.11(a)(iii) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser is, or will be as of the Closing, the sole and exclusive owner of each Purchaser Product Registration and Purchaser Manufacturing Registration.

(b) Except as set forth in Section 5.11(b) of the Purchaser Parent Disclosure Letter, there is no Action pending, or, to the Knowledge of Purchaser Parent, threatened, against Purchaser or any of its Subsidiaries or relating to the Purchaser Business or any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries (i) arising from complaints, allegations or Actions relating to any injury to person or property or as a result of ownership, possession, provision or use of any of the Purchaser Products that were manufactured, processed, distributed, shipped or sold prior to the date of this Agreement or (ii) relating to any alleged hazard or alleged defect in design, manufacture, materials or workmanship, including any failure to warn or alleged breach of express or implied warranty or representation, relating to the Purchaser Products, except in the case of each of the foregoing clauses

(i) and (ii) , for Actions which would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(c) Except as set forth in Section 5.11(c) of the Purchaser Parent Disclosure Letter, since January 1, 2016, there have been no recalls or market withdrawals of Purchaser Products and, to the Knowledge of Purchaser Parent, no facts or circumstances exist that would reasonably be expected to result in recalls or market withdrawals of Purchaser Products that would, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(d) Notwithstanding any other provision of this Agreement, this Section 5.11 sets forth the sole and exclusive representations and warranties of Purchaser Parent with respect to Purchaser Product Registrations and Purchaser Manufacturing Registrations, products liability and product recalls, and the other regulatory matters described in this Section 5.11 .

Section 5.12 Environmental Matters . Except as set forth in Section 5.12 of the Purchaser Parent Disclosure Letter:

(a) (i) Purchaser Parent and its Subsidiaries (in each case, with respect to the Purchaser Business), Purchaser and its Subsidiaries, the Purchaser Business (as currently or formerly conducted), the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, and the Purchaser Real Property are and have been since January 1, 2016 in compliance with all applicable Environmental Laws and Governmental Authorizations required under Environmental Law (including Purchaser Environmental Permits); (ii) neither Purchaser Parent n or its Subsidiaries (in each case, with respect to the Purchaser Business or the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries) are undertaking or required to undertake any Remedial Action at the Purchaser Facilities or any property formerly owned, leased or operated by Purchaser or its Subsidiaries (or any of their respective predecessors) or by the Purchaser Business (as currently or formerly conducted) ; and (iii) since January 1, 2016, neither Purchaser Parent n or its Subsidiaries has received written notice from a Governmental Authority or other Person that it is subject to any unresolved enforcement action or Liability with respect to Purchaser or its Subsidiaries, the Purchaser Business (as currently or formerly conducted), the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, or the Purchaser Facilities under any applicable Environmental Laws or Purchaser Environmental Permits, except for such noncompliance, Remedial Actions, Liabilities or enforcement actions that would not, individually or in the aggregate, be materially adverse to the Purchaser Business;

(b) all Governmental Authorizations (including Purchaser Environmental Permits) required of Purchaser Parent and its Subsidiaries (in each case, with respect to the Purchaser Business or the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries) under all applicable Environmental Laws have been obtained and are held by Purchaser or a Subsidiary of Purchaser, except for such failures to obtain as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole; and

(c) no Actions or written claims are pending or, to the Knowledge of Purchaser Parent, threatened against Purchaser Parent or its Subsidiaries (in each case, with respect to the Purchaser Business or the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries) arising from or as a result of, and there have been no (i) exposures to Hazardous Materials , including on, in, under, about or from the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries or at the Purchaser Facilities, (ii) Releases of Hazardous Materials, including at , on, in, under, or from any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries or from any Purchaser Facilities, (iii) off-site treatment, storage or disposal of Hazardous Materials generated by t he Purchaser Business (as currently or formerly conducted), Purchaser Parent or its Subsidiaries (with respect to the Purchaser Business) or Purchaser or its Subsidiaries or (iv) any violations of any Environmental Laws arising, directly or indirectly, in connection with the Purchaser Business (as currently or formerly conducted) or any of the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries or Purchaser Facilities, in each case that has resulted or would result in Environmental Liability , except for such claims, Actions, Environmental Liabilities or investigations that would not, individually or in the aggregate, be materially adverse to the Purchaser Business.

(d) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 5.12 are the sole and exclusive representations and warranties of Purchaser Parent with respect to Environmental Laws, Purchaser Environmental Permits, Environmental Liabilities, Hazardous Materials and other environmental matters.

Section 5.13 Material Contracts .

(a) Except (x) for Contracts entered into after the date of this Agreement, (y) for intercompany agreements solely between or among Purchaser (or any of its Subsidiaries) and any of its Subsidiaries or that shall be terminated as of or prior to the Closing Date in accordance with Section 6.7 or (z) as set forth in Section 5.13(a) of the Purchaser Parent Disclosure Letter, neither Purchaser Parent nor any of its Affiliates is a party to or bound by any Contract in effect as of the date hereof that is material to Purchaser or the Purchaser Business, taken as a whole (a " Purchaser Material Contract ").

(b) Except as set forth in Section 5.13(b) of the Purchaser Parent Disclosure Letter, (i) except as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business, each Purchaser Material Contract is legal, valid and binding on Purchaser or its Subsidiary that is a party thereto and, to the Knowledge of Purchaser Parent, each other party thereto, and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), and (ii) neither Purchaser Parent nor any of its Affiliates or, to the Knowledge of Purchaser Parent, any other party thereto, is in breach of, or default under, any such Purchaser Material Contract, except for such breaches or defaults as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Neither Purchaser nor

any of its Subsidiaries is a party to or bound by any Contract that contains any non-compete or similar provision that would materially limit or impair Seller Parent or any of the Retained Subsidiaries' ability to operate the Retained Businesses after the Closing.

(c) Section 5.13(c) of the Purchaser Parent Disclosure Letter lists all material Purchaser Related Party Contracts.

Section 5.14 Intellectual Property .

(a) To the Knowledge of Purchaser Parent (but only as to validity and enforceability), as of the date of this Agreement, except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, all issued Patent Rights, pending applications for Patent Rights, registered Trademarks, pending Trademark registration applications and registered Copyrights that are included in the Purchaser IP (collectively, the " Registered Purchaser IP ") are in effect and subsisting, and, if registered, not invalid or unenforceable. The Purchaser Trademark Rights, together with Trademarks that are licensed to Purchaser or its Subsidiaries by Purchaser Parent or its Subsidiaries or by a third party, include all of the Purchaser Key Brands.

(b) All material Purchaser IP and Purchaser Licensed IP shall be, following the Closing, transferable and licensable (or sublicensable as the case may be) by Purchaser and its Subsidiaries, without payment of any kind to Purchaser Parent or any Affiliate of Purchaser Parent, as may be needed in the ordinary course of the operation of the Purchaser Business, and shall be fully transferable, assignable and assumable, as the case may be, without payment of any kind to Purchaser Parent or any Affiliate of Purchaser Parent, in connection with a change of control (that constitutes an assignment) of Purchaser or any Listing Transaction (as defined in the Purchaser Shareholders Agreement) or the sale of substantially all of the assets of a business unit of Purchaser to the extent such Purchaser IP or Purchaser Licensed IP is related to such business unit.

(c) Except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, and taking into account Section 6.22 , the Purchaser IP and the Purchaser Licensed IP constitutes all of the Intellectual Property owned by either Purchaser Parent or any of its Subsidiaries or Purchaser or any of its Subsidiaries that is used or held for use in, or that is necessary for, the conduct of the Purchaser Business as conducted as of the date of this Agreement. The operation of the Purchaser Business immediately following the Closing will not infringe any of Purchaser Parent's or any of its Affiliates' Intellectual Property.

(d) Except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, (x) the conduct of the Purchaser Business does not, to the Knowledge of Purchaser Parent, infringe, misappropriate or otherwise violate the Intellectual Property of any Person and (y) as of the date of this Agreement, there is no Action pending or, to the Knowledge of Purchaser Parent, threatened in writing against Purchaser Parent or any of its Affiliates (i) alleging any such infringement, misappropriation, or other violation, or (ii) challenging the validity, enforceability, ownership, use, registrability, or patentability of the Purchaser IP, other than ordinary course prosecution proceedings associated with the application for or registration of Registered Purchaser IP.

(e) Except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, as of the date of this Agreement, to the Knowledge of Purchaser Parent, no Person is infringing, misappropriating or otherwise violating any Purchaser IP and as of the date of this Agreement, no such Actions are pending or, to the Knowledge of Purchaser Parent, threatened against any Person by Purchaser Parent or any of its Affiliates.

(f) Purchaser or its Subsidiaries, as applicable, are the sole legal owners of all Registered Purchaser IP that is owned or purported to be owned by Purchaser or its Subsidiaries. None of the Registered Purchaser IP or any other material Purchaser IP is subject to any Lien, other than Purchaser Permitted Liens.

(g) Since January 1, 2016, to the Knowledge of Purchaser Parent, there (i) have been no failures of the Purchaser IT Systems that have materially and adversely impacted the conduct of the Purchaser Business and (ii) has been no unauthorized access, loss, use or breach of security with respect to the Purchaser IT Systems or any material sensitive, confidential or proprietary information (including personally identifiable information) relating to the Purchaser Business that have materially and adversely impacted the Purchaser Business.

(h) Except for the Trademarks licensed by Purchaser Parent or any of its Subsidiaries (other than Purchaser and its Subsidiaries) to Purchaser or any of its Subsidiaries under a Purchaser Ancillary Agreement (the " Purchaser Licensed Trademark Rights "), and taking into account Section 6.22 , as of the Closing Date, the Purchaser Trademark Rights will include all material Trademarks under which the Purchaser Business operates that are owned by Purchaser Parent or any Subsidiary of Purchaser Parent. The Purchaser Licensed Trademark Rights are licensed to Purchaser or one or more of its Subsidiaries by Purchaser Parent or its Subsidiaries (other than Purchaser and its Subsidiaries) on a perpetual, royalty free basis, and such license is (i) exclusive in the field in which the Purchaser Business operates (subject to limited exceptions to exclusivity for brands managed by Purchaser Parent's Affiliates' pharmaceutical division, rights granted to third parties prior to the date licensed to Purchaser Parent, brands used for both prescription and non-prescription products, and products switched from prescription to non-prescription sales) and (ii) non-terminable solely due to a change of control of Purchaser or the occurrence of any Listing Transaction (as defined in the Purchaser Shareholders Agreement) and assignable, without restriction, on the sale of substantially all of the assets of a business unit of Purchaser to the extent such Purchaser Licensed Trademarks is related to such business unit.

(i) Notwithstanding any provision of this Agreement to the contrary, except with respect to Section 5.7 , Section 5.13 , and this Section 5.14 sets forth the sole and exclusive representations and warranties of Purchaser Parent with respect to Intellectual Property.

Section 5.15 Real Property .

(a) Except as set forth in Section 5.15(a)(i) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser has insurable title in fee simple to the Owned Purchaser Real Property, free and clear of any Liens, other than Purchaser Permitted Liens. Except as set forth in Section 5.15(a)(ii) of the Purchaser Parent Disclosure Letter or as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken

as a whole, neither Purchaser Parent nor any of its Subsidiaries is leasing or otherwise granting to any third party the right to use or occupy any Owned Purchaser Real Property or any portion thereof.

(b) Except as set forth in Section 5.15(b)(i) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser has a valid leasehold interest and valid and continuing right to use and occupy each Leased Purchaser Real Property pursuant to a Purchaser Real Property Lease. Except (x) as set forth in Section 5.15(b)(ii) of the Purchaser Parent Disclosure Letter or (y) as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole, (i) each Purchaser Real Property Lease is legal, valid and binding on Purchaser or its Subsidiary party thereto and, to the Knowledge of Purchaser Parent, each other party thereto and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), (ii) neither Purchaser Parent nor any of its Subsidiaries or, to the Knowledge of Purchaser Parent, any other party thereto, is in breach of, or default under, any such Purchaser Real Property Lease and (iii) neither Purchaser Parent nor any of its Subsidiaries is leasing or otherwise granting to any third party the right to use or occupy any Purchaser Leased Real Property or any portion thereof.

(c) Except as set forth in Section 5.15(c) of the Purchaser Parent Disclosure Letter, (i) no certificate, permit or license from any Governmental Authority having jurisdiction over any of the Purchaser Real Property, or any Contract, easement or other right which is necessary to permit the lawful occupancy of the buildings and improvements on any of the Purchaser Real Property or which is necessary to permit the lawful use of all driveways, roads and other means of egress and ingress to and from any of the Purchaser Real Property, in each case, with respect to the Purchaser Business, has not been obtained or, to the Knowledge of Purchaser Parent, is not in full force and effect, which would, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole, and (ii) neither Purchaser Parent or any of its Subsidiaries (in respect of the Purchaser Business) or Purchaser or its Subsidiaries has received any written notice from any Governmental Authority that the Purchaser Real Property is currently in violation of any applicable Law that would, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole.

(d) Section 5.15(d)(i) of the Purchaser Parent Disclosure Letter sets forth each manufacturing and research and development facility at which Purchaser Products are manufactured or developed that is owned or operated by Purchaser Parent or its Subsidiaries (the " Purchaser Facilities "). Except as set forth in Section 5.15(d)(ii) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser has insurable title in fee simple to, or a valid leasehold interest and valid and continuing right to use and occupy, each Purchaser Facility.

Section 5.16 Assets .

(a) Except as otherwise provided in this Agreement or as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole, Purchaser or its Subsidiaries have, or will have as of the Closing, good and valid title to, or other legal rights to possess and use, all of the assets, properties and rights Relating to the

Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, free and clear of any Liens other than Purchaser Permitted Liens.

(b) Except as set forth in Section 5.16(b) of the Purchaser Parent Disclosure Letter and as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole (assuming all consents and Approvals as may be required in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements have been obtained; provided , that no such assumption shall be made to the extent Purchaser Parent is not in compliance with its obligations under Section 2.2 or Section 6.3 of this Agreement), together with the benefits, services, assets, licenses, sublicenses and other rights and benefits to be provided to Purchaser and its Subsidiaries pursuant to this Agreement, the Ancillary Agreements and the Purchaser Ancillary Agreements, the assets, properties and rights owned, or leased and licensed from third parties, by Purchaser or its Subsidiaries do and will following the Closing, in the aggregate, constitute all of the assets either used in or necessary for Purchaser and its Subsidiaries to conduct the Purchaser Business as conducted as of the date of this Agreement and as of the Closing.

(c) Except as set forth in Section 5.16(c) of the Purchaser Parent Disclosure Letter, there are no material assets, properties or rights that are used or held for use by Purchaser or any Subsidiary of Purchaser or necessary for the conduct of the Purchaser Business and owned or controlled by Purchaser Parent or any Affiliate of Purchaser Parent (other than Purchaser or a Subsidiary of Purchaser).

(d) Purchaser and its Subsidiaries are not, or will not at Closing be, directly or indirectly, engaged in any Purchaser Parent Retained Businesses, and do not, or will not at Closing, hold and are not, or will not at Closing be, subject to any Purchaser Parent Retained Liability or assets, properties and rights not relating to the Purchaser Business (other than non-material or ministerial liabilities, assets, rights or properties).

Section 5.17 Taxes .

(a) All income and other material Tax Returns that are required to be filed by (i) Purchaser or any Subsidiary of Purchaser or (ii) in respect of the Purchaser Business have, in each case, been timely filed (taking into account any applicable extensions), and all such Tax Returns are true, correct and complete in all material respects.

(b) All income and other material Taxes required to be paid by (i) Purchaser or any Subsidiary of Purchaser or (ii) in respect of the Purchaser Business have, in each case, been timely paid (taking into account any applicable extensions).

(c) Purchaser and its Subsidiaries, and Purchaser Parent and its Subsidiaries with respect to the Purchaser Business, have deducted or withheld and paid over to the applicable Taxing Authority all material Taxes required to have been deducted or withheld and paid over in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, and Purchaser and each of its Subsidiaries, and Purchaser Parent and each of its

Subsidiaries with respect to the Purchaser Business, has (if required by any applicable Laws to do so) provided appropriate certificates of deduction.

(d) There are no Liens for material Taxes upon any of the assets relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, except for Purchaser Permitted Liens.

(e) Within the past three (3) years, neither Purchaser nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify under Section 355(a) of the Code.

(f) There are no current or pending audits, examinations, contests or other Actions with respect to material Taxes of Purchaser or any Subsidiary of Purchaser or of Purchaser Parent or any of its Subsidiaries with respect to the Purchaser Business, and no such audits, examinations, contests or other Actions have been threatened in writing.

(g) There are no outstanding powers of attorney granted by Purchaser or any Subsidiary of Purchaser with respect to material Taxes for any taxable period beginning after the Closing Date, other than powers of attorney granted to Purchaser or another Subsidiary of Purchaser.

(h) Neither Purchaser nor any Subsidiary of Purchaser is party to any Tax sharing, allocation, indemnity or similar agreement or arrangement (other than (x) any such agreement or arrangement solely between or among Purchaser and/or any of the Subsidiaries of Purchaser and (y) provisions contained in commercial agreements or arrangements the primary purpose of which is not Taxes (including employment agreements, credit agreements, leases and supply or manufacturing agreements)).

(i) Neither Purchaser nor any Subsidiary of Purchaser is or has been party to any "listed transaction" as defined in Section 6707A of the Code and Treasury Regulations Section 1.6011-4. Neither Purchaser nor any Subsidiary of Purchaser has at any time entered into or been engaged in or been a party to or promoter of any scheme, transaction or arrangement which was required by Law to be specifically disclosed to a Taxing Authority or a main or dominant purpose or object of which was the avoidance or deferral of or the obtaining of a reduction in or other advantage in respect of any Taxes.

(j) In the last three (3) years, no claim has been made in writing by any Taxing Authority in any jurisdiction in which Purchaser or any Subsidiary of Purchaser, or Purchaser Parent or any of its Subsidiaries with respect to the Purchaser Business, does not file income or franchise Tax Returns to the effect that such entity is or may be subject to income or franchise taxation by such jurisdiction.

(k) Neither Purchaser nor any Subsidiary of Purchaser will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period beginning after the Closing Date as a result of: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date made prior to the Closing, (ii) "closing agreement" executed prior to the Closing, (iii) intercompany transaction or excess loss account

described in Treasury Regulations under Section 1502 of the Code entered into or existing prior to the Closing, (iv) prepaid amount received on or prior to the Closing, (v) election under Section 108(i) of the Code made prior to the Closing or (vi) installment sale or open transaction disposition occurring on or before the Closing Date.

(l) Neither entering into this Agreement nor consummating the transactions contemplated hereby, nor, so far as the Purchaser or Purchaser Parent is aware, will give rise to any other event, transaction, action, or circumstance Liability for Tax or result in the withdrawal or clawback of any Tax Benefit for Purchaser or any Subsidiary of Purchaser as a result of Purchaser or any Subsidiary of Purchaser ceasing to be a member of a group with any other Person for Tax purposes.

(m) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 5.17 and Section 5.18 (to the extent relating to Taxes) are the sole and exclusive representations and warranties of Purchaser Parent with respect to Taxes.

Section 5.18 Employee Benefits; Employees .

(a) Set forth in Section 5.18(a) of the Purchaser Parent Disclosure Letter is a true and complete list of each material Purchaser Group Plan and Foreign Purchaser Group Plan categorized by (i) whether the Purchaser Group Plan or Foreign Purchaser Group Plan is a Purchaser Business Plan and (ii) the country or countries for which such Purchaser Group Plan or Foreign Purchaser Group Plan provides benefits. No Purchaser Business Plan provides benefits to, or otherwise covers, any individual who is not a Purchaser Business Employee, Former Purchaser Business Employee, or the dependents or beneficiaries thereof.

(b) With respect to each material Purchaser Business Plan (other than Foreign Purchaser Group Plans that are not defined benefit pension plans), Purchaser Parent has made available to Seller Parent, prior to the date of this Agreement, true and complete copies of (i) each such plan's governing document and any amendments thereto (or a written summary of all material terms if the plan has not been reduced to writing) and (ii) any applicable Plan Regulatory or Funding Documents. In addition, within thirty (30) days following the date hereof, with respect to each (x) material Purchaser Business Plan that is a Foreign Purchaser Group Plan, Purchaser Parent shall make available to Seller Parent true and complete copies of the documents contemplated by the immediately preceding sentence, and (y) each other material Purchaser Group Plan or Foreign Purchaser Group Plan for which Purchaser or its Subsidiaries has any Liability, Purchaser Parent shall make available to Seller Parent summaries of the material terms of such plans, the most recent summary plan description (if any) and excerpts or summaries of the actuarial reports for such plans to the extent relevant to the Liabilities of Purchaser or its Subsidiaries. Purchaser Parent has made available to Seller Parent, on or prior to the date of this Agreement, a summary that is accurate in all material respects of the value of the assets and Liabilities of all Purchaser Business Plans that are defined benefit pension plans as of the end of the 2017 fiscal year of Purchaser Parent.

(c) The IRS has issued a favorable determination letter, or for a prototype plan, opinion letter, with respect to each Purchaser Business Plan intended to be qualified within the meaning of Section 401(a) of the Code or, if no such determination has been made, either an

application for such determination is pending with the IRS or the time within which such determination may be sought from the IRS has not yet expired, and, to the Knowledge of Purchaser Parent, nothing has occurred since the date of such determination or opinion that would reasonably be expected to result in disqualification of such Purchaser Business Plan. Each Purchaser Business Plan that is intended to qualify for any particular tax or regulatory treatment under the Laws of a country other than the United States (i) has received documentation of such qualification from a Governmental Authority (if available), and, to the Knowledge of Purchaser Parent, nothing has occurred since the date of such documentation that would reasonably be expected to result in disqualification of such Purchaser Business Plan or (ii) if such documentation is not available, to the Knowledge of Purchaser Parent, so qualifies.

(d) No Purchaser Group Plan is a "multiemployer plan," as such term is defined in Section 3(37) of ERISA, nor is any Purchaser Business Plan subject to Section 302 or Title IV of ERISA or Section 412 of the Code. Neither Purchaser nor its Subsidiaries (or any assets of Purchaser or its Subsidiaries) is subject to a lien under Section 430(k) of the Code or Section 4068 of ERISA, and neither Purchaser Parent nor any of its ERISA Affiliates has incurred any liability under Title IV of ERISA (other than premium payments to the Pension Benefit Guaranty Corporation in the ordinary course) or Section 4971 of the Code which has not been and will not be fully paid as of the Closing. None of Purchaser, its Subsidiaries or the Purchaser Business has as of the date of this Agreement, or will have as of the Closing, any Liability in respect of post-employment or post-retirement medical, health or life insurance benefits for any current or former employees, except as required by applicable Law or to avoid excise tax under Section 4980B of the Code. Except as set forth on Section 5.18(d) of the Purchaser Parent Disclosure Letter, no Purchaser Group Plan or Foreign Purchaser Group Plan is a defined benefit pension plan.

(e) Each Purchaser Group Plan and Foreign Purchaser Group Plan (other than a Purchaser Business Plan) has been maintained, operated, funded and administered in compliance in all respects with its terms and applicable Law, except for such instances of noncompliance that would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Each Purchaser Business Plan has been established, maintained, funded and administered in compliance in all material respects its terms and applicable Law. All material contributions or premiums with respect to each Purchaser Business Plan have been paid or deducted in a timely fashion and there are no material outstanding defaults or violations thereunder that have not been properly recorded in the Purchaser Financial Statements. Other than routine claims for benefits, there are no suits, claims, proceedings, actions, governmental audits or investigations that are pending or threatened against or involving any Purchaser Group Plan or Foreign Purchaser Group Plan or asserting any rights to or claims for benefits under any Purchaser Group Plan or Foreign Purchaser Group Plan, except for such actions that have not had and would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(f) Except as set forth in Section 5.18(f) of the Purchaser Parent Disclosure Letter: (i) none of Purchaser or its Subsidiaries (or employers of Purchaser Business Employees other than Purchaser or its Subsidiaries) recognize a labor union (in the case of employers that are not Purchaser or its Subsidiaries, excluding any labor union that does not represent the Purchaser Business Employees) and none of the Purchaser Business Employees are represented by any labor

organization, works council or consultation body (other than industry-wide or national labor organizations) or subject to, or covered by, the terms of any material Collective Bargaining Agreement in connection with their services to the Purchaser Business, (ii) no labor union, labor organization, works council or consultation body has made a demand for recognition or certification, and there are no representation or certification proceedings, union elections or, to the Knowledge of Purchaser Parent, union organizing activities pending or threatened in writing with respect to the Purchaser Business or Purchaser or its Affiliates with respect to the Purchaser Business, (iii) there are no pending or threatened in writing strikes, lockouts, work stoppages or slowdowns involving the Purchaser Business Employees or against the Purchaser Business or Purchaser or its Affiliates with respect to the Purchaser Business and (iv) there is no unfair labor practice charge, labor arbitration or labor grievance proceeding pending or threatened in writing against the Purchaser Business or Purchaser or its Affiliates with respect to the Purchaser Business that would, in the case of the foregoing clauses (iii) and (iv), individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. As of the date hereof, Purchaser Parent has provided copies to Seller Parent of all material Collective Bargaining Agreements applicable to Purchaser Business Employees, the Purchaser Business or Purchaser or its Subsidiaries. Purchaser Parent, Purchaser and their respective Subsidiaries have satisfied any material pre-signing requirement to provide notice to, or enter into any information and consultation procedure with, any labor union, labor organization, works council or consultation body in connection with the execution of this Agreement or the transactions contemplated by this Agreement as required by any Contract or Laws.

(g) As of the Closing, Purchaser Parent represents that each Purchaser Business Employee devotes, and has devoted seventy percent (70%) or more of his or her working time in the last twelve (12) months (or such shorter period he or she has been employed by Purchaser Parent and its Affiliates) to performing services on behalf of the Purchaser Business.

(h) Except as required by plans, programs, or arrangements required to be maintained or contributed to by the Laws of a non-U.S. jurisdiction, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event), will cause any (i) payments to become due or payable to any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director, (ii) acceleration, vesting or increase in any compensation or benefits to any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director, or (iii) Purchaser or any of its Subsidiaries to transfer or set aside any assets to fund any benefits under any Purchaser Business Plan, or limit or restrict in any material respect the right of Purchaser or any of its Affiliates to amend, terminate or transfer the assets of any Purchaser Business Plan. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein, will constitute a "change in ownership or control" or "change in effective control" of Purchaser Parent within the meaning of Section 280G of the Code. Neither Purchaser nor any of its Subsidiaries is party to any plan, program, policy or arrangement providing for the "gross-up" or other compensation to any individual because of the imposition of any Tax on any payment to the individual related to Section 4999 or Section 409A of the Code.

Section 5.19 Global Trade Controls; Anti-Corruption Matters.

(a) Purchaser Parent and its Subsidiaries (with respect to the Purchaser Business) and Purchaser and its Subsidiaries, as well as their respective directors, officers, and employees, are in compliance with all Global Trade Control Laws, including possession of and compliance with Governmental Authorizations required by Global Trade Control Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(b) Purchaser and its Subsidiaries and, with respect to the Purchaser Business, Purchaser Parent and its other Subsidiaries, do not engage in any business with, or use, directly or indirectly, any corporate funds to contribute to or finance the activities of, any Restricted Party or in any Restricted Market except as permitted by Governmental Authorization, except as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(c) None of Purchaser or its Subsidiaries or, with respect to the Purchaser Business, Purchaser Parent or its other Subsidiaries, nor any of their respective directors, officers, and employees, is a Restricted Party or owned or controlled by a Restricted Party.

(d) To Purchaser Parent's Knowledge, Purchaser and its Subsidiaries, and Purchaser Parent and its other Subsidiaries (with respect to the Purchaser Business), as well as their respective directors, officers, and employees are in compliance with all Anti-Corruption Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. For purposes of this Section 5.19 only, "Purchaser Parent's Knowledge" means that the conduct giving rise to the noncompliance with or violation of Anti-Corruption Law was reported to the Compliance Division (or similar responsible group or body) of Purchaser Parent and such conduct is or was the subject of an investigation by it on or prior to the Closing Date.

(e) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 5.19 are the sole and exclusive representations and warranties of Purchaser Parent with respect to Global Trade Control Laws and Anti-Corruption Laws.

Section 5.20 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser Parent or its Affiliates for which Purchaser or any of its Subsidiaries would be liable. Purchaser Parent is solely responsible for the fees and expenses of Citigroup Global Markets Limited, J.P. Morgan Securities plc and Greenhill & Co., which shall be a Purchaser Parent Transaction Expense hereunder.

Section 5.21 No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent nor Purchaser nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Purchaser Parent or Purchaser or any of their respective Subsidiaries or Affiliates, the Purchaser Business or with respect to any other information provided,

or made available, to Seller Parent or any of its Affiliates or Representatives in connection with the transactions contemplated hereby. Except as expressly set forth in the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent nor Purchaser nor any of their respective Affiliates, Representatives or any other Person has made any representation or warranty, express or implied, as to the prospects of Purchaser or the Purchaser Business or their profitability, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Seller Parent or any of its Affiliates or Representatives in connection with Seller Parent's review of Purchaser or the Purchaser Business and the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information. Except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent nor Purchaser nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Seller Parent, its Affiliates or Representatives or any other Person resulting from Seller Parent's use of, or the use by any of its Affiliates or Representatives of, any information, including information, documents, projections, forecasts, business plans or other material made available to Seller Parent, its Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Purchaser Parent, Purchaser or any of their respective Affiliates or Representatives. Each of Purchaser Parent, Purchaser and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement. Notwithstanding anything to the contrary contained in this Agreement, neither Purchaser Parent, Purchaser nor any of their respective Affiliates makes any express or implied representation or warranty with respect to the Purchaser Parent Retained Businesses or Purchaser Parent Retained Liabilities.

(b) Purchaser Parent and Purchaser acknowledge and agree that, except for the representations and warranties contained in Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Seller Parent, the other Sellers, the Conveyed Subsidiaries or any of their respective Subsidiaries or Affiliates, the Purchased Assets, the Business or with respect to any other information provided, or made available, to Purchaser Parent, Purchaser or any of their respective Affiliates or Representatives in connection with the transactions contemplated hereby. Purchaser Parent and Purchaser acknowledge and agree that, except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Purchaser Parent, Purchaser, any of their respective Affiliates or Representatives or any other Person resulting from the sale and purchase of the Purchased Assets or the Business to Purchaser Parent, Purchaser or their Affiliates or Purchaser Parent's or Purchaser's use of, or the use by any of their respective Affiliates or Representatives of any information, including information, documents, projections,

forecasts, business plans or other material (including any Evaluation Material (as defined in the Confidentiality Agreement)) made available to Purchaser Parent, Purchaser, any of their respective Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Seller Parent, the other Sellers or any of their respective Affiliates or Representatives. Purchaser Parent and Purchaser acknowledge and agree that they are not relying on any representation or warranty of Seller Parent, the other Sellers, or any of their Affiliates or Representatives or any other Person, other than those representations and warranties specifically set forth in Article IV or in any Ancillary Implementing Agreement. Purchaser Parent and Purchaser acknowledge and agree that each of Seller Parent and the other Sellers and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in Article IV or in any Ancillary Implementing Agreement. Purchaser Parent and Purchaser acknowledge and agree that neither Seller Parent, the other Sellers nor any of their respective Affiliates makes any express or implied representation or warranty with respect to Excluded Assets, Retained Businesses or Retained Liabilities.

(c) Purchaser Parent and Purchaser acknowledge that they have conducted to their satisfaction an independent investigation of the financial condition, results of operations and projected operations of the Business and the nature and condition of its properties, assets, liabilities and businesses and, in making the determination to proceed with the transactions contemplated hereby, have relied solely on the results of their own independent investigation and the representations and warranties set forth in Article IV or any Ancillary Implementing Agreement. In light of these inspections and investigations and the representations and warranties made to Purchaser Parent and Purchaser by Seller Parent in Article IV or in any Ancillary Implementing Agreement, Purchaser Parent and Purchaser are relinquishing any right to any claim based on any representations and warranties other than those specifically included in Article IV or in any Ancillary Implementing Agreement. Any claims Purchaser Parent or Purchaser may have for breach of representation or warranty shall be based solely on the representations and warranties of Seller Parent set forth in Article IV or in any Ancillary Implementing Agreement.

(d) Purchaser Parent and Purchaser acknowledge that, except as explicitly set forth herein, neither Seller Parent nor any of its Affiliates has made any warranty, express or implied, as to the prospects of the Business or its profitability for Purchaser, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Purchaser Parent or Purchaser or any of their respective Affiliates or Representatives in connection with Purchaser Parent's and Purchaser's review of the Business and the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information.

ARTICLE VI

COVENANTS

Section 6.1 Information and Documents .

(a) From and after the date of this Agreement and to the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1 , to the extent permitted by applicable Law and upon reasonable advance notice, and solely for purposes of integration planning or in furtherance of the transactions contemplated by this Agreement and the Ancillary Agreements, (1) Seller Parent shall, and shall cause its Subsidiaries to, permit Purchaser Parent and its Representatives to have reasonable access, during normal business hours, to the books and records that constitute Purchased Assets, and to such personnel, offices and other facilities and properties that constitute Purchased Assets, and to provide such other information in respect of the Business as may be reasonably requested by Purchaser Parent for such purposes and (2) Purchaser Parent shall, and shall cause its Subsidiaries to, permit Seller Parent and its Representatives to have reasonable access, during normal business hours, to the books and records of Purchaser and its Subsidiaries or that are related to the Purchaser Business (provided that Purchaser Parent may redact any information in any such record not related to the Purchaser Business), and to such personnel, offices and other facilities and properties of Purchaser and its Subsidiaries or that are related to the Purchaser Business, and to provide such other information in respect of the Purchaser Business as may be reasonably requested by Seller Parent for such purposes; provided that all requests for access pursuant to this Section 6.1 shall be directed to and coordinated with a person or persons designated by Seller Parent or Purchaser Parent, as applicable, in writing; provided , further , that each Parent and its Subsidiaries may restrict the foregoing access or the provision of such information to the extent that, in the reasonable judgment of such Parent, (i) applicable Law requires such Parent or any of its Subsidiaries to restrict or prohibit such access or the provision of such information, (ii) providing such access would unreasonably interfere with the operation of such Parent's and its Subsidiaries' respective businesses, including the Business and the Purchaser Business, as applicable, (iii) providing such access or information would breach a confidentiality obligation to a third party, (iv) providing such access or information would result in disclosure of any information that is competitively or commercially sensitive, (v) in the case of access or information provided by Seller Parent, the information relates to the Strategic Process, or in the case of access or information provided by Purchaser Parent, the information relates to review of strategic alternatives with respect to the Purchaser Business, or (vi) providing such access or disclosure of any such information would reasonably be expected to result in the loss or waiver of the attorney-client or other applicable privilege or protection. In the event that a Parent or its Subsidiaries restricts access or withholds information on the basis of the foregoing clauses (i) through (vi) , such Parent shall, if permitted, inform the other Parent as to the general nature of what is being restricted or withheld and the reason therefor, and such Parent shall, and shall cause its Subsidiaries to, use its commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments. Notwithstanding the foregoing, (A) prior to the Closing, neither Parent, nor any of its Affiliates and Representatives, shall conduct any phase II environmental site assessment or conduct any invasive testing or any sampling of soil, sediment, surface water, groundwater or building material at, on, under or within any property of the other Parent or its Subsidiaries and (B) prior to Closing, none of Seller Parent or any of its Affiliates, including the Conveyed Subsidiaries (and their Subsidiaries), shall provide Business Employee personnel files to Purchaser Parent or its Affiliates or Representatives and none of Purchaser Parent or any of its Affiliates, including Purchaser (and its Subsidiaries), shall provide

Purchaser Business Employee personnel files to Seller Parent or its Affiliates or Representatives. Notwithstanding the foregoing, following Closing (x) to the extent permitted by Law, Seller Parent shall, and shall cause its Affiliates to, provide Purchaser and its Subsidiaries access to personnel records and other personnel information related to the Business Employees and Former Business Employees reasonably requested by Purchaser and its Subsidiaries and (y) Seller Parent shall, and shall cause its Affiliates to, retain all material records related to the Business Employees and Former Business Employees in accordance with Seller Parent's records retention policies and, in no event, for less than such period of time required by applicable Law. It is further agreed that, prior to the Closing, each Parent and its Affiliates and Representatives shall not contact any of the directors, officers, employees, agents, customers, suppliers, licensors, licensees, distributors or other business partners of the other Parent or any of its Affiliates (including, with respect to Seller Parent, the Conveyed Subsidiaries (or their Subsidiaries) and, with respect to Purchaser Parent, Purchaser and its Subsidiaries) in connection with the transactions contemplated by this Agreement, whether in person or by telephone, mail or other means of communication, without the specific prior authorization by the other Parent (not to be unreasonably withheld, conditioned or delayed); provided that the foregoing shall not prevent any Parent or its Affiliates from operating in the ordinary course of business and communicating with such parties on matters unrelated to the Business or the Purchaser Business, as applicable, and the transactions contemplated by this Agreement. Notwithstanding anything to the contrary contained herein, in no event shall Seller Parent or any of its Affiliates, including the Conveyed Subsidiaries (and their Subsidiaries), be required to provide any information as and to the extent it relates to any Retained Businesses, any Excluded Assets or any Retained Liabilities, or be required to provide a copy of, or otherwise disclose the contents of, any Seller Combined Tax Return, and in no event shall Purchaser Parent or any of its Affiliates, including Purchaser and its Subsidiaries, be required to provide any information as and to the extent it relates to any Purchaser Parent Retained Businesses or any Purchaser Parent Retained Liabilities. The Parties agree that, with respect to any matters that are the subject of both this Section 6.1(a) and Section 6.5(i) , the provisions of Section 6.5(i) (and not this Section 6.1(a)) shall control.

(b) Subject to Section 6.12 , all information received or otherwise obtained by either Parent or its Affiliates or Representatives from, by or on behalf of the other Parent or any of its Affiliates or Representatives, in connection with the negotiation, execution, performance or consummation of this Agreement and the transactions contemplated hereby, whether prior to, on or following the date of this Agreement, will be held by such Parent and its Affiliates and Representatives pursuant to the terms of the Confidentiality Agreement and Section 6.12 . Subject to Section 6.12(d) , the Confidentiality Agreement and the Clean Team Agreement shall remain in full force and effect in accordance with their terms (subject to Section 9.2(d)) notwithstanding any termination of this Agreement.

(c) From and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1 , Seller Parent and its Subsidiaries shall consult with and provide material updates to Purchaser Parent regarding the matters disclosed on Section 6.1(c) of the Purchaser Disclosure Letter.

Section 6.2 Conduct of Business .

(a) From and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1 , except (i) as set forth in Section 6.2(a) of the Seller Disclosure Letter or as otherwise expressly contemplated by this Agreement (including Section 6.3), (ii) as Purchaser Parent shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed, (iii) in connection with the Seller Internal Restructurings, the settlement of any intercompany accounts or arrangements pursuant to Section 6.7 or the transfer of the Excluded Assets pursuant to Section 2.3(b) , (iv) as required by Law or the terms of any Contract currently in effect and made available to Purchaser Parent, Purchaser or any of their Representatives prior to the date hereof or (v) to the extent solely related to any Excluded Assets, Retained Businesses or Retained Liabilities, Seller Parent covenants and agrees that (x) it shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to conduct the Business in the ordinary course of business in all material respects and to maintain and preserve intact the Business in all material respects, and (y) it shall not, and shall cause its Subsidiaries not to, in each case, to the extent with respect to the Purchased Assets and the Business:

(A) change or amend the charter, bylaws or similar organizational documents of any of the Conveyed Subsidiaries (or any of their Subsidiaries);

(B) incur, create or assume any Lien, other than Permitted Liens, with respect to any Purchased Asset that is material to the Business other than (1) those that will be discharged at or prior to the Closing or (2) in the ordinary course of business;

(C) acquire any assets outside of the ordinary course of business, except for transactions where the amount of upfront consideration paid or transferred in connection with such transactions would not exceed the amounts set forth on Section 6.2(a)(C) of the Seller Disclosure Letter;

(D) (1) amend any material term of, or waive any material right under, or terminate (other than upon expiration in accordance with its terms), any Material Contract or Real Property Lease, or (2) enter into any Contract that, if in effect on the date hereof, would be a Material Contract or Real Property Lease, other than, in the case of each of clauses (1) and (2) , in the ordinary course of business or Contracts entered into in order to effect an acquisition, divestiture or other transaction or action expressly permitted under this clause (y) of this Section 6.2(a) , or (3) enter into any Contract that, if in effect on the date hereof, would be a Shared Contract;

(E) issue, sell, pledge or transfer to any third party or propose to issue, sell, pledge or transfer to any third party any shares or equity interests of any of the Conveyed Subsidiaries (or any of their Subsidiaries), or securities convertible into, or exchangeable or exercisable for, or options with respect to, or warrants to purchase, or rights to subscribe for, shares or equity interests of any of the Conveyed Subsidiaries (or any of their Subsidiaries);

(F) change in any material respect any financial accounting method used with respect to the Business, unless required by GAAP or Law or interpretation thereof;

(G) (1) enter into, adopt, amend in any material respect or terminate any Conveyed Subsidiary Plan (or any other Seller Group Plan or Foreign Seller Group Plan to the extent applicable to any Business Employee, Former Business Employee, current or former consultant or director), (2) grant any new, or increase any existing, or accelerate the vesting, funding or payment of any compensation or benefits of, or pay or otherwise grant any benefit not required by any Seller Group Plan or Foreign Seller Group Plan to, any Business Employee, Former Business Employee, current or former consultant or director, except, in the case of either clause (1) or (2), (I) to the extent required by applicable Law or as required under any Seller Group Plan or Foreign Seller Group Plan as in effect on the date of this Agreement (or as amended in accordance with the terms of this Agreement), (II) other than with respect to any transaction or retention bonus or similar award or severance or termination enhancements, in the ordinary course of business consistent with past practice, (III) as would not reasonably be expected, individually or in the aggregate, to result in any non- *de minimis* Liabilities to Purchaser or any of its Affiliates or (IV) for amendments similarly affecting all participating employees in any Seller Group Plan or Foreign Seller Group Plan, (3) grant any transaction or retention bonus or similar award to any Business Employee, Former Business Employee, current or former consultant or director or (4) transfer any Seller Retained Plan to a Conveyed Subsidiary (or Subsidiary thereof);

(H) solely with respect to the Conveyed Subsidiaries or their Subsidiaries or the other Purchased Assets, and except with respect to any Seller Combined Tax Return, (1) make, change or revoke any material Tax election, (2) adopt or change any material method of Tax accounting on which Tax reporting is based, (3) amend any material Tax Return, (4) settle any Tax Proceeding, or (5) enter into any "closing agreement" within the meaning of 7121 of the Code (or any similar provision of state, local or foreign Law) that would be binding on Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) in respect of a Post-Closing Tax Period, in each case, if such action would reasonably be expected to materially increase the Tax liability of Purchaser and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) for any Post-Closing Tax Period;

(I) except in the ordinary course of business or as contemplated by Section 6.6, (1) enter into, materially amend, extend or terminate any material Collective Bargaining Agreement covering any Business Employee or otherwise binding upon the Business or the Conveyed Subsidiaries or their Subsidiaries, (2) hire any individual who will be a Business Employee at Closing, (3) terminate the employment of (other than for cause) any individual who would have been a Business Employee at Closing, but for such termination of employment, or (4) reassign the

duties of (x) any individual who would have been a Business Employee at Closing, but for such reassigned duties, or (y) any employee of Seller Parent or its Affiliates who would not have been a Business Employee at Closing, but for such reassigned duties;

(J) incur, assume or guarantee any material Indebtedness, other than (1) as would not exceed the amounts set forth on Section 6.2(a)(J) of the Seller Disclosure Letter or (2) intercompany Indebtedness that will be settled at or prior to the Closing;

(K) defer payment of any accounts payable or accelerate payment of any accounts receivable, in any material respect, outside of the ordinary course of business;

(L) make capital expenditures in connection with the operation of the Business that are materially inconsistent with, or fail to make capital expenditures materially consistent with, the capital expenditure budget set forth in Section 6.2(a)(L) of the Seller Disclosure Letter;

(M) sell, assign, transfer, license, sublicense, abandon or otherwise dispose of any material Purchased Assets, other than sales of Inventory and other assets, and non-exclusive licenses or sublicenses, in each case, in the ordinary course of business;

(N) (1) settle or compromise any Action made or pending against the Business or any of the Conveyed Subsidiaries (or any of their Subsidiaries) to the extent such settlement or compromise imposes material ongoing obligations or restrictions on the operations of the Business, or (2) settle, compromise or file any Action that relates to the Business IP that could materially impact such Business IP without consulting with and considering in good faith the opinion of Purchaser;

(O) materially accelerate or increase the quantity of the Products distributed to the relevant distributors or wholesalers outside of the ordinary course of business, except with respect to a *bona fide* increase in demand for any Product by the relevant distributor or wholesaler which has not been stimulated in any way following the date hereof by discounts, rebates, claw-backs or the like outside the ordinary course of business or the grant of preferred terms offered by Seller Parent or any of its Affiliates outside the ordinary course of business; or

(P) agree to take any of the foregoing actions described in this clause (y) of this Section 6.2(a).

(b) From and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1, except (i) as set forth in Section 6.2(b) of the Purchaser Parent Disclosure Letter or as otherwise expressly contemplated by this Agreement (including Section 6.3), (ii) as Seller Parent shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed, (iii) in

connection with the Purchaser Internal Restructurings or the settlement of any intercompany accounts or arrangements pursuant to Section 6.7, (iv) as required by Law or the terms of any Contract currently in effect and made available to Seller Parent or any of its Representatives prior to the date hereof or (v) to the extent solely related to any Purchaser Parent Retained Businesses or Purchaser Parent Retained Liabilities, each of Purchaser Parent and Purchaser covenants and agrees that (x) it shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to conduct the Purchaser Business in the ordinary course of business in all material respects and to maintain and preserve intact the Purchaser Business in all material respects, and (y) it shall not, and shall cause its Subsidiaries not to, in each case, to the extent with respect to the Purchaser Business or the assets, properties or rights comprising the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries:

(A) change or amend the charter, bylaws or similar organizational documents of Purchaser or any of its Subsidiaries;

(B) incur, create or assume any Lien, other than Purchaser Permitted Liens, with respect to any asset, property or right that is material to the Purchaser Business other than (1) those that will be discharged at or prior to the Closing or (2) in the ordinary course of business;

(C) acquire any assets outside of the ordinary course of business, except for transactions where the amount of upfront consideration paid or transferred in connection with such transactions would not exceed the amounts set forth on Section 6.2(b)(C) of the Purchaser Parent Disclosure Letter;

(D) (1) amend any material term of, or waive any material right under, or terminate (other than upon expiration in accordance with its terms), any Purchaser Material Contract or Purchaser Real Property Lease, (2) enter into any Contract that, if in effect on the date hereof, would be a Purchaser Material Contract or Purchaser Real Property Lease, other than, in the case of each of clauses (1) and (2), in the ordinary course of business or Contracts entered into in order to effect an acquisition, divestiture or other transaction or action expressly permitted under this clause (y) of this Section 6.2(b), or (3) enter into any Contract that, if in effect on the date hereof, would be a Purchaser Shared Contract;

(E) issue, sell, pledge or transfer to any third party or propose to issue, sell, pledge or transfer to any third party any shares or equity interests of Purchaser or any of its Subsidiaries, or securities convertible into, or exchangeable or exercisable for, or options with respect to, or warrants to purchase, or rights to subscribe for, shares or equity interests of Purchaser or any of its Subsidiaries, including in each case any ordinary shares or preference shares of Purchaser (other than the Preference Shares issued in accordance with this Agreement);

(F) change in any material respect any financial accounting method used with respect to Purchaser, its Subsidiaries or the Purchaser Business, unless required by IFRS or Law or interpretation thereof;

(G) (1) enter into, adopt, amend in any material respect or terminate any Purchaser Business Plan (or any other Purchaser Group Plan or Foreign Purchaser Group Plan to the extent applicable to any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director), (2) grant any new, or increase any existing, or accelerate the vesting, funding or payment of any compensation or benefits of, or pay or otherwise grant any benefit not required by any Purchaser Group Plan or Foreign Purchaser Group Plan to, any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director, except, in the case of either clause (1) or (2) , (I) to the extent required by applicable Law or as required under any Purchaser Group Plan or Foreign Purchaser Group Plan as in effect on the date of this Agreement (or as amended in accordance with the terms of this Agreement), (II) other than with respect to any transaction or retention bonus or similar award or severance or termination enhancements, in the ordinary course of business consistent with past practice, (III) as would not reasonably be expected, individually or in the aggregate, to result in any non- *de minimis* Liabilities to Purchaser or any of its Affiliates or (IV) for amendments similarly affecting all participating employees in any Purchaser Group Plan or Foreign Purchaser Group Plan, (3) grant any transaction or retention bonus or similar award to any Purchaser Business E mployee, Former Purchaser Business Employee, current or former consultant or director or (4) transfer any Purchaser Group Plan or Foreign Purchaser Group Plan that is not a Purchaser Business Plan to Purchaser or any of its Subsidiaries;

(H) solely with respect to Purchaser and its Subsidiaries, and except with respect to any Purchaser Parent Combined Tax Return, (x) (1) make, change or revoke any material Tax election, (2) adopt or change any material method of Tax accounting on which Tax reporting is based, (3) amend any material Tax Return, (4) settle any Tax Proceeding, or (5) enter into any "closing agreement" within the meaning of 7121 of the Code (or any similar provision of state, local or foreign Law) that would be binding on Purchaser or any of its Affiliates in respect of a Post-Closing Tax Period, in each case, if such action would reasonably be expected to materially increase the Tax liability of Purchaser and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries following the Closing) for any Post-Closing Tax Period, or (y) take any action other than in the ordinary course of business that would reasonably be expected to violate Clauses 11.4(a) and 11.4(b) of the Structuring Considerations Agreement if such Clauses were in effect from and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1 ;

(I) except in the ordinary course of business, (1) enter into, materially amend, extend or terminate any material Collective Bargaining Agreement covering any Purchaser Business Employee or otherwise binding upon the Purchaser Business or Purchaser or its Subsidiaries, (2) hire any individual who will be a Purchaser Business Employee at Closing, (3) terminate the employment of (other than for cause) any individual who would have been a Purchaser Business Employee at

Closing, but for such termination of employment, or (4) reassign the duties of (x) any individual who would have been a Purchaser Business Employee at Closing, but for such reassigned duties, or (y) any employee of Purchaser Parent or its Affiliates who would not have been a Purchaser Business Employee at Closing, but for such reassigned duties;

(J) incur, assume or guarantee any material Indebtedness, other than (1) as would not exceed the amounts set forth on Section 6.2(b)(J) of the Purchaser Parent Disclosure Letter or (2) intercompany Indebtedness that will be settled at or prior to the Closing;

(K) defer payment of any accounts payable or accelerate payment of any accounts receivable, in any material respect, outside of the ordinary course of business;

(L) make capital expenditures in connection with the operation of the Purchaser Business or for which Purchaser or any Subsidiary of Purchaser is responsible that are materially inconsistent with, or fail to make capital expenditures materially consistent with, the capital expenditure budget set forth in Section 6.2(b)(L) of the Purchaser Parent Disclosure Letter;

(M) sell, assign, transfer, license, sublicense, abandon or otherwise dispose of any material assets, properties or rights (x) Related to the Purchaser Business and owned by Purchaser Parent or any of its Subsidiaries or (y) owned or held by Purchaser or any of its Subsidiaries, other than sales of inventory and other assets, and non-exclusive licenses or sublicenses, in each case, in the ordinary course of business;

(N) (1) settle or compromise any Action made or pending against the Purchaser Business or Purchaser or any of its Subsidiaries to the extent such settlement or compromise imposes material ongoing obligations or restrictions on the operations of Purchaser or the Purchaser Business, or (2) settle, compromise or file any Action that relates to the Purchaser IP that could materially impact such Purchaser IP without consulting with and considering in good faith the opinion of Seller Parent;

(O) enter into or modify the terms of any material transaction, arrangement or Contract between Purchaser or its Subsidiaries, on the one hand, and Purchaser Parent or any of its Affiliates other than Purchaser or its Subsidiaries, on the other hand;

(P) materially accelerate or increase the quantity of the Purchaser Products distributed to the relevant distributors or wholesalers outside of the ordinary course of business, except with respect to a *bona fide* increase in demand for any Purchaser Product by the relevant distributor or wholesaler which has not been stimulated in any way following the date hereof by discounts, rebates, claw-backs

or the like outside the ordinary course of business or the grant of preferred terms offered by Purchaser Parent or any of its Affiliates outside the ordinary course of business; or

(Q) agree to take any of the foregoing actions described in this clause (y) of this Section 6.2(b) .

(c) Notwithstanding any provision in this Agreement to the contrary, subject to Section 6.5(f) , prior to the Closing and without the consent of Purchaser Parent or Purchaser, each of Seller Parent and its Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, will be permitted in their sole discretion in compliance with applicable Law to (i) declare and pay dividends and distributions of, or otherwise transfer to Seller Parent or any Subsidiary thereof, (A) any Cash Equivalents or, subject to Section 2.3(b) , Excluded Assets, and (B) any of the books and records of Seller Parent or any of its Affiliates that are not Purchased Assets, (ii) conduct their activities regarding cash management matters (including, to the extent consistent with Section 6.2(a)(K) , the collection and transfer of accounts receivable and disbursement of funds, or in connection with any "cash sweep" practices), including to settle intercompany payables and receivables and to effect intercompany funding, (iii) make any payments under, or repay (in part or in full), any indebtedness and (iv) execute, deliver and perform obligations under the Local Implementing Agreements.

(d) Notwithstanding any provision in this Agreement to the contrary, subject to Section 6.5(f) , prior to the Closing and without the consent of Seller Parent, each of Purchaser Parent and its Affiliates, including Purchaser and its Subsidiaries, will be permitted in their sole discretion in compliance with applicable Law to (i) declare and pay dividends and distributions of, or otherwise transfer to Purchaser Parent or any Subsidiary thereof, (A) any Cash Equivalents or assets that are not Related to the Purchaser Business, and (B) any of the books and records of Purchaser Parent or any of its Affiliates that are not Related to the Purchaser Business, (ii) conduct their activities regarding cash management matters (including, to the extent consistent with Section 6.2(b)(K) , the collection and transfer of accounts receivable and disbursement of funds, or in connection with any "cash sweep" practices), including to settle intercompany payables and receivables and to effect intercompany funding, (iii) make any payments under, or repay (in part or in full), any indebtedness and (iv) execute, deliver and perform obligations under the Local Implementing Agreements. Until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1 , neither Purchaser nor any of its Subsidiaries shall, and Purchaser Parent shall cause Purchaser and its Subsidiaries not to, without the written consent of Seller Parent, make any distributions of, or otherwise transfer, any assets, properties or rights (other than Cash Equivalents) Related to the Purchaser Business to Purchaser Parent or any of its Affiliates (other than to Purchaser or a Subsidiary of Purchaser).

(e) Nothing contained in this Agreement shall be construed to give to Purchaser Parent or Purchaser, directly or indirectly, rights to control or direct the Business's operations prior to the Closing, or give to Seller Parent, directly or indirectly, rights to control or direct the Purchaser Business's operations prior to the Closing. Prior to the Closing, Seller Parent (and its Affiliates) shall exercise, consistent with the terms and conditions of this Agreement, complete control and

supervision of the operations of the Business and Purchaser Parent (and its Affiliates) shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision of the operations of the Purchaser Business.

(f) Purchaser agrees that it shall, and shall cause its applicable Affiliates to, on and immediately following the Closing, use the Purchased Assets to carry on the same kind of business as that carried on by the Sellers with respect to the Purchased Assets prior to the Closing.

Section 6.3 Regulatory Approvals .

(a) Upon the terms and subject to the conditions herein provided, Purchaser Parent, Purchaser and Seller Parent each agree to take, and to cause their Affiliates to take, all actions and to do, and cause their Affiliates to do, all things necessary under applicable Antitrust Laws to consummate and make effective the transactions contemplated by this Agreement or any Ancillary Agreement as promptly as reasonably practicable (and in any event as required to effect the Closing prior to the Outside Date), including all actions and all things necessary (i) to obtain, as promptly as reasonably practicable (and in any event as required to effect the Closing prior to the Outside Date), any consent, authorization, order or approval of, or any exemption by, or negative clearance from, or the expiration or early termination of any waiting period imposed by, or any other Approval of, any Governmental Antitrust Authority required to be obtained or made by Seller Parent, Purchaser Parent, Purchaser or their Affiliates in connection with the acquisition of the Purchased Assets or the consummation of the transactions contemplated hereby or by the Ancillary Agreements, (ii) to satisfy, as promptly as reasonably practicable and in any event prior to the date that is the third (3rd) Business Day prior to the Outside Date, the conditions precedent set forth in Sections 8.1(a) and 8.1(b) to the extent relating to Antitrust Laws, (iii) to defend any Actions, whether judicial or administrative, brought by any Governmental Antitrust Authority or brought under, pursuant to or relating to any Antitrust Law challenging this Agreement, the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby, and (iv) to comply as promptly as reasonably practicable with all legal requirements under Antitrust Laws which may be imposed with respect to this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby. Without limiting the foregoing, Purchaser Parent, Purchaser, Seller Parent and their Affiliates shall be obligated to take such actions as are necessary to obtain, as promptly as reasonably practicable and in any event prior to the date that is the third (3rd) Business Day prior to the Outside Date, the expiration or termination of any applicable waiting period under the HSR Act and any consent, authorization, order or approval of, or any exemption by, or negative clearance from, or the expiration or early termination of any waiting period imposed by, or any other Approval under, Antitrust Laws of the jurisdictions set forth on Annex C .

(b) Subject to appropriate confidentiality protections, each of the Parties will furnish to the other Parties such necessary information and reasonable assistance as such other Parties may reasonably request in connection with the foregoing and will provide the other Parties with any information supplied by such Party or its Affiliates to a Governmental Antitrust Authority in connection with this Agreement and the transactions contemplated hereby.

(c) Without limiting the generality of the undertakings pursuant to this Section 6.3 :

(i) Purchaser Parent, Purchaser, Seller Parent, and their respective Affiliates shall, with respect to the execution of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, (A) as promptly as reasonably practicable, and in any event no later than fifteen (15) Business Days after the date hereof unless otherwise agreed to in writing by the Parties, file any notification and report form and related material required under the HSR Act, and (A) as promptly as reasonably practicable submit all necessary Filings with the Governmental Antitrust Authorities set forth in Section 6.3(c)(i) of the Seller Disclosure Letter;

(ii) In addition to the foregoing, in the event that a Party reasonably determines following the date hereof that Filings other than the Filings described in Section 6.3(c)(i) are required to be made by one or more of the Parties with, or additional Approvals are required to be obtained by the Parties from, any Governmental Antitrust Authorities under any applicable Antitrust Law in connection with the execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, the applicable Parties shall timely make all such Filings and timely seek all such Approvals in accordance with the terms of this Section 6.3 . If, following good faith discussion and consideration, the Parties mutually agree that any such additional Approval would be required under applicable Antitrust Law to effect the Closing, and that effecting the Closing without having obtained such additional Approval would reasonably be expected to violate applicable Antitrust Law (and that such violation could not be avoided or cured if the Business in the relevant jurisdiction were a Delayed Business), the jurisdiction to which such additional Approval relates shall be added to Annex C, Part 1 , subject to each Party's consent (which shall not be unreasonably withheld, conditioned or delayed). If, following good faith discussion and consideration, the Parties mutually agree that effecting the Closing without having obtained the Approval of any Governmental Antitrust Authority under applicable Antitrust Laws of any jurisdiction set forth on Annex C, Part 2 (as it may be supplemented pursuant to the immediately preceding sentence) would not violate applicable Antitrust Law (or that such violation could be avoided or cured if the Business in the relevant jurisdiction were a Delayed Business), such jurisdiction shall be removed from Annex C , subject to each Party's consent (which shall not be unreasonably withheld, conditioned or delayed).

(iii) Purchaser Parent, Purchaser, Seller Parent and their respective Affiliates shall each promptly respond to any formal or informal requests for additional information or documentary material that may be made by a Governmental Antitrust Authority and, in the case of a formal request for additional information and documentary material under the HSR Act or any other Antitrust Law (to the extent applicable), certify substantial compliance therewith as promptly as

reasonably practicable, unless the Parties otherwise agree in order to allow the Closing to occur more promptly;

(iv) In addition to the foregoing, Purchaser Parent, Purchaser and their Affiliates shall, as promptly as reasonably practicable take, or cause to be taken, any and all actions and do, or cause to be done, any and all things necessary, required or advisable to avoid, eliminate and resolve each and every impediment and obtain all Approvals under Antitrust Laws that may be required by any Governmental Antitrust Authority with respect to the consummation of the transactions contemplated hereby or by the Ancillary Agreements, in order to allow the Closing to occur as promptly as reasonably practicable after the date of this Agreement but in any event prior to the Outside Date, including proposing, negotiating, offering to commit and effect (and if such offer is accepted, committing to and effecting) through order, consent decree, settlement or otherwise, to (d) license, sell, divest, hold separate or otherwise dispose of, directly or indirectly, any of the Purchased Assets (including any of the Shares), or any operations, divisions, Subsidiaries, specific assets or categories of assets, specific products (including any of the Products or Purchaser Products) or categories of products, product lines or businesses of Purchaser (or any of its Subsidiaries), the Conveyed Subsidiaries (or any Subsidiary thereof), the Purchaser Business or the Business (whether now owned or hereafter acquired by Purchaser Parent, Purchaser or their Affiliates), (e) terminate any existing relationships and contractual rights and obligations of Purchaser and its Subsidiaries, the Conveyed Subsidiaries (and their Subsidiaries) and any such relationships, rights or obligations that form part of the Purchased Assets, (f) amend or terminate any licenses or other Intellectual Property agreements of Purchaser and its Subsidiaries, the Conveyed Subsidiaries (and their Subsidiaries) and any such licenses or other Intellectual Property agreements that form a part of the Purchased Assets and enter into such new licenses or other Intellectual Property agreements and (g) take any actions or make any behavioral commitments that may limit or modify Purchaser's (or any of its Subsidiaries') or the Conveyed Subsidiaries' (or any of their Subsidiaries') rights of ownership in, or ability to conduct the business of, one or more of its operations, divisions, businesses, product lines, specific products (including any of the Products or Purchaser Products), categories of products, customers, specific assets or categories of assets, including, after the Closing, those of the Business or any of the Purchased Assets; provided that, without limiting any of Purchaser Parent's and its Subsidiaries' obligations hereunder, Seller Parent and its Affiliates shall not take or agree to take any of the actions listed in this Section 6.3(c)(iv) without the prior written consent of Purchaser Parent and Purchaser (not to be unreasonably withheld, delayed or conditioned); provided further that neither Parent shall be required to take any action listed in Section 6.3(c)(iv)(A)-(D) (" Regulatory Action ") with respect to the Retained Businesses, Excluded Assets or Purchaser Parent Retained Businesses, as applicable; and provided further that the proceeds, payments or consideration received or receivable in respect of any action contemplated by clauses (A) through (D) of this Section 6.3(c)(iv) shall be paid directly to Purchaser and held by Purchaser through the Closing Date, it being agreed that such proceeds, payments and

consideration shall not be included in the calculation of Purchaser Net Cash or Purchaser Working Capital.

(v) In furtherance of the foregoing: (x) (I) Purchaser Parent and Purchaser shall keep Seller Parent reasonably informed of all matters, discussions and activities relating to any of the matters described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), including satisfying each of its obligations under Section 6.3(d) with respect to any such matters, and (II) Purchaser Parent and Purchaser shall consider in good faith any of Seller Parent's reasonable suggestions with respect to potential purchasers, licensees or other counterparties in respect of any of the agreements, arrangements, transactions or other relationships described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), (y) (I) Purchaser Parent and Purchaser shall permit Seller Parent to review on a reasonably current basis, and shall discuss with Seller Parent, drafts of any agreements that Purchaser Parent or Purchaser contemplates entering into, or contemplates causing any of their Affiliates (including, after the Closing, the Conveyed Subsidiaries and their Subsidiaries) to enter into, with respect to any of the matters described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), (II) Purchaser Parent and Purchaser shall consider in good faith Seller Parent's views and comments with respect to such agreements, and (III) the Parties and their respective Affiliates, as applicable, shall not be required to enter into any such agreements unless the effectiveness of the transactions contemplated by such agreements is subject to the Closing and (IV) in the case of any license, sale, divestiture, disposition or similar transaction, neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall be the licensing, selling, divesting or disposing party under any such agreements unless and except to the extent required by the relevant Governmental Antitrust Authority or applicable Law and, even if so required, shall have no direct or indirect obligation thereunder for which they are not fully indemnified by Purchaser and (z) notwithstanding anything in any such agreement to the contrary, Seller Parent, Purchaser Parent and Purchaser agree (I) that neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall have any Liability, including with respect to indemnification obligations, in respect of any agreements, arrangements, transactions or other relationships described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), including the cooperation contemplated by Section 6.3(d)(ii), (II) that Purchaser shall indemnify Purchaser Parent, Seller Parent and their respective Affiliates (other than Purchaser and its Subsidiaries) for any Liabilities arising from, or attributable or related to, any such agreements, arrangements, transactions or other relationships, including with respect to any agreements to which Purchaser Parent, Seller Parent or any of their respective Affiliates (other than Purchaser and its Subsidiaries) are party (except, in the case of (I) and (II), to the extent Seller Parent or Purchaser Parent, as applicable, is expressly liable for such Liabilities or indemnification pursuant to this Agreement or any Ancillary Agreement) and (IV) that neither Purchaser Parent nor Seller Parent nor their respective Affiliates (other than Purchaser and its Subsidiaries) shall be

required to take any of the actions contemplated by clauses (A) through (D) of Section 6.3(c)(iv), or otherwise in connection with the matters contemplated by this Section 6.3, with respect to any of the Retained Businesses, Excluded Assets or Purchaser Parent Retained Businesses.

(vi) In the event that any Action is threatened or commenced under Antitrust Laws, or a permanent or preliminary injunction or other Governmental Order is threatened or entered under Antitrust Laws, that would make consummation of the transactions contemplated hereby or by the Ancillary Agreements in accordance with the terms of this Agreement and the Ancillary Agreements unlawful or that would prevent or delay consummation of the transactions contemplated hereby or by the Ancillary Agreements (in each case, under Antitrust Laws), each of Purchaser Parent, Purchaser and Seller Parent shall reasonably promptly take any and all actions and steps (including the defense against or appeal thereof, the posting of a bond and the taking of the steps contemplated by this Section 6.3(c)) necessary to resist and contest such Action and to have vacated, modified, reversed or suspended such injunction or Governmental Order so as to permit such consummation as promptly as reasonably practicable, but in any event as required to allow the Closing to occur prior to the Outside Date.

(d) Cooperation.

(i) Each Parent shall, and shall cause its Affiliates to, to the extent permitted by applicable Antitrust Law, (i) promptly notify the other Parent of, and, if in writing, provide to the other Parent copies of (or in the case of oral communications, advise the other orally of) all material or substantive communications between it (or its Affiliates or Representatives) and any Governmental Antitrust Authority relating to the consummation of the transactions contemplated hereby and by the Ancillary Agreements or any of the matters described in this Section 6.3, (ii) consult with the other in good faith as regards strategy, permit the other to review and discuss in advance, and consider in good faith the views of the other in connection with, any Filings, notifications or material or substantive communications (whether written or oral) with any Governmental Antitrust Authority, including any presentations, memoranda, briefs, arguments, opinions or proposals and (iii) not participate in any material or substantive telephone calls or any meetings with a Governmental Antitrust Authority regarding the consummation of the transactions contemplated hereby and by the Ancillary Agreements or any of the matters described in this Section 6.3 without consulting with the other Parent in advance and, to the extent permitted by such Governmental Antitrust Authority, giving the other Parent a reasonable opportunity to attend and participate thereat.

(ii) Subject to and without limiting Section 6.3(c)(iv), Seller Parent shall, and shall cause its Affiliates to, reasonably cooperate, at Purchaser's sole cost and expense (it being agreed that any expenses incurred by Seller Parent or any of its Affiliates shall be reasonable, documented and out-of-pocket), with Purchaser Parent

and Purchaser on any proposed license, sale, divestiture, hold separate, disposal or other action undertaken by Purchaser Parent or Purchaser which Purchaser Parent or Purchaser reasonably concludes, in good faith, may be necessary to comply with its obligations under Section 6.3(c)(iv)(A) (a " Proposed Divestiture "), including using reasonable best efforts in connection with:

(A) providing, or causing to be provided, to Purchaser Parent and Purchaser, as well as any potential counterparty in any Proposed Divestiture (each, a " Counterparty "), any information, in an electronic data room or other customary format, solely with respect to the business, operations, financial condition and projections of the assets or business which are the subject of the Proposed Divestiture as may be reasonably requested by Purchaser Parent, Purchaser or the Counterparty, in each case, solely to the extent such information is in Seller Parent's possession at such time;

(B) reasonably cooperating with Purchaser Parent and Purchaser in the preparation for Counterparties of a customary confidential information memorandum and other customary marketing materials related to the Proposed Divestiture (and Seller Parent and its Affiliates hereby consent to the use of the logos of Seller Parent and its Affiliates that solely relate to the Business in such confidential information memorandum and marketing materials and solely in connection with the Proposed Divestiture during the period prior to the Closing (so long as such logos are used solely in a manner that is not intended to and is not reasonably likely to suggest or imply any affiliation, association or similar relationship with Seller Parent or its Affiliates, cause confusion arising out of their use of such logos simultaneously with the use of such logos by Seller Parent and its Affiliates, or harm or disparage Seller Parent or its Affiliates or the goodwill of Seller Parent or its Affiliates, including the Business, and are used solely in connection with a truthful, non-misleading description of the Business and the Products subject to the Proposed Divestiture, and subject to Seller Parent's review thereof);

(C) causing the reasonable participation by relevant employees of the Business in marketing efforts related to the Proposed Divestiture and its potential transfer, during normal business hours, including participation in a reasonable number of customary due diligence sessions, management presentations and other meetings with Counterparties;

(D) taking such actions within its reasonable control as are reasonably requested by Purchaser Parent to facilitate the timely satisfaction of all conditions to the completion of the Proposed Divestiture, subject in all respects to Section 2.2 and the other applicable provisions of this Agreement;

(E) seeking any consents and Approvals required to consummate the Proposed Divestiture from third parties (other than Governmental Authorities) reasonably requested by Purchaser Parent, subject in all respects to Section 2.2 ; and

(F) requesting Seller Parent's independent auditors to cooperate with Counterparties as may be reasonably requested by Seller Parent;

provided , however , that notwithstanding the foregoing or anything to the contrary in this Agreement, nothing herein shall (i) require Seller Parent and its Affiliates to provide any information to any Counterparties prior to receipt of executed confidentiality and clean team agreements with respect to such information and on terms no less favorable (to the extent relevant) to Seller Parent than the Confidentiality Agreement and Clean Team Agreement, (ii) require the Sellers or any of their Affiliates to agree to pay any amounts for which they are not promptly reimbursed by Purchaser, or deliver or execute any opinions, authorization letters, certificates or other instruments, (iii) require the Sellers or any of their Affiliates to take any action that would reasonably be expected to conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time or both) under, any of their respective organizational documents, any applicable Laws or Governmental Authorization or any material Contract or other material obligation to a third party, (iv) cause any representation or warranty in this Agreement to be breached by Seller Parent (unless such breach is waived by Purchaser Parent and Purchaser), (v) cause any Representative of the Sellers or any of their Affiliates to incur any personal liability, (vi) provide access to or disclose information that any of the Sellers or any of their Affiliates reasonably determines would jeopardize any attorney-client or other privilege or protection of any of the Sellers or any of their Affiliates or (vii) prevent, impair or materially delay the consummation of the transactions contemplated hereby or by the Ancillary Agreements; provided , further , that in the case of the foregoing clause (iii) and (vi) Sellers shall, and shall cause their Affiliates to, inform Purchaser as to the general nature of what is being restricted or withheld and the reason therefor, and shall use its commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments.

(e) Delayed Antitrust Approvals .

(i) Subject to Section 6.3(c)(ii) , in the event an Approval of a Governmental Antitrust Authority (other than a Governmental Antitrust Authority of the United States or Approvals under Antitrust Laws of the jurisdictions set forth on Annex C) having jurisdiction that is necessary to lawfully consummate the transactions contemplated hereby is not obtained on or prior to the date on which the conditions set forth in Sections 8.1 and 8.2 (other than the conditions that, by their nature, are to be satisfied on the Closing Date) shall have been satisfied or waived (each, a " Delayed Antitrust Approval " and, each such jurisdiction, an "Outstanding Antitrust Jurisdiction"), the Parties agree (subject to the satisfaction of the conditions set forth in Article VIII) that, provided that the Laws of such Outstanding Antitrust Jurisdiction permit consummation of the transactions contemplated hereby in all territories other than the Outstanding Antitrust Jurisdiction, they will effect the Closing (which the Parties shall determine in

accordance with Section 6.3(c)(ii)) (including the issuance, allotment and delivery of the full Purchase Consideration), subject to the terms of this Agreement, including by selling, conveying, assigning, transferring or delivering to Purchaser or the applicable Purchaser Designated Affiliates all of Seller Parent's and its Subsidiaries' right, title and interest in the Purchased Assets pursuant to the terms and conditions hereof to the extent permissible under any applicable Law and subject to Section 2.2, it being agreed that the Closing shall refer to the consummation of such sale, conveyance, assignment, transfer or delivery of such Purchased Assets at such time and shall only exclude, subject to Section 2.2, the Purchased Assets in that Outstanding Antitrust Jurisdiction to which such Delayed Antitrust Approval relates (a "Delayed Business"). The obligations of the Parties set forth in this Section 6.3 shall continue with respect to each such Delayed Antitrust Approval until the earliest to occur of (A) the date such Delayed Antitrust Approval is obtained, (B) the date on which such Delayed Business is sold to a third party designated by Purchaser (a "Delayed Business Purchaser") (it being agreed that Purchaser shall consider in good faith Seller Parent's reasonable suggestions with respect to potential purchasers), as set forth in a written notice (a "Delayed Business Notice") delivered by Purchaser to Seller Parent in accordance with Section 10.1 and Section 6.3(e)(iii) and (C) the date that is thirty-six (36) months after the Closing Date (the "Hold-Back Termination Date"), and until the earliest to occur of the foregoing (the date of such earliest occurrence, the "Delayed Business Cut-Off Date"), Seller Parent shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to operate the Delayed Business in the ordinary course of business in all material respects.

(ii) Upon obtaining a Delayed Antitrust Approval pursuant to Section 6.3(e)(i)(A), the Parties shall effect the transfer of such Delayed Business pursuant to a Local Implementing Agreement for the jurisdiction relating thereto, and, to the extent permissible under applicable Antitrust Laws, such transfer shall be retroactive to, and be deemed to have occurred on, the Closing Date; provided that, in accordance with Section 2.2(a), to the fullest extent permitted by applicable Law, the Parties shall treat Purchaser or the applicable Purchaser Designated Affiliate, as the case may be, as the owner of the Delayed Business as of the Closing Date.

(iii) In the event that Purchaser delivers a Delayed Business Notice to Seller Parent with respect to a Delayed Business, Seller Parent shall, and shall cause its Affiliates to, use commercially reasonable efforts to facilitate the sale of such Delayed Business to the Delayed Business Purchaser by Purchaser and on its behalf and at its direction as promptly as reasonably practicable, including the efforts described in Section 6.3(d)(ii); provided that (A) Purchaser acknowledges and agrees nothing in this Section 6.3(e) shall require Seller Parent to transfer to the Delayed Business Purchaser such Delayed Business if Purchaser Parent or Purchaser is in material breach of its obligations under this Section 6.3, (B) such Delayed Business Purchaser has obtained or will obtain prior to such sale all necessary Approvals under applicable Antitrust Laws with respect to such Delayed Business

and the sale of such Delayed Business would reasonably be expected to be consummated within ninety (90) days following the delivery of such Delayed Business Notice, (C) the sale of such Delayed Business to such Delayed Business Purchaser is not prohibited by, illegal under, or in contravention of, any applicable Law or Governmental Order and (D) neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall be the selling party under any agreements required to implement the transfer of the Delayed Business unless and except to the extent required by the relevant Governmental Antitrust Authority or applicable Law and, even if so required, shall have no direct or indirect obligation thereunder for which they are not fully indemnified by Purchaser. The Parties agree (I) that neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall have any Liability, including with respect to indemnification obligations, in respect of any agreements, arrangements or transactions contemplated by this Section 6.3(e)(iii) and (II) that Purchaser shall indemnify Purchaser Parent and Seller Parent and their respective Affiliates (other than Purchaser and its Subsidiaries) for any Liabilities arising from, or attributable or related to, any such agreements, arrangements or transactions, including with respect to any agreements to which Seller Parent or Purchaser Parent or any of their respective Affiliates are party (except in the case of (I) and (II) to the extent Seller Parent or Purchaser Parent, as applicable, is expressly liable for such Liabilities or indemnification pursuant to this Agreement or any Ancillary Agreement). Purchaser shall promptly reimburse Seller Parent and Purchaser Parent, as applicable, for any and all reasonable and documented out-of-pocket costs and expenses (including reasonable attorneys' and other Representatives' fees) incurred in connection with the foregoing, including any such costs (including payments) or expenses incurred or made following the consummation of such transaction. Subject to applicable Law, the proceeds of any sale of a Delayed Business shall be paid directly to Purchaser (or a Subsidiary of Purchaser) by the Delayed Business Purchaser; provided that Seller Parent or Purchaser Parent, as applicable, may require payment of its reasonable and documented out-of-pocket fees and expenses (or an estimate thereof) and any Taxes payable as a result of such transaction from such proceeds as a direct wire transfer of immediately available funds at such applicable closing.

(iv) In the event that a Delayed Antitrust Approval is not obtained with respect to a Delayed Business and Purchaser does not deliver a Delayed Business Notice in accordance with Section 6.3(e)(iii) with respect to such Delayed Business, in each case, prior to the Hold-Back Termination Date, the Parties shall withdraw any pending Filing or notification for Approval for the transfer of such Delayed Business under applicable Antitrust Laws and Seller Parent may, as mutually agreed by the Parties, dispose of such Delayed Business, including by way of a sale to a third party. Purchaser Parent and Purchaser agree (1) that Seller Parent and its Affiliates shall not have any obligation or Liability, including with respect to indemnification obligations, in respect of any agreements, arrangements or transactions contemplated by this Section 6.3(e)(iv) for which it is not fully

indemnified by Purchaser and (2) that Purchaser shall indemnify Seller Parent and its Affiliates for any Liabilities arising from, or attributable or related to, any such agreements, arrangements or transactions, including with respect to any agreements to which Seller Parent or any of its Affiliates are party (except in the case of (1) and (2) to the extent Seller Parent is expressly liable for such Liabilities or indemnification pursuant to this Agreement or any Ancillary Agreement). Purchaser shall promptly reimburse Seller Parent for any and all reasonable and documented out-of-pocket costs and expenses (including reasonable attorneys' and other Representatives' fees) incurred in connection with the foregoing, including any such costs (including payments) or expenses incurred or made following the consummation of such transaction. Subject to applicable Law, the proceeds of any sale of a Delayed Business in accordance with this Section 6.3(e)(iv) shall be paid directly to Purchaser (or a Subsidiary of Purchaser) by the purchaser of such Delayed Business; provided that Seller Parent may require payment of its reasonable and documented out-of-pocket fees and expenses (or an estimate thereof) and any Taxes payable as a result of such transaction from such proceeds as a direct wire transfer of immediately available funds at such applicable closing.

(f) None of Purchaser Parent, Purchaser or any of their Affiliates shall, or shall agree to, acquire, whether by merging with or into, consolidating with, purchasing all or a portion of the assets of or all or a portion of the equity in, or otherwise, any business or corporation, partnership, or other business organization or division thereof or other Person, or dissolve, merge or consolidate with any other Person, or engage in any business combination transaction or sale, whether by merging with or into, consolidating with, or selling all or a portion of its or its Affiliates' assets or equity to, any other Person, or enter into, or agree to enter into, any license, joint venture or other similar agreement or transaction, which would reasonably be expected to, in each case or in the aggregate, (i) impose any material delay in the obtaining of, or increase in any material respect the risk of not obtaining, the expiration, termination or waiver of any applicable waiting period or any consent, approval, permit, ruling, authorization, clearance or other Approval pursuant to the Antitrust Laws necessary to consummate the transactions contemplated hereby or by the Ancillary Agreements, (ii) increase in any material respect the risk of any Governmental Antitrust Authority entering an injunction or other Governmental Order prohibiting the consummation of the transactions contemplated hereby or by the Ancillary Agreements, (iii) increase in any material respect the risk of not being able to remove any such injunction or other Governmental Order on appeal or otherwise, (iv) impair, impede, hinder, or prevent or materially delay or adversely affect the consummation of the transactions contemplated hereby or by the Ancillary Agreements or (v) cause any of the conditions set forth in Article VIII to fail to be satisfied or impair, impede, hinder, or prevent or materially delay or adversely affect the ability of Purchaser Parent, Purchaser and their Affiliates to perform their obligations under this Agreement and the Ancillary Agreements (any foregoing action or transaction, a " Purchaser Adverse Action ").

(g) Neither Seller Parent nor any of its Affiliates shall, or shall agree to, acquire, whether by merging with or into, consolidating with, purchasing all or a portion of the assets of or all or a portion of the equity in, or otherwise, any business or corporation, partnership, or other business organization or division thereof or other Person, or dissolve, merge or consolidate with

any other Person, or engage in any business combination transaction or sale, whether by merging with or into, consolidating with, or selling all or a portion of its or its Affiliates' assets or equity to, any other Person, or enter into, or agree to enter into, any license, joint venture or other similar agreement or transaction, which would reasonably be expected to, in each case or in the aggregate, (i) impose any material delay in the obtaining of, or increase in any material respect the risk of not obtaining, the expiration, termination or waiver of any applicable waiting period or any consent, approval, permit, ruling, authorization, clearance or other Approval pursuant to the Antitrust Laws necessary to consummate the transactions contemplated hereby or by the Ancillary Agreements, (ii) increase in any material respect the risk of any Governmental Antitrust Authority entering an injunction or other Governmental Order prohibiting the consummation of the transactions contemplated hereby or by the Ancillary Agreements, (iii) increase in any material respect the risk of not being able to remove any such injunction or other Governmental Order on appeal or otherwise, (iv) impair, impede, hinder, or prevent or materially delay or adversely affect the consummation of the transactions contemplated hereby or by the Ancillary Agreements or (v) cause any of the conditions set forth in Article VIII to fail to be satisfied or impair, impede, hinder, or prevent or materially delay or adversely affect the ability of Seller Parent and its Affiliates to perform their obligations under this Agreement and the Ancillary Agreements.

(h) Each Party may, as each deems advisable or necessary, reasonably designate any competitively sensitive material provided to the other under this Section 6.3 or otherwise as "Antitrust Counsel Only Material" or some similar notation agreed by the Parties. Such materials and the information contained therein shall be given only to the internal and outside antitrust counsel of the recipient and will not be disclosed by such counsel to employees, officers or directors of the recipient and any economic consultants retained in connection with the Parties' obligations under this Section 6.3 unless express permission is obtained in advance from the source of the materials (Seller Parent, Purchaser Parent or Purchaser, as the case may be) or its legal counsel. Notwithstanding anything to the contrary in this Section 6.3 , and without limiting the restrictions on access and disclosure set forth in Section 6.1(a) , materials provided to the other Party or its counsel pursuant to this Agreement may be redacted (i) as necessary to comply with contractual requirements, (ii) as necessary to address attorney-client or other privilege or protection or confidentiality concerns and (iii) to remove references concerning the valuation of the Purchased Assets, the Business, or the Purchaser Business (or the Retained Businesses or Purchaser Parent Retained Businesses).

(i) Purchaser shall be responsible for the payment of all filing and other fees owed to any Governmental Authority in connection with the Filings to be made, and Approvals to be obtained, pursuant to this Section 6.3 .

Section 6.4 Reasonable Best Efforts; Further Assurances .

(a) Under the terms and subject to the conditions set forth herein, except as otherwise provided in this Agreement or any Ancillary Agreement (and subject to Section 6.3), each of the Parties agrees to use and to cause its Affiliates to use its reasonable best efforts before and, as may be applicable, after the Closing Date, until the earlier to occur of (i) thirty-six (36) months following the Closing Date and (ii) the completion of a Listing Transaction (as defined in the

Purchaser Shareholders Agreement), to take or cause to be taken all action, to do or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws (other than with respect to Antitrust Laws, which are the subject of Section 6.3, and with respect to the Purchaser Parent Shareholder Approval, which is the subject of Section 6.24) to consummate and make effective, as promptly as practicable, the transactions contemplated by this Agreement and the Ancillary Agreements, including: (a) the satisfaction of the conditions precedent to the obligations of any of the Parties, (b) the obtaining of all necessary actions, consents, approvals, waivers and other Approvals of all Governmental Authorities under applicable Law (other than with respect to Antitrust Laws, which are the subject of Section 6.3, and with respect to the Purchaser Parent Shareholder Approval, which is the subject of Section 6.24), (c) without limiting the obligations of the Parties set forth in Section 6.3 , the defending of any Action, whether judicial or administrative, challenging this Agreement or the performance of the obligations hereunder, (d) the effecting of all registrations, filings and transfers of Governmental Authorizations (including Environmental Permits) that constitute Purchased Assets, and the effecting of all registrations, filings and transfers of any licenses, permits, certificates or other authorizations or approvals which constitute Excluded Assets to be transferred to Seller Parent or any Retained Subsidiary and (e) the executing, acknowledging and delivering of such documents and instruments and the taking of such other actions as may reasonably be requested by the other Party in furtherance of the matters described in the foregoing clauses (a) through (d) ; provided that except as otherwise expressly provided by this Agreement or any Ancillary Implementing Agreement, including Section 6.3 , none of Seller Parent, Purchaser Parent or any of their respective Affiliates shall be required to expend any money, commence any litigation or offer or grant any accommodation (financial or otherwise) in connection with the foregoing (other than filing and other fees owed to any Governmental Authority in connection with any Filings to be made with or Approvals to be obtained from Governmental Authorities, for which Purchaser shall be responsible and shall reimburse Seller Parent and its Affiliates). Purchaser agrees to provide such reasonable security and assurances as to financial capability, resources and creditworthiness as may be reasonably requested by any Governmental Authority whose Approval is sought in connection with the transactions contemplated hereby.

(b) Without limiting and in furtherance of the provisions of Section 6.4(a) , and in order to facilitate the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements on a timely basis, promptly following the date hereof Seller Parent and Purchaser Parent shall organize a transition team (the " Transition Team "), co-chaired by a representative of Seller Parent and by a representative of Purchaser Parent and including equal representation of Seller Parent and Purchaser Parent, which Transition Team shall, following the Closing, have responsibility for (A) coordinating and directing the efforts of the Parties with respect to (1) the administration and coordination of the Ancillary Agreements following the Closing, (2) subject to the terms of this Agreement, including Section 2.2 , Section 6.3 and Section 6.4(a) , the process for seeking applicable third party consents, Approvals, and Governmental Authorizations and making required filings or notices in connection with the consummation of the transactions contemplated hereby, and (3) coordinating and directing the efforts of the Parties with respect to Shared Contracts in accordance with Section 2.2 as well as the efforts of the Parties with respect to the assets and liabilities contemplated by Section 2.2 , (B) coordinating communications, public relations and investor relations strategy and approach of the Parties regarding this Agreement and

the transactions contemplated hereby in accordance with this Agreement, and (C) overseeing other business and operational matters relating to this Agreement and the transactions contemplated hereby in accordance with this Agreement, in the case of each of clauses (A) , (B) and (C) , subject to applicable Laws, including Laws regarding the exchange of information and Antitrust Laws, and the other provisions of this Agreement, including those regarding access and cooperation (it being understood that this Section 6.4(b) is intended to facilitate the administration of the matters referred to herein and is not intended to expand the scope of or alter the substantive rights and obligations of the Parties under any other provisions of this Agreement).

(c) Purchaser Parent shall develop, in consultation with Seller Parent, a detailed written transition plan (the " Transition Plan ") which shall set forth integration planning goals, activities and processes with respect to the period from the date hereof through the Closing Date and the transition activities to be implemented after the Closing Date. The Transition Plan shall also include reasonably detailed plans in respect of the matters set forth in Section 6.4(c) of the Purchaser Parent Disclosure Letter. The Parties acknowledge and agree that the Transition Plan shall be prepared for convenience and informational purposes only, shall not be binding on any Party or its respective Affiliates, and the taking of, or failure to take, any action set forth in the Transition Plan shall in no event be a condition to the obligations of either Party to consummate the Sale and the other transactions contemplated by this Agreement.

(d) Purchaser Parent shall consult in good faith with Seller Parent prior to the Closing regarding (i) the identity of the initial direct reports to the Chief Executive Officer and to the Chief Financial Officer of Purchaser and (ii) the initial Business Plan (as defined in the Purchaser Shareholders Agreement), including any updates to any draft Business Plan previously provided, to be adopted by Purchaser as of the Closing. If, as part of such consultation, Seller Parent wishes to escalate any matter regarding the foregoing matters, it shall be entitled to convene, on reasonable notice, a meeting between the Chief Executive Officers of Seller Parent and Purchaser Parent to discuss such matters. In the event any disagreements regarding the foregoing matters cannot be resolved by such Chief Executive Officers prior to the Closing, the Chief Executive Officer of Purchaser Parent shall make the final determination with respect thereto.

Section 6.5 Tax Matters .

(a) Preparation and Filing of Tax Returns .

(i) Seller Parent shall prepare or cause to be prepared all (A) Tax Returns that include Seller Parent or any of its Affiliates (other than any Conveyed Subsidiary or any Subsidiary thereof), on the one hand, and any Conveyed Subsidiary or Subsidiary thereof, on the other hand (" Seller Combined Tax Returns ") and (B) Tax Returns of the Conveyed Subsidiaries (and their Subsidiaries) for any Pre-Closing Tax Period other than any Straddle Period (" Pre-Closing Separate Tax Returns "). All Pre-Closing Separate Tax Returns shall, where applicable, be prepared in a manner consistent with the past practices of the applicable Conveyed Subsidiary (or Subsidiary thereof), other than as required as a result of the Seller Internal Restructurings and except to the extent that there is not at least a "more likely than not" basis for a position under applicable Law. In the case of any Pre-Closing

Separate Tax Return that is required to be filed after the Closing (taking into account any applicable extensions), Seller Parent shall deliver to Purchaser for its review and comment, at least thirty (30) days, in the case of Income Tax Returns, and fifteen (15) days, in the case of non-Income Tax Returns, prior to the due date for the filing of such Pre-Closing Separate Tax Return (taking into account any applicable extensions), a draft copy of such Pre-Closing Separate Tax Return, together with any additional information that Purchaser may reasonably request. Purchaser shall have the right to review such Pre-Closing Separate Tax Return and any such additional information prior to the filing of such Pre-Closing Separate Tax Return, and Seller Parent shall consider in good faith any reasonable comments submitted by Purchaser at least fifteen (15) days, in the case of Income Tax Returns, and five (5) days, in the case of non-Income Tax Returns, prior to the due date of such Pre-Closing Separate Tax Return (taking into account any applicable extensions). Purchaser shall timely file (taking into account any applicable extensions), or cause to be timely filed, such Pre-Closing Separate Tax Returns as prepared by Seller Parent (and as may be revised by Seller Parent to reflect any comments received from Purchaser pursuant to the immediately preceding sentence), provided that such Tax Return was delivered to Purchaser at least five (5) days, in the case of Income Tax Returns, and three (3) days, in the case of non-Income Tax Returns, prior to the due date for filing such Tax Return (taking into account any applicable extensions). Seller Parent shall timely file, or cause to be timely filed (taking into account any applicable extensions), any Seller Combined Tax Returns and any Pre-Closing Separate Tax Returns that are due prior to the Closing (taking into account any applicable extensions) and pay any Taxes due on any such Tax Return and, at least three (3) days before any Pre-Closing Separate Tax Return that is required to be filed after the Closing is due (taking into account any applicable extensions), shall pay Purchaser (or a Subsidiary of Purchaser designated by Purchaser) the amount of Taxes shown as due thereon to the extent any such Taxes are Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement.

(ii) Other than Tax Returns for which Seller Parent is responsible pursuant to Section 6.5(a)(i) and any Tax Returns described in Section 6.5(g)(iii) , Purchaser shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns of the Conveyed Subsidiaries and their Subsidiaries (taking into account any applicable extensions). Any such Tax Return required to be filed by Purchaser for a Tax period that includes (but does not end on) the Closing Date (any such Tax period, a " Straddle Period, " and any such Tax Return, a " Straddle Period Tax Return ,") and any Tax Return (or relevant portion thereof) of Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) that includes or reflects (or is required to include or reflect) Seller Indemnified Taxes for which Seller Parent would reasonably be expected to be liable pursuant to this Agreement (any such Tax Return, or relevant portion thereof, or any Straddle Period Tax Return, a " Seller Indemnifiable Tax Return ") shall, where applicable, be prepared (1) in a manner consistent with the past practices of the applicable Conveyed Subsidiary (or Subsidiary thereof), other than as required as a

result of the Seller Internal Restructurings and except to the extent that there is not at least a "more likely than not" basis for a position under applicable Law or such position would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement and (2) in accordance with the terms of this Agreement. With respect to any Seller Indemnifiable Tax Return, Purchaser shall deliver to Seller Parent for its review, comment and approval, at least thirty (30) days, in the case of Income Tax Returns, and fifteen (15) days, in the case of non-Income Tax Returns, prior to the due date for the filing of such Seller Indemnifiable Tax Return (taking into account any applicable extensions), a statement setting forth the amount of Tax for which Seller Parent is responsible pursuant to Section 6.5(d)(i) and a copy of such Seller Indemnifiable Tax Return, together with any additional information that Seller Parent may reasonably request. Seller Parent shall have the right to review such Seller Indemnifiable Tax Return, statement and any additional information prior to the filing of such Seller Indemnifiable Tax Return, and Purchaser shall reflect on such Seller Indemnifiable Tax Return, as filed, any reasonable comments submitted by Seller Parent at least fifteen (15) days, in the case of Income Tax Returns, and five (5) days, in the case of non-Income Tax Returns, prior to the due date of such Seller Indemnifiable Tax Return (taking into account any applicable extensions) to the extent any such comments would not be reasonably expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement. Seller Parent shall, at least three (3) days before any Tax Return that Purchaser is obligated to file under Section 6.5(a)(ii) is due, pay Purchaser (or a Subsidiary of Purchaser designated by Purchaser) the amount of Taxes shown as due thereon to the extent any such Taxes are Seller Indemnified Taxes.

(iii) Neither Purchaser nor any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) shall amend or revoke any Pre-Closing Separate Tax Return or Straddle Period Tax Return, or agree to any waiver or extension of the statute of limitations, relating to Taxes with respect to any Conveyed Subsidiary (or any Subsidiary thereof) for a Pre-Closing Tax Period, without the prior written consent of Seller Parent (which consent shall not be unreasonably withheld, conditioned or delayed). Upon Seller Parent's reasonable request, at the sole cost and expense of Seller Parent, Purchaser shall file, or cause to be filed, any amended Pre-Closing Separate Tax Return in the form and substance reasonably requested by Seller Parent and in a manner consistent with the past practices of the applicable Conveyed Subsidiary or its Subsidiary (other than as required as a result of the Seller Internal Restructurings), except to the extent that there is not at least a "more likely than not" basis for a position under applicable Law, provided that Purchaser shall not be required to file any such amended Tax Return to the extent it would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes

for which Seller Parent is liable pursuant to this Agreement or otherwise result in commercial consequences that materially and adversely affect Purchaser.

(iv) Notwithstanding anything herein to the contrary, this Section 6.5(a) shall not apply to any Tax Returns in respect of Transfer Taxes described in Section 6.5(j) or any VAT described in Section 6.5(k) .

(b) Carryforwards and Carrybacks . Purchaser shall cause the Conveyed Subsidiaries and their Subsidiaries, to the extent permitted by applicable Law, not to carry back into any Pre-Closing Tax Period, and to carry forward into any taxable period beginning after the Closing Date any Tax Asset arising after the Closing Date (a " Subsequent Loss ") that could, whether in the absence of an election or otherwise, be carried back to a Pre-Closing Tax Period. Purchaser shall take, and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) to take, all steps reasonably necessary to avoid such carry back (and achieve such carryforward), including by making all necessary elections. If a Subsequent Loss is not permitted by applicable Law to be carried forward into any taxable period beginning after the Closing Date and is required to be carried back into any Pre-Closing Tax Period, then after providing notice to Seller Parent of such required carryback, Purchaser and its Subsidiaries shall be entitled to any refund of Taxes resulting from any carryback of such Subsequent Loss into any such Pre-Closing Tax Period; provided that Purchaser shall indemnify and hold Seller Parent and its Affiliates harmless from and against any Tax Liability resulting from the carryback of a Subsequent Loss and any other costs and expenses associated with or incurred in connection with obtaining, collecting or paying over a refund resulting from such carryback to the extent such carryback of a Subsequent Loss is reflected on a Seller Combined Tax Return. To the extent any such Subsequent Loss or related refund is subsequently disallowed or required to be returned by Seller Parent or its Affiliates to a Governmental Authority, Purchaser agrees to promptly repay any amounts previously paid over by Seller Parent to Purchaser (or its Subsidiaries) in respect of such Subsequent Loss or related refund, together with any interest, penalties or other additional amounts imposed by such Governmental Authority, to Seller Parent.

(c) Refunds and Other Tax Benefits .

(i) Any Loss or Tax that Seller Parent or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries prior to the Closing), on the one hand, or Purchaser Parent or any of its Affiliates on the other hand, is responsible for under this Agreement (including pursuant to this Section 6.5 , Section 6.6 or Article VII , and including any amounts that are economically borne by Seller Parent or Purchaser Parent, as the case may be, through an adjustment under Section 2.8 or Section 2.9), shall be determined net of any Tax Benefit arising from any Tax Item in respect of any such Loss or Tax realized in the taxable year of such Loss or Tax or the subsequent two taxable years. If any such Tax Benefit was not included in the initial computation of such Loss or Tax, the Purchaser shall pay to Seller Parent or Purchaser Parent, as the case may be, the amount of the applicable Tax Benefit. The amount of any payment for a Tax Benefit that is due under the prior sentence shall be paid within fifteen (15) days of the filing of the Tax Return with respect to

which the Tax Benefit is actually realized (or, if the Tax Benefit is in the form of an increased cash Tax refund, within fifteen (15) days of the receipt of such cash Tax refund from the applicable Governmental Authority). To the extent permitted to be claimed or deducted on a "more likely than not" basis on an applicable relevant Tax Return, Purchaser shall, and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) to claim any Tax Item in respect of any Loss or Tax described in the first sentence of this Section 6.5(c) resulting in a Tax Benefit described in this Section 6.5(c) on such Tax Return.

(ii) Without duplication of amounts covered by Section 6.5(c)(i) , Seller Parent shall be entitled to any refund or credit against any Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement except to the extent any such refund or credit was (A) reflected as an asset on the Final Closing Statement and taken into account in the calculation of the Final Business Working Capital or Final Business Net Cash (with respect to the determination of Seller Accrued Income Taxes to the extent offsetting a Tax Liability in such calculation), (B) is described in Section 6.5(b) , or (C) is required to be paid to any other Person pursuant to any Contract entered into prior to the Closing by a Conveyed Subsidiary or any Subsidiary thereof. Purchaser shall be entitled to any refunds or credits of or against any Taxes of the Conveyed Subsidiaries (and their Subsidiaries) other than refunds or credits to which Seller Parent is entitled pursuant to the foregoing sentence. If Seller Parent determines that any of the Conveyed Subsidiaries (or Subsidiaries thereof) is entitled to file or make a formal or informal claim for a refund of Taxes (including by filing an amended Tax Return) to which Seller Parent would be entitled under this Section 6.5(c)(ii) , Seller Parent shall be entitled to file or make, or to request that Purchaser or its relevant Affiliate (including the applicable Conveyed Subsidiary or Subsidiary thereof) file or make, such formal or informal claim for refund, and Seller Parent shall be entitled to control the prosecution of such claim for refund as if such claim was a Tax Proceeding described in Section 6.5(e)(iii) and Seller Parent were the Controlling Party provided , that Seller Parent shall not be entitled to file or make, or to request that Purchaser or its relevant Affiliate (including the applicable Conveyed Subsidiary or Subsidiary thereof) file or make, such formal or informal claim for refund to the extent it would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes for which Seller Parent is responsible under this Agreement or otherwise result in consequences that materially and adversely affect Purchaser. Purchaser shall reasonably cooperate, and cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) to reasonably cooperate, with respect to any such request by Seller Parent or in any such claim for refund, and shall pay or cause to be paid to Seller Parent the amount (including interest) of any related refund or credit received by Purchaser or any Affiliate thereof (including any Conveyed Subsidiary or Subsidiary thereof), net of any costs, expenses and Taxes occurred in obtaining, collecting or paying over such refund, credit, offset or other similar benefit within fifteen (15) days of receipt (or realization) thereof. Any refund of, or credit against, Taxes that is received or realized with respect to Taxes attributable to any

Conveyed Subsidiary (or Subsidiary thereof), the Purchased Assets or the Business for a Straddle Period shall be equitably apportioned between Seller Parent and Purchaser in a manner consistent with the principles set forth in Section 6.5(d)(iii) and the first sentence of this Section 6.5(c)(ii) .

(iii) Without duplication of amounts covered by Section 6.5(c)(i) , Purchaser Parent shall be entitled to any refund or credit against any Purchaser Parent Indemnified Taxes for which Purchaser Parent is responsible under this Agreement except to the extent any such refund or credit was (A) reflected as an asset on the Final Closing Statement and taken into account in the calculation of the Final Purchaser Working Capital or Final Purchaser Net Cash (with respect to the determination of Purchaser Accrued Income Taxes to the extent offsetting a Tax Liability in such calculation) or (B) required to be paid to any other Person pursuant to any Contract entered into prior to the Closing by Purchaser or any Subsidiary thereof. Purchaser shall be entitled to any refunds or credits of or against any Taxes of Purchaser or the Subsidiaries of Purchaser (other than the Conveyed Subsidiaries (and their Subsidiaries)) other than refunds or credits to which Purchaser Parent is entitled pursuant to the foregoing sentence. If Purchaser Parent determines that Purchaser or any of the Subsidiaries of Purchaser (other than the Conveyed Subsidiaries (and their Subsidiaries)) is entitled to file or make a formal or informal claim for a refund of Taxes (including by filing an amended Tax Return) to which Purchaser Parent would be entitled under this Section 6.5(c)(iii) , Purchaser Parent shall be entitled to file or make, or to request that Purchaser or its relevant Affiliate (including the applicable Subsidiary of Purchaser thereof) file or make, such formal or informal claim for refund, and Purchaser Parent shall be entitled to control the prosecution of such claim for refund as if such claim was a Tax Proceeding described in Section 6.5(e)(iii) and Purchaser Parent were the Controlling Party; provided that Purchaser Parent shall not be entitled to file or make, or to request that Purchaser or its relevant Affiliate file or make, such formal or informal claim for refund to the extent it would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Purchaser Parent Indemnified Taxes for which Purchaser Parent is responsible under this Agreement or otherwise result in consequences that materially and adversely affect Purchaser. Purchaser shall reasonably cooperate, and cause its Affiliates to reasonably cooperate, with respect to any such request by Purchaser Parent or in any such claim for refund, and shall pay or cause to be paid to Purchaser Parent the amount (including interest) of any related refund or credit received or realized by Purchaser or any Affiliate thereof (including any Conveyed Subsidiary or Subsidiary thereof), net of any costs, expenses and Taxes occurred in obtaining, collecting or paying over such refund or credit within fifteen (15) days of receipt (or realization) thereof. Any refund of, or credit against, Taxes that is received or realized with respect to Taxes attributable to Purchaser or its Subsidiaries (other than the Conveyed Subsidiaries (and their Subsidiaries)) for a Straddle Period shall be equitably apportioned between Purchaser Parent and Purchaser in a manner consistent with the principles set forth in Section 6.5(d)(iii) and the first sentence of this Section 6.5(c)(iii) .

(d) Tax Indemnification .

(i) Subject to Section 6.5(d)(v) , from and after the Closing, Seller Parent agrees to indemnify and hold harmless Purchaser and its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries after the Closing Date) (collectively, the " Purchaser Tax Indemnified Parties ") from and against all liability, without duplication, for (1) Taxes of the Conveyed Subsidiaries and their Subsidiaries for any Pre-Closing Tax Period (including any Taxes payable in respect of an election under Section 965(h) of the Code), (2) Taxes of any Seller (other than any Transfer Taxes and VAT for which Purchaser is responsible hereunder) including, Taxes (other than Taxes of the Conveyed Subsidiaries and their Subsidiaries) imposed with respect to, arising out of or relating to the Purchased Assets or the Business for a Pre-Closing Tax Period, (3) Taxes of any Person (other than the Conveyed Subsidiaries and their Subsidiaries) for a Pre-Closing Tax Period for which any Conveyed Subsidiary (or any Subsidiary thereof) is liable under Treasury Regulation Section 1.1502-6 (or a similar provision of state, local or foreign Law), or as a transferee or successor or by Contract (other than Contracts that do not relate primarily to Taxes), (4) Taxes arising out of or resulting from any breach of any covenant or agreement of Seller Parent or any of its Affiliates contained in this Agreement, (5) Taxes for a Pre-Closing Tax Period imposed on (x) any transaction effected pursuant to Section 2.3(b) , (y) any settlement of any intercompany accounts of Seller Parent or its Subsidiaries pursuant to Section 6.7 , or (z) any transaction or step forming part of the Seller Internal Restructurings, (6) Transfer Taxes for which Seller Parent is responsible under Section 6.5(j) , (7) Taxes required to be deducted or withheld with respect to the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9 , including any penalties imposed on Purchaser as a result of Purchaser's failure to deduct or withhold any such amounts that Purchaser (or a Purchaser Designated Affiliate) was permitted to withhold under Section 2.10 (in each case, subject to Purchaser's compliance with the notice and cooperation requirements of Section 2.10 and except for any such Taxes (and any related penalties) required to be deducted or withheld solely as a result of any assignment by Purchaser or its Affiliates for which Purchaser is responsible pursuant to Section 10.3), (8) Taxes arising from any breach of any representation or warranty contained in Section 4.16(k) , (9) Taxes arising as a result of any Conveyed Subsidiary or any Subsidiary of any Conveyed Subsidiary at any time ceasing to be a member of a group for the purposes of any Tax, of which group Seller Parent or any Subsidiary of Seller Parent is or was also a member and (10) any costs and expenses, including reasonable legal and accounting fees and expenses, attributable to any item described in clauses (1) through (9) (any such Taxes for which Seller Parent is responsible pursuant to this Section 6.5(d)(i) , subject to the following proviso, " Seller Indemnified Taxes "); provided that Seller Parent shall not be required to indemnify or hold harmless any Purchaser Tax Indemnified Party from and against any liability pursuant to this Section 6.5(d)(i) for (A) Taxes attributable to any action taken after the Closing by Purchaser, any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries), or any transferee of Purchaser or any of its Affiliates

(including the Conveyed Subsidiaries and their Subsidiaries), other than any such action that (1) is in the ordinary course of business, (2) is expressly permitted or contemplated by this Agreement, or (3) is required to be taken in order to comply with applicable Law or as a result of a change in applicable Law (a " Purchaser Tax Act "), (B) Taxes that were reflected, accrued or reserved for in the Final Closing Statement, Final Business Working Capital, or Final Business Net Cash, (C) Income Taxes to the extent that a Conveyed Subsidiary or any Subsidiary thereof had any Tax Assets as of the close of business on the Closing Date that were available, or would have been available but for their prior utilization by Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) to offset or otherwise reduce the applicable Tax Liability in respect of such Income Taxes (except any Tax Asset reflected as an asset in the Final Closing Statement and taken into account in the calculation of the Final Business Working Capital or the Final Business Net Cash), or (D) Taxes for which Purchaser Parent is responsible under Section 6.5(d)(ii) .

(ii) Subject to Section 6.5(d)(v) , from and after the Closing, Purchaser Parent shall indemnify and hold harmless the Purchaser Tax Indemnified Parties from and against all liability, without duplication, for (1) all Taxes of Purchaser Parent and its Affiliates (other than Purchaser and its Subsidiaries) for any Tax period (other than Transfer Taxes and VAT for which Seller Parent is responsible hereunder), (2) Taxes of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries) for any Pre-Closing Tax Period, (3) Taxes of any Person for a Pre-Closing Tax Period for which Purchaser (or any Subsidiary thereof other than any Conveyed Subsidiaries and their Subsidiaries) is liable under Treasury Regulation Section 1.1502-6 (or a similar provision of state, local or foreign Law), or as a transferee or successor or by Contract (other than Contracts that do not relate primarily to Taxes), (4) Taxes arising out of or resulting from any breach of any covenant or agreement of Purchaser Parent, Purchaser or their respective Affiliates contained in this Agreement, (5) Transfer Taxes for which Purchaser Parent is responsible under Section 6.5(j) , (6) Taxes arising from any breach of any representation or warranty in Section 5.17(k), (7) Taxes for a Pre-Closing Tax Period imposed on (x) any settlement of any intercompany accounts of Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, pursuant to Section 6.7 or (y) any transaction or step forming part of the Purchaser Internal Restructurings, (8) Taxes required to be deducted or withheld with respect to any amounts payable to Purchaser Parent pursuant to Section 2.8 or Section 2.9 , including any penalties imposed on Purchaser as a result of Purchaser's failure to deduct or withhold any such amounts, (9) Taxes arising as a result of Purchaser or any Subsidiary of Purchaser (other than any Conveyed Subsidiary or a Subsidiary thereof) at any time ceasing to be a member of a group for the purposes of any Tax, of which group Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser or any Subsidiary of Purchaser) is or was also a member and (10) any costs and expenses, including reasonable legal and accounting fees and expenses,

attributable to any item described in clauses (1) through (9) (any such Taxes for which Purchaser Parent is responsible pursuant to this Section 6.5(d)(ii), subject to the following proviso, "Purchaser Parent Indemnified Taxes"); provided that Purchaser Parent shall not be required to indemnify or hold harmless any Purchaser Tax Indemnified Party from and against any liability for (A) Taxes attributable to any action taken after the Closing by Seller Parent or any of its Affiliates, other than any such action that (1) is in the ordinary course of business, (2) is expressly permitted or contemplated by this Agreement, or (3) is required to be taken in order to comply with applicable Law or as a result of a change in applicable Law (a "Seller Tax Act"), (B) Taxes that were reflected, accrued or reserved for in the Final Closing Statement, Final Purchaser Working Capital or the Final Purchaser Net Cash, (C) Income Taxes to the extent that Purchaser or any Subsidiary thereof had any Tax Assets as of the close of business on the Closing Date that were available, or would have been available but for their prior utilization by Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing), to offset or otherwise reduce the applicable Tax Liability in respect of such Income Taxes (except any Tax Asset reflected as an asset in the Final Closing Statement and taken into account in the calculation of the Final Purchaser Working Capital or the Final Purchaser Net Cash), or (D) Taxes for which Seller Parent is responsible under Section 6.5(d)(i).

(iii) To the extent permitted or required by applicable Law, the taxable year of each of the Conveyed Subsidiaries and their Subsidiaries and any Subsidiary of Purchaser that includes the Closing Date shall be treated as closing on (and including) the Closing Date. Otherwise, for purposes of this Agreement, in the case of any Straddle Period:

(A) Property Taxes allocable to the Pre-Closing Tax Period shall be computed based upon the ratio of the number of days in the Pre-Closing Tax Period to the number of days in the entire Straddle Period; and

(B) Taxes (other than Property Taxes) allocable to the Pre-Closing Tax Period shall be computed as if such Tax period ended as of the close of business on the Closing Date and, in the case of any Taxes of Conveyed Subsidiaries (and their Subsidiaries) and Seller Parent, or in the case of any Taxes of Purchaser Parent and Purchaser (and their Subsidiaries prior to the Closing), in each case attributable to the ownership of any equity interest in any partnership or other "flow through" entity for tax purposes (including of any "controlled foreign corporation," as defined under the Code) as if the Tax period of such partnership or other "flow through" entity ended as of the close of business on the Closing Date with the Taxes of such entity for the Pre-Closing Tax Period deemed to include any Taxes on the allocable income of such entity in respect of such Tax period; provided that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions) shall be allocated between the period ending on the Closing

Date and the period beginning after the Closing Date in proportion to the number of days in each period.

(iv) Any claim for indemnification under this Section 6.5(d) shall be made in writing upon the party from whom indemnification is sought, and shall specify in reasonable detail the basis for such claim. Any indemnity payment required to be made pursuant to this Section 6.5(d) shall be made within thirty (30) days after the indemnified party makes written demand upon the indemnifying party, but in no case earlier than five (5) Business Days prior to the date on which the relevant Taxes are required to be paid to the applicable Taxing Authority.

(v) With respect to any Taxes suffered or incurred by any Conveyed Subsidiary (or any Subsidiary thereof) that was not wholly owned by Seller Parent (directly or indirectly) as of immediately prior to the Closing, the indemnification obligations of Seller Parent pursuant to Section 6.5(d)(i) in respect of such Taxes (or related costs and expenses) shall in no event exceed an amount equal to (A) the amount of such Taxes (or related costs and expenses) for which the Purchaser Tax Indemnified Parties would otherwise be entitled to indemnification pursuant to Section 6.5(d) , as if such Conveyed Subsidiary (or any Subsidiary thereof) were wholly owned by Seller Parent, *multiplied by* (B) the direct and indirect percentage ownership of Seller Parent of such Conveyed Subsidiary (or Subsidiary thereof) as of immediately prior to the Closing. With respect to any Taxes suffered or incurred by any Subsidiary of Purchaser Parent (including Purchaser and its Subsidiaries) that was not wholly owned by Purchaser Parent (directly or indirectly) as of immediately prior to the Closing, the indemnification obligations of Purchaser Parent pursuant to Section 6.5(d)(ii) in respect of such Taxes (or related costs and expenses) shall in no event exceed an amount equal to (A) the amount of such Taxes (or related costs and expenses) for which the Purchaser Tax Indemnified Parties would otherwise be entitled to indemnification pursuant to Section 6.5(d) , as if such Subsidiary were wholly owned by Purchaser Parent, *multiplied by* (B) the direct and indirect percentage ownership of Purchaser Parent of such Subsidiary as of immediately prior to the Closing.

(vi) Without duplication to any other amounts paid pursuant to this Section 6.5:

(A) Within thirty (30) days following the filing of any Income Tax Return for any Conveyed Subsidiary (or any Subsidiary thereof), on the one hand, or Purchaser (or any Subsidiary thereof, other than the Conveyed Subsidiaries and their Subsidiaries), on the other hand, for any Pre-Closing Tax Period or for any Straddle Period, Seller Parent or Purchaser Parent shall (or Purchaser Parent shall cause Purchaser to) prepare a statement showing (i) the amount of Income Taxes shown as due on such filed Income Tax Return with respect to the relevant Pre-Closing Tax Period or the portion of any Straddle Period ending on and including the Closing Date (the " Final Pre-Closing Income Tax Amount ") and (ii) the amount of the Seller

Accrued Income Taxes or Purchaser Accrued Income Taxes, as applicable, attributable to such Income Tax Return as reflected on the Final Closing Statement (the " Pre-Closing Income Tax Amount ") and deliver such statement to Seller Parent and Purchaser Parent, as applicable. Purchaser Parent or Seller Parent, as applicable, shall have a period of fifteen (15) Business Days to provide comments to a schedule prepared (or caused to be prepared) by Seller Parent or Purchaser Parent, respectively. If Purchaser Parent or Seller Parent, as applicable, do not provide any comments to Seller Parent or Purchaser Parent, respectively, during such period, the statement as so prepared shall be final and binding.

(B) In the event the Final Pre-Closing Income Tax Amount with respect to any Income Tax Return is less than the amount of the Pre-Closing Income Tax Amount attributable to such Income Tax Return that was included on the Final Closing Statement, the Purchaser shall within five (5) Business Days following the finalization of the Final Pre-Closing Income Tax Amount hereunder (i) pay to Seller Parent the amount of such difference with respect to a Conveyed Subsidiary and their Subsidiaries and (ii) pay to Purchaser Parent the amount of such difference with respect to Purchaser and its Subsidiaries.

(vii) The Parties shall use reasonable best efforts to structure any indemnity payment, true-up payment, or payment in respect of Tax Benefits made by any Party pursuant to this Agreement (including pursuant to this Section 6.5 , Section 6.6 and Article VII) and any payment made by Purchaser Parent to Purchaser pursuant to Section 2.8 or Section 2.9 in the manner set forth in Clause 10 of the Structuring Considerations Agreement. The Parties shall use reasonable best efforts to structure as a special dividend any payment made by Purchaser to Purchaser Parent pursuant to Section 2.8 , Section 2.9 or this Section 6.5 .

(e) Tax Contests .

(i) If a claim shall be made by any Taxing Authority (a " Tax Claim ") which, if successful, would reasonably be expected to result in an indemnity payment pursuant to Section 6.5(d) , the indemnified party shall promptly notify the indemnifying party in writing of such claim (and provide copies of any documents received from the Taxing Authority in respect of such claim); provided that the failure to provide such notice shall not relieve the indemnifying party of its indemnification obligations hereunder except to the extent the indemnifying party is prejudiced thereby and expenses are incurred during the period in which notice was not provided. Such notice shall specify in reasonable detail the basis for such Tax Claim and shall include a copy of the relevant portion of any correspondence received from the Taxing Authority.

(ii) With respect to any Tax Claim relating to a Conveyed Subsidiary (or any Subsidiary thereof) for any Tax period ending on or before the Closing Date, to Seller Parent (or any Subsidiary thereof) for any taxable period, or with respect to, a Seller Combined Tax Return, Seller Parent shall control all Tax Proceedings and

shall make all decisions taken in connection with such Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may either pay the applicable Tax Liability and sue for a refund or contest the Tax Claim; provided , that in the case of such Tax Proceeding with respect to a Tax Return of a Conveyed Subsidiary (or any Subsidiary thereof) other than a Seller Combined Tax Return, Seller Parent shall not settle such Tax Proceeding if doing so would reasonably be expected to materially increase the Tax Liability of Purchaser or its Subsidiaries (including the Conveyed Subsidiaries and any Subsidiary thereof after the Closing), taking into account any indemnification for Tax Liabilities under this Agreement, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned. In the case of any such Tax Proceeding with respect to a Conveyed Subsidiary (or a Subsidiary thereof), Seller Parent shall (x) notify Purchaser of any material development with respect to any such Tax Proceeding, (y) provide Purchaser with copies of any material documents submitted in connection with such Tax Proceeding and (z) notify Purchaser regarding any material action to be taken by Seller Parent with respect to such Tax Proceeding (and take Purchaser's comments into consideration in good faith), in each case, solely to the extent relating to matters or aspects of such Tax Proceeding that would reasonably be expected to materially increase the Tax Liability of a Conveyed Subsidiary (or a Subsidiary thereof) in a Post-Closing Tax Period.

(iii) In the case of any Tax Proceeding relating to Taxes of the Conveyed Subsidiaries (and their Subsidiaries) for any Straddle Period, the Controlling Party shall have the right and obligation to conduct such Tax Proceeding; provided that the Controlling Party shall (u) notify the Non-Controlling Party of any material development with respect to such Tax Proceeding, (v) provide the Non-Controlling Party with copies of any material documents submitted in connection with such Tax Proceeding, (w) consult with the Non-Controlling Party before submitting any written materials or taking any significant action in connection with the conduct of such Tax Proceeding, (x) provide, to the extent possible, for the Non-Controlling Party to participate in such Tax Proceeding at its own expense, (y) defend such Tax Proceeding diligently and in good faith, and (z) not settle any such Tax Proceeding if doing so would reasonably be expected to materially increase the Tax Liability of the Non-Controlling Party or its Affiliates (taking into account any indemnification for Tax Liabilities under this Agreement), without the prior written consent of the Non-Controlling Party, which consent shall not be unreasonably withheld, delayed or conditioned. For purposes of this Agreement, " Controlling Party " shall mean Seller Parent if Seller Parent and its Affiliates are reasonably expected to bear the greater Tax Liability in connection with such Tax Proceeding, or Purchaser if Purchaser and its Affiliates are reasonably expected to bear the greater Tax Liability in connection with such Tax Proceeding; and " Non-Controlling Party " means whichever of Seller Parent or Purchaser is not the Controlling Party with respect to such Tax Proceeding.

(iv) Except as otherwise provided herein, Purchaser shall control all Tax Proceedings with respect to the Conveyed Subsidiaries (and their Subsidiaries) for any taxable period beginning after the Closing Date and any Tax Proceeding with respect to Purchaser or any of its Affiliates relating to any Seller Indemnifiable Tax Return; provided that Seller Parent shall be deemed to be a Non-Controlling Party (with the rights described in Section 6.5(e)(iii)) with respect to any such Tax Proceeding if the resolution of any such Tax Proceeding would reasonably be expected to materially increase the Tax Liability of a Conveyed Subsidiary (or a Subsidiary thereof) in a Pre-Closing Tax Period or the amount of indemnification for which Seller Parent is responsible pursuant to Section 6.5(d)(i) .

(v) Purchaser, the Conveyed Subsidiaries and each of their respective Affiliates, on the one hand, and Seller Parent and its Affiliates, on the other hand, shall cooperate in contesting any Tax Claim, which cooperation shall include the retention and, upon request, the provision to the requesting Party of records and information which are reasonably relevant to such Tax Claim, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder or to testify at related Tax Proceedings. Purchaser Parent and Seller Parent and their applicable Affiliates shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 6.5(e)(v) . Notwithstanding anything herein to the contrary, (A) Seller Parent shall not be required to provide Purchaser or its Affiliates with a copy, or otherwise disclose the contents, of any Seller Combined Tax Return (except to the extent such information relates solely to a Conveyed Subsidiary or its Subsidiaries), (B) Seller Parent shall have the exclusive right to control in all respects, and neither Purchaser nor any of its Affiliates shall be entitled to participate in, any Tax Proceeding with respect to any Tax Return of Seller Parent or any of its Affiliates or any Seller Combined Tax Return, and (C) Purchaser Parent shall not be required to provide Seller Parent, Purchaser or its Affiliates with a copy, or otherwise disclose the contents, of any Tax Return that includes Purchaser Parent or any of its Affiliates (other than Purchaser and any Subsidiary thereof), on the one hand, and Purchaser and any Subsidiary thereof (other than any Conveyed Subsidiary or Subsidiary thereof), on the other hand (" Purchaser Parent Combined Tax Returns ") and Purchaser Parent shall have the exclusive right to control in all respects, and neither Seller Parent nor any of its Affiliates shall be entitled to participate in, any Tax Proceeding with respect to any Purchaser Parent Combined Tax Return.

(f) Internal Restructurings .

(i) Notwithstanding anything herein to the contrary, but subject to Section 2.2 , Section 6.3 and Section 6.4 , Seller Parent shall, at its sole cost and expense, effective from a date on or prior to the Closing Date, implement the transactions necessary to deliver on the Closing Date the Business and the Purchased Assets in a manner consistent with Section 6.5(f) of the Seller Disclosure Letter (such transactions, as finally described in the Seller Parent Final Plan (as defined below),

the " Seller Internal Restructurings "); provided that within seventy-five (75) days of the date hereof, Seller Parent shall deliver to Purchaser Parent for Purchaser Parent's review and reasonable comment an initial draft of a step plan (the " Seller Parent Preliminary Plan ") setting forth the steps Seller Parent shall undertake to effect the Seller Internal Restructurings; provided , further , that Seller Parent shall (x) consider in good faith any reasonable amendments, modifications or supplements to the Seller Parent Preliminary Plan proposed by Purchaser Parent and Purchaser and (y) shall, to the extent consistent with the principles set forth in Section 6.5(f) of the Seller Disclosure Letter, incorporate the input of Purchaser Parent and Purchaser on the Seller Parent Preliminary Plan (including the timing, structure and other details of such transactions). Subject to the finalization of the Seller Parent Final Plan pursuant to Section 6.5(f)(iii), at least twenty (20) Business Days prior to the Closing, Seller Parent shall provide to Purchaser Parent a list of the U.S. federal tax classification elections for each of the Conveyed Subsidiaries and Subsidiaries thereof as of the Closing, which list shall be true, correct and complete in all material respects and consistent with the Seller Parent Final Plan.

(ii) Notwithstanding anything herein to the contrary, but subject to Section 2.2 , Section 6.3 and Section 6.4, Purchaser Parent shall, at its sole cost and expense, effective from a date on or prior to the Closing Date and Section 6.3(e)), implement the transactions necessary to deliver on the Closing Date any assets of Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries and except for any assets and/or employees based in France or employed by any French Affiliate of Purchaser Parent) transferred to Purchaser or its Subsidiaries in connection with the transactions described herein in a manner consistent with Section 6.5(f) of the Purchaser Parent Disclosure Letter (such transactions, as finally described in the Purchaser Parent Final Plan (as defined below), the " Purchaser Internal Restructurings "); provided that within seventy-five (75) days of the date hereof, Purchaser Parent shall deliver to Seller Parent an initial draft of a step plan (the " Purchaser Parent Preliminary Plan ", and together with the Seller Parent Preliminary Plan, the " Preliminary Plans ") setting forth steps Purchaser Parent shall undertake to effect the Purchaser Internal Restructurings for Seller Parent's review and reasonable comment; provided , further , that Purchaser Parent shall (x) consider in good faith any reasonable amendments, modifications or supplements to the Purchaser Parent Preliminary Plan proposed by Seller Parent and (y) Purchaser Parent shall, to the extent consistent with the principles set forth in Section 6.5(f) of the Purchaser Parent Disclosure Letter, incorporate the input of Seller Parent on the Purchaser Parent Preliminary Plan (including the timing, structure and other details of such transactions). Subject to the finalization of the Purchaser Parent Final Plan pursuant to Section 6.5(f)(iv), at least twenty (20) Business Days prior to the Closing, Purchaser Parent shall provide to Seller Parent a list of the U.S. federal tax classification elections for each of Purchaser and its Subsidiaries as of the Closing, which list shall be true, correct and complete in all material respects and consistent with the Purchaser Parent Final Plan.

(iii) Following the delivery of the Seller Parent Preliminary Plan, any amendments, modifications or supplements to the Seller Parent Preliminary Plan reasonably proposed by Seller Parent shall be considered in good faith by Purchaser Parent, and the Parties shall negotiate in good faith regarding any such proposed amendments, modifications or supplements to which Purchaser Parent objects. Purchaser Parent's approval shall be required before the Seller Parent Preliminary Plan becomes final (such approval not to be unreasonably, withheld, conditioned or delayed) (such plan, once finalized pursuant to this Section 6.5(f), the " Seller Parent Final Plan "). For the avoidance of doubt, if no amendments, modifications or supplements are reasonably proposed by Purchaser Parent following the delivery of the Seller Parent Preliminary Plan, the Seller Parent Preliminary Plan shall be the Seller Parent Final Plan.

(iv) Following the delivery of the Purchaser Parent Preliminary Plan, any amendments, modifications or supplements to the Purchaser Parent Preliminary Plan reasonably proposed by Purchaser Parent shall be considered in good faith by Seller Parent, and the Parties shall negotiate in good faith regarding any such proposed amendments, modifications or supplements to which Seller Parent objects. Seller Parent's approval shall be required before the Purchaser Parent Preliminary Plan becomes final (such approval not to be unreasonably, withheld, conditioned or delayed) (such plan, once finalized pursuant to this Section 6.5(f), the " Purchaser Parent Final Plan "). For the avoidance of doubt, if no amendments, modifications or supplements are reasonably proposed by Seller Parent following the delivery of the Purchaser Parent Preliminary Plan, the Purchaser Parent Preliminary Plan shall be the Purchaser Parent Final Plan.

(v) Seller Parent and Purchaser Parent each shall, when proposing amendments, modifications and supplements to the Preliminary Plans and when reviewing and considering such proposed amendments, modifications and supplements for their respective approval, act reasonably and in good faith consistent with the principles set forth in Section 6.5(f) of the Seller Disclosure Letter.

(g) Certain Tax Elections and Post-Closing Actions .

(i) Purchaser shall not, and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) not to, take any action on the Closing Date (after the Closing) other than in the ordinary course of business with respect to the Purchased Assets, the Assumed Liabilities, the Business or any Conveyed Subsidiaries or Subsidiaries thereof, except as expressly contemplated herein.

(ii) With respect to any Conveyed Subsidiary (or Subsidiary thereof), Purchaser shall not (A) make or cause or permit to be made an election under Section 338(g) of the Code (or any similar election permitted under state, local or foreign Law), (B) make or cause or permit to be made any election (including any election pursuant to Treasury Regulation Section 301.7701-3) that would be effective

on or prior to the Closing Date or otherwise have retroactive effect with respect to a Pre-Closing Tax Period.

(iii)

(A) Prior to the Closing, an Affiliate(s) of Seller Parent shall transfer the equity interests in Wyeth Pharmaceutical Co. Ltd and Treerly Health Co. Ltd (the " China Entities ") to an Affiliate (or Affiliates) of Seller Parent in a direct equity transfer (the " Direct Transfers ") that is intended to be fully taxable for Chinese Tax purposes. Seller Parent or an applicable Affiliate shall timely pay any Chinese Taxes attributable to any such Direct Transfer, based on a third-party valuation by an independent PRC licensed appraiser of Seller Parent's choosing, to the appropriate PRC Taxing Authority and file any applicable Tax Returns with the appropriate PRC Taxing Authority. The applicable Seller(s) shall, within five (5) business days in China after (i) the filing of any such Tax Returns, deliver to Purchaser complete copies of such Tax Returns and (ii) the tax receipts(s) are issued by the tax bureau(s), provide Purchaser with complete copies of such tax receipt(s). Any such Taxes shall be the sole responsibility of Seller Parent or the applicable Affiliate and subject to Section 6.5(d)(i) .

(B) Following the Direct Transfers, Seller Parent shall effect, through Local Implementing Agreements, the indirect transfer of the China Entities to the Purchaser (the " Indirect Transfers "). Within thirty (30) days following the Indirect Transfers, Seller Parent or the applicable Affiliate shall voluntarily file (whether in one or more filings), on behalf of the applicable Seller(s) and Purchaser (or the applicable Purchaser Designated Affiliate), the documentation required by Circular – SAT Notice [2015] 7 (" Notice 7 ") as a result of the Indirect Transfers, and any related transfers, with the applicable PRC Taxing Authority. Seller Parent or the applicable Affiliate shall, within five (5) Business Days after the submission of such Notice 7 filing(s), deliver to Purchaser complete copies of any applicable Notice 7 filing(s) and, if provided, an acknowledgement of receipt of such Notice 7 filing(s) issued by the applicable PRC Taxing Authority. Seller Parent or the applicable Affiliate shall, in its sole discretion, control all communications relating to the Indirect Transfers and such Notice 7 filing(s) with the relevant PRC Taxing Authority and shall keep Purchaser reasonably informed of the progress of such communications (including by providing to Purchaser copies of all material reporting and filings relating to the Indirect Transfers and the Notice 7 filing(s)). If Seller Parent or the applicable Affiliate has fully complied with its obligations pursuant to this Section 6.5(g)(iii) , then Purchaser (and its Affiliates) shall not communicate with or make any reporting to a PRC Taxing Authority regarding the Indirect Transfers or the Notice 7 filing(s), except in agreement with Seller Parent or the applicable Affiliate. Purchaser shall notify the applicable Seller(s) promptly, but in any event not later than five (5) Business Days after receipt, of any queries or requests by any PRC Taxing Authority related to the transfer of the China Entities to the Purchaser.

(C) If the Indirect Transfers are determined to be taxable transactions in China, Seller Parent or the applicable Affiliate shall timely pay any additional China Taxes attributable to the Indirect Transfers to the appropriate PRC Taxing Authority and file any applicable Tax Returns with the appropriate PRC Taxing Authority. Any such Taxes shall be the sole responsibility of Seller Parent or the applicable Affiliate and subject to Section 6.5(d)(i).

(D) Absent a change in Law after the date hereof and subject to compliance with Clauses (A) through (C) of this Section 6.5(g)(iii), Purchaser Parent acknowledges and agrees that, notwithstanding anything herein to the contrary, it shall not, and it shall cause its Affiliates not to, withhold any amount with respect to Chinese Taxes in respect of the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9 herein (nor reflect any such amount in the Final Closing Statement or take any such amount into account in the calculation of the Final Business Working Capital or the Final Business Net Cash).

(h) Tax Sharing Agreements. All Tax sharing agreements and arrangements between (i) any Conveyed Subsidiary or Subsidiary thereof, on the one hand, and Seller Parent or any of its Affiliates (other than any Conveyed Subsidiary or Subsidiary thereof), on the other hand, and (ii) Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, shall be terminated effective at or before the Closing and shall have no further effect for any Tax period (whether past, present or future) and, after the Closing Date, neither Seller Parent nor any of its Affiliates, nor Purchaser nor any of its Affiliates, shall have any rights or obligations thereunder, and no additional payments shall be made thereunder with respect to any Tax period, whether in respect of a redetermination of Liabilities for Taxes or otherwise.

(i) Cooperation. Each of Purchaser and Seller Parent shall (and shall cause their respective Affiliates to) provide the other with such cooperation, information and records, and make such of its officers, directors, employees and agents available, as may reasonably be requested by the other Party in connection with the preparation or filing of any Tax Return, determining a liability for Taxes or payment under this Section 6.5, conducting any Tax Proceeding and the matters described in Section 6.5(f) of the Seller Disclosure Letter and Section 6.5(f) of the Purchaser Parent Disclosure Letter. Each of Purchaser and Seller Parent shall, within the earlier to occur of one hundred twenty (120) days after the Closing Date and forty-five (45) days prior to the due date for a Tax Return requiring such information (or as promptly as practicable to the extent any Tax Return is due within forty-five (45) days after the Closing Date), provide the other with Tax information materials, including schedules and work papers (including any information reasonably necessary to compile applicable transfer pricing documentation), prepared in a manner consistent with the Conveyed Subsidiaries' (and their Subsidiaries') past practices, as requested by one another to enable one another to prepare, or cause to be prepared, all Tax Returns that each Party is obligated to prepare, or cause to be prepared, pursuant to Section 6.5(a)(i) or Section 6.5(a)(ii), as applicable. Notwithstanding anything in this Agreement to the contrary, (i) Seller Parent shall not be required to provide Purchaser Parent or Purchaser, or any of their respective Affiliates, with a copy of, or

otherwise disclose the contents of, any Seller Combined Tax Return (provided that Seller Parent shall extract information therein and provide such information to Purchaser hereunder to the extent such information relates solely to a Conveyed Subsidiary or its Subsidiaries), and (ii) Purchaser Parent shall not be required to provide Seller Parent or any of its Affiliates with a copy of, or otherwise disclose the contents of, any Purchaser Parent Combined Tax Return. Each Party shall retain (and cause to be retained) all Tax Returns, schedules and work papers, and all material records and other documents relating to Tax matters, of the Conveyed Subsidiaries and their Subsidiaries for the Pre-Closing Tax Period until the expiration of the statute of limitations for the Tax periods to which the Tax Returns and other documents relate.

(j) Transfer Taxes . Notwithstanding anything to the contrary in this Agreement, Seller Parent shall be responsible for half of, and Purchaser Parent shall be responsible for half of, any Transfer Taxes imposed on the transfer of the Purchased Assets and Assumed Liabilities to Purchaser (or a Purchaser Designated Affiliate) and the costs of preparing and filing Tax Returns in respect of any such Transfer Taxes. The Party responsible under applicable Law for filing Tax Returns with respect to Transfer Taxes shall prepare and timely file such Tax Returns. Seller Parent and Purchaser Parent shall, and shall cause their respective Affiliates to, reasonably cooperate to timely prepare and file any Tax Returns or other filings relating to such Transfer Taxes and to minimize any such Transfer Taxes. For clarity, this Section 6.5(j) does not apply to any Transfer Taxes imposed on any transaction or step forming part of the Seller Internal Restructurings or the Purchaser Internal Restructurings. Seller Parent shall be solely responsible for any Transfer Taxes imposed on any transaction or step forming part of the Seller Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such Transfer Taxes and Purchaser Parent shall be solely responsible for any Transfer Taxes imposed on any transaction or step forming part of the Purchaser Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such Transfer Taxes.

(k) VAT .

(i) Subject to Section 6.5(k)(ii) , all payments made pursuant to this Agreement are exclusive of VAT. Any VAT imposed on the transfers of the Purchased Assets and Assumed Liabilities to Purchaser (or any of the Purchaser Designated Affiliates) shall be charged to Purchaser (or the relevant Purchaser Designated Affiliate) in addition to the Purchase Consideration. Purchaser (or the relevant Purchaser Designated Affiliate) shall pay any such VAT upon receipt of the relevant VAT invoices, if such invoice is required under applicable Law. Purchaser and Seller Parent shall, and shall cause their respective Affiliates to, exercise commercially reasonable efforts to satisfy all compliance obligations necessary in order to treat any such transfer as a transfer of a going concern for VAT purposes where permissible under applicable Law. Where Seller Parent has treated, or caused its Affiliates to treat, a transaction under this Agreement as a transfer of a going concern or otherwise exempt from or outside the scope of VAT and it receives notice that a Taxing Authority disagrees with that treatment, it shall promptly notify Purchaser and reasonably cooperate with Purchaser to contest such disagreement upon Purchaser's request, provided that Purchaser shall indemnify Seller Parent in respect of any costs,

expenses, fees or Taxes incurred in connection with such contest. Seller Parent shall issue (or shall cause to be issued) any invoice necessary and reasonably cooperate with Purchaser and its Affiliates to provide information and documentation necessary for Purchaser and its Affiliates to comply with its VAT obligations under applicable Law. For clarity, this Section 6.5(k)(i) does not apply to any VAT imposed on any transaction or step forming part of the Seller Internal Restructurings or the Purchaser Internal Restructurings. Seller Parent shall be solely responsible for any VAT imposed on any transaction or step forming part of the Seller Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such VAT and Purchaser Parent shall be solely responsible for any VAT imposed on any transaction or step forming part of the Purchaser Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such VAT.

(ii) The Purchaser Parent Termination Fee is inclusive of any amounts in respect of VAT thereon but subject to the calculations set out in this Section 6.5(k)(ii) . The Parties intend, and shall use reasonable efforts to secure, that the Purchaser Parent Termination Fee, being compensatory in nature, is not and will not be treated for VAT purposes as consideration for a taxable supply. If a Taxing Authority determines that the Purchaser Parent Termination Fee is, in whole or in part, consideration for a Tax supply for VAT purposes, then:

(A) if Purchaser Parent (or any other member of the VAT group to which it belongs) is liable to account for any VAT on the Purchaser Parent Termination Fee under a VAT reverse charge mechanism, the amount of the Purchaser Parent Termination Fee shall be reduced so that the sum of (x) the Purchaser Parent Termination Fee (as so reduced), and (y) any VAT reverse charge thereon which Purchaser Parent (or any other member of the VAT group to which it belongs) is not entitled to recover (by way of credit or repayment) as input tax, is equal to the unreduced amount of the Purchaser Parent Termination Fee. In that scenario, Purchaser Parent shall be responsible for complying with all obligations relating to that reverse charge imposed by the Laws of the jurisdiction in which the VAT is accountable under the reverse charge mechanism; and

(B) if Seller Parent is liable to account for any VAT on the Purchaser Parent Termination Fee, then to the extent that such VAT is recoverable (by way of credit or repayment) as input tax by Purchaser Parent (or any other member of the VAT group to which it belongs), the amount of the Purchaser Parent Termination Fee shall be increased such that, less any such recoverable VAT in respect thereof, it equals the amount of the Purchaser Parent Termination Fee before taking into account any adjustment under this Section 6.5(k)(ii)(B) .

(l) Coordination . Notwithstanding anything herein to the contrary, (i) the indemnification obligations set forth in Section 6.5(d) shall survive until thirty (30) days following the expiration of the applicable statutes of limitations in respect of the relevant Taxes, (ii) the representations and warranties contained in Section 4.16(k) and Section 5.17(k) shall survive until

thirty (30) days following the expiration of the applicable statute of limitations in respect of the relevant Taxes, and (iii) any and all indemnification in respect of Tax matters and the procedures relating thereto shall be governed exclusively by this Section 6.5 and, to the extent specified therein, Section 7.4 , Section 7.6 , Section 7.7 , Section 7.8 , Section 7.9 , Section 7.10 and Section 7.11 , and shall not be governed by the provisions of Article VII (other than, to the extent specified in Section 7.4 , Section 7.6 , Section 7.7 , Section 7.8 , Section 7.9 , Section 7.10 and Section 7.11).

Section 6.6 Employees and Employee Benefits .

(a) Division of Liabilities Generally .

(i) Purchaser Assumed Employee Liabilities . Purchaser and its Subsidiaries (including, after the Closing, the Conveyed Subsidiaries and the Subsidiaries thereof) shall, effective as of the Closing, assume or retain all Liabilities in respect of (A) the Conveyed Subsidiary Plans (including Liabilities thereunder that relate to an employee or former employee who is not a Business Employee or Former Business Employee), (A) except as otherwise expressly provided in this Section 6.6 , the service of the Business Employees and Former Business Employees to the Business or Purchaser Business prior to, on or following the Closing Date, including all Liabilities for compensation (including commissions, bonuses, incentive pay, overtime, premium pay, shift differentials and severance or termination pay) that become payable on or after the Closing, (A) except as otherwise expressly provided in this Section 6.6 , compensation and benefits required to be provided by, or transferring to Purchaser pursuant to, applicable Law with respect to a Business Employee or Former Business Employee, (A) the other Liabilities specified in this Section 6.6 as being assumed, retained or reimbursable by Purchaser or its Subsidiaries, (A) except as otherwise expressly provided in this Section 6.6 , all costs and expenses arising from the obligations of Purchaser or its Subsidiaries under this Section 6.6 , and the implementation by Purchaser of the compensation and benefit plans as contemplated hereunder, and (A) any Liabilities arising out of the failure of Purchaser or its Subsidiaries to comply with its obligations under this Section 6.6 , including the failure to extend offers pursuant to Section 6.6(b)(i) or engage in any consultations required or contemplated by Section 6.6(b)(i) or Section 6.6(j) (the Liabilities assumed by Purchaser and its Subsidiaries pursuant to this Section 6.6 , collectively, the " Purchaser Assumed Employee Liabilities "). For the avoidance of doubt, except as contemplated by clause (A) of this Section 6.6(a)(i) , the term Purchaser Assumed Employee Liabilities shall not include Liabilities with respect to current or former employees of Seller Parent or its Affiliates who are not Business Employees or Former Business Employees. For purposes of this Section 6.6 , Liabilities in respect of all compensation and benefits items shall include the employer side Taxes or other payments related thereto.

(ii) Seller Parent Retained Employee Liabilities . Seller Parent, or its applicable Affiliate (other than a Conveyed Subsidiary or Subsidiary thereof), shall, effective as of the Closing, retain or assume (A) all assets and Liabilities under or

relating to each Seller Group Plan and each Foreign Seller Group Plan, and each other benefit or compensation plan, program, policy, agreement or arrangement at any time sponsored or maintained by Seller or any of its ERISA Affiliates (including non-U.S. Affiliates) that is not a Conveyed Subsidiary Plan, other than those Liabilities under any Seller Group Plan or Foreign Seller Group Plan expressly assumed by Purchaser and its Affiliates under this Section 6.6 ; (B) all Liabilities with respect to current or former employees of Seller Parent or its Affiliates who are not Business Employees or Former Business Employees; (C) all Liabilities with respect to the service prior to the Closing Date of the Business Employees and Former Business Employees to Seller Parent or its Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries) to the extent such service was not related to the Business, and (D) all other Liabilities specified in this Section 6.6 as being retained or assumed by Seller Parent or its applicable Affiliates pursuant to this Section 6.6 , which Liabilities shall be Retained Liabilities. Notwithstanding clause (A) of the immediately preceding sentence, this Section 6.6(a)(ii) shall not prevent Seller Parent or its Affiliates from allocating chargebacks to Purchaser or its Subsidiaries with respect to compensation and benefits costs that constitute current Liabilities for purposes of GAAP or IFRS (and excluding all other costs or Liabilities, such as pension underfunding or prior years' accruals under qualified or non-qualified retirement or deferred compensation plans) in the ordinary course of business consistent with past practice related to Business Employees' service for periods prior to the Closing; provided , however , that any such chargebacks shall be reflected as a Liability in Business Working Capital. Subject to the immediately preceding sentence, no Retained Liability shall be reflected as a Liability in Business Working Capital. Other than as expressly contemplated by this Section 6.6 , in no event may Seller Parent or its Affiliates transfer a Seller Group Plan or Foreign Seller Group Plan (or any related Liabilities) that is not maintained by a Conveyed Subsidiary or a Subsidiary thereof as of the date of this Agreement to a Conveyed Subsidiary or a Subsidiary thereof.

(iii) Purchaser Parent Retained Employee Liabilities . Purchaser Parent and its Affiliates (other than Purchaser and its Subsidiaries), shall, effective as of the Closing, retain or assume (A) all assets and Liabilities under or relating to each Purchaser Group Plan and each Foreign Purchaser Group Plan, and each other benefit or compensation plan, program, policy, agreement or arrangement at any time sponsored or maintained by Purchaser Parent or any of its ERISA Affiliates (including non-U.S. Affiliates) that is not a Purchaser Business Plan; (B) all Liabilities with respect to current or former employees of Purchaser Parent or its Affiliates who are not Purchaser Business Employees or Former Purchaser Business Employees; (C) all Liabilities with respect to the service prior to the Closing Date of the Purchaser Business Employees and Former Purchaser Business Employees to Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) to the extent such service was not related to the Purchaser Business; and (D) all other Liabilities specified in this Section 6.6 as being retained or assumed by Purchaser Parent or its applicable Affiliates pursuant to this Section 6.6 , which Liabilities shall

be Purchaser Parent Retained Liabilities. Notwithstanding clause (A) of the immediately preceding sentence, this Section 6.6(a)(iii) shall not prevent Purchaser Parent or its Affiliates from allocating chargebacks to Purchaser or its Subsidiaries with respect to compensation and benefits costs that constitute current Liabilities for purposes of GAAP or IFRS (and excluding all other costs or Liabilities, such as pension underfunding or prior years' accruals under qualified or non-qualified retirement or deferred compensation plans) in the ordinary course of business consistent with past practice related to Purchaser Business Employees and, with respect to periods following the Closing, Transferred Employees; provided , however , that any chargebacks in respect of the service of Purchaser Business Employees for periods prior to the Closing shall be reflected as a Liability in Purchaser Working Capital. Subject to the immediately preceding sentence, no Purchaser Parent Retained Liability shall be reflected as a Liability in Purchaser Working Capital. In no event may Purchaser Parent or its Affiliates transfer a Purchaser Group Plan or Foreign Purchaser Group Plan (or any related Liabilities) that is not maintained by Purchaser or a Subsidiary thereof as of the date of this Agreement to Purchaser or a Subsidiary thereof.

(b) Transfer of Employees .

(i) Business Employees Generally . At least ninety (90) days prior to the Closing Date, Seller Parent shall provide Purchaser with a list of all Business Employees as of such time, including each such Business Employee's name, job title, date of hire, annual salary or hourly rate (as applicable) and incentive opportunity to which each such Business Employee is entitled, provided that such information may be redacted to the extent Seller Parent is required to comply with data privacy and other applicable Laws (the " Transferring Employee List "). At least fifteen (15) Business Days prior to the Closing Date (or earlier, if required by applicable Law), Purchaser agrees to offer or cause to be offered continued employment as of the Closing Date to each Business Employee detailed on the Transferring Employee List who is not employed at a Conveyed Subsidiary or a Subsidiary thereof or who is not a TUL Employee, in the same or a Comparable Position (as defined herein) and with compensation and benefits on terms that are consistent with this Section 6.6 and Seller Parent and its Affiliates will facilitate in finalizing and distributing such offers. In addition, effective as of the Closing, Purchaser agrees to cause the Conveyed Subsidiaries and their Subsidiaries to continue the employment of each Business Employee employed by such entities as of the Closing Date in the same or a Comparable Position and with compensation and benefits on terms that are consistent with this Section 6.6 . A " Comparable Position " is a position with Purchaser or its Subsidiaries (including, after the Closing, a Conveyed Subsidiary or Subsidiary thereof) in which (A) the Business Employee's level of responsibilities is not significantly reduced, and (B) the Business Employee is not required to relocate more than fifty (50) miles from the Business Employee's principal business location immediately prior to the Closing.

(ii) TUL Employees . Except as agreed between the Parties, with respect to each Business Employee who is not employed by a Conveyed Subsidiary or Subsidiary thereof and is employed in a jurisdiction in which the Transfer of Undertakings Laws have been implemented or apply (a " TUL Employee "), Seller Parent and Purchaser acknowledge that the transactions contemplated by this Agreement are likely to give rise to a relevant transfer (or otherwise sustain the automatic transfer of employees) for purposes of the Transfer of Undertakings Laws and to apply the Transfer of Undertakings Laws insofar as they apply by Law, and accept and agree that in such event the terms and conditions of employment of each such TUL Employee shall transfer effective as of the Closing and in a manner contemplated by the Transfer of Undertakings Laws or other applicable Law. Seller Parent and Purchaser shall inform and consult with the TUL Employees or any appropriate representatives of the TUL Employees to the extent required by the Transfer of Undertakings Laws or other applicable Law. In the event that a TUL Employee objects to the transfer of employment and cannot be transferred to Purchaser or its Subsidiaries, all Liabilities associated with the continued employment of such TUL Employee by Seller Parent or its Affiliates for up to a maximum of two (2) calendar months (or any longer period required by applicable Law or the notice period under any Foreign Seller Group Plan) following Closing, and the termination of employment of such TUL Employee by Seller Parent or its Affiliates shall be considered Purchaser Assumed Employee Liabilities. For the avoidance of doubt, if the Transfer of Undertakings Laws are determined not to apply to a TUL Employee, Purchaser agrees to offer or cause to be offered continued employment as of the Closing Date to such TUL Employee in accordance with Section 6.6(b)(i) .

(iii) Delayed Transfer Employees . Notwithstanding the foregoing, in the case of any Business Employee whose employment does not and cannot commence or be transferred at the Closing by applicable Laws or Purchaser and Seller Parent mutually determine cannot commence or be transferred at the Closing or whose commencement or transfer of employment is otherwise delayed (a " Delayed Transfer Employee "), Seller Parent and Purchaser shall cooperate in good faith to cause the employment of such Delayed Transfer Employee to remain with Seller Parent or a Retained Subsidiary to allow such Delayed Transfer Employee to continue to participate on the compensation and benefit platforms, plans and programs of Seller Parent or such Retained Subsidiary. The Parties agree that each Delayed Transfer Employee shall commence employment with Purchaser, a Conveyed Subsidiary or another Subsidiary of Purchaser, as appropriate, as soon as reasonably practicable following the Closing as permitted by applicable Laws in such a manner that to the maximum extent possible does not trigger the right of such Business Employee to separation pay and is otherwise consistent with the terms and conditions of this Section 6.6 and applicable Law. Notwithstanding the foregoing, Seller Parent shall have no obligation to transfer the employment of a Delayed Transfer Employee out of a Conveyed Subsidiary if the delayed transfer of employment is due to a delay in the transfer of the Conveyed Subsidiary to Purchaser. In respect of the Delayed

Transfer Employees, each reference in Section 6.6(a)(iii) (other than in this Section 6.6(b)(iii) and Section 6.6(b)(iv)) through Section 6.6(j) to "Closing" and "Closing Date" shall be treated as a reference to the first date on which the applicable Delayed Transfer Employee's employment commences with or transfers to Purchaser. Notwithstanding the delayed transfer of such Delayed Transfer Employees, from and for a period of two (2) years after the Closing or, if earlier, the date of the applicable Delayed Transfer Employee's termination of employment (" Delayed Employment Period "), the (A) compensation paid to such Delayed Transfer Employees in respect of the Delayed Employment Period and (B) the fringe benefit rate for such Delayed Transferred Employees' benefits under a Seller Group Plan or Foreign Seller Group Plan that Seller Parent charges in the ordinary course of business consistent with past practice in respect of the Delayed Employment Period shall, in the case of (A) and (B), be considered Purchaser Assumed Employee Liabilities; provided that, during such period, Purchaser and its Subsidiaries receive the economic benefit of such Delayed Transferred Employee's services.

(iv) Disability Employees . Without limiting the generality of Section 6.6(b)(iii) , and except as prohibited by applicable Law or provided in the immediately following sentence, each Business Employee who is on a leave of absence as of the Closing due to short- or long-term disability (a " Disability Employee ") and is eligible for, or in an elimination period to be eligible for, long-term disability insurance coverage under a Seller Group Plan or Foreign Seller Group Plan (a " Seller LTD Plan ") that is not a Conveyed Subsidiary Plan shall be a Delayed Transfer Employee until he or she returns to active employment; provided , that such return to active employment occurs within six (6) months following the Closing (or such longer period as may be required by applicable Law or the notice period under any Seller Group Plan or Foreign Seller Group Plan). If it is administratively impractical to delay the transfer of a Disability Employee because Seller Parent and its Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries) do not have an employing entity in the applicable jurisdiction following the Closing or because such Disability Employee is, prior to the Closing and prior his or her disability, already an employee of a Conveyed Subsidiary, such Disability Employee shall be treated in the same manner as all other Business Employees, except he or she shall remain eligible for coverage under the Seller LTD Plan until the elimination period in effect as of the Closing elapses, and neither Purchaser nor its Affiliates shall have any Liability to provide long-term disability benefits or otherwise with respect to the Seller LTD Plan. If such Disability Employee who is not a Delayed Transferred Employee in accordance with the first sentence hereof satisfies the requirements for coverage under the Seller LTD Plan at the end of such elimination period, the employment of such Disability Employee with Purchaser and its Affiliates shall terminate, and such Disability Employee shall be entitled to benefits under the Seller LTD Plan, and neither Purchaser nor its Affiliates shall have any Liability to provide long-term disability benefits or otherwise with respect to the Seller LTD Plan. Any Disability Employee who is a Delayed Transferred Employee in accordance with the first sentence hereof and who does not return to active employment within six

(6) months following the Closing (or such longer period as may be required by applicable Law or the notice period under any Seller Group Plan or Foreign Seller Group Plan) shall not be a Transferred Employee under this Agreement and, upon the conclusion of such six (6)-month period (or such longer period as may be required by applicable Law or the notice period under any Seller Group Plan or Foreign Seller Group Plan), shall no longer be considered a Business Employee under this Agreement.

(v) Definitions . For purposes of this Agreement, (A) any Business Employee (U.S.) whose employment transfers pursuant to this Section 6.6(a)(iii) shall be referred to as a " Transferred Employee (U.S.) " and (B) any Business Employee (non-U.S.) whose employment transfers pursuant to this Section 6.6(a)(iii) shall be referred to as a " Transferred Employee (non-U.S.) " (collectively, the " Transferred Employees ").

(c) Compensation and Employee Benefits .

(i) Continued Employee Benefits . For a period from the Closing Date until December 31, 2020 (or such longer period as required by applicable Law) (the " Continuation Period "), Purchaser shall, or shall cause its Affiliates to, provide to each Transferred Employee whose terms and conditions of employment are not subject to an applicable Collective Bargaining Agreement (A) a Comparable Position, (B) base salary or wage rates that, in each case, are no less favorable than those in effect for each such Transferred Employee immediately prior to the Closing, (C) cash-based incentive opportunities (which shall include, collectively, commission, cash bonus and cash incentive pay opportunities), equity incentive opportunities and nonqualified deferred compensation benefits that, in each case, are no less favorable than those provided to similarly situated Purchaser Business Employees, (D) employee benefits (excluding equity incentive opportunities and non-qualified deferred compensation) that, in the aggregate, are substantially comparable to those in effect for each such Transferred Employee immediately prior to the Closing and (E) severance benefits that are no less favorable than the severance benefits that would have been payable to each such Transferred Employee under the Seller Group Plans or Foreign Seller Group Plans set forth in Section 6.6(c) of the Seller Disclosure Letter in which such Transferred Employee participated or was eligible for benefits immediately prior to the Closing, taking into account such Transferred Employee's additional period of service and increases (but not decreases) in compensation following the Closing. In addition, notwithstanding anything to the contrary in this Agreement, Purchaser or its Subsidiaries shall, and shall cause the Conveyed Subsidiaries and their Subsidiaries to, maintain terms and conditions of employment for Transferred Employees to the extent necessary to (x) effect the automatic transfer of such employees under applicable Laws (including the Transfer of Undertakings Laws), Collective Bargaining Agreements or employment agreements, (y) comply with applicable Laws and (z) prevent severance from

becoming payable to any such employee under applicable Law as a result of the transactions contemplated by this Agreement.

(ii) Severance or Other Termination Liabilities . Purchaser and its Subsidiaries shall be solely responsible for any severance, redundancy, long service, notice or garden leave pay, or similar payments, contributions or benefits (collectively, " Termination Expenses ") that may become payable to any Business Employee arising out of or in connection with the transactions contemplated by this Agreement (whether or not such Business Employee becomes a Transferred Employee), including any Termination Expenses that are required to be paid by applicable Law, that may become payable to any Business Employee who does not become an employee of Purchaser or its Subsidiaries because Purchaser or its Subsidiaries fail to take all actions required by applicable Law to effectuate such Business Employee's transfer, because such Business Employee rejects an offer of employment made in compliance with this Section 6.6 , refuses to transfer employment, or otherwise challenges such transfer of employment; provided , however , that Seller Parent and its Affiliates shall retain any Termination Expenses that may become payable in connection with the Seller Internal Restructurings (collectively, the " Seller Retained Severance Liabilities "), which shall be Retained Liabilities for all purposes hereunder. If Purchaser or any of its Subsidiaries becomes liable for, or is legally required to make, severance, redundancy, long service, notice or garden leave pay, or similar payments, contributions or benefits to or on behalf of any Business Employee as a result of the transactions contemplated by this Agreement (whether or not such Business Employee becomes a Transferred Employee), all such payments and any related costs and expenses paid or incurred by Purchaser or its applicable Subsidiary, other than any Seller Retained Severance Liabilities, shall be Purchaser Assumed Employee Liabilities. Seller Parent and its Affiliates shall consult with Purchaser prior to paying or committing to pay severance to a Business Employee who rejects an offer of employment made in compliance with this Section 6.6 , refuses to transfer employment, or otherwise challenges such transfer of employment.

(iii) Service Credit . For purposes of vesting, eligibility to participate and level of benefits (and for all other purposes to the extent required by applicable Law) under the employee benefit plans of Purchaser and its Affiliates providing benefits to any Transferred Employees after the Closing, each Transferred Employee shall be credited with his or her years of service with Seller Parent and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) and their respective predecessors to the same extent and for the same purpose as such Transferred Employee was credited, before the Closing, under any similar Seller Group Plan or Foreign Seller Group Plan in which such Transferred Employee participated or was eligible to participate immediately prior to the Closing, provided that the foregoing shall not apply (A) to the extent that its application would result in a duplication of benefits (including accrual of severance or termination related entitlements where these have been paid out as a result of the transactions contemplated by this

Agreement) or (B) for purposes of level of benefits under any defined benefit pension plan (other than under Purchaser Pension Plans with respect to the transfer of Liabilities from Seller Pension Plans as described in Section 6.6(e), or as required by applicable Law).

(iv) Welfare Benefit Plan Obligations. Commencing as of 12:01 a.m. (local time wherever applicable) on the Closing Date, Purchaser shall, or shall cause its applicable Affiliates to, provide the Transferred Employees with welfare benefits under plans and arrangements maintained or sponsored by Purchaser and its Affiliates that satisfy the standards set forth in Section 6.6(c)(i). Purchaser shall, or shall cause its applicable Affiliates to, waive any waiting periods under their welfare benefit plans (including medical, dental, life insurance and short-term and long-term disability plans) and, with respect to any group health plans, shall waive any limitations for preexisting conditions, and, if applicable, shall ensure that such employees are given credit for any amounts paid toward deductibles, out-of-pocket limits or other fees on or prior to the Closing Date. Other than with respect to claims incurred under a Conveyed Subsidiary Plan, claims by a Transferred Employee for welfare benefit plan benefits or services rendered (A) as of or following 12:01 a.m. (local time wherever applicable) on the Closing Date shall be the responsibility of Purchaser and its Subsidiaries, and (B) prior to the Closing Date shall be the responsibility of Seller Parent and its Affiliates (other than a Conveyed Subsidiary or any Subsidiary thereof). Seller Parent and its Affiliates (other than a Conveyed Subsidiary or any Subsidiary thereof) will retain any obligations under Section 4980B of the Code or similar state Law (" COBRA ") with respect to Business Employees, Former Business Employees and any other qualified beneficiaries who are enrolled in COBRA continuation coverage under a Seller Group Plan that is not a Conveyed Subsidiary Plan as of the Closing or with respect to whom a COBRA qualifying event occurred prior to the Closing. This Section 6.6(c)(ii) does not apply to any Liabilities under a Conveyed Subsidiary Plan, regardless of whether the event giving rise to the cost occurred before, on or after the Closing Date, which Liabilities shall be retained or assumed by Purchaser in accordance with Section 6.6(a)(i)(A).

(v) Cash Incentive Compensation. Following the Closing, Purchaser shall, or shall cause its applicable Subsidiaries to pay awards under Seller Parent cash-based annual incentive plan (the " Seller Cash Incentive Plan ") in which Transferred Employees participate for the performance period in which the Closing occurs, prorated for the period elapsed as of immediately prior to the Closing Date, or with respect to any Delayed Transfer Employee, the date on which such Delayed Transferred Employee transfers employment (based upon actual performance as determined in good faith in the ordinary course of business consistent with past practice by Seller Parent or its applicable Affiliate), to each Transferred Employee who is eligible to receive such an award pursuant to the terms of the Seller Cash Incentive Plan, which awards shall be paid at such time and to the extent that the Transferred Employees would have otherwise become entitled to such bonuses under the Seller Cash Incentive Plan (such prorated bonus, the " Seller Closing Bonus ");

provided , however , if Purchaser's or its applicable Subsidiary's payment of the Seller Closing Bonus is prohibited under applicable Law, Purchaser and Seller Parent will agree to an alternative arrangement with respect to any such Seller Closing Bonus acting in good faith (which alternative arrangement shall preserve the division of Liabilities between Seller Parent and its Affiliates, on the one hand, and Purchaser and its Affiliates, on the other hand, generally contemplated by this Section 6.6(c)(v)). The aggregate amount of the Seller Closing Bonuses and any related employer-side Taxes (but less the amount of the Tax deduction that Seller Parent or its Affiliates would have realized had they paid the Seller Closing Bonuses) shall be reflected as a Liability in Business Working Capital. Without limiting the generality of Section 6.6(c)(i) , effective as of the Closing, Purchaser shall cause the Transferred Employees to participate in the cash-based incentive plans of Purchaser and its Affiliates for the remainder of the performance period in which the Closing occurs, which plans shall provide (A) incentive compensation opportunities that are no less favorable than those provided to such Transferred Employees immediately prior to the Closing (provided that such opportunities may be prorated for the period from and including the Closing Date until the end of the applicable performance period and may be based on reasonable performance criteria established by Purchaser in the ordinary course of business) and (B) for payment of awards for the performance period in which the Closing occurs at the time prescribed by the Seller Cash Incentive Plan as in effect immediately prior to the Closing and in accordance with the historical past practices of Seller and its Affiliates, it being understood that this clause (B) shall not require Purchaser to pay such awards automatically upon the Closing.

(vi) Equity Incentive Compensation . Upon the Closing, each incentive award in respect of the common stock of Seller Parent (a " Seller Parent Equity Award ") held by a Transferred Employee shall become vested or eligible to vest (subject to the satisfaction of any applicable performance goals) in a prorated amount, determined based on the number of days in the applicable vesting period elapsed as of the Closing Date. Effective as of the Closing, Purchaser or its Affiliates shall grant to each Transferred Employee an equity- or cash-based incentive award (a " Make-Whole Award ") with a grant date fair value that is no less favorable than the value of the portion of the Seller Parent Equity Awards forfeited by the Transferred Employee in connection with the Closing (which forfeited amount shall be disclosed to Purchaser Parent no later than five (5) Business Days prior to the Closing), which Make-Whole Award shall have terms and conditions that are no less favorable than the terms and conditions (including vesting schedule and accelerated vesting terms) that were applicable to the corresponding Seller Parent Equity Award. In the event that the post-Closing transfer of a Delayed Transfer Employee results in a larger portion of the Seller Parent Equity Awards held by such Delayed Transfer Employee becoming vested upon such Delayed Transfer Employee's transfer of employment than if the employment of such Delayed Transfer Employee had transferred upon the Closing, then the incremental cost of such additional vesting (which cost shall be measured based on the taxable income the Delayed Transfer Employee either realized or would have realized had such awards been settled or exercised upon such

Delayed Transfer Employee's transfer of employment to Purchaser or its Subsidiaries) shall be considered Purchaser Assumed Employee Liabilities.

(vii) Accrued Time Off Entitlements . Subject to applicable Law and any required consents, from and after the Closing, with respect to each Business Employee, either (A) Purchaser shall, or shall cause its Affiliates to, assume and honor all accrued but unused vacation and other paid time off of Business Employees or (B) if Seller Parent or any of its Affiliates is required under applicable Law to make a payment in settlement of accrued vacation or paid time off of any Business Employee, such payments shall be considered Purchaser Assumed Employee Liabilities and such accruals under (A) shall not be assumed and/or honored by Purchaser or its Affiliates. Under no circumstance shall Purchaser or its Affiliates be responsible for satisfying both (A) and (B) with respect to the same Business Employee.

(d) Seller Benefit Plans . Except as otherwise provided in this Section 6.6 , from and after the Closing, the Transferred Employees shall cease to be active participants in the Seller Group Plans and Foreign Seller Group Plans that are not Conveyed Subsidiary Plans.

(e) Foreign Defined Benefit Pension or Termination Benefit Plans .

(i) Effective as of the Closing, Purchaser shall establish or designate non-U.S. defined benefit pension or pension-like termination benefit plans or arrangements, as applicable (collectively, the " Purchaser Pension Plans "), for the benefit of the Transferred Employees (non-U.S.) who participate in the Foreign Seller Group Plans and other non-U.S. arrangements that provide for similar benefits, whether under a plan or pursuant to applicable Law or local practice set forth on Section 6.6(e) of the Seller Disclosure Letter (collectively, the " Seller Pension Plans ," and the Transferred Employees (non-U.S.) who participate in or accrue benefits pursuant to the Seller Pension Plans, the " Transferred Pension Plan Employees "). Each Purchaser Pension Plan shall provide, upon the transfer of assets referred to below (or, if there is no transfer of assets with respect to a particular plan because the plan is not funded, as of the Closing), that the accrued benefits for the Transferred Pension Plan Employees under such Purchaser Pension Plan shall in no event be less than their accrued benefits under the corresponding Seller Pension Plan as of the Closing. With respect to any Seller Pension Plan that is funded, Seller Parent shall cause to be transferred from the trusts or other funding vehicles under such Seller Pension Plan to the trusts or other funding vehicles under the corresponding Purchaser Pension Plan assets in the form of cash, cash equivalents, marketable securities or insurance contracts (to the extent allowable under the terms of such contracts and exclusively intended to cover plan benefits), the value of which shall be equal to: (x) the actuarial present value of accumulated benefits (that is, the "accumulated benefit obligation" as defined in Topic 715 in the FASB's Accounting Standards Codification, the " ABO ") under such Seller Pension Plan as of the Closing that are attributable to the Transferred Pension Plan Employees, divided by the ABO

of all participants in such Seller Pension Plan as of the Closing, *multiplied by* the market value of the assets of such Seller Pension Plan at the Closing, provided that such transferred amount shall not, in any event, exceed the ABO under such Seller Pension Plan of all Transferred Pension Plan Employees as of the Closing Date or (y) such greater amount as is required by applicable Law.

(ii) The amounts determined in accordance with Section 6.6(e)(i) are collectively referred to as the " Pension Transfer Amounts ." The transfer of the Pension Transfer Amounts, and the assumption by Purchaser and its Subsidiaries of Liabilities with respect to or relating to the Transferred Pension Plan Employees under the applicable Seller Pension Plans, shall be subject to such consents, Approvals and other requirements as may apply under applicable Law. Purchaser shall use commercially reasonable efforts to cause the corresponding Purchaser Pension Plans to accept the Pension Transfer Amounts. Actuarial determinations shall be made in accordance with Section 6.6(e)(vi) . If a Seller Pension Plan is not required to be funded by applicable Law, and is not funded, there shall be no transfer of assets by the Seller Pension Plan or by Seller Parent or its Affiliates.

(iii) As of the Closing, Seller Parent shall cause the Transferred Employees to cease further accrual of benefits under the Seller Pension Plans.

(iv) The Pension Transfer Amount, if any, from each Seller Pension Plan shall be equitably adjusted to take into account benefit payments made from the Seller Pension Plan to the Transferred Pension Plan Employees after the Closing but prior to the date of transfer and for any earnings and losses on such amount during such period. The Pension Transfer Amount, if any, shall be determined pursuant to Section 6.6(e)(vi) .

(v) At the times of the transfers of the Pension Transfer Amounts (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law and is not funded, from and after the Closing), Purchaser and the Purchaser Pension Plans shall assume all Liabilities for all accrued benefits, including all disability, part-time, early retirement and other ancillary benefits, under the corresponding Seller Pension Plans in respect of the Transferred Pension Plan Employees whose benefits are so transferred, and Seller Parent and its Affiliates and the corresponding Seller Pension Plans shall be relieved of all Liabilities to provide benefits under the Seller Pension Plans to the Transferred Pension Plan Employees whose benefits are so transferred. From and after the date of such applicable transfer of the Pension Transfer Amounts (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law and is not funded, from and after the Closing), Purchaser agrees to indemnify and hold harmless Seller Parent and its Affiliates and its officers, directors, employees, and agents from and against any and all costs, damages, losses, expenses, or other Liabilities arising out of or related to the Transferred Pension Plan

Employees' benefits under the Seller Pension Plans that are transferred to Purchaser or Purchaser Pension Plans pursuant to this Section 6.6(e).

(vi) For purposes of this Section 6.6(e), actuarial determinations shall be based upon the actuarial assumptions and methodologies used in preparing the most recent audited financial statements of Seller Parent as of the date of the determination. The applicable plan sponsor of the Seller Pension Plans shall cause the plan actuary or administrator to provide a report of its determination of such amount within ninety (90) days following the Closing Date and any back-up information reasonably required by Purchaser to confirm the accuracy of such determination. If Purchaser disputes the accuracy of the calculation, Purchaser and Seller Parent shall cooperate to identify the basis for such disagreement and act in good faith to resolve such dispute. To the extent that a dispute is unresolved after a forty-five (45)-day period following identification of such dispute, the calculations shall be verified by an independent third-party benefits consulting firm selected by the mutual agreement of Seller Parent and Purchaser. The decision of such consulting firm shall be final, binding and conclusive on Seller Parent and Purchaser. Notwithstanding Section 6.6(a)(i)(E), Seller Parent and Purchaser Parent shall share equally the costs of such consulting firm.

(vii) This Section 6.6(e) does not apply to any Liabilities under a Conveyed Subsidiary Plan, which Liabilities shall be retained or assumed by Purchaser in accordance with Section 6.6(a)(i)(A). For clarity, Seller Parent and its Affiliates shall retain all assets and Liabilities, including those related to Business Employees and Former Business Employees (and their service prior to Closing), in respect of Seller Group Plans and Foreign Seller Group Plans that are defined benefit pension plans or pension-like termination benefit plans or arrangements but not Conveyed Subsidiary Plans, or with respect to Transferred Employees (non-U.S.), Seller Pension Plans.

(f) Defined Contribution Plans (U.S.).

(i) Effective as of the Closing, Purchaser shall create or designate defined contribution pension plans (collectively, the " Purchaser DC Plans (U.S.) ") for the benefit of the Transferred Employees (U.S.) who participate in one or more of the defined contribution pension plans maintained by Seller Parent or its Affiliates (other than a Conveyed Subsidiary Plan) that are intended to be qualified under Section 401(a) of the Code immediately prior to the Closing or the corresponding provisions of the Puerto Rico Internal Revenue Code (collectively, the "Seller DC Plans (U.S.)," and the Transferred Employees who participate in the Seller DC Plans (U.S.), the " DC Employees (U.S.)"). The applicable Purchaser DC Plans (U.S.) shall be tax-qualified in the same manner as the corresponding Seller DC Plans (U.S.), and, prior to the Closing, Purchaser shall provide Seller Parent any determination letters or similar documentation evidencing such qualification.

(ii) Each Purchaser DC Plan (U.S.) shall allow for the receipt in cash from the DC Employees (U.S.) of "eligible rollover distributions" (as such term is defined under Section 402 of the Code or any equivalent term under the Puerto Rico Internal Revenue Code), but also including notes corresponding to loans. Purchaser and Seller Parent shall work together in order to facilitate any such distribution or rollover and to effect an eligible rollover distribution for those DC Employees (U.S.) who elect to rollover their account balances, including notes, directly into a Purchaser DC Plan (U.S.).

(iii) Any DC Employee (U.S.) who has an unvested account balance under a Seller DC Plan (U.S.) as of the Closing Date shall become vested on the Closing Date in a prorated portion thereof, determined based on the number of days in the applicable vesting period elapsed as of the Closing Date. Any DC Employee (U.S.) who would be eligible for an employer contribution had he or she remained an active participant in the applicable Seller DC Plan (U.S.) until the next date on which such employer contribution would be made, shall receive a prorated employer contribution under the applicable Seller DC Plan (U.S.) on or as soon as reasonably practicable following the Closing Date, determined based on the number of days in the applicable service period elapsed as of the Closing Date. The contributions and vesting of benefits described in this Section 6.6(f)(iii) shall be Retained Liabilities.

(g) Defined Contribution Plans (non-U.S.) .

(i) Effective as of the Closing, Purchaser shall establish or designate defined contribution plans or arrangements (collectively, the " Purchaser DC Plans (non-U.S.) ") for the benefit of the Transferred Employees (non-U.S.) who participate in one or more of the defined contribution plans maintained by Seller Parent or its Affiliates (other than a Conveyed Subsidiary Plan) or any other arrangement that provides for similar benefits pursuant to applicable Law or local practice (collectively, the " Seller DC Plans (non-U.S.), " and the Transferred Employees who participate in the Seller DC Plans (non-U.S.), the " DC Employees (non-U.S.) "). The applicable Purchaser DC Plans (non-U.S.) shall be tax-qualified in the same manner as the corresponding Seller DC Plans (non-U.S.), and, prior to the Closing, Purchaser shall provide Seller Parent any determination letters or similar documentation evidencing such qualification. To the extent permitted by applicable Law, each Purchaser DC Plan (non-U.S.) shall allow for the receipt in cash from the DC Employees (non-U.S.) of rollover distributions, but also including notes corresponding to loans. Purchaser and Seller Parent shall work together in order to facilitate any such distribution or rollover and to effect a rollover distribution for those DC Employees (non-U.S.) who elect to rollover their account balances, including notes, directly into a Purchaser DC Plan (non-U.S.).

(ii) Notwithstanding Section 6.6(g)(i) , if applicable Law requires Purchaser to assume the Liabilities of the DC Employees (non-U.S.) under a Seller DC Plan (non-U.S.), Seller Parent shall cause the transfer under each such Seller

DC Plan (non-U.S.) to the corresponding Purchaser DC Plan (non-U.S.) of (A) the account balances of such DC Employees (non-U.S.) as of the Closing or cash, cash equivalents or other property equal to the actual account balances of the DC Employees (non-U.S.) under each such Seller DC Plan (non-U.S.) as of the Closing or such greater amount as is required by any applicable Governmental Authority having jurisdiction over the Seller DC Plan (non-U.S.) in order to obtain approval of such transfer, and (B) any notes corresponding to loans of the DC Employees (non-U.S.) (collectively, the " DC Transfer Amounts "). The transfer of the DC Transfer Amounts shall be subject to such consents, Approvals and other legal requirements as may apply under applicable Law. Purchaser shall use commercially reasonable efforts to cause the DC Transfer Amounts to be accepted by such plans. The DC Transfer Amounts to be transferred, if any, from the respective Seller DC Plans (non-U.S.) shall be equitably adjusted to take into account benefit payments made from the respective Seller DC Plans (non-U.S.) to the DC Employees (non-U.S.) after the Closing but prior to the date of transfer and for any earnings and losses on such amount during such period. The transfer of the DC Transfer Amounts, if any, shall take place within one hundred eighty (180) days after the Closing Date. At the times of the transfers of the DC Transfer Amounts, Purchaser and the Purchaser DC Plans (non-U.S.) shall assume all Liabilities with respect to the DC Transfer Amounts relating to Transferred Employees (non-U.S.) that were transferred from the applicable Seller DC Plan (non-U.S.), and Seller Parent and its Affiliates and the Seller DC Plans (non-U.S.) shall be relieved of all such Liabilities under such Seller DC Plan (non-U.S.) with respect to such Transferred Employees (non-U.S.). From and after the date of the transfer of the DC Transfer Amounts, Purchaser agrees to indemnify and hold harmless Seller Parent and its Affiliates and their respective officers, directors, employees and agents from and against any and all costs, damages, losses, expenses, or other Liabilities arising out of or related to the DC Transfer Amounts for Transferred Employees (non-U.S.) under the applicable Seller DC Plans (non-U.S.).

(iii) Any DC Employee (non-U.S.) who has an unvested account balance under a Seller DC Plan (non-U.S.) as of the Closing Date shall become vested on the Closing Date in a prorated portion thereof, determined based on the number of days in the applicable vesting period elapsed as of the Closing Date. Any DC Employee (non-U.S.) who would be eligible for an employer contribution had he or she remained an active participant in the applicable Seller DC Plan (non-U.S.) until the next date on which such employer contribution would be made, shall receive a prorated employer contribution under the applicable Seller DC Plan (non-U.S.) on or as soon as reasonably practicable following the Closing Date, determined based on the number of days in the applicable service period elapsed as of the Closing Date. The contributions and vesting of benefits described in this Section 6.6(g)(iii) shall be Retained Liabilities.

(iv) This Section 6.6 does not apply to any Liabilities under a Conveyed Subsidiary Plan, which Liabilities shall be retained or assumed by Purchaser in accordance with Section 6.6(a)(i)(A) .

(h) Retiree Medical Plans . Effective as of the Closing, each Transferred Employee who is eligible to become a participant upon termination of service in the Seller Retained Plans that provide retiree medical benefits set forth on Section 6.6(h) of the Seller Disclosure Letter (the " Seller Retiree Medical Plans ") as of the Closing (i) shall cease being eligible to become a participant, or accrue service towards eligibility, in the Seller Retiree Medical Plans, and Seller Parent and its Affiliates shall have no Liabilities in respect of the provision of post-retirement medical benefits to such Transferred Employee, and (ii) shall commence accruing service towards eligibility and level of benefits (taking into account the recognition of all prior service credit in accordance with Section 6.6(c)(iii)) in a retiree medical plan maintained by Purchaser or its Affiliates that provides benefits that are either (A) no less favorable than those provided under the applicable Seller Retiree Medical Plans, including with respect to an employer subsidy, or (B) the same as those provided to similarly situated Purchaser Business Employees (" Purchaser Retiree Medical Plan "), which Purchaser Retiree Medical Plan shall not be modified in a manner adverse to the Transferred Employees relative to other participants; provided , however , such plans shall have requirements for retirement-eligibility that are the same as those provided to other Purchaser Retiree Medical Plan participants or, if more favorable, during the Continuation Period, the same as the applicable Seller Retiree Medical Plan with respect to the Transferred Employees. Subject to continued employment, the Transferred Employees shall continue accruing service towards eligibility and levels of benefits thereunder, for at least the Continuation Period (or such longer period as required by applicable Law). This Section 6.6(h) shall not limit Purchaser's obligations with respect to a Conveyed Subsidiary Plan or any other arrangement that provides for similar benefits as required by applicable Law, which shall be considered Purchaser Assumed Employee Liabilities, in accordance with Section 6.6(a)(i) .

(i) Flexible Spending Accounts . Seller Parent and Purchaser shall take all actions necessary or appropriate so that, effective as of the Closing Date (i) the account balances (whether positive or negative) (the " Transferred FSA Balances ") under the applicable flexible spending plan of Seller Parent or its Affiliates (collectively, the " Seller FSA Plan ") of the Transferred Employees who are participants in the Seller FSA Plan shall be transferred to one or more comparable plans of Purchaser or its Affiliates (collectively, the " Purchaser FSA Plan "); (ii) the elections, contribution levels and coverage levels of such Transferred Employees shall apply under the Purchaser FSA Plan in the same manner as under the Seller FSA Plan; and (iii) such Transferred Employees shall be reimbursed from the Purchaser FSA Plan for claims incurred at any time during the plan year of the Seller FSA Plan in which the Closing Date occurs that are submitted to the Purchaser FSA Plan from and after the Closing Date on substantially the same basis and substantially the same terms and conditions as under the Seller FSA Plan. As soon as practicable after the Closing Date, and in any event within thirty (30) Business Days after the amount of the Transferred FSA Balances is determined, Seller Parent or its Affiliates shall pay to Purchaser or its Affiliates the net aggregate amount of the Transferred FSA Balances, if such amount is positive, and Purchaser or its Subsidiaries shall pay to Seller Parent or its Affiliates the net aggregate amount of the Transferred FSA Balances, if such amount is negative.

(j) Employment Agreements . Except for any Liabilities related to transaction bonuses or retention awards granted prior to Closing to any Transferred Employee that are or were adopted without Purchaser Parent's prior written approval (collectively, the " Seller Retention Awards "), any employment, severance, retention or other individual agreement between Seller Parent or its Affiliates and a Transferred Employee and the related Liabilities shall, effective as of the Closing, be assumed by Purchaser or its Subsidiaries, and shall be considered Purchaser Assumed Employee Liabilities in accordance with Section 6.6(a)(i) . Seller Parent shall reimburse Purchaser or its applicable Affiliate, as soon as practicable but in any event within thirty (30) days of receipt of appropriate verification, for all costs and expenses paid or incurred by Purchaser or its applicable Affiliate after the Closing Date with respect to the Seller Retention Awards, including the employer side Taxes or other payments related thereto.

(k) Deferred Compensation . Seller Parent and its Affiliates shall retain all assets and Liabilities in respect of the Seller Group Plans and Foreign Seller Group Plans set forth on Section 6.6(k) of the Seller Disclosure Letter, which are nonqualified or non-approved retirement plans that are not Conveyed Subsidiary Plans. For purposes of any Seller Group Plan or Foreign Seller Group Plan that provides for "nonqualified deferred compensation" within the meaning of Section 409A of the Code, in accordance with Treasury Regulation § 1.409A-1(h)(4), Seller Parent and Purchaser agree that the transfer of a Transferred Employee's employment in accordance with this Agreement shall not constitute a "separation from service" within the meaning of Section 409A of the Code, and, further, for any such Seller Group Plan or Foreign Seller Group Plan in respect of which Seller Parent or its Affiliates are retaining Liabilities related to a Transferred Employee, that Purchaser shall notify Seller Parent in writing of a Transferred Employee's separation from service with Purchaser or its Affiliates within thirty (30) days thereafter.

(l) Labor and Employment Law Matters . Purchaser and Seller Parent shall, and shall cause their respective Affiliates to, cooperate to take all steps, on a timely basis, as are required under applicable Law (including the Transfer of Undertakings Laws) or any Collective Bargaining Agreement to notify, consult with, or negotiate the effect, impact, terms or timing of the transactions contemplated by this Agreement with each works council, union, labor board, employee group (or employees directly) or Governmental Authority related to the foregoing. Seller Parent shall regularly review with Purchaser the progress of the notifications, consultations and negotiations with each such works council, union, labor board, employee group (or employees directly) and Governmental Authority regarding the effect, impact or timing of the transactions contemplated by this Agreement. Purchaser and Seller Parent shall, and shall cause their respective Affiliates to, comply with all applicable Laws, directives and regulations relating to the Business Employees in connection with this Section 6.6(l) . To the extent required by Law or Collective Bargaining Agreement (and within the time periods required by Law or Collective Bargaining Agreement), Purchaser shall or shall cause its applicable Affiliate to (i) become a party to any Collective Bargaining Agreement with respect to applicable Transferred Employees and shall be responsible for all Liabilities under any Collective Bargaining Agreement with respect to any Business Employee or Former Business Employee, regardless of whether arising prior to, on or after the Closing Date, and (ii) join any industrial, employer or similar association or federation. Purchaser shall indemnify Seller Parent and its Affiliates for any Liabilities incurred by Seller Parent and its Affiliates with respect to Purchaser or its Affiliates' failure to comply with the obligations under this Section 6.6(l) , which

shall be considered Purchaser Assumed Employee Liabilities in accordance with Section 6.6(a)(i). Seller Parent shall indemnify Purchaser and its Affiliates for any Liabilities incurred by Purchaser and its Affiliates with respect to Seller Parent's or its Affiliates' failure to comply with the obligations under this Section 6.6(l).

(m) Immigration. Purchaser and Seller Parent shall, or shall cause their respective Affiliates to, use commercially reasonable efforts to ensure that any foreign national, who requires a visa in order to work for Seller Parent or its Affiliate in his or her current position, may continue to work in such position as a Transferred Employee following the Closing Date, or, as applicable, such later date that such Business Employee's employment transfers to Purchaser or its applicable Affiliate.

(n) Access to Independent Contractors and Service Providers. During the period prior to the Closing Date, Seller Parent shall use commercially reasonable efforts to make individual natural person independent contractors related to the Business and directly engaged by Seller Parent or its Affiliates available to Purchaser for the purpose of allowing Purchaser to interview each such contractor and determine the nature and extent of each such person's continuation with Purchaser, if any. Seller Parent shall provide to Purchaser contact information for third-party service providers providing contingent personnel to the Business and reasonably cooperate in identifying and facilitating Purchaser's engagement of such contingent work force to the extent requested by Purchaser.

(o) Communications. Prior to the Closing, any employee notices or communication materials (including website postings) from Purchaser or its Affiliates to the Business Employees (including their representatives), including notices or communication materials with respect to employment, compensation or benefits matters addressed in this Agreement or related, directly or indirectly, to the transactions contemplated by this Agreement or employment thereafter, shall be subject to the prior review, comment and approval of Seller Parent (such approval not to be unreasonably withheld, conditioned or delayed). Prior to the Closing, any employee notices or communication materials (including website postings) from Seller Parent or its Affiliates to the Business Employees (or their representatives) with respect to employment with, or compensation or benefits to be provided by, Purchaser or its Affiliates following the Closing, shall be subject to the prior review, comment and approval of Purchaser (such approval not to be unreasonably withheld, conditioned or delayed). Further, prior to the Closing, Purchaser and its Affiliates shall not make broad-based unwritten communications to the Business Employees without Seller Parent's prior approval (such approval not to be unreasonably withheld, conditioned or delayed). Seller Parent and Purchaser shall coordinate to establish a protocol for reviewing and approving forms of employee notices and communication materials, and employee notices and communication materials that are consistent with the agreed form shall not be subject to further review and approval.

(p) Taxes and Filings. With respect to each Transferred Employee (U.S.), the Parties shall, or shall cause their respective Affiliates to, (i) treat Purchaser or its applicable Affiliate as a "successor employer" and Seller Parent or its applicable Affiliate as a "predecessor," within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code, for purposes of Taxes imposed under the U.S. Federal Insurance Contributions Act, as amended (" FICA "), or the U.S. Federal

Unemployment Tax Act, as amended (" FUTA "), (ii) cooperate with each other to avoid the restart of FICA and FUTA upon or following the Closing with respect to each such Transferred Employee for the year during which the Closing occurs, and (iii) implement the alternate procedure described in Section 5 of Revenue Procedure 2004-53, including with respect to the filing of all applicable forms (including Form 941). In addition, with respect to each Transferred Employee (U.S.), Purchaser shall be responsible for the filing of Form 1095-C in respect of the year in which the Closing occurs. In accordance with Section 6.5(c) , Seller Parent and its Affiliates shall be entitled to any Tax deduction available in respect of all compensation and benefit-related Liabilities that it retains pursuant to this Section 6.6 .

(q) Cooperation . Subject to applicable Law and Section 2.2 and Section 6.4 , from the date of this Agreement until the Closing, Seller Parent, Purchaser, and their respective Affiliates will reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 6.6 , including (i) exchanging information and data reasonably necessary for Seller Parent and Purchaser to comply with their respective obligations under this Section 6.6 , (ii) making any and all required filings and notices, (iii) making any and all required communications with Business Employees, and (iv) obtaining any required approvals of a Governmental Authority.

(r) No Third Party Beneficiaries . This Section 6.6 is included for the sole benefit of the Parties and their respective permitted transferees and permitted assigns and does not and shall not create any right in any Person, including any current or former employee of Seller Parent or any of its Affiliates, any Business Employee, any Transferred Employee or beneficiary or dependent of the foregoing, who is not a Party. Nothing contained in this Agreement (express or implied) is intended to (a) create or amend any employee benefit plan or arrangement or (b) confer upon any individual any right to employment for any period of time, or any right to a particular term or condition of employment. No current or former employee of Seller Parent or any of its Affiliates, any Business Employee, Former Business Employee or any Transferred Employee, including any beneficiary or dependent thereof, or any other Person not a Party or permitted transferee or permitted assign thereof, shall be entitled to assert any claim against Purchaser, Seller Parent or any of their respective Affiliates under this Section 6.6 .

Section 6.7 Intercompany Accounts and Arrangements .

(a) Seller Parent may take (or cause one or more of its Affiliates to take) such action as is necessary or advisable to settle, effective as of, or prior to, the Closing Date, all intercompany accounts that are in the nature of Funded Indebtedness between a Conveyed Subsidiary or any Subsidiary thereof, on the one hand, and Seller Parent or any of the Retained Subsidiaries, on the other hand, in such a manner as Seller Parent shall determine in its sole discretion without any further Liability or obligation therefor of any Person. Any intercompany accounts that are in the nature of Funded Indebtedness between a Conveyed Subsidiary or any Subsidiary thereof, on the one hand, and Seller Parent or any of the Retained Subsidiaries, on the other hand, that are settled after 12:01 a.m. (New York time) on the Closing Date but in connection with the Closing shall be deemed for purposes of this Agreement to have been settled as of 12:01 a.m. (New York time) on the Closing Date, and any intercompany accounts that are in the nature of Funded

Indebtedness between a Conveyed Subsidiary (or any of its Subsidiaries), on the one hand, and Seller Parent or any of the Retained Subsidiaries, on the other hand, that remain outstanding following the Closing shall not be deemed Purchased Assets or Assumed Liabilities for purposes of this Agreement. Except for the Ancillary Agreements or the agreements set forth in Section 6.7 of the Seller Disclosure Letter or as otherwise expressly contemplated by this Agreement, all intercompany arrangements and agreements, that are in the nature of Funded Indebtedness whether written or oral, between Seller Parent or any of the Retained Subsidiaries, on the one hand, and any of the Conveyed Subsidiaries or their Subsidiaries, on the other hand, shall be terminated as of or prior to the Closing Date without any further Liability or obligation thereunder of any Person and shall be of no further force and effect after the Closing.

(b) Purchaser Parent may take (or cause one or more of its Affiliates to take) such action as is necessary or advisable to settle, effective as of, or prior to, the Closing Date, all intercompany accounts that are in the nature of Funded Indebtedness (other than intercompany accounts arising pursuant to a Purchaser Ancillary Agreement) between Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, in such a manner as Purchaser Parent shall determine in its sole discretion without any further Liability or obligation therefor of any Person. Any such intercompany accounts that are in the nature of Funded Indebtedness between Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, that are settled after 12:01 a.m. (New York time) on the Closing Date but in connection with the Closing shall be deemed for purposes of this Agreement to have been settled as of 12:01 a.m. (New York time) on the Closing Date, and any intercompany accounts that are in the nature of Funded Indebtedness between Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand (other than intercompany accounts arising pursuant to a Purchaser Ancillary Agreement), that remain outstanding following the Closing shall not be deemed an asset of Purchaser or a Purchaser Liability for purposes of this Agreement (including for purposes of calculating the Purchaser Working Capital), and Purchaser Parent shall cancel or otherwise transfer such intercompany account from Purchaser and its Subsidiaries for no consideration. All Liabilities related to or arising out of the intercompany loan between Setfirst Limited and Purchaser in respect of the acquisition by Purchaser or its applicable Affiliates of Novartis AG's interest in Purchaser and its applicable Affiliates shall be fully extinguished and cancelled, effective prior to the Closing Date, or shall otherwise be transferred to Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) prior to the Closing Date and shall constitute a Purchaser Parent Retained Liability for all purposes hereunder, in any case without any further Liability or obligation therefor for Purchaser or any of its Subsidiaries. Except for the Ancillary Agreements or the Purchaser Related Party Contracts set forth in Section 6.7 of the Purchaser Parent Disclosure Letter (the Purchaser Related Party Contracts set forth thereon, the " Purchaser Ancillary Agreements ") or as otherwise expressly contemplated by this Agreement, all Purchaser Related Party Contracts shall be terminated as of or prior to the Closing Date without any further Liability or obligation thereunder of any Person and shall be of no further force and effect after the Closing.

(c) Except to the extent provided to the contrary in this Section 6.7 and for any rights or obligations pursuant to this Agreement or any Ancillary Agreement or any commercial or other matter unrelated to this Agreement, effective as of the Closing, each of Purchaser Parent and Purchaser, on behalf of itself and its respective Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, hereby releases Seller Parent and each of its Subsidiaries and Affiliates (and their respective officers, directors and employees, acting in their capacity as such) from any Liability, obligation or responsibility to any of them for any and all past actions or failures to take action prior to the Closing directly or indirectly relating to or arising out of the Business, the Retained Businesses, the Purchaser Business or the operations of the Conveyed Subsidiaries (or their Subsidiaries) prior to the Closing, or relating to or arising out of Seller Parent's or its Affiliate's ownership of the Purchased Assets.

(d) Except to the extent provided to the contrary in this Section 6.7 and for any rights or obligations pursuant to this Agreement or any Ancillary Agreement, effective as of the Closing, Purchaser Parent, on behalf of itself and its respective Affiliates (other than Purchaser and its Subsidiaries) hereby releases Purchaser and each of its Subsidiaries (and their respective officers, directors and employees, acting in their capacity as such) from any Liability, obligation or responsibility to any of them for any and all past actions or failures to take action prior to the Closing directly or indirectly relating to or arising out of the Purchaser Business, the Purchaser Parent Retained Businesses or the operations of Purchaser and its Subsidiaries prior to the Closing, or relating to or arising out of the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries.

(e) Except to the extent provided to the contrary in this Section 6.7 and for any rights or obligations pursuant to this Agreement or any Ancillary Agreement or, in the case of Purchaser Parent, Purchaser and each of its Subsidiaries and Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries), any commercial or other matter unrelated to this Agreement, effective as of the Closing, Seller Parent, on behalf of itself and its Affiliates, hereby releases each of Purchaser Parent, Purchaser and each of its Subsidiaries and Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) (and their respective officers, directors and employees, acting in their capacity as such) from any Liability, obligation or responsibility to any of them for any and all past actions or failures to take action prior to the Closing directly or indirectly relating to or arising out of the Business, Purchaser Business, the Retained Businesses or the operations of the Conveyed Subsidiaries (or their Subsidiaries) prior to the Closing.

Section 6.8 Access to Records and Information .

(a) Each of Seller Parent and its Affiliates and each of Purchaser Parent, Purchaser and their Affiliates shall retain the books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers relating to the Business or the Purchaser Business in its possession for at least seven (7) years following the Closing Date or for such longer period as may be required by Law or any applicable Governmental Order. Each Party shall give reasonable written notice to the other Parties before ceasing to maintain any such materials, and shall deliver to the other Parties at the other Parties' expense upon request any such materials that it has proposed no longer to maintain.

(b) Following the Closing and subject to applicable Law, each Party shall, and shall cause its Affiliates (including, in the case of Purchaser Parent and Purchaser, the Conveyed Subsidiaries and their Subsidiaries) to, permit the other Parties and their Affiliates and Representatives reasonable access during normal business hours to such books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers and to personnel having knowledge of the whereabouts and/or contents of such books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers, for legitimate business reasons, including in connection with financial statements, reporting obligations and compliance with applicable Laws, and to provide such other information relating to the Business or the Purchaser Business as may be reasonably requested by any such other Party for such purposes; provided that each Party may restrict the foregoing access or the provision of such information to the extent that, in the reasonable judgment of such Party, (i) applicable Law requires it or any of its Affiliates to restrict or prohibit such access or the provision of such information, (ii) providing such access would unreasonably interfere with the operation of its and its Subsidiaries' respective businesses, (iii) providing such access or information would breach a confidentiality obligation to a third party, (iv) providing such access or information would result in disclosure of any information that is competitively or commercially sensitive, (v) in the case of Seller Parent, the information relates to the Strategic Process, or in the case of Purchaser Parent, the information relates to the review of strategic alternatives with respect to the Purchaser Business, and for clarity in each case (with respect to both Seller Parent and Purchaser Parent) pertaining to such review prior to the Closing, or (vi) providing such access or disclosure of any such information would reasonably be expected to result in the loss or waiver of the attorney-client or other applicable privilege or protection. In the event that a Party restricts access or withholds information on the basis of the foregoing clauses (i) through (vi), such Party shall, if permitted, inform the Party requesting such access or information as to the general nature of what is being restricted or withheld and the reason therefor, and such Parties shall each use their commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments. Each Party will hold in confidence all Confidential Information obtained from the other Parties or any of their Affiliates in accordance with Section 6.12. The Parties agree that, with respect to any matters that are the subject of this Section 6.8(b) and Section 6.5(i), the provisions of Section 6.5(i) (and not this Section 6.8(b)) shall control.

(c) Without limiting the foregoing in this Section 6.8, Purchaser Parent and Purchaser acknowledge and agree that Seller Parent and its Affiliates shall retain, after the Closing, access and use rights with respect to, and may retain copies of, the Registration Information (including in relation to pending applications for Product Registrations and Manufacturing Registrations) for Seller Parent's and its Affiliates' use for legal and regulatory compliance purposes.

Section 6.9 Mail and Other Communications. After the Closing Date, each Party and their respective Affiliates may receive mail and other communications properly belonging to the other Parties (or the other Parties' Affiliates). Accordingly, at all times after the Closing Date, each Party authorizes each of the other Parties and their respective Affiliates to receive and open all mail and other communications received by it and not unambiguously intended for any other Party (or its Affiliates) or any other Party's (or its Affiliates') officers or directors, and to retain the same to the extent that they relate to the business of the receiving Party or, to the extent that they

do not relate to the business of the receiving Party, the receiving Party shall promptly deliver such mail or other communications (or, in case the same relate to both businesses, copies thereof) to the Party for which such mail and communications are intended. The provisions of this Section 6.9 are not intended to, and shall not be deemed to, constitute an authorization by any Party to permit the other to accept service of process on its behalf and no Party is or shall be deemed to be the agent of any other for service of process purposes.

Section 6.10 Transfer of Business IP and Registrations . Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, Purchaser Parent shall be responsible for preparing and filing all instruments and documents necessary to effect the assignment of the Business IP that is owned by Seller Parent or its Subsidiaries, Product Registrations and Manufacturing Registrations to Purchaser and its Affiliates, including all costs and expenses of preparing and recording country-specific assignments and legalization of signatures (where required). Subject to Section 2.2 and Section 6.4 , Seller Parent shall, and shall cause its Affiliates to, cooperate with the foregoing as set forth herein and in Section 6.4 ; provided that, notwithstanding anything to the contrary herein, such obligation of Seller Parent to cooperate shall expire twenty-four (24) months following the Closing Date (except with respect to Registered Business IP that is owned or purported to be owned by Seller Parent or its Subsidiaries or their predecessors with respect to which there are gaps in the chain of title and the record or beneficial title is, as of the Closing Date, not in the name of a Seller, which obligation shall continue until forty-eight (48) months following the Closing Date.

Section 6.11 No Solicitation . For a period of two (2) years after the Closing Date, (a) Seller Parent shall not, and shall cause its Affiliates not to, directly or indirectly, solicit for employment or hire any employee of Purchaser or its Subsidiaries with the title of vice-president or senior director or more senior and (b) Purchaser Parent shall not, and shall cause its Affiliates (other than Purchaser and its Subsidiaries) not to, solicit for employment or hire any employee of Purchaser or its Subsidiaries with the title of vice-president or senior director or more senior; provided , however , that the foregoing will not restrict Seller Parent's, Purchaser Parent's or their respective Affiliates' ability to conduct generalized searches for officers or employees, including through search firms, bona fide public advertisements on websites or in periodicals of general circulation, so long as such searches are not targeted at any such employees (or hire any person as a result of such searches), or to solicit (or hire) any person whose employment has been terminated by Purchaser or any of its Affiliates at least six (6) months prior to any such solicitation.

Section 6.12 Confidentiality .

(a) For a period of five (5) years after the Closing Date (and for trade secrets, for so long as they remain trade secrets), each Party shall hold, and shall cause their respective Affiliates to hold, and shall cause their respective Representatives to hold, in confidence and not to disclose or release or use in any manner without the prior written consent of the other Parties any and all of the other Parties' Confidential Information; provided that the Parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective Affiliates or Representatives who have a need to know such information and are informed of their obligation to treat such information in the same manner as is applicable to the Parties and in respect of whose

failure to comply with such obligations Seller Parent, Purchaser Parent or Purchaser, as the case may be, will be responsible, (ii) if the Parties or their respective Affiliates or Representatives are compelled to disclose, on the advice of legal counsel, any such Confidential Information by judicial or administrative process or by other requirements of Law or any securities exchange, market or automated quotation system to which such Person is subject or (iii) in connection with any Action to enforce such Party's rights under this Agreement or any Ancillary Agreement, or otherwise in the performance by such Party of this Agreement or any Ancillary Agreement in accordance with its terms. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made by a Party pursuant to clause (ii) above, such Party shall (x) to the extent legally permissible, promptly notify the other Parties of the existence of such request or demand and the disclosure that is expected to be made in respect thereto, in each case with sufficient specificity so that the other Parties may, at their expense, seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 6.12 and (y) if requested by another Party, assist such other Party, at such other Party's expense, in seeking a protective order or other appropriate remedy in respect of such request or demand; provided that a Party and its Affiliates and Representatives shall be permitted to disclose such Confidential Information without notice in response to a demand or request for disclosure of Confidential Information in connection with a routine examination or audit by a Governmental Authority that is not specifically directed at the transactions contemplated by this Agreement or such Confidential Information, provided that such disclosing Party and, if applicable, such Affiliate or Representative, exercise its and their reasonable best efforts to preserve the confidentiality of such Confidential Information, including by obtaining reasonable assurances that confidential treatment shall be accorded any Confidential Information so disclosed. If such a protective order or other remedy or the receipt of a waiver by another Party is not obtained and such disclosing Party or any of its Affiliates or Representatives is, nonetheless, following consultation with its legal counsel, required by such judicial or administrative process, Law or securities exchange, market or automated quotation system to disclose any Confidential Information, such disclosing Party (or such Affiliate or Representative) may, after compliance with the immediately preceding sentence of this Section 6.12(a) , disclose only that portion of the Confidential Information which it has been advised by its legal counsel is required to be disclosed, provided that such disclosing Party and, if applicable, such Affiliate or Representative, exercise its and their reasonable best efforts to preserve the confidentiality of such Confidential Information, including by obtaining reasonable assurances that confidential treatment shall be accorded any Confidential Information so disclosed.

(b) As used in this Agreement, " Confidential Information " means all non-public proprietary, technical, economic, environmental, operational, financial or other business information or material, data, reports, interpretations, forecasts and business plans, in written, oral (including by recording), electronic or visual form, in the possession of, or which has been disclosed to, whether prior to or following the Closing Date, a Party or its Affiliates or Representatives by any other Party or its Affiliates or Representatives, including pursuant to the access provisions of this Agreement or any Ancillary Agreement, (i) related to the transactions contemplated by this Agreement or the Strategic Process, (ii) in the case of Seller Parent and its Affiliates and Representatives, to the extent relating to the Purchaser Parent Retained Businesses or the Purchaser Parent Retained Liabilities, and (iii) in the case of Purchaser Parent, Purchaser and their respective Affiliates and Representatives, to the extent relating to the Excluded Assets, the Retained Businesses

or the Retained Liabilities (except, in each case, to the extent that such information can be shown to have been (A) in the public domain (other than as a result of a disclosure by such Party or its Affiliates or Representatives), (B) available after the date hereof to such Party or its Affiliates or Representatives on a non-confidential basis from a source other than the other Parties or their respective Affiliates or Representatives without, to such Party's knowledge after reasonable inquiry, being subject to any contractual or other obligation of confidentiality to the other Parties or their respective Affiliates or Representatives or (C) independently developed by or on behalf of such Party or its Affiliates or Representatives without use of, reference to or reliance upon any Confidential Information of the other Parties (as can be demonstrated by such Party by appropriate documentary evidence) and not, to such Party's knowledge after reasonable inquiry, subject to any contractual or other obligation of confidentiality to the other Parties or their respective Affiliates or Representatives).

(c) Notwithstanding anything to the contrary set forth herein, (i) Seller Parent and its Affiliates, on the one hand, and Purchaser Parent, Purchaser and their respective Affiliates, on the other hand, shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise the same degree of care (but no less than a reasonable degree of care) as they take to preserve confidentiality for their own similar information, materials or other documents and (ii) confidentiality obligations contained in any agreement between Seller Parent or any of its Affiliates, or Purchaser Parent, Purchaser or any of their respective Affiliates, on the one hand, and any employee of Seller Parent or any of its Affiliates, or Purchaser Parent, Purchaser or any of their respective Affiliates, on the other hand, shall remain in full force and effect.

(d) Notwithstanding the foregoing in this Section 6.12 , to the extent that an Ancillary Agreement or another Contract pursuant to which a Party or any of its Affiliates is bound provides that certain Confidential Information shall be maintained confidential on a basis that is more protective of such Confidential Information or for a longer period of time than provided for in this Section 6.12 , then the applicable provisions contained in such Ancillary Agreement or other Contract shall control with respect thereto. After the Closing Date, the Confidentiality Agreement shall be deemed to have been terminated by the parties thereto and shall no longer be in effect. Seller Parent shall enforce, or otherwise assign to Purchaser, its rights under any confidentiality agreements entered into by Seller Parent with other potential purchasers of the Business in connection with the Strategic Process with respect to the confidentiality, non-disclosure or use of Evaluation Material (as defined in such confidentiality agreements) to the extent related to the Business. Seller Parent shall, promptly after the date hereof, request the return or destruction of any such Evaluation Material provided to such other potential purchasers to the extent required to be returned or destroyed in accordance with and subject to the terms of such confidentiality agreements.

Section 6.13 Guarantees; Letters of Credit .

(a) Without limiting Section 6.13(b) in any respect, Purchaser shall use its reasonable best efforts to cause itself, one of its Affiliates or the Conveyed Subsidiaries to be substituted in all respects for the Sellers and any of their respective Affiliates and for the Sellers

and their respective Affiliates to be released, effective as of the Closing, in respect of all Liabilities and obligations of the Sellers and any of their respective Affiliates under or related to each of the Seller Parent Guarantees and Seller Parent LCs (other than to the extent related to the Retained Business, Excluded Assets or Retained Liabilities), and Purchaser Parent and the Sellers shall reasonably cooperate in Purchaser's efforts. Subject to the parenthetical in the preceding sentence, for any Seller Parent Guarantee or Seller Parent LC for which Purchaser or any Conveyed Subsidiary, as applicable, is not substituted in all respects for the Sellers and their respective Affiliates (or for which the Sellers and their respective Affiliates (other than the Conveyed Subsidiaries) are not released), effective as of the Closing, Purchaser shall continue to use its reasonable best efforts, and shall cause the Conveyed Subsidiaries to use their reasonable best efforts, to effect such substitution and release after the Closing, and Purchaser Parent and the Sellers shall continue to reasonably cooperate in Purchaser's efforts; provided that none of the Sellers, Purchaser Parent or any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall have any obligation to make payments or incur any costs or expenses, grant any concession or incur any other Liability in connection with such cooperation pursuant to this Section 6.13 except to the extent Purchaser agrees to promptly reimburse Sellers, Purchaser Parent and their Affiliates (other than Purchaser and its Subsidiaries), as applicable, or agrees to fully indemnify the Sellers, Purchaser Parent and their Affiliates (other than Purchaser and its Subsidiaries), as applicable, for any such Liabilities to Seller Parent's or Purchaser Parent's reasonable satisfaction, as applicable. Without limiting the foregoing, neither Purchaser nor any of its Affiliates shall extend, renew, increase its obligations under or transfer to a third party any Contract containing or underlying a Seller Parent Guarantee or Seller Parent LC or any Contract to which any Seller Parent Guarantee or Seller Parent LC relates or pursuant to which any Seller Parent Guarantee or Seller Parent LC was issued or required to be issued unless, prior to or concurrently with such extension, renewal, increase or transfer, Purchaser or a Subsidiary of Purchaser is substituted in all respects for the Sellers and each of their respective Affiliates, and the Sellers and their respective Affiliates are released, in respect of all Liabilities and obligations of the Sellers and each of their respective Affiliates under or in respect of such Seller Parent Guarantee or Seller Parent LC. In no event shall Seller Parent or any of its Affiliates be obligated to pay any money to any Person to effect the substitutions described in this Section 6.13(a) . The Parties agree that neither Seller Parent nor any of the Retained Subsidiaries will have any obligation to renew any Seller Parent LCs after the expiration of any such letter of credit. Neither the Seller Parent Guarantees nor the Seller Parent LCs shall be deemed Purchased Assets hereunder.

(b) Without limiting Section 6.13(a) in any respect, from and after the Closing, Purchaser and its Subsidiaries, including the Conveyed Subsidiaries (and their Subsidiaries), jointly and severally, shall indemnify and hold harmless the Seller Parent Indemnified Parties against any Liabilities that the Sellers or any of their respective Affiliates suffer, incur or are liable for following the Closing by reason of or arising out of or in consequence of (i) the Sellers or any of their respective Affiliates issuing, making payment under, being required to pay or reimburse the issuer of or any other Person in connection with, or being a party to, any Seller Parent Guarantee or Seller Parent LC, (ii) any claim or demand for payment made on the Sellers or any of their respective Affiliates with respect to any Seller Parent Guarantee or Seller Parent LC or (iii) any Action by any Person who is or claims to be entitled to the benefit of or claims to be entitled to payment, reimbursement or indemnity with respect to any Seller Parent Guarantee or Seller Parent LC.

Section 6.14 Certain Ancillary Agreements .

(a) Prior to the date hereof, Purchaser Parent has delivered to Seller Parent true and complete copies of all Purchaser Ancillary Agreements currently in effect (and within forty-five (45) days following the date hereof shall provide Seller Parent with true and complete copies of any other material Purchaser Related Party Contracts to the extent not previously provided). Following the date hereof, the Parties will discuss, cooperate and negotiate reasonably and in good faith to cause to be prepared reasonably in advance of the Closing, and in any event to be finalized within one hundred and twenty (120) days following the date hereof, forms of each of the following: (i) a transition services agreement with respect to the provision of certain services on a transitional basis following the Closing by Seller Parent, or certain of its Affiliates, to Purchaser and its Subsidiaries (and, to the extent reasonably requested by Seller Parent, a reciprocal reverse transition services agreement with respect to the provision of services by Purchaser and its Subsidiaries to Seller Parent and its Affiliates relating to any Excluded Assets that are not transferred out of the Conveyed Subsidiaries or their Subsidiaries prior to the Closing, if any) (the " Transition Services Agreement "), (ii) a cross-license agreement with respect to the license of certain Intellectual Property related to and used in the Business to Purchaser and its Subsidiaries and certain Business IP related to and used in the Retained Businesses to Seller Parent and its Affiliates (the " Intellectual Property License Agreement "), (iii) a manufacturing and supply agreement with respect to the supply of certain Products manufactured at Retained Facilities by Seller Parent, or certain of its Affiliates, to Purchaser, or certain of its Subsidiaries (the " Manufacturing and Supply Agreement (Seller Parent as Supplier) "), (iv) a manufacturing and supply agreement with respect to the supply of certain products commercialized by the Retained Businesses that are manufactured at the Facilities by Purchaser, or certain of its Subsidiaries, to Seller Parent, or certain of its Affiliates (the " Manufacturing and Supply Agreement (Purchaser as Supplier) "), (v) Intellectual Property assignment agreements with respect to the assignment of Seller Parent's and its Subsidiaries' right, title and interest in the Business IP in accordance with this Agreement to Purchaser and its Subsidiaries (the " IP Assignment Agreements "), (vi) a transitional trademark license agreement with respect to the license of certain Trademarks on a transitional basis following the Closing by Seller Parent, or certain of its Affiliates, to Purchaser and its Subsidiaries (the " Transitional Trademark License Agreement "), (vii) a safety data exchange agreement to govern the provision and safeguarding of certain information provided pursuant to this Agreement in a manner compliant with applicable Law (the " Safety Data Exchange Agreement "), and (viii) the Local Implementing Agreements (the forms of each of the agreements described in the foregoing clauses (i) through (viii), collectively the " Form Ancillary Agreements "). The Parties agree that the Form Ancillary Agreements shall be prepared substantially based on the Form Ancillary Agreements previously provided by Seller Parent to Purchaser Parent appended hereto as Exhibit F and the Parties shall negotiate in good faith those terms that were not agreed to as reflected in Purchaser Parent's responses to such, which are appended hereto as Exhibit G . The Manufacturing and Supply Agreement (Purchaser as Supplier) and the Manufacturing and Supply Agreement (Seller Parent as Supplier) shall be negotiated in accordance with the specific terms and principles set forth on Section 6.14 of the Seller Disclosure Letter. The terms of such Form Ancillary Agreements shall in each case be consistent with the terms of this Agreement.

(b) At the Closing, Purchaser Parent, Purchaser and Seller Parent, as applicable, shall enter into, execute and deliver, or cause their applicable Affiliates to enter into, execute and deliver, each Form Ancillary Agreement, a shareholders agreement substantially in the form set forth in Exhibit C (the " Purchaser Shareholders Agreement "), and a Structuring Considerations Agreement substantially in the form set forth in Exhibit D (the " Structuring Considerations Agreement ").

(c) Promptly after the date hereof, Seller Parent and Purchaser Parent shall reasonably cooperate to discuss the service charges in the Support Services Agreement, dated as of March 2, 2015, by and between GlaxoSmithKline Services Unlimited and Purchaser, as amended, and to provide details on such charges to ensure a reasonable methodology is being applied.

(d) Promptly after the date here, the Seller Parent and Purchaser Parent shall negotiate a lease agreement and related documentation in accordance with the terms set forth on Section 6.14(d) of the Seller Disclosure Letter (the " Lease Agreement ").

Section 6.15 Retained and Transferred Names .

(a) Retained Names . (i) As soon as reasonably practicable, but in no event later than forty-five (45) days after the Closing, unless a longer period of time is necessary to comply with applicable Law (including to the extent a longer period of time is necessary to assign or update any Product Registrations, Manufacturing Registrations, or Governmental Authorizations or for legal or regulatory compliance purposes) (" Compliance Requirements "), and, in such event, as reasonably promptly as possible as allowed under applicable Law, Purchaser shall cause each Conveyed Subsidiary (and each Subsidiary thereof) to file to change its name and cause its certificate of incorporation (or equivalent organizational document), as applicable, to be amended to remove any and all references to (A) "Pfizer", "Wyeth" or "Pfizer Consumer Health", and (B) all other Retained Names set forth in Section 1.1(E) of the Seller Disclosure Letter or otherwise designated by Seller Parent in writing prior to the Closing (clauses (A) and (B), collectively, the " Retained Brands "); and (ii) notwithstanding anything to the contrary in this Agreement, in the event any name change of any Conveyed Subsidiary (or Subsidiary thereof) in accordance with this Section 6.15(a) would take effect during the term of the Transition Services Agreement, including any extensions thereof, Purchaser shall (a) at least thirty (30) days prior to such name change, consult with Seller Parent regarding the contemplated change and (b) upon Seller Parent's request, refrain from making any such change if Seller Parent determines in good faith that such change would reasonably be expected to result in additional cost or operation burden to Seller Parent or any of its Affiliates in connection with one or more Services (as defined in the Transition Services Agreement) provided by Seller Parent or any of its Affiliates under the Transition Services Agreement, until such time as is as soon as reasonably practicable after the term of the applicable Service (or Services) is terminated or expires pursuant to the terms of the Transition Services Agreement (the date that Purchaser is required to cause each Conveyed Subsidiary to make such name change filing in accordance with clauses (i) and (ii), the " Name Change Date "). Except as authorized pursuant to an Ancillary Agreement, as soon as reasonably practicable after the later of (a) the Closing, but in no event later than forty-five (45) days after the Closing (or, if later, by the later of the Name Change Date or such other date as agreed between Purchaser and Seller Parent) and (b) any longer period of time necessary

with respect to any Compliance Requirement, Purchaser shall, and shall cause its Affiliates to, remove, strike over or otherwise obliterate all Retained Brands from all assets and other materials owned by the Conveyed Subsidiaries (and Subsidiaries thereof), including any sales and product literature, vehicles, business cards, schedules, stationery, packaging materials, displays, signage, advertising, marketing, promotional and related materials, training materials, audio and visual materials, manuals, forms, websites, social media pages and accounts, e-mail and e-mail addresses, computer software and other materials and systems, and shall cease and discontinue any other use of the Retained Brands as of the Closing in the operation of their businesses. Notwithstanding the foregoing, nothing in this Agreement is intended to prohibit any use (or require any removal, striking over, or other obliteration) by Purchaser or any of its Affiliates of any Retained Brand (x) for historical references, including in regulatory filings and to describe the past ownership and affiliation of the Business, and (y) in any manner as is or would have been permitted by applicable Law with respect to Trademarks, including fair use, or nominal use, and other uses not prohibited by Law.

(b) Purchaser Names . As soon as reasonably practicable after the Closing, but in no event later than forty-five (45) days unless a longer period of time is necessary to comply with applicable Law, and, in such event, as reasonably promptly as possible as allowed under applicable Law, Seller Parent shall, and shall cause its Affiliates to, remove, strike over or otherwise obliterate all Business Trademark Rights, as applicable, from all assets and other materials owned by Seller Parent and its Affiliates and, to the extent applicable file to change its name and cause its certificate of incorporation (or equivalent organizational document), as applicable, to be amended to remove any and all references to any Business Trademark Rights, as applicable, including any sales and product literature, vehicles, business cards, schedules, stationery, packaging materials, displays, signage, advertising, marketing, promotional and related materials, training materials, audio and visual materials, manuals, forms, websites, social media pages and accounts, e-mail and e-mail addresses, computer software and other materials and systems, and shall cease and discontinue any other use of such Business Trademark Rights in the operation of their business.

Section 6.16 Compliance with WARN . Purchaser agrees to provide or cause to be provided any required notice under WARN, and otherwise to comply with WARN with respect to any “plant closing” or “mass layoff” or similar event affecting Transferred Employees and occurring on or after the Closing Date. Purchaser agrees to, and shall cause its Affiliates to, indemnify and hold harmless Seller Parent and the Retained Subsidiaries from and against any and all Losses which Seller Parent and the Retained Subsidiaries may incur in connection with any Action or claim of violation brought against Seller Parent and any of the Retained Subsidiaries under WARN (including with respect to any “plant closing” or “mass layoff”), which relate, in whole or in part, to actions taken by Purchaser or any of its Affiliates following the Closing with regard to any site of employment of the Conveyed Subsidiaries (or their Subsidiaries) or the Purchased Assets or any of their respective operating units within any site where a Transferred Employee is located. On or as soon as reasonably practicable following the Closing Date, Seller Parent shall provide, by termination date and work location, the name or employee identification number of each employee or former employee of Seller Parent or its Affiliates and the Conveyed Subsidiaries who has suffered an “employment loss” under WARN at any site of employment where a Business Employee is located within the ninety (90) days immediately preceding the Closing Date.

Section 6.17 Litigation Support; Non-Indemnified Claims .

(a) Following the Closing, each Party and its respective Affiliates, shall cooperate with each other Party and its respective Affiliates in the mitigation, defense or settlement of any Liabilities or Actions involving the Business or Retained Businesses or the Purchaser Business or Purchaser Parent Retained Businesses for which such other Party has responsibility under this Agreement, including with respect to any Retained Liabilities, Purchaser Parent Retained Liabilities, Assumed Liabilities or Purchaser Liabilities, by providing such other Party and such other Party's legal counsel, upon reasonable advance notice in writing and during normal business hours, access to current and former employees, contractors, records, documents, data, equipment, facilities, products, parts, prototypes and other information as such other Party may reasonably request, to the extent maintained or under the possession or control of such Party and its Affiliates; provided that any Party may restrict the foregoing access or the provision of such information to the extent that, in the reasonable judgment of such Party, (i) applicable Law requires such Party or any of its Affiliates, as applicable, to restrict or prohibit such access or the provision of such information, (ii) providing such access would unreasonably interfere with the operation of its and its Subsidiaries' respective businesses, (iii) providing such access or information would breach a confidentiality obligation to a third party, (iv) providing such access or information would result in disclosure of any information that is competitively or commercially sensitive, (v) in the case of Seller Parent, the information relates to the Strategic Process or, in the case of Purchaser Parent, the information relates to review of strategic alternatives with respect to the Purchaser Business, and for clarity in each case (with respect to both Seller Parent and Purchaser Parent) pertaining to such review prior to the Closing, or (vi) providing such access or disclosure of any such information would reasonably be expected to result in the loss or waiver of the attorney-client or other applicable privilege or protection. In the event that a Party restricts access or withholds information on the basis of the foregoing clauses (i) through (vi) , such Party shall, if permitted, inform the requesting Party as to the general nature of what is being restricted or withheld and the reason therefor, and such Parties shall each use their commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments. The requesting Party shall reimburse the other Party for its reasonable out-of-pocket expenses paid to third parties in performing its obligations under this Section 6.17 . The Parties agree that, with respect to any matters that are the subject of this Section 6.17 and Section 6.5(i) , the provisions of Section 6.5(i) (and not this Section 6.17) shall control.

(b) From and after the Closing, (i) Purchaser shall promptly notify Seller Parent of any Action brought by or against a third party with respect to the Business that would reasonably be expected to affect any Retained Business, Excluded Asset or Retained Liability, (ii) Purchaser shall promptly notify Purchaser Parent of any Action brought by or against a third party with respect to the Purchaser Business that would reasonably be expected to affect any Purchaser Parent Retained Business or Purchaser Parent Retained Liability, (iii) Seller Parent shall promptly notify Purchaser and Purchaser Parent of any Action brought by or against a third party with respect to the Retained Businesses that would reasonably be expected to affect the Business or any Purchased Asset or Assumed Liability and (iv) Purchaser Parent shall promptly notify Purchaser and Seller Parent of any Action brought by or against a third party with respect to the Purchaser Parent Retained Businesses that would reasonably be expected to affect the Purchaser Business or any Purchaser

Liability or any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries. The provisions of Article VII shall apply to any Third Party Claim with respect to which any Indemnified Party is entitled to indemnification under Article VII . With respect to any other third party Action (" Non-Indemnified Claims "), if such Non-Indemnified Claim could reasonably be expected to (i) affect any Purchaser Parent Retained Businesses or Purchaser Parent Retained Liability, Purchaser Parent shall have the right but not the obligation, at its option and its own expense, to participate in the defense or settlement of such Non-Indemnified Claim and to employ counsel of its own choosing for such purpose, (ii) affect any Retained Business, Excluded Asset or Retained Liability, Seller Parent shall have the right but not the obligation, at its option and its own expense, to participate in the defense or settlement of such Non-Indemnified Claim and to employ counsel of its own choosing for such purpose or (iii) affect the Business, the Purchaser Business or any Purchased Asset or Assumed Liability or Purchaser Liability, or any other assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, Purchaser shall have the right but not the obligation, at its option and its own expense, to participate in the defense or settlement of such Non-Indemnified Claim; provided , in each case, that such participation would not materially adversely affect the defense of such Non-Indemnified Claim and there is no material conflict of interest between the applicable Parties with respect to such Action.

(c) In furtherance of the foregoing, from and after the Closing Date, each Party shall, and shall cause its respective Affiliates to, (i) cooperate with each other Party and its respective Affiliates in the mitigation, defense or settlement of any Liabilities or Actions described in Section 6.17(b) and (ii) provide to each other, upon written request, reasonable access during normal business hours to their current and former officers, directors, employees, contractors, personnel and agents for fact finding, consultation and interviews and as witnesses in connection with any Action in which the requesting Party may from time to time be involved relating to the matters described in Section 6.17(b) , in each case subject to Section 6.17(a) . The requesting party agrees to reimburse the other for reasonable out-of-pocket expenses (other than officers' or employees' salaries) incurred in connection with providing individuals and witnesses pursuant to this Section 6.17(c) .

Section 6.18 Insurance .

(a) From and after the Closing Date, the Conveyed Subsidiaries and their Subsidiaries shall cease to be insured by Seller Parent's or its Affiliates' insurance policies or by any of their self-insured programs. Seller Parent or any of its Affiliates may amend, effective at or prior to the Closing, any insurance policies in the manner it deems appropriate to give effect to this Section 6.18 . From and after the Closing, Purchaser shall be responsible for securing all insurance it considers appropriate for its operation of the Conveyed Subsidiaries and their Subsidiaries and the Business. Seller Parent shall use reasonable best efforts to keep or cause its Affiliates to keep all insurance policies currently maintained with respect to the Business, or suitable replacements or renewals, in full force and effect through 12:01 a.m. (New York time) on the Closing Date.

(b) With respect to any Assumed Liability arising out of events or circumstances pertaining to the Business or Purchased Assets that occurred or existed prior to the Closing and are covered under any occurrence-based unaffiliated third party automobile or general liability

insurance policy of Seller Parent or its Subsidiaries (an " Insurance Policy ") in effect as of the Closing (such events or circumstances, an " Insurance Matter "), Purchaser may tender such Insurance Matter for submission by Seller Parent or one of its Subsidiaries to the applicable insurer under such Insurance Policy under which the Sellers or the Conveyed Subsidiaries (or any of their Subsidiaries) were insured as of the date of the applicable events or circumstances, in which case Seller Parent will use commercially reasonable efforts to submit a claim with respect to such Insurance Matter to the applicable insurer; provided that Purchaser and the Conveyed Subsidiaries (and their Subsidiaries) shall indemnify Seller Parent and its Affiliates for any reasonable direct costs and expenses (including reasonable costs of investigation of the underlying claim and of collection and any Taxes imposed in respect of such insurance proceeds) in connection with the foregoing and shall be solely responsible for (i) any per claim deductible or per claim self-insured retentions with respect to such Insurance Matter, (ii) any claims, costs and expenses (including attorneys' fees) with respect to such Insurance Matter that are not covered under the relevant Insurance Policy, and (iii) any collateral requirements with respect to such Insurance Matter; provided , further that (A) Purchaser shall not, and shall cause its Affiliates not to, in connection with any Insurance Matter under any Insurance Policy, take any action that would be reasonably likely to result in the applicable insurer terminating or materially reducing coverage under such Insurance Policy, (B) if an Insurance Policy aggregate is exhausted, or believed likely to be exhausted, due to noticed claims, Purchaser, on the one hand, and Seller Parent, on the other hand, shall be responsible for their pro rata portion of the reinstatement premium, if any, based upon the amount of the claims submitted by each of them (or their respective Affiliates) thereunder and (C) Purchaser shall not be entitled to make any claims or receive any proceeds to the extent the related Liabilities are included in the calculation of Final Business Working Capital or Final Business Net Cash or such proceeds were otherwise credited to Purchaser at or prior to the Closing. Except as set forth in Section 2.1(o) and the immediately preceding sentence, from and after the Closing, none of Purchaser Parent, Purchaser or any of their respective Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) shall have any access, right, title or interest to or in any of Seller Parent's or its Affiliates' past or current insurance policies or any of their self-insured programs (including to all claims and rights to make claims and all rights to proceeds) to cover any assets of the Conveyed Subsidiaries or their Subsidiaries or any Assumed Liability or any other Liability arising from the operation of the Business or the ownership or use of any Purchased Asset before, on or after the Closing, and Purchaser shall not and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) not to seek to assert or to exercise any rights or claims of any Conveyed Subsidiaries or their Subsidiaries or the Business under or in respect of any such past or current insurance policy, including under which any Conveyed Subsidiary or Affiliate thereof or the Business is a named insured, and without limiting the foregoing shall not seek to assert or exercise (w) any rights with respect to any self-insurance programs of Seller Parent or any of its Affiliates, (x) any rights under any fronting insurance programs or arrangements of Seller Parent or its Affiliates, (y) any rights under any claims-made insurance programs of Seller Parent or its Affiliates or (z) any rights to cause Seller Parent or any of its Affiliates to pay any deductible or self-insured retention amount with respect to any claim. Purchaser shall notify Seller Parent promptly of any such Insurance Matter for which it seeks coverage and Purchaser and Seller Parent shall keep each reasonably informed regarding the status of the Insurance Matter.

Section 6.19 Trade Notification . Seller Parent and Purchaser Parent shall agree on the method and content of the notifications to partners, customers, suppliers, wholesalers and distributors of the Business and the Purchaser Business of the transactions contemplated by this Agreement prior to the Closing. Seller Parent and Purchaser agree that such notifications are to provide sufficient advance notice of the transactions contemplated hereby and the plans associated therewith, with the objective of minimizing any disruption of the Business and the Purchaser Business.

Section 6.20 Accounts; Products Received .

(a) All payments and reimbursements received by Seller Parent, Purchaser Parent or their Affiliates after the Closing that, consistent with the terms and conditions of this Agreement or any Ancillary Agreement, are the property of Purchaser or its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) shall be held by such Person in trust for the benefit of Purchaser and, promptly following receipt by such Person of any such payment or reimbursement, such Person shall pay over to Purchaser the amount of such payment or reimbursement without right of set-off. All payments and reimbursements received after the Closing by Purchaser Parent, Purchaser or their Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) that, consistent with the terms and conditions of this Agreement or any Ancillary Agreement, are the property of Seller Parent or any of its Affiliates, shall be held by such Person in trust for the benefit of Seller Parent and, promptly following receipt by such Person of any such payment or reimbursement, such Person shall pay over to Seller Parent the amount of such payment or reimbursement without right of set-off. All payments and reimbursements received after the Closing by (x) Seller Parent or its Affiliates or (y) Purchaser or its Subsidiaries that, consistent with the terms and conditions of this Agreement or any Ancillary Agreement, are the property of Purchaser Parent or any of its Affiliates (other than Purchaser and its Subsidiaries), shall be held by such Person in trust for the benefit of Purchaser Parent and, promptly following receipt by such Person of any such payment or reimbursement, such Person shall pay over to Purchaser Parent the amount of such payment or reimbursement without right of set-off.

(b) If Products or Purchaser Products are received by Seller Parent or its Affiliates or Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) after the Closing, Seller Parent or Purchaser Parent, as applicable, shall or shall cause such Affiliate to ship those Products or Purchaser Products to Purchaser, or Purchaser's stated representative, at Purchaser's sole cost and expense. Purchaser shall have sole responsibility for accepting and processing all returns following the Closing of Products and disbursing refunds and credits in respect thereof (whether such Products were sold prior to, on or after the Closing Date).

Section 6.21 Directors' and Officers' Indemnification .

(a) If the Closing occurs, Purchaser shall, and shall cause the Conveyed Subsidiaries and their Subsidiaries to, take any necessary actions to provide that all rights to indemnification and all limitations on liability existing in favor of any current or former officers, directors, partners, members, or managers of the Conveyed Subsidiaries or their Subsidiaries (or their respective predecessors) (collectively, the " D&O Indemnitees "), as provided in (i) the organizational documents of the Conveyed Subsidiaries and their Subsidiaries or (ii) any agreement

providing for indemnification by the Conveyed Subsidiaries or their Subsidiaries of any of the D&O Indemnitees, which agreements are set forth in Section 6.21 of the Seller Disclosure Letter, shall survive the consummation of the transactions contemplated hereby and continue in full force and effect and be honored by the Conveyed Subsidiaries or their Subsidiaries after the Closing.

(b) In the event that any of the Conveyed Subsidiaries or their Subsidiaries or Purchaser or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or a majority of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of the Conveyed Subsidiaries or their Subsidiaries or Purchaser, as the case may be, shall succeed to the obligations set forth in this Section 6.21 .

(c) The obligations of Purchaser under this Section 6.21 shall not be terminated or modified in such a manner as to adversely affect any D&O Indemnitee without the express written consent of such affected D&O Indemnitee (it being expressly agreed that the D&O Indemnitees shall be third party beneficiaries of this Section 6.21).

Section 6.22 Return of Assets; Transfer of Purchased Assets .

(a) If, at any time after the Closing, any asset held by Purchaser or any of its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) is ultimately determined to be an Excluded Asset or an asset of the Purchaser Parent Retained Business, or Purchaser or any of its Subsidiaries is found subject to a Retained Liability, or Purchaser or any of its Subsidiaries is found subject to a Purchaser Parent Retained Liability, within thirty (30) days of such determination (i) Purchaser shall return or transfer and convey (without further consideration) to Seller Parent or the appropriate Affiliate of Seller Parent such Excluded Asset or Retained Liability, or to Purchaser Parent or the appropriate Affiliate of Purchaser Parent (other than Purchaser and its Subsidiaries) such asset of the Purchaser Parent Retained Business or such Purchaser Parent Retained Liability, as applicable; (ii) Seller Parent shall, or shall cause its appropriate Affiliate to, assume (without further consideration) such Retained Liability, or Purchaser Parent shall assume (without further consideration) such Purchaser Parent Retained Liability; and (iii) Seller Parent or Purchaser Parent, as applicable, and Purchaser shall, and shall cause their appropriate Affiliates to, execute such documents or instruments of conveyance or assumption and take such further acts, in each case consistent with the terms of this Agreement and the Ancillary Agreements, as are reasonably necessary or desirable to effect the transfer of such Excluded Asset or Retained Liability back to Seller Parent or its appropriate Affiliate or such asset of the Purchaser Parent Retained Business or Purchaser Parent Retained Liability back to Purchaser Parent, as applicable, in each case such that each Party is put into the same economic position as if such action had been taken on or prior to the Closing Date. In furtherance of the foregoing, Purchaser and its Affiliates shall, and shall cause the Conveyed Subsidiaries and their Subsidiaries to, promptly pay or deliver (1) to Seller Parent (or its designee) any monies or checks which have been sent to Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) to the extent they are not due to the Business and which should have been sent to Seller Parent or one of its Affiliates (including promptly forwarding invoices or similar documentation to Seller Parent) or (2) to Purchaser Parent

(or its designee other than Purchaser and its Subsidiaries) any monies or checks which have been sent to Purchaser or any of its Subsidiaries to the extent they are not due to the Purchaser Business and which should have been sent to Purchaser Parent or one of its Affiliates (other than Purchaser and its Subsidiaries) (including promptly forwarding invoices or similar documentation to Purchaser Parent).

(b) Subject to Sections 2.1 and 2.2 , if, at any time after the Closing, any asset held by Seller Parent or its Affiliates is ultimately determined to be a Purchased Asset or Seller Parent or any of its Affiliates is found to be subject to an Assumed Liability, within thirty (30) days of such determination, (i) Seller Parent shall return or transfer and convey (without further consideration) to Purchaser such Purchased Asset or Assumed Liability; (ii) Purchaser shall, or shall cause its appropriate Affiliate to, assume (without further consideration) such Assumed Liability; and (iii) Seller Parent and Purchaser shall, and shall cause their appropriate Affiliates to, execute such documents or instruments of conveyance or assumption and take such further acts, in each case consistent with the terms of this Agreement and the Ancillary Agreements, as are reasonably necessary or desirable to effect the transfer of such Purchased Asset or Assumed Liability back to Purchaser, in each case such that each Party is put into the same economic position as if such action had been taken on or prior to the Closing Date. In furtherance of the foregoing, Seller Parent shall promptly pay or deliver to Purchaser (or its designee) any monies or checks which have been sent to Seller Parent or any of its Affiliates to the extent they are due to the Business and which should have been sent to Purchaser or one of its Affiliates (including promptly forwarding invoices or similar documentation to Purchaser).

(c) If any asset, property or right held by Purchaser Parent or any of its Affiliates (other than Purchaser or its Subsidiaries) is determined to be an asset of the Purchaser Business or Purchaser Parent or any of its Affiliates (other than Purchaser and its Subsidiaries) is found subject to a Purchaser Liability, within thirty (30) days of such determination (i) Purchaser Parent shall (or shall cause its Affiliate to) transfer and convey (without consideration) to Purchaser or its appropriate Subsidiary such asset, property or right or Purchaser Liability; (ii) Purchaser shall, or shall cause its appropriate Subsidiary to, assume (without consideration) such Purchaser Liability; and (iii) Purchaser Parent and Purchaser shall, and shall cause their appropriate Subsidiaries to, in each case consistent with the terms of this Agreement and the Ancillary Agreements, execute such documents or instruments of conveyance or assumption and take such further acts as are reasonably necessary or desirable to effect such transfer of such asset, property or right or Purchaser Liability back to Purchaser or its appropriate Subsidiary, in each case such that each Party is put into the same economic position as if such action had been taken on or prior to the Closing Date. In furtherance of the foregoing, Purchaser Parent and its Affiliates (other than Purchaser or its Subsidiaries) shall promptly pay or deliver to Purchaser (or its designee) any monies or checks which have been sent to Purchaser Parent or any of its Affiliates to the extent they are due to the Business or the Purchaser Business and which should have been sent to Purchaser or one of its Subsidiaries (including promptly forwarding invoices or similar documentation to Purchaser).

Section 6.23 Bulk Transfer Laws . Purchaser Parent and Purchaser acknowledge that Seller Parent has not taken, and does not intend to take, any action required to comply with any applicable so-called “bulk sale” or “bulk transfer” Laws or similar Laws, and Purchaser Parent

and Purchaser hereby waive, to the fullest extent permitted by applicable Law, compliance by Seller Parent and its Affiliates with the provisions of any such Laws of any jurisdiction in connection with the sale of the Purchased Assets.

Section 6.24 Purchaser Parent Shareholder Meeting; Purchaser Parent Board Recommendation .

(a) Subject to Section 6.24(f) and Section 6.24(g) , Purchaser Parent shall, and shall cause its Representatives to, (i) as soon as reasonably practicable, prepare and file with the UKLA the Purchaser Parent Shareholder Circular, which shall comply with the content requirements of the Listing Rules, including Chapter 11 thereof, and applicable Law, and include a notice of general meeting for the purpose of placing the Purchaser Parent Shareholder Approval Resolution before Purchaser Parent's shareholders, and (ii) use reasonable best efforts to finalize the Purchaser Parent Shareholder Circular and have it approved by the UKLA as soon as reasonably practicable after such filing, including by taking all such actions (including supplying undertakings, executing documents and paying fees and expenses) as may be required by the UKLA. As promptly as practicable (and in any event within three (3) Business Days) after UKLA approval of the Purchaser Parent Shareholder Circular, Purchaser Parent shall publish the Purchaser Parent Shareholder Circular and send it to its shareholders and shall, subject to Section 6.24(f) and Section 6.24(g) , cause a general meeting of the shareholders of Purchaser Parent for the purpose of obtaining the Purchaser Parent Shareholder Approval (together with any adjournment or postponement thereof, the " Purchaser Parent Shareholder Meeting ") to be convened and held on twenty-one (21) clear days' notice (subject to the notice being deemed served in accordance with the Deposit Agreement to enable ADR voting), in each case in compliance with the Listing Rules and applicable Law and Purchaser Parent's constitutional documents, and, subject to Section 6.24(f) and Section 6.24(g) , shall propose the Purchaser Parent Shareholder Approval Resolution (without amendment) at the Purchaser Parent Shareholder Meeting.

(b) Seller Parent and its Representatives shall cooperate reasonably and in good faith with Purchaser Parent, and provide, at Purchaser's sole cost and expense, all such information and documentation requested by Purchaser Parent or its Representatives, in each case to the extent reasonably necessary for the purposes of Purchaser Parent's preparation of the Purchaser Parent Shareholder Circular and any supplementary circular thereto, including for the purposes of the preparation of pro forma financial information (and related reporting requirements), if applicable. Seller Parent and its Representatives shall be given a reasonable opportunity to review and comment upon the Purchaser Parent Shareholder Circular (and any supplementary circular thereto) before each such document is filed with the UKLA and is published, and Purchaser Parent shall give reasonable consideration to any additions, deletions or changes reasonably and timely suggested thereto by Seller Parent and its Representatives. In addition, Purchaser Parent shall provide Seller Parent and its Representatives with copies of any written comments, and shall inform them of any material or substantive oral comments, Purchaser Parent or its Representatives may receive from time to time from the UKLA or its staff with respect to the Purchaser Parent Shareholder Circular (and any supplementary circular thereto) promptly after receipt of such comments, and any written or oral responses thereto. Seller Parent and its Representatives shall be given a reasonable opportunity to review and comment upon any such written responses and Purchaser Parent shall

give reasonable consideration to any additions, deletions or changes reasonably suggested thereto by Seller Parent and its Representatives. In the event that Purchaser Parent or its Representatives receives any comments from the UKLA or their staff with respect to the Purchaser Parent Shareholder Circular (or any amendment or supplement thereto), Purchaser Parent and its Representatives shall use reasonable best efforts to respond as promptly as practicable to such comments and shall take such other actions as may be reasonably necessary to resolve the issues raised therein as promptly as practicable, and Seller Parent and its Representatives shall cooperate reasonably and in good faith with Purchaser Parent and its Representatives to the extent reasonably necessary for the purposes of resolving such comments.

(c) Subject to Section 6.24(f) and Section 6.24(g) , Purchaser Parent and the Board of Directors of Purchaser Parent shall (i) include the Purchaser Parent Board Recommendation in the Purchaser Parent Shareholder Circular, (ii) use its reasonable best efforts to obtain the Purchaser Parent Shareholder Approval as promptly as practicable, and to the extent any further Purchaser Parent's shareholders' resolution is required to approve the transactions contemplated hereby or by any of the Ancillary Agreements prior to Closing, use its reasonable best efforts to procure that such further shareholder resolution is passed by the requisite vote of Purchaser Parent's shareholders, and (iii) ensure that the Purchaser Parent Shareholder Circular includes a statement that each Director of Purchaser Parent who holds shares in Purchaser Parent intends to vote his or her shares in favor of the Purchaser Parent Shareholder Approval Resolution. Subject to Section 6.24(f) and Section 6.24(g) , Purchaser Parent shall not, without the prior written consent of Seller Parent, adjourn, postpone or otherwise delay the Purchaser Parent Shareholder Meeting; provided that Purchaser Parent may adjourn, postpone or otherwise delay the Purchaser Parent Shareholder Meeting (including an adjournment to allow reasonable additional time for the preparation and publication of any supplement or amendment to the Purchaser Parent Shareholder Circular) if required to comply with Purchaser Parent's obligations under the Listing Rules or otherwise by applicable Law, and/or where, and to the extent that, the Board of Directors of Purchaser Parent shall have determined in good faith (after consultation with its legal counsel) that the failure to so adjourn, delay or postpone the Purchaser Parent Shareholder Meeting would be inconsistent with its fiduciary duties under applicable Law. After Purchaser Parent has established a record date for the Purchaser Parent Shareholder Meeting, Purchaser Parent shall not change such record date or establish a different record date for the Purchaser Parent Shareholder Meeting without the prior written consent of Seller Parent, unless (x) required to do so by applicable Law or Purchaser Parent's constitutional documents or (y) as required in connection with any adjournment, postponement or delay of the Purchaser Parent Shareholder Meeting permitted by the immediately preceding sentence (it being understood that Purchaser Parent shall consult with and consider in good faith the reasonable views of Seller Parent in connection with setting such new record date). Without the prior written consent of Seller Parent, the Purchaser Parent Shareholder Approval Resolution shall be the only resolution (other than matters of procedure and matters required by applicable Law or Purchaser Parent's constitutional documents to be voted on by Purchaser Parent's shareholders in connection with the approval of the Sale and the transactions contemplated hereby) that Purchaser Parent shall propose to be acted on by Purchaser Parent's shareholders at the Purchaser Parent Shareholder Meeting.

(d) Purchaser Parent shall notify Seller Parent: (i) on a regular basis after publication of the Purchaser Parent Shareholder Circular and prior to the Purchaser Parent Shareholder Meeting of the proxy votes received in respect of the Purchaser Parent Shareholder Meeting; and (ii) promptly following the Purchaser Parent Shareholder Meeting, of the result of the vote on the resolutions proposed to the Purchaser Parent's shareholders at the Purchaser Parent Shareholder Meeting.

(e) Except as expressly permitted by Section 6.24(f) , Purchaser Parent and the Board of Directors of Purchaser Parent (and any committee or other subdivision thereof) shall not, and shall not permit its Representatives to, directly or indirectly, (i) fail to make, withdraw, withhold, change, amend, qualify or modify in a manner adverse to Seller Parent, or publicly propose to fail to make in the Purchaser Parent Shareholder Circular, withdraw, withhold, change, amend, qualify or modify in a manner adverse to Seller Parent, the Purchaser Parent Board Recommendation, (ii) make any public announcement or statement inconsistent with the Purchaser Parent Board Recommendation, (iii) fail to include the Purchaser Parent Board Recommendation in the Purchaser Parent Shareholder Circular (or any supplement or amendment thereto), (iv) recommend in favor of, or fail to recommend against, any matter that could reasonably be expected to result in a Purchaser Adverse Action or a Purchaser Material Adverse Effect or (v) publicly propose to do any of the foregoing (any of the foregoing in this sentence, a " Purchaser Parent Adverse Recommendation Change ").

(f) Notwithstanding any other provision of this Section 6.24 , at any time prior to obtaining the Purchaser Parent Shareholder Approval, the Board of Directors of Purchaser Parent may effect a Purchaser Parent Adverse Recommendation Change if the Board of Directors of Purchaser Parent shall have determined in good faith (after consultation with its legal counsel) that the failure to effect a Purchaser Parent Adverse Recommendation Change would be inconsistent with its fiduciary duties under applicable Law. Subject always to applicable Law and the fiduciary duties of the Board of Directors of Purchaser Parent under applicable Law, Purchaser Parent shall promptly notify Seller Parent in the event that it intends to effect a Purchaser Parent Adverse Recommendation Change, describing in reasonable detail the underlying facts giving rise to, and the reasons for making, such Purchaser Parent Adverse Recommendation Change and shall provide Seller Parent with a reasonable opportunity to consult with Purchaser Parent in respect of the same.

(g) Notwithstanding anything to the contrary contained in this Agreement, a Purchaser Parent Adverse Recommendation Change pursuant to Section 6.24(f) shall relieve Purchaser Parent of its obligations to convene the Purchaser Parent Shareholder Meeting, to prepare and file the Purchaser Parent Shareholder Circular and have the Purchaser Parent Shareholder Circular approved by the UKLA and publish the Purchaser Parent Shareholder Circular and send it to its shareholders, and to submit the Purchaser Parent Shareholder Approval Resolution to a vote of the holders of ordinary shares of Purchaser Parent at the Purchaser Parent Shareholder Meeting and seek to obtain the Purchaser Parent Shareholder Approval for all purposes of this Agreement.

(h) As required by Listing Rule 11.1.7R(4), Seller Parent shall not, and shall use reasonable efforts to ensure that its associates (as defined in the Listing Rules) do not, vote on any resolution(s) proposed at the Purchaser Parent Shareholder Meeting relating to the Sale and/or other

transactions contemplated by this Agreement, in each case to the extent that Seller Parent or any such associate either holds or acquires any shares or other securities in Purchaser Parent.

Section 6.25 Resignations . Seller Parent shall use reasonable best efforts to deliver to Purchaser Parent, at or prior to the Closing, the resignations, effective as of the Closing, of all officers and directors of each Conveyed Subsidiary (and each Subsidiary thereof) who will be officers, directors or employees of Seller Parent or any of its Affiliates after the Closing Date from their positions with such Conveyed Subsidiary (or such Subsidiary thereof).

Section 6.26 Remedial Action Access . In respect of its indemnity obligations under Article VII of this Agreement, each Parent shall have the right, but not the obligation, to conduct and control any relevant Remedial Action. If a Parent opts to conduct a Remedial Action at any Real Property or Purchaser Real Property, the applicable Parent shall use reasonable best efforts to not unreasonably interfere with Purchaser's operations, and the Purchaser Indemnified Parties shall, and shall cause their respective Representatives to, reasonably cooperate with the applicable Parent, including by timely filing any required documents with the appropriate Governmental Authorities, providing reasonable access to and reasonable use of the subject site, employees, documents and on-site structures, infrastructure and utility services (including electricity, underground piping or wastewater or sewer systems) and/or utilities as necessary to perform any required Remedial Action, including reasonable access to install, maintain, replace and operate wells and remove impacted soil and/or groundwater. To the extent required under any Environmental Law, the applicable Purchaser Indemnified Parties shall execute, record, obtain and maintain in good standing any authorization, permit or "generator number" as may be necessary for the proper storage, transportation and/or off-site disposal of any Hazardous Material generated in the course of the Remedial Action. The applicable Purchaser Indemnified Parties shall sign (with respect to the Owned Real Property or the Owned Purchaser Real Property) or use commercially reasonable efforts to cause to be signed (with respect to the Leased Real Property or the Leased Purchaser Real Property) and record (with respect to the Owned Real Property or the Owned Purchaser Real Property) or use commercially reasonable efforts to cause to be recorded (with respect to the Leased Real Property or the Leased Purchaser Real Property) any deed or other recordable real property instrument reasonably requested by the Parent conducting the Remedial Action which is necessary to permit the use of site specific corrective action remedies or remedies based on exposure controls as part of such Remedial Action; provided , however , that the instrument does not unreasonably interfere with the operation of the Facilities or the Purchaser Facilities or materially impact the value of the Real Property or Purchaser Real Property that are the subject of such Remedial Action. The applicable Purchaser Indemnified Parties agree not to use groundwater under any Real Property or Purchaser Real Property, as applicable, to the extent such restriction is necessary to permit the use of site specific corrective action remedies or remedies based on exposure controls as part of such Remedial Action. All reasonable and documented out-of-pocket costs incurred by the applicable Purchaser Indemnified Parties or their respective Representatives cooperating with or otherwise assisting the Parent conducting the Remedial Action pursuant to this Section 6.26 shall be promptly reimbursed by the Parent conducting the Remedial Action.

Section 6.27 Acknowledgements . The Parties acknowledge and agree that certain of the Sellers and the Conveyed Subsidiaries (the " New Subsidiaries ") will be established, formed

or incorporated, as applicable, following the date of this Agreement and prior to the Closing in connection with the Seller Internal Restructurings, and such New Subsidiaries are therefore not in existence as of the date of this Agreement. Accordingly, the Parties acknowledge and agree that, notwithstanding anything in this Agreement to the contrary, Seller Parent makes no representations and warranties with respect to the organization, good standing, authority, capital structure, operations and Liabilities of any such New Subsidiary as of or prior to the date of each respective New Subsidiary's establishment, formation or incorporation. Seller Parent may at any time prior to the Closing supplement or amend the lists set forth in Section 4.3(b) or Section 4.3(c) of the Seller Disclosure Letter, solely to reflect any changes pursuant to the Seller Internal Restructurings (including any steps Seller Parent shall undertake to effect the Seller Internal Restructurings) made in accordance with (f)(i).

ARTICLE VII

INDEMNIFICATION

Section 7.1 Indemnification by Seller Parent and Purchaser Parent.

(a) Subject to the provisions of this Article VII, from and after the Closing, Seller Parent agrees to indemnify and hold harmless (x) Purchaser and its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) (collectively, the "Purchaser Indemnified Parties") and (y) Purchaser Parent and its Subsidiaries (other than Purchaser and its Subsidiaries) (the "Purchaser Parent Indemnified Parties") from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) that any such Purchaser Indemnified Party or Purchaser Parent Indemnified Party suffers or incurs to the extent resulting from (b) any Retained Liability, (c) any breach by any Seller of any of its covenants or agreements contained in this Agreement or in any Ancillary Implementing Agreement or (d) any breach of any representation or warranty of Seller Parent contained in Article IV (other than Section 4.16) or in any Ancillary Implementing Agreement, in each case as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date).

(e) Subject to the provisions of this Article VII, from and after the Closing, Purchaser Parent agrees to indemnify and hold harmless (x) the Purchaser Indemnified Parties and (y) Seller Parent and its Subsidiaries (collectively, the "Seller Parent Indemnified Parties") from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) that any such Purchaser Indemnified Party or Seller Parent Indemnified Party suffers or incurs to the extent resulting from (f) any Purchaser Parent Retained Liability, (g) any breach by Purchaser Parent or any of its Affiliates (which shall not include Purchaser or its Subsidiaries with respect to post-Closing covenants or agreements) of any of their respective covenants or agreements contained in this Agreement or in any Ancillary Implementing Agreement or (h) any breach of any representation or warranty of Purchaser Parent contained in Article V (other than Section 5.17) or in any Ancillary Implementing Agreement, in each case as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date).

(i) The Parties acknowledge and agree that indemnification shall not be available with respect to any Loss resulting from a breach of any representation or warranty contained in this Agreement or in any Ancillary Implementing Agreement to the extent (and only to the extent) the Loss (or related Liability) was accrued or reserved for in the Financial Statements or the Purchaser Financial Statements, as applicable, or actually taken into account in the Final Closing Statement or the calculation of the Final Business Working Capital, the Final Business Net Cash, the Final Purchaser Working Capital or the Final Purchaser Net Cash, as applicable.

Section 7.2 Indemnification by Purchaser . Subject to the provisions of this Article VII , from and after the Closing, Purchaser agrees to indemnify and hold harmless the Seller Parent Indemnified Parties and the Purchaser Parent Indemnified Parties (collectively, the " Parent Indemnified Parties ") (a) from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) that any such Parent Indemnified Party suffers or incurs to the extent resulting from (i) any Assumed Liability or (ii) any Purchaser Liability and (b) from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) any such Parent Indemnified Party suffers or incurs to the extent resulting from any breach following the Closing by Purchaser of any covenant or agreement expressly made by Purchaser in this Agreement or in any Ancillary Implementing Agreement, in its capacity as a Party hereto (and not in its capacity as an Affiliate or Subsidiary of Purchaser Parent), which covenant or agreement by its terms contemplates actions or imposes obligations following the Closing.

Section 7.3 Indemnification Procedures .

(a) Any Person entitled to be indemnified under this Article VII (the " Indemnified Party ") shall promptly give written notice to the Party from whom indemnification may be sought (the " Indemnifying Party ") and each other Party hereto of any pending or threatened Action against the Indemnified Party that has given or would reasonably be expected to give rise to such right of indemnification with respect to such Action (a " Third Party Claim "), indicating, with reasonable specificity, and based on the facts then known to the Indemnified Party, the nature of such Third Party Claim, the basis therefor, a copy of any documentation received from the third party, the amount and calculation of the Losses for which the Indemnified Party is entitled to indemnification under this Article VII (and a good faith estimate of any such future Losses relating thereto), and the provisions of this Agreement or any Ancillary Implementing Agreement in respect of which such Losses shall have occurred, and the Indemnified Party shall promptly deliver to the Indemnifying Party any information or documentation related to the foregoing reasonably requested by the Indemnifying Party. A failure by the Indemnified Party to give notice in a timely manner pursuant to this Section 7.3(a) shall not limit the obligations of the Indemnifying Party under this Article VII , except (i) to the extent such Indemnifying Party is actually prejudiced thereby and (ii) as provided by Section 7.4 (unless, with respect to indemnification pursuant to Section 7.1(b) or Section 7.2 , in the case of the foregoing clauses (i) and (ii), Purchaser Parent has Intentionally Breached (or caused Purchaser to Intentionally Breach) its obligations pursuant to the immediately foregoing sentence).

(b) With respect to any Third Party Claim, the Indemnifying Party under this Article VII shall have the right, but not the obligation, to assume the defense, at its own expense

and by counsel of its own choosing, of such Third Party Claim and any Third Party Claims related to the same or a substantially similar set of facts; provided that the Indemnifying Party shall not be entitled to assume the defense of such Third Party Claim, and shall pay the reasonable fees and expenses of counsel retained by the Indemnified Party, if such Third Party Claim seeks an injunction or equitable relief against the Indemnified Party or is a criminal Action. If the Indemnifying Party so undertakes to defend any such Third Party Claim, it shall notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the defense against, and settlement of, any such Third Party Claim; provided , however , that the Indemnifying Party shall not settle any such Third Party Claim without the written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed) unless such settlement does not involve any injunctive relief against or any finding or admission of any violation of Law or wrongdoing by the Indemnified Party, and any money damages are borne solely by the Indemnifying Party (other than solely with respect to the Deductible, to the extent such damages would constitute Losses to which such Deductible would be applicable); provided , further , that if the Indemnifying Party is Purchaser, Purchaser shall not settle any such Third Party Claim without the written consent of both Parents (not to be unreasonably withheld, conditioned or delayed). Subject to the foregoing, the Indemnified Party shall have the right to employ separate legal counsel and to participate in but not control the defense of such Action at its own cost and expense; provided that, subject to the provisions of this Article VII , the Indemnifying Party shall bear the reasonable fees of one firm of legal counsel (and one additional firm of legal counsel in each jurisdiction implicated in such Action) representing all Indemnified Parties in such Action and all related Actions, if, but only if, the defendants in such Action include both an Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have reasonably concluded, based on the advice of legal counsel, that there is a conflict of interest between the Indemnifying Party and the Indemnified Party with respect to such Action. In any event, the Indemnified Party shall cause its legal counsel to cooperate with the Indemnifying Party and its legal counsel. No Indemnified Party may settle any Third Party Claim without the written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed) and, if the Indemnified Party is Purchaser, the written consent of both Parents (not to be unreasonably withheld, conditioned or delayed). If the Indemnifying Party does not assume the defense of a Third Party Claim, it shall nevertheless be entitled to participate in the defense of such Action at its own cost and expense, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense against, and settlement of, any such Third Party Claim.

(c) In the event that any Indemnified Party has or may have an indemnification claim against any Indemnifying Party under this Article VII that does not involve a Third Party Claim, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party indicating, with reasonable specificity, and based on the facts then known to the Indemnified Party, the nature of such claim, the basis therefor, the amount and calculation of the Losses for which the Indemnified Party is entitled to indemnification under this Article VII (and a good-faith estimate of any such future Losses relating thereto), and the provisions of this Agreement or any Ancillary Implementing Agreement in respect of which such Losses shall have occurred, and the Indemnified Party shall promptly deliver to the Indemnifying Party any information or documentation related to the foregoing reasonably requested by the Indemnifying Party. A failure by the Indemnified Party to give notice in a timely manner pursuant to this Section 7.3(c) shall not limit the obligations of

the Indemnifying Party under this Article VII , except (i) to the extent such Indemnifying Party is actually prejudiced thereby and (ii) as provided by Section 7.4 (unless, with respect to indemnification pursuant to Section 7.1(b) or Section 7.2 , in the case of the foregoing clauses (i) and (ii), Purchaser Parent has Intentionally Breached (or caused Purchaser to Intentionally Breach) its obligations pursuant to the immediately foregoing sentence). If the Indemnifying Party disputes its liability with respect to such claim, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations within thirty (30) days of the receipt of the notice of such indemnification claim by the Indemnifying Party, such dispute shall be resolved by litigation in the appropriate court of competent jurisdiction set forth in Section 10.10 ; provided that if the Indemnifying Party or the Indemnified Party is Purchaser, the Indemnifying Parties and the Indemnified Party shall not agree to settle or resolve any such claim with the written consent of both Parents (not to be unreasonably withheld, conditioned or delayed).

Section 7.4 Expiration . If the Closing has occurred, all covenants and agreements made herein or in any Ancillary Implementing Agreement which, in each case, by their terms contemplate actions or impose obligations following the Closing shall survive the Closing and remain in full force and effect in accordance with their terms; provided that, other than indemnification obligations in respect of Taxes (the survival of which shall be governed exclusively by Section 6.5(l)), (a) the obligations of Purchaser to assume, and to indemnify and hold harmless the Seller Parent Indemnified Parties and the Purchaser Parent Indemnified Parties for, the Assumed Liabilities and the Purchaser Liabilities, (b) the obligations of Seller Parent to retain, and indemnify and hold harmless the Purchaser Indemnified Parties and the Purchaser Parent Indemnified Parties for, the Retained Liabilities and (c) the obligations of Purchaser Parent to retain, and indemnify and hold harmless the Purchaser Indemnified Parties and the Seller Parent Indemnified Parties for, the Purchaser Parent Retained Liabilities, shall in each case survive the Closing indefinitely. All other covenants and agreements contained herein or in any Ancillary Implementing Agreement shall survive the Closing and shall terminate and expire on the twelve (12) month anniversary of the Closing Date (other than the covenants and agreements set forth therein which by their terms contemplate actions or impose obligations following the Closing, which shall survive the Closing and remain in full force and effect in accordance with their terms). All representations and warranties made herein or in any Ancillary Implementing Agreement, and all indemnification obligations under Section 7.1 with respect to any such representations or warranties, shall terminate and expire on the fifteen (15) month anniversary of the Closing Date; provided , however , that the Fundamental Seller Parent Representations and the Fundamental Purchaser Parent Representations shall terminate and expire on the three (3) year anniversary of the Closing Date. No Person shall be entitled to indemnification, and no Action seeking to recover Taxes, Losses or other relief shall be commenced or maintained, with respect to any breach of any covenants, agreements, representations or warranties contained in this Agreement or any Ancillary Implementing Agreement after the date on which such covenant, agreement, representation or warranty shall terminate pursuant to this Section 7.4 or Section 6.5(l) , unless prior to such termination date a claim for indemnification with respect thereto has been made by written notice in accordance with Section 7.3 (in the case of Losses or other relief) or Section 6.5(d) (in the case of Taxes), in which case such claim for indemnification shall survive until finally resolved in accordance with this Agreement.

Section 7.5 Certain Limitations .

(a) Notwithstanding the other provisions of this Agreement, neither Seller Parent nor Purchaser Parent, as applicable, shall have any indemnification obligations (i) under Section 7.1(a)(iii) or Section 7.1(b)(iii) , as applicable, for any Loss (together with any and all other Losses resulting from the same facts or circumstances) that is less than $20,000,000 (the " De Minimis Claim Threshold "), or (ii) under Section 7.1(a)(iii) or Section 7.1(b)(iii) (except with respect to any breach of any Fundamental Seller Parent Representation or Fundamental Purchaser Parent Representation) for any Loss that is equal to or greater than the De Minimis Claim Threshold, unless the aggregate amount of all Losses for which indemnification is available under the applicable provision exceeds $200,000,000 (the " Deductible "), in which event the Indemnifying Party shall be required to pay only the amount of such Losses that exceeds the Deductible but only up to a maximum amount in respect of all such Losses (without giving effect to the Deductible) in the aggregate of $2,000,000,000.

Section 7.6 Losses Net of Insurance, Etc. The amount of any Tax or Loss for which indemnification is provided under Section 6.5(d), Section 7.1 or Section 7.2 shall be net of (i) any amounts recovered by the applicable Indemnified Party pursuant to any indemnification by or indemnification agreement with any third party, and (ii) any insurance proceeds or other cash receipts or sources of reimbursement received with respect to such Tax or Loss, and (iii) in the case of Purchaser Parent as the Indemnifying Party, any amounts recovered by the Purchaser pursuant to the Contribution Agreement, dated as of April 22, 2014, by and among Purchaser Parent, Purchaser and Novartis AG, as amended (the source of any such amounts referred to in clause (i) or (ii) , a " Collateral Source "), in each case net of any Taxes imposed or reasonable out-of-pocket costs incurred in connection with the collection of such insurance proceeds, cash receipts or sources of reimbursement. The applicable Indemnified Party shall use its commercially reasonable efforts to seek recovery for such Taxes or Losses from all Collateral Sources. The Indemnifying Party may require an Indemnified Party to assign to the Indemnifying Party the rights to seek recovery from any Collateral Sources (to the extent such rights are capable of assignment); provided that the Indemnifying Party will then be responsible for pursuing such claim at its own expense; provided , further , that the Indemnified Party shall cooperate (at the Indemnifying Party's expense) with the Indemnifying Party to seek such recovery. If the amount to be netted hereunder from any payment required under Section 6.5(d) or this Article VII is determined after payment by the Indemnifying Party of any amount otherwise required to be paid to an Indemnified Party pursuant to Section 6.5(d) or this Article VII , the Indemnified Party shall repay to the Indemnifying Party, promptly after such determination, any amount that the Indemnifying Party would not have had to pay pursuant to Section 6.5(d) or this Article VII had such determination been made at the time of such payment.

Section 7.7 No Right of Set-Off . No Party shall have any right to set off any Taxes or Losses under Section 6.5(d) and this Article VII against any payments to be made by such Party pursuant to this Agreement or any other agreement among the Parties, including any Ancillary Agreement.

Section 7.8 Materiality . For purposes of Tax Claims subject to Section 6.5 and of this Article VII , no effect shall be given to any qualification in the relevant representations and

warranties as to "material," "materiality," "Material Adverse Effect" or "Purchaser Material Adverse Effect" for purposes of determining the amount of any Loss suffered or incurred by an Indemnified Party, but all such qualifications shall be given effect for purposes of determining whether there has been a breach or inaccuracy of any representation or warranty.

Section 7.9 Mitigation; Other Limitations .

(a) Each of Seller Parent, Purchaser Parent, Purchaser and each Indemnified Party shall take, and cause its Affiliates to take, all commercially reasonable steps to mitigate any Tax or Loss upon becoming aware of any event which would reasonably be expected to, or does, give rise thereto.

(b) Notwithstanding anything to the contrary contained in this Agreement, the obligations to indemnify under this Agreement, and the amount of any Loss for which indemnification is provided under Section 7.1 , shall be subject to the following limitations:

(i) With respect to any Remedial Action, the applicable Indemnifying Party shall only be liable to the extent such Remedial Action is conducted in the Most Cost-Effective Manner. Regardless of whether any Indemnifying Party or any Indemnified Party conducts any such Remedial Action, the applicable Indemnifying Party shall not be responsible for any operation and maintenance with respect to any such institutional or engineering controls subsequent to completion of their initial installation at the applicable Real Property or Purchaser Real Property subject to such Remedial Action, and such post-installation costs shall not be subject to claims for indemnification or reimbursement under this Article VII .

(ii) With respect to any particular Environmental Liability, an Indemnifying Party's obligations for indemnification or reimbursement in respect of such Environmental Liability, shall be deemed satisfied, completed and fully discharged upon the relevant Remediation Completion Date, and the Indemnifying Party shall no longer be responsible for ongoing obligations and Liabilities with respect to such Environmental Liabilities to the extent related to the Real Property (or Facilities thereon) or Purchaser Real Property (or Purchaser Facilities thereon), including the operation and maintenance of any institutional and engineering controls.

(iii) An Indemnifying Party shall not have any indemnification obligations for Losses relating to any Environmental Liabilities to the extent such Losses relate to, result from, or arise out of any (1) exacerbation of an existing condition due to a negligent or intentional act or omission by or on behalf of the Indemnified Party or its Affiliates, (2) environmental investigation, drilling, sampling, testing or monitoring of any soil, surface water or groundwater, by or on behalf of the applicable Indemnified Party or its Affiliates, after the Closing Date (except to the extent required by Environmental Laws or Environmental Permits or a Governmental Authority; conducted in response to facts or conditions potentially indicating a material risk to health or the environment; conducted in connection with defending

against or otherwise responding to a Third Party Claim; conducted to comply with the requirements of any Real Property Lease or Purchaser Real Property Lease; reasonably and independently requested in writing by a third party in connection with a sale, lease, sublease, financing, mortgage or other transaction involving any Real Property, Purchaser Real Property, Facility or Purchaser Facility as part of the third party's normal business practices; or conducted consistent with industry practice in connection with the ordinary course of business and the Indemnified Party's bona fide construction, renovation, demolition, removal, repair or expansion of improvements at any Real Property, Purchaser Real Property, Facility or Purchaser Facility); or (3) decommissioning, closure or voluntary shutdown of any Real Property, Purchaser Real Property, Facility or Purchaser Facility by or on behalf of the Indemnified Party or its Affiliates.

(c) Notwithstanding anything to the contrary contained in this Agreement, in no event shall any Party be entitled to duplicative recovery directly or indirectly for the same Loss, including, in the case of either Parent (or any of their respective Subsidiaries), in their respective capacities as direct or indirect equity holders of Purchaser post-Closing; it being understood that to the extent a Loss is suffered in the applicable Parent's (or any of its respective Subsidiaries') capacity as direct or indirect equity holders of Purchaser post-Closing, the Purchaser Parent Indemnified Parties and the Seller Parent Indemnified Parties, as applicable, shall only be entitled to directly seek indemnification or recover for such Loss under Section 7.1(a)(ii) or Section 7.1(a)(iii) (in the case of the Purchaser Parent Indemnified Parties) or under Section 7.1(b)(ii) or Section 7.1(b)(iii) (in the case of the Seller Parent Indemnified Parties) to the extent such Loss cannot be remedied by means of an indemnification claim or recovery by Purchaser and its Subsidiaries under Section 7.1(a) or Section 7.1(b) , respectively.

Section 7.10 Sole Remedy/Waiver . Except with respect to claims seeking specific performance or other equitable relief with respect to covenants or agreements to be performed after the Closing pursuant to this Agreement, and except in the case of fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, the Parties acknowledge and agree that the remedies provided for in Section 2.9 , Section 6.5 and this Article VII shall be the Parties' sole and exclusive remedy, from and after the Closing, with respect to the subject matter of this Agreement or any of the Ancillary Implementing Agreements (but not with respect to any claims under the other Ancillary Agreements, which shall be governed by the terms thereof). In furtherance of the foregoing, and except as set forth in the exceptions set forth in the preceding sentence and except as provided in Section 2.9 , Section 6.5 and this Article VII , from and after the Closing, the Parties hereby waive, on behalf of themselves and their Affiliates, to the fullest extent permitted by applicable Law, any and all other rights, claims and causes of action (including rights of contribution, if any) known or unknown, foreseen or unforeseen, which exist or may arise in the future, that they may have against the Sellers or any of their Affiliates, or Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries), as the case may be, in connection with the transactions contemplated by this Agreement or any of the Ancillary Implementing Agreements (but not with respect to any rights, claims or causes of action under the other Ancillary Agreements which, in each case, shall be governed by the terms thereof), whether arising under or based upon breach of warranty or contract (including for breach of any representation, warranty, covenant or

agreement), tortious conduct (including negligence), any Law (including any such Law relating to environmental matters (including Environmental Laws) or arising under or based upon any securities Law, common law or otherwise) or otherwise. Each Party shall cause its respective Affiliates party to an Ancillary Implementing Agreement not to assert any claims or causes of action under such Ancillary Implementing Agreement, and all such claims shall be asserted only under this Agreement. Without limiting the generality of the foregoing, in no event shall any Party, its Affiliates, successors or permitted assigns be entitled to claim or seek rescission of the transactions contemplated by this Agreement and the Ancillary Agreements.

Section 7.11 Indemnification Payments . A Party shall not be deemed to have suffered a Loss or Tax with respect to an item to the extent such Party was actually compensated therefor by reason of an increase in the amount otherwise paid to it or a reduction in the amount otherwise paid by it pursuant to Section 2.9 .

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.1 Conditions to the Obligations of the Parties . The respective obligations of each of the Parties to consummate the Closing shall be subject to the satisfaction or written waiver (to the extent permitted by Law) by Purchaser Parent and Seller Parent, at or prior to the Closing, of each of the following conditions precedent:

(a) There shall not be any Governmental Order in effect issued by a Governmental Authority of competent jurisdiction that enjoins or otherwise prohibits the Closing.

(b) (i) The waiting period required under the HSR Act shall have expired or been terminated and any agreement between Purchaser Parent or Purchaser and a competent Governmental Antitrust Authority in a jurisdiction set forth on Annex C entered into in accordance with this Agreement to delay consummation of the Closing has expired or been terminated; and (i) all other Approvals under Antitrust Laws of the jurisdictions set forth on Annex C required to be obtained for the consummation of the Closing shall have been obtained.

(c) The Purchaser Parent Shareholder Approval shall have been obtained.

Section 8.2 Conditions to the Obligations of Purchaser and Purchaser Parent . The obligation of Purchaser Parent and Purchaser to consummate the Closing shall be subject to the satisfaction, or the written waiver (to the extent permitted by Law) by Purchaser Parent, at or prior to the Closing, of each of the following further conditions precedent:

(a) The representations and warranties of Seller Parent contained in Article IV (other than as set forth in the following two sentences) shall be true and correct (without giving effect to any "material", "materiality" or "Material Adverse Effect" qualifications set forth therein) as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date), except to the extent that failures to be true and correct would not, individually or in the aggregate, have a Material

Adverse Effect. The Fundamental Seller Parent Representations shall be true and correct in all material respects as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date). The representation and warranty of Seller Parent set forth in Section 4.7(a) shall be true and correct in all respects as of the Closing Date as though made on the Closing Date.

(b) Seller Parent shall have performed and complied in all material respects with the agreements and covenants required by this Agreement to be performed or complied with by Seller Parent on or prior to the Closing Date.

(c) Seller Parent shall have delivered to Purchaser Parent a certificate signed by a duly authorized officer of Seller Parent to the effect that the conditions set forth in Sections 8.2(a) and 8.2(b) have been satisfied.

Section 8.3 Conditions to the Obligations of Seller Parent . The obligation of Seller Parent to consummate the Closing shall be subject to the satisfaction, or the written waiver (to the extent permitted by Law) by Seller Parent, at or prior to the Closing, of each of the following further conditions precedent:

(a) The representations and warranties of Purchaser Parent contained in Article V (other than as set forth in the following two sentences) shall be true and correct (without giving effect to any "material", "materiality" or "Purchaser Material Adverse Effect" qualifications set forth therein) as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date), except to the extent that failures to be true and correct would not, individually or in the aggregate, have a Purchaser Material Adverse Effect. The Fundamental Purchaser Parent Representations shall be true and correct in all material respects as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date), other than the representations and warranties of Purchaser Parent contained in Section 5.3(a) , which shall be true and correct in all respects, other than *de minimis* inaccuracies (that do not impact the issued share capital of Purchaser following the Closing), as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date). The representation and warranty of Purchaser Parent set forth in Section 5.7(a) shall be true and correct in all respects as of the Closing Date as though made on the Closing Date.

(b) Purchaser Parent and Purchaser shall have performed and complied in all material respects with the agreements and covenants required by this Agreement to be performed or complied with by Purchaser Parent or Purchaser on or prior to the Closing Date.

(c) Purchaser Parent shall have delivered to Seller Parent a certificate signed by a duly authorized officer of Purchaser Parent to the effect that the conditions set forth in Sections 8.3(a) and 8.3(b) have been satisfied.

Section 8.4 Frustration of Closing Conditions . Without limiting Purchaser Parent's rights under Section 6.24(f) and Section 6.24(g) , no Party may rely as a basis for terminating

this Agreement on the failure of any condition set forth in this Article VIII to be satisfied if such failure was caused by such Party's or its Affiliates' failure to act in good faith or to use the efforts required under this Agreement to cause the Closing to occur, including as required in Section 6.3 .

ARTICLE IX

TERMINATION

Section 9.1 Termination . This Agreement may be terminated at any time prior to the Closing:

(a) by written agreement of Purchaser Parent and Seller Parent;

(b) by either Purchaser Parent or Seller Parent, by giving written notice of such termination to the other Party, if the Closing shall not have occurred on or prior to the close of business (New York time) on September 30, 2019 (as it may be extended below, the " Outside Date "); provided that if the conditions set forth in Sections 8.1(a) (where the relevant Governmental Order arises from or relates to Antitrust Laws) or 8.1(b) shall not have been satisfied or waived by September 30, 2019, then either Purchaser Parent or Seller Parent may extend the Outside Date to the close of business (New York time) on December 31, 2019 by providing written notice thereof to the other Party prior to the initial Outside Date; provided , further , that following such extension if the conditions set forth in Sections 8.1(a) (where the relevant Governmental Order arises from or relates to Antitrust Laws) or 8.1(b) shall not have been satisfied or waived by December 31, 2019, then either Purchaser Parent or Seller Parent may extend the Outside Date to the close of business (New York time) on March 31, 2020 by providing written notice thereof to the other Party prior to the Outside Date as extended pursuant to the immediately preceding proviso; provided , however , that (without limiting Purchaser Parent's rights under Section 6.24(f) and Section 6.24(g)) the right to terminate this Agreement pursuant to this Section 9.1(b) shall not be available to (i) any Party whose action or failure to fulfill any obligation under this Agreement, or, in the case of Purchaser Parent, if the action of Purchaser or failure by Purchaser to fulfill any obligation under this Agreement, has been the cause of, or resulted in, the failure of the Closing to occur on or before such date or (ii) any Party during the pendency of any Action by any other Party for specific performance of this Agreement;

(c) by Purchaser Parent upon written notice to Seller Parent, if there shall have been a material breach of any of the representations, warranties, agreements or covenants set forth in this Agreement on the part of Seller Parent which has rendered the satisfaction of the conditions set forth in Section 8.2(a) or Section 8.2(b) incapable of fulfillment and such breach is incapable of being cured prior to the Outside Date; provided that Purchaser Parent has given written notice to Seller Parent of such breach stating Purchaser Parent's intention to terminate this Agreement pursuant to this Section 9.1(c) and the basis for such termination at least forty-five (45) days prior to such termination ; provided , further , that the right to terminate this Agreement under this Section 9.1(c) shall not be available to Purchaser Parent if it or Purchaser has materially breached any representation, warranty, covenant or other agreement contained herein in a manner that has rendered the satisfaction of the conditions set forth in Section 8.3(a) or Section 8.3(b) incapable of fulfillment;

(d) by Seller Parent upon written notice to Purchaser Parent, if there shall have been a material breach of any of the representations, warranties, agreements or covenants set forth in this Agreement on the part of Purchaser Parent or Purchaser which has rendered the satisfaction of the conditions set forth in Section 8.3(a) or Section 8.3(b) incapable of fulfillment and such breach is incapable of being cured prior to the Outside Date; provided that Seller Parent has given written notice to Purchaser Parent of such breach stating Seller Parent's intention to terminate this Agreement pursuant to this Section 9.1(d) and the basis for such termination at least forty-five (45) days prior to such termination ; provided , further , that the right to terminate this Agreement under this Section 9.1(d) shall not be available to Seller Parent if it has materially breached any representation, warranty, covenant or other agreement contained herein in a manner that has rendered the satisfaction of the conditions set forth in Section 8.2(a) or Section 8.2(b) incapable of fulfillment;

(e) by either Seller Parent or Purchaser Parent, by giving written notice of such termination to the other Party, if any Governmental Authority of competent jurisdiction shall have issued a Governmental Order permanently enjoining or otherwise prohibiting the Closing and such Governmental Order shall have become final and nonappealable; provided that the right to terminate this Agreement pursuant to this Section 9.1(e) shall not be available to any Party whose action or failure to fulfill any obligation under this Agreement, or, in the case of Purchaser Parent, if the action of Purchaser or failure by Purchaser to fulfill any obligation under this Agreement, has been the cause of, or resulted in, the issuance of such Governmental Order;

(f) by either Seller Parent or Purchaser Parent, by giving written notice of such termination to the other Party, if the Purchaser Parent Shareholder Approval shall not have been obtained at the Purchaser Parent Shareholder Meeting at which a vote on the Sale and the transactions contemplated by this Agreement is taken; or

(g) by Seller Parent upon written notice to Purchaser Parent if there shall have been a Purchaser Parent Adverse Recommendation Change.

Section 9.2 Effect of Termination .

(a) In the event of termination of this Agreement pursuant to Section 9.1 , written notice thereof shall forthwith be given to the other Parties, and, except as set forth in this Section 9.2 , this Agreement shall terminate and be void and have no effect and the transactions contemplated hereby shall be abandoned, without any liability or obligation on the part of any Party or its respective Affiliates, directors, officers or employees; provided that if such termination shall result from (i) the Intentional Breach by a Party of any representation, warranty, covenant, or agreement in this Agreement, or (ii) fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, such Party shall be fully liable to the other Parties for any and all damages, expenses (including reasonable attorneys' fees and expenses), losses or liabilities of any nature and kind incurred or suffered by the other Parties or their Affiliates as a result of such Intentional Breach or fraud. Notwithstanding the foregoing, nothing shall relieve any Party from reimbursement of the costs and expenses (and, as applicable, indemnification obligations) of any other Party and its Affiliates pursuant to any provision of this Agreement that, by its express terms, requires reimbursement, indemnification or similar obligations by such Party. In the event of termination of this Agreement prior to the Closing pursuant to Section 9.1 , the Parties shall, and

shall cause their applicable Affiliates to, take all action necessary to terminate any Ancillary Agreements, including any Local Implementing Agreements, entered into as of or prior to such time.

(b) Without limiting Section 9.2(a) , in the event of a termination of this Agreement pursuant to (i) Section 9.1(b) (if and only if terminated at a time when the Purchaser Parent Shareholder Approval has not been obtained), (ii) Section 9.1(f) or (iii) Section 9.1(g) , Purchaser Parent shall pay to Seller Parent, by way of compensation, $900,000,000 (the " Purchaser Parent Termination Fee ") within one (1) Business Day after the date of the termination of this Agreement by Seller Parent and, in the event of a termination by Purchaser Parent, concurrently with, and as a condition precedent to, the termination of this Agreement, by wire transfer of immediately available funds to an account designated in writing by Seller Parent; provided that Purchaser Parent shall not be required to pay the Purchaser Parent Termination Fee on more than one occasion. Purchaser Parent acknowledges that the agreements contained in this Section 9.2(b) are an integral part of the transactions contemplated by this Agreement and that, without these agreements, Seller Parent would not enter into this Agreement. Accordingly, if Purchaser Parent fails promptly to pay any amount due pursuant to this Section 9.2(b) , Purchaser Parent shall also pay any reasonable and documented costs, fees and expenses incurred by Seller Parent (including reasonable attorneys' fees) in connection with a legal action to enforce this Agreement that results in a judgment for such amount or any portion thereof against Purchaser Parent or its Affiliates. Any amount not paid when due pursuant to this Section 9.2(b) shall bear interest from the date such amount is due until the date paid at a rate equal to the prime rate as published in *The Wall Street Journal* , *Eastern Edition* , in effect on the date such amount is due, plus three percent (3%). Notwithstanding anything to the contrary in this Agreement, except in the event of (i) an Intentional Breach by Purchaser Parent or Purchaser of any representation, warranty, covenant, or agreement in this Agreement or (ii) Purchaser Parent's or Purchaser's fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, if this Agreement is terminated in circumstances requiring the payment of the Purchaser Parent Termination Fee to Seller Parent, the payment in full of the Purchaser Parent Termination Fee by Purchaser Parent to Seller Parent, together with any interest, costs, fees or expenses payable, in each case in accordance with this Section 9.2(b) , shall be the sole and exclusive remedy of Seller Parent and all of its Affiliates against Purchaser Parent and its Affiliates, and upon such payment, except in the event of such an Intentional Breach or fraud, none of Purchaser Parent or any of its Affiliates shall have any further liability or obligation (whether at law or equity, in contract, in tort or otherwise) to Seller Parent or any of its Affiliates, and their respective directors, officers and employees or other Representatives, relating to or arising out of this Agreement, any Ancillary Agreement or any of the transactions contemplated hereby or thereby.

(c) Notwithstanding the termination of this Agreement, the following Sections of this Agreement shall remain in full force and effect: Section 6.1(b) (Information and Documents), Section 9.1 (Termination), Section 9.2 (Effect of Termination) and Article X (Miscellaneous).

(d) If this Agreement is terminated in accordance with Section 9.1 , the Confidentiality Agreement and Clean Team Agreement shall each remain in full force and effect for the term provided for therein; except that Seller Parent and Purchaser Parent agree that the term

of the Confidentiality Agreement (including the employee non-solicitation prohibition therein) shall be extended (if a shorter term would otherwise remain) to a period of two (2) years from the date of such termination and this Agreement shall be the requisite mutual written consent amending such Confidentiality Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices . All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) when served by personal delivery upon the Party for whom it is intended, (b) one (1) Business Day following the day sent by overnight courier, return receipt requested, (c) when sent by facsimile, provided that the facsimile is promptly confirmed, or (d) when sent by e-mail, provided that a copy of the same notice or other communication sent by e-mail is also sent by overnight courier, return receipt requested, personal delivery, or facsimile as provided herein, on the same day as such e-mail is sent, in each case to the Person at the address, facsimile number or e-mail address set forth below, or such other address, facsimile number or e-mail address as may be designated in writing hereafter, in the same manner, by such Person:

To any Seller:

Pfizer Inc.
235 East 42nd Street
New York, NY 10017
Attn: General Counsel

with a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attn: Edward D. Herlihy
David K. Lam
Jacob A. Kling
E-mail: EDHerlihy@wlrk.com
DKLam@wlrk.com
JAKling@wlrk.com
Fax: (212) 403-2000

To Purchaser Parent or Purchaser:

GlaxoSmithKline Plc
980 Great West Road
Brentford
Middlesex
TW8 9GS
United Kingdom
Attn: General Counsel Consumer Healthcare

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attn: Daniel E. Wolf
Eric L. Schiele, P.C.
Claire E. James
Patrick Jacobs
E-mail: daniel.wolf@kirkland.com
eric.schiele@kirkland.com
claire.james@kirkland.com
patrick.jacobs@kirkland.com
Fax: (212) 446-4900

Section 10.2 Amendment; Waiver . Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Parties hereto, or in the case of a waiver, by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 10.3 Assignment . (a) No Party may assign any of its rights or obligations under this Agreement, including by sale of stock, operation of Law in connection with a merger or sale of all or substantially all of the assets of such Party, without the prior written consent of the other Parties.

(a) Notwithstanding the foregoing and subject to Section 6.5(f) , Purchaser shall be entitled to designate one or more of its Affiliates that are directly or indirectly wholly owned by Purchaser (each, a " Purchaser Designated Affiliate ") to be the purchaser or transferee of some or all of the Shares or the other Purchased Assets and be the entity assuming some or all of the Assumed Liabilities (and to be a counterparty to one or more of the Ancillary Agreements), provided that no such designation (i) shall release Purchaser from its obligations under this Agreement or (ii) would reasonably be expected to restrict or delay consummation of the transactions contemplated hereby or by the Ancillary Agreements in any material respect. Purchaser shall be responsible for and shall pay or reimburse the Sellers for any Taxes and other reasonable out-of-pocket costs and expenses to the extent arising out of or resulting from the substitution of a Purchaser Designated Affiliate

(other than a Purchaser Designated Affiliate organized under the Laws of or Tax resident in the United States or the United Kingdom) for Purchaser as the purchaser or transferee of any of the Shares or the other Purchased Assets, or as the entity assuming some or all of the Assumed Liabilities, or as a counterparty to one or more of the Ancillary Agreements, in accordance with this Section 10.3(b), in each case other than (1) any such Taxes, costs or expenses arising out of or resulting from a substitution requested by a Seller or required by applicable Law or (2) to the extent the applicable Seller is entitled to a refund, credit or offset in respect of such Taxes from any Taxing Authority.

Section 10.4 Entire Agreement. This Agreement (including the Seller Disclosure Letter, the Purchaser Parent Disclosure Letter and all Annexes and Exhibits) contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters, except for (i) the Confidentiality Agreement and the Clean Team Agreement which shall each remain in full force and effect and (ii) the Ancillary Agreements and any other written agreement of the Parties that expressly provides that it is not superseded by this Agreement. In the event of a conflict between the terms of this Agreement and the terms of any Ancillary Agreement, the terms of this Agreement shall control except to the extent expressly provided otherwise in any Ancillary Agreement.

Section 10.5 Parties in Interest. Except with respect to (i) the Purchaser Indemnified Parties, the Purchaser Parent Indemnified Parties and the Seller Parent Indemnified Parties solely with respect to Article VII and (ii) the Persons entitled to indemnification under Section 6.5(d) solely with respect to Section 6.5(d) or, in each case, as expressly set forth herein (including Section 6.21), nothing in this Agreement, express or implied, is intended to confer upon any Person other than Purchaser Parent, Purchaser, the Sellers, or their permitted assigns, any rights or remedies under or by reason of this Agreement.

Section 10.6 Public Disclosure. Notwithstanding anything herein to the contrary, each Party agrees that, except (x) subject to Section 6.24(f) and Section 6.24(g), in making a Purchaser Parent Adverse Recommendation Change or (y) as may be required to comply with the requirements of any applicable Laws, and the rules and regulations of each stock exchange upon which the securities of either of the Parties are listed (in which case the disclosing Party will use its commercially reasonable efforts to (a) advise the other Party before making such disclosure and (b) provide such other Party a reasonable opportunity to review and comment on such release or announcement and consider in good faith any comments with respect thereto), no press release or similar public announcement or communication shall, if prior to the Closing, be made or caused to be made by the Parties or their Affiliates concerning the execution or performance of this Agreement unless the Parties shall have consulted in advance with respect thereto.

Section 10.7 Expenses. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such costs and expenses.

Section 10.8 Disclosure Letters; Disclosures Modifying Other Sections of Agreement. The Seller Disclosure Letter and the Purchaser Parent Disclosure Letter, and all

schedules attached thereto, and all Annexes and Exhibits attached to this Agreement, shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. Any capitalized terms used in any Annex, Exhibit or Schedule or in the Seller Disclosure Letter or Purchaser Parent Disclosure Letter but not otherwise defined therein shall be defined as set forth in this Agreement. Any information, item or other disclosure set forth in any Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter, as the case may be, shall be deemed to be disclosed with respect to any other Section of this Agreement (or to have been set forth in any other Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter, as the case may be), if the relevance of such disclosure to such other Section is reasonably apparent on the face of such disclosure notwithstanding the omission of a reference or a cross-reference with respect thereto and notwithstanding any reference to a Section of the Seller Disclosure Letter or Purchaser Parent Disclosure Letter, as applicable, in such Section of this Agreement. The disclosure of any matter in any Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter shall expressly not be deemed to constitute an admission by any Party, or to otherwise imply, that any such matter is material for purposes of this Agreement.

Section 10.9 No Admission . Nothing in this Agreement, any Ancillary Agreement or in any Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter shall be deemed an admission by any Party or any of their respective Affiliates (including the Conveyed Subsidiaries and their Subsidiaries), in any Action by or on behalf of or with a Governmental Authority or other third party, that any such Party or any of their respective Affiliates, or that such third party or any of its respective Affiliates, is or is not violating or in contravention or breach of or default under, as applicable, any Law, Governmental Authorization, Contract or Intellectual Property of any other Person.

Section 10.10 Governing Law; Jurisdiction .

(a) This Agreement (and any claim or controversy arising out of or relating to this Agreement) shall be exclusively governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules of such state.

(b) Any Action relating to this Agreement, or the transactions contemplated hereby, shall be brought exclusively in the U.S. District Court for the Southern District of New York or, if for any reason the U.S. District Court for the Southern District of New York lacks subject matter jurisdiction, any New York State court sitting in New York City, and each Party irrevocably (i) agrees and consents to be subject to the jurisdiction of the U.S. District Court for the Southern District of New York or, if for any reason the U.S. District Court for the Southern District of New York lacks subject matter jurisdiction, any New York State court sitting in New York City and (ii) waives any objection which it may have at any time to the laying of venue of such Action brought in any such court, waives any claim that such Action has been brought in an inconvenient forum and further waives the right to object, with respect to such Action, that such court does not have any jurisdiction over such Party. Each of Purchaser Parent and Purchaser hereby irrevocably designates, appoints and empowers GSK plc, with offices located at 980 Great West Road, Brentford Middlesex TW8 9GS, England, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf service of any legal process, summons notices and documents

which may be served in any such Action. If for any reason GSK plc is unable or unwilling to continue to act as such designee, appointee and agent, each of Purchaser Parent and Purchaser agrees to immediately appoint a successor designee, appointee and agent in New York City acceptable to Seller Parent. THE PARTIES HEREBY AGREE THAT MAILING OF PROCESS OR OTHER PAPERS IN CONNECTION WITH ANY SUCH ACTION IN THE MANNER PROVIDED IN SECTION 10.1, OR IN SUCH OTHER MANNER AS MAY BE PERMITTED BY LAW, SHALL BE VALID AND SUFFICIENT SERVICE THEREOF AND HEREBY WAIVE ANY OBJECTIONS TO SERVICE ACCOMPLISHED IN THE MANNER HEREIN PROVIDED.

(c) THE PARTIES AGREE THAT THEY HEREBY IRREVOCABLY WAIVE AND AGREE TO CAUSE THEIR RESPECTIVE AFFILIATES TO WAIVE, THE RIGHT TO TRIAL BY JURY IN ANY ACTION TO ENFORCE OR INTERPRET THE PROVISIONS OF THIS AGREEMENT.

Section 10.11 Counterparts. This Agreement may be executed in counterparts (including by facsimile or electronic .pdf submission), each of which shall be deemed an original, and all of which shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by telecopy or otherwise) to the other Parties, it being understood that all Parties need not sign the same counterpart.

Section 10.12 Headings. The heading references herein and the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

Section 10.13 Severability. The provisions of this Agreement shall be deemed severable and the invalidity, illegality or unenforceability of any provision shall not affect the validity, legality or enforceability of the other provisions hereof. If any term or other provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid, illegal or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid, legal and enforceable, the intent and purpose of such invalid, illegal or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity, illegality or unenforceability, nor shall such invalidity, illegality or unenforceability affect the validity, legality or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 10.14 Rules of Construction. The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and have participated jointly in the negotiation and drafting of this Agreement and, therefore, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

Section 10.15 Specific Performance. The Parties acknowledge and agree that irreparable harm would occur and that the Parties would not have any adequate remedy at Law (i) for any actual or threatened breach of the provisions of this Agreement or (ii) in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms.

It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches or threatened breaches of this Agreement and to specifically enforce the terms and provisions of this Agreement (including Section 6.3) and any other agreement or instrument executed in connection herewith, without proof of actual damages, and each Party further agrees to waive any requirement for the securing or posting of any bond in connection with such remedy. Each of the Parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other Party has an adequate remedy at Law or that any award of specific performance is not an appropriate remedy for any reason at Law or in equity. The Parties further agree that (x) by seeking the remedies provided for in this Section 10.15 , a Party shall not in any respect waive its right to seek any other form of relief that may be available to a Party under this Agreement, including monetary damages (or the right to reimbursement of its costs and expenses relating to any enforcement actions hereunder) and (y) nothing contained in this Section 10.15 shall require any Party to institute any proceeding for (or limit any Party's right to institute any proceeding for) specific performance under this Section 10.15 before exercising any termination right under Section 9.1 (and pursuing damages after such termination) nor shall the commencement of any action pursuant to this Section 10.15 or anything contained in this Section 10.15 restrict or limit any Party's right to terminate this Agreement in accordance with the terms of Section 9.1 or pursue any other remedies under this Agreement that may be available then or thereafter. Notwithstanding the foregoing, under no circumstances shall any Seller be permitted to receive both (1) a grant of specific performance to require Purchaser or Purchaser Parent to consummate, and that results in the consummation of, the Closing and (2) payment of the Purchaser Parent Termination Fee.

Section 10.16 Affiliate Status . To the extent that a Party is required hereunder to take certain action with respect to entities designated in this Agreement as such Party's Affiliates, such obligation shall apply to such entities only during such period of time that such entities are Affiliates of such Party. To the extent that this Agreement or any Ancillary Agreement requires an Affiliate of any Party to take or omit to take any action, such agreement and obligation includes the obligation of such Party to cause such Affiliate to take or omit to take such action.

Section 10.17 Waiver of Conflicts Regarding Representation; Nonassertion of Attorney-Client Privilege .

(a) Each of Purchaser Parent and Purchaser waives and will not assert, and agrees to cause its Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, to waive and not assert, any conflict of interest arising out of or relating to the representation, after the Closing (the " Seller Post-Closing Representation "), of Seller Parent or any of its Affiliates, or any shareholder, officer, employee or director of Seller Parent or any of its Affiliates (any such Person, a " Seller Designated Person ") in any matter involving this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, by any legal counsel currently representing any Seller Designated Person in connection with this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, including Wachtell, Lipton, Rosen & Katz (any such representation, the " Seller Current Representation ").

(b) Seller Parent waives and will not assert, and agrees to cause its Affiliates to waive and not assert, any conflict of interest arising out of or relating to the representation, after the Closing (the " Purchaser Post-Closing Representation "), of Purchaser Parent or Purchaser or any of their Affiliates or any shareholder, officer, employee or director of Purchaser Parent, Purchaser or any of their Affiliates (any such Person, a " Purchaser Designated Person ") in any matter involving this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, by any legal counsel currently representing any Purchaser Designated Person in connection with this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, including Kirkland & Ellis LLP and Slaughter and May (any such representation, the " Purchaser Current Representation ").

(c) Each of Purchaser Parent and Purchaser waives and will not assert, and agrees to cause its Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, to waive and not assert, any attorney-client or other applicable legal privilege or protection with respect to any communication between any legal counsel and any Seller Designated Person occurring during the Seller Current Representation (the " Seller Privileged Communications ") or in connection with any Seller Post-Closing Representation, including in connection with a dispute with Purchaser Parent or Purchaser or its Affiliates (including, following the Closing, any Conveyed Subsidiary or any of their Subsidiaries), including in respect of any claim for indemnification hereunder by a Purchaser Indemnified Party or a Purchaser Parent Indemnified Party, it being the intention of the Parties that all such rights to such attorney-client and other applicable legal privilege or protection and to control such attorney-client and other applicable legal privilege or protection shall be retained by the Sellers and their Affiliates and that the Sellers, and not Purchaser Parent, Purchaser or their Affiliates or the Conveyed Subsidiaries and their Subsidiaries, shall have the sole right to decide whether or not to waive any attorney-client or other applicable legal privilege or protection. Accordingly, from and after Closing, none of Purchaser Parent, Purchaser or their Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, shall have any access to any such communications or to the files of the Seller Current Representation, all of which shall be and remain the property of the Sellers and not of Purchaser Parent, Purchaser or their Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, or to internal counsel relating to such engagement, and none of Purchaser Parent, Purchaser or their Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, or any Person acting or purporting to act on their behalf shall seek to obtain the same by any process on the grounds that the privilege and protection attaching to such communications and files belongs to Purchaser Parent, Purchaser or their Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, or does not belong to the Sellers. Notwithstanding the foregoing, in the event that a dispute arises between Purchaser Parent, Purchaser or their Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, on the one hand, and a third party other than the Sellers or their Affiliates, on the other hand, Sellers shall not disclose any such Seller Privileged Communications to such third party without the prior written consent of Purchaser unless required to do so by applicable Law or Governmental Order.

(d) Seller Parent waives and will not assert, and agrees to cause its Affiliates, to waive and not assert, any attorney-client or other applicable legal privilege or protection with respect to any communication between any legal counsel and any Purchaser Designated Person occurring

during the Purchaser Current Representation (the " Purchaser Privileged Communications ") or in connection with any Purchaser Post-Closing Representation, including in connection with a dispute with Seller Parent or its Affiliates, including in respect of any claim for indemnification hereunder by a Seller Parent Indemnified Party, it being the intention of the Parties that all such rights to such attorney-client and other applicable legal privilege or protection and to control such attorney-client and other applicable legal privilege or protection shall be retained by Purchaser Parent and its Affiliates (other than Purchaser) and that Purchaser Parent, and not Seller Parent or Purchaser, shall have the sole right to decide whether or not to waive any attorney-client or other applicable legal privilege or protection. Accordingly, from and after Closing, none of Seller Parent or Purchaser shall have any access to any such communications or to the files of the Purchaser Current Representation, all of which shall be and remain the property of Purchaser Parent and not of Seller Parent or its Affiliates or Purchaser or its Subsidiaries or to internal counsel relating to such engagement, and none of Seller Parent or its Affiliates or Purchaser or its Subsidiaries or any Person acting or purporting to act on their behalf shall seek to obtain the same by any process on the grounds that the privilege and protection attaching to such communications and files belongs to Seller Parent or its Affiliates or Purchaser or its Subsidiaries or does not belong to the Purchaser Parent. Notwithstanding the foregoing, in the event that a dispute arises between Seller Parent or its Affiliates, on the one hand, and a third party other than Purchaser Parent, Purchaser or their Affiliates, on the other hand, Purchaser Parent shall not disclose any such Purchaser Privileged Communications to such third party without the prior written consent of Seller Parent unless required to do so by applicable Law or Governmental Order.

Section 10.18 Translation of Currencies . Unless otherwise agreed in writing by Seller Parent and Purchaser Parent, all payments to be made under or pursuant to this Agreement shall be made in Pound sterling. Except with respect to the determinations set forth in the following sentence, and except to the extent otherwise provided in the Accounting Principles or Purchaser Accounting Principles with respect to the determinations of amounts included in the calculations of Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, as applicable, in the event that the Parties need to convert currencies under this Agreement, the relevant exchange rate shall be determined based on the Bloomberg BFIX rate in effect as of 5:00 p.m. (New York time) two (2) Business Days preceding the applicable determination date as published on Bloomberg.com. In the event that any Person needs to convert currencies for purposes of calculating the amount of any claim under Section 6.5(d) or Article VII , the relevant exchange rate shall be determined based on the Bloomberg BFIX rate in effect as of 5:00 pm (New York time) two (2) Business Days preceding the date of the written notice given for such claim under Section 6.5(d) or under Section 7.3 , as applicable, as published on Bloomberg.com.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties have executed or caused this Agreement to be executed as of the date first written above.

PFIZER INC.

By: /s/ Albert Bourla
Name: Albert Bourla
Title: Chief Operating Officer

GLAXOSMITHKLINE PLC

By: /s/ Simon Dingemans
Name: Simon Dingemans
Title: Chief Finance Officer

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

By: /s/ Simon Dingemans
Name: Simon Dingemans
Title: Director

EXHIBIT 10.7

Amendment No. 1
Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees
(Amended and Restated December 31, 2016)

* * *

A new Appendix I is added to the end of "Part B: Provisions Applicable To The Pfizer Sub-Plan" of the Pfizer Consolidated Supplemental Pension Plan for United States and Puerto Rico Employees to read as follows:

APPENDIX I

SUPPLEMENTAL PRAP VOLUNTARY EARLY RETIREMENT PLAN

ARTICLE I

Purpose

SECTION 1.1

This Appendix I contains the Supplemental PRAP Voluntary Early Retirement Plan (the "VERP/SSP SERP"), a Subplan to the Plan, which is being adopted in order to provide a pension enhancement to certain members of the Retirement Plan who are U.S. employees of Pfizer Inc., and who elect to be included in the Voluntary Early Retirement Program (the “VERP”), or who are involuntarily terminated in connection with the new Organizing for Growth (“OFG”) operating model and receive the Special Separation Program (“SSP”) enhanced benefits under either the Pfizer Separation Plan, the Senior Leadership Council Separation Plan or the Executive Severance Plan (the “OFG U.S. Program”).

ARTICLE II

Definitions

SECTION 2.1.

Whenever used herein, unless the context otherwise indicates, the following terms shall have the respective meanings as set forth below or as defined in Part A of the Plan:

Administrative Committee: the Administrative Committee of the Company.

Calculation Date: the first day of the month coincident with or next following the later of (1) the date the Participant attains age 55 (or the date the Participant would have attained Rule of 90 if he or she had remained employed, if earlier) or (2) the date of the Participant’s Separation from Service.

Coordinating Office or Separation Coordinating Office: the staff designated by the Plan Administrator to handle claims for benefits under the VERP and the OFG U.S. Program.

Election Period: the period of time in which an eligible Employee may elect to participate in the VERP.

Employee: any person who is a regular full-time or part-time employee of Pfizer Inc. or one of its affiliates in one of the 50 states or the District of Columbia, or an employee paid from the United States under the Pfizer International Assignment Policy, and in each case such employee is on U.S. payroll and participating in U.S. benefits. Employees working for a Pfizer legal entity based in Puerto Rico are excluded from participating in the VERP/SSP SERP.

OFG U.S. Program: the enhanced involuntary severance program established in connection the new OFG operating model which consists of enhanced benefits under this VERP/SSP SERP, the Retirement Plan, the Pfizer Inc. Retiree Medical Plan, the Pfizer Inc. Health and Insurance Plan, the Pfizer Savings Plan, the Pfizer Supplemental Savings Plan, and with respect to a Participant’s annual equity awards, and severance benefits under either the Pfizer Separation Plan, the Senior Leadership Council Separation Plan or the Executive Severance Plan.

Participant: a person who is eligible for participation in the VERP/SSP SERP under the provisions of Appendix I; Article III.

Payment Date: the date described in Appendix I; Section 4.2 below.

PRAP: the Pfizer Retirement Annuity Plan which is contained in Part B of the Retirement Plan.

Separation Date or Separation from Service or Separate(s) from Service: a Participant's date of termination which shall constitute a "separation from service" within the meaning of Code section 409A. With respect to an OFG Participant separated under the VERP, the Separation Date shall be the OFG Participant's date of termination, which shall be December 31, 2018 unless otherwise deferred by the Company. With respect to an OFG Participant separated under the SSP, the Separation Date shall be the OFG Participant's date of termination.

Supplemental VERP/SSP Plan Benefit: the amount of the benefit that a Participant is eligible to receive under this VERP/SSP SERP as described in Appendix I; Article IV.

VERP: the Voluntary Early Retirement Program established in connection the new OFG operating model which consists of enhanced benefits offered under this VERP/SSP SERP, the Retirement Plan, the Pfizer Inc. Retiree Medical Plan, the Pfizer Inc. Health and Insurance Plan, the Pfizer Savings Plan, the Pfizer Supplemental Savings Plan, and with respect to a Participant's annual equity awards.

VERP/SSP SERP: this Subplan contained in this Appendix I to the Plan established in order to implement the enhanced pension benefits offered under the VERP and OFG U.S. Program.

VERP/SSP SERP Benefit Commencement Date or VERP BCD: the first day of the month coincident with or next following the date as of which the Participant would first be eligible to retire after reaching either (a) attainment of age 55 and completion of 10 years of retirement eligibility service or (b) Rule of 90, as described in Part B of the Retirement Plan. If the addition of 5 points enables the Participant to reach both (a) age 55 with 10 years of service and (b) Rule of 90, the Participant's VERP/SSP SERP Benefit Commencement Date shall be the date that corresponds to the more valuable benefit.

ARTICLE III

Eligibility for Plan Benefit

SECTION 3.1. An Employee shall be a Participant and eligible to receive a Supplemental VERP/SSP Plan Benefit under this VERP/SSP SERP in an amount determined in accordance with Appendix I; Article IV if he or she meets the following requirements:

(a) he is an active Employee (including an Employee on short-term disability or a paid or unpaid leave of absence) who is a regular full-time or part-time employee of Pfizer Inc. or one of its affiliates in one of the 50 states or the District of Columbia, or an employee paid from the United States under the Pfizer International Assignment Policy, and in each case such employee is on U.S. payroll and participating in U.S. benefits;

(b) he elects to be voluntarily terminated under the VERP during the Election Period, and he is eligible for, signs a release and does not revoke it, and receives benefits under the VERP or his employment is involuntarily terminated under the OFG U.S. Program and he signs a release and does not revoke it, and receives benefits under the OFG U.S. Program;

(c) he has a Retirement Benefit under Part B of the Retirement Plan and the addition of five (5) points as of December 31, 2018 for a VERP Participant (including a VERP Participant who is re-classified as SSP subsequent to his termination of employment), or as of his Separation Date in the case of a Participant who is terminated under the SSP, to his age, service, or any combination thereof would enable him to qualify for subsidized early retirement because he would reach either (i) age 55 and completion of 10 years of retirement eligibility service or (ii) Rule of 90, as described in Part B of the Retirement Plan. Employees who have already

reached either: (i) age 55 and completion of 10 years of retirement eligibility service; or (ii) Rule of 90, as described in Part B of the Retirement Plan as of their Separation Date, cannot benefit from the five (5) points ;

(d) he has more than or equal to $235,000 in pensionable earnings under Part B of the Retirement Plan in 2017 or has an accrued benefit under Part B of the Plan; and

(e) he is not an Excluded Employee. For this purpose, an Employee is an Excluded Employee if any of the following applies:

- The Employee's terms and conditions of employment are subject to collective bargaining.
- The Employee is or has been a Named Executive Officer in the Company's Annual Proxy Statement.
- The Employee is currently working for a Pfizer legal entity based in Puerto Rico.
- The Employee is receiving benefits from a Company-sponsored long-term disability plan.
- The Employee is on secondment in the United States.
- The Employee is not paid through the U.S. payroll and/or is not eligible for U.S. benefits.
- The Employee has been deemed ineligible through the Claims and Appeals Procedure.

SECTION 3.2. For the purposes of Appendix I; Section 3.1, with respect to a Participant who dies while in active service on or after his election to participate in VERP but before executing the release agreement, ~~t~~he spouse or the estate may sign the release agreement on his or her behalf, if applicable.

ARTICLE IV

Supplemental VERP/SSP Plan Benefits

SECTION 4.1 If a Participant is eligible as determined in Appendix I; Article III, the Company shall make a lump sum cash payment to the Participant in an amount equal to the difference between (i) and (ii) below, discounted or increased if applicable from the Participant's VERP/SSP SERP Benefit Commencement Date ("VERP BCD") to the Participant's Payment Date, using a discount rate equal to the first segment rate in Code Section 417(e)(3)(C), published in the third month prior to the Calculation Date, where:

(i) is the present value of the Participant's accrued benefit under the PRAP portion of the Retirement Plan and the Plan, determined as of the VERP BCD, reflecting (a) the early retirement reduction factor that would apply if five (5) points were added to the Participant's age, service, or a combination thereof as of December 31, 2018 (or as of his Separation Date in the case of a Participant whose employment is terminated under the OFG U.S. Program), and (b) without reference to the limitations of Code Sections 415 and 401(a)(17);

(ii) is the present value of the Participant's accrued benefit under the PRAP portion of the Retirement Plan and the Plan, determined as of the VERP BCD, without reflecting the 5-point enhancement described in (i) and without reference to the limitations in Code Sections 415 and 401(a)(17);

For purposes of (ii) above, in the event the Participant's VERP BCD is prior to his attainment of age 55, the early retirement reduction applied to years below age 55 shall be the actuarial equivalent of the benefit at age 55, where actuarial equivalence is determined using an interest discount rate of 5% and mortality in accordance with Code Section 417(e).

The present values shall be calculated using the PRAP portion of the Retirement Plan's actuarial assumptions for payment of lump sums as published in the third month prior to the Calculation Date. The five (5) point enhancement applies solely for the purpose of determining the reduction for early retirement, if any, with respect to the PRAP portion of the benefit; it does not count for any purpose with respect to benefit formulas, the computation of the Normal Retirement Benefit, or the computation of the lump sum factors.

In the event the Participant has chosen a single life annuity as his payment election, the amount determined in Section 4.1 shall be converted to a life annuity using an immediate annuity factor determined as of the Participant's Payment Date, determined using the Code Section 417(e)(3)(C) interest rate published in the third month prior to the Calculation Date and mortality table under Code Section 417(e) in effect as of the Participant's Payment Date.

SECTION 4.2. Such lump sum payment shall be made as soon as practicable in the January coincident with or following the later of (1) such Participant's Separation from Service, or (2) the Participant's attainment of age 55 (or the date the Participant would have attained Rule of 90 if he or she had remained employed, if earlier), unless the Participant has an Accrued Benefit under Part B of the Plan in which case the Supplemental VERP/SSP Plan Benefit will be paid in accordance with the payment elections under Part B of the Plan. Notwithstanding the foregoing, payments may not be made to a Key Employee upon Separation from Service before the date which is six (6) months after the date of the Key Employee's Separation from Service (within the meaning of Code section 409A). In the event that payment is delayed pursuant to the preceding sentence, payment shall be made (i) on the first day of the seventh month following the Key Employee's Separation from Service (within the meaning of Code section 409A), or, (ii) if earlier, the first day of the month after such Participant's death during this period of delay. The above shall define the Participant's Payment Date regardless of whether due to administrative delays, the actual payment is made after the Payment Date.

SECTION 4.3 If a Participant dies after becoming eligible to receive a Supplemental VERP/SSP Plan Benefit and prior to the Participant's Payment Date, the following benefits are payable from the Plan in the form of a rollover to the Pfizer Supplemental Savings Plan in accordance with the provisions in Part B, Section 5.4 of the Plan, as if the Participant had died during active employment:

(i) If the Participant is married at the time of death, and the Participant's spouse waives the QPSA, the lump sum death benefit equal to the benefit determined in accordance with Appendix I; Section 4.1 of the VERP/SSP SERP shall be transferred to the PSSP account.

(II) If the Participant is married at the time of death and the spouse does not waive the QPSA, no benefit is payable from the VERP/SSP SERP. However, pre-retirement death benefits may be payable from the Retirement Plan and the Plan.

(iii) If the Participant is not married at the time of death, the lump sum death benefit equal to the benefit determined in accordance with Appendix I; Section 4.1 of the VERP/SSP SERP shall be transferred to the Participant's Pfizer Supplemental Savings Plan account.

(iv) The lump sum death benefit shall be payable as of the January 1 coincident with or next following the Participant's death.

SECTION 4.4 If a Participant is rehired prior to the Participant's Payment Date, the Participant shall be entitled to the VERP/SSP SERP Plan Benefit determined in accordance with Appendix I; Section 4.1, payable as of the Participant's Payment Date, as if the Participant had not been rehired. The five (5) point enhancement may not be used towards any other milestone.

SECTION 4.5 The benefits payable under the VERP/SSP SERP are determined solely with respect to the PRAP formula and early retirement provisions in Part B of the Retirement Plan and the corresponding section in the Plan. Nothing in the VERP/SSP SERP shall be construed as changing retirement benefits corresponding to any legacy retirement plan benefit, other than PRAP benefits.

ARTICLE V

Administration and Claims and Appeals Procedure

SECTION 5.1. The Committee has delegated the ministerial authority to administer claims for benefits under the Plan to the Company's Separation Coordinating Office or its successor. The Separation Coordinating Office is responsible for determining who is eligible to become a Participant and for determining initial claims for benefits under the VERP/SSP SERP.

SECTION 5.2. The Committee has delegated authority to administer the appeal of denied claims under the VERP/SSP SERP to the Administrative Committee.

SECTION 5.3. Any request by a Participant or any other person for any benefit alleged to be due under the Plan shall be known as a "Claim" and the Participant or other person making a Claim, or the authorized representative of either, shall be known as a "Claimant." To make a Claim, the Claimant must submit the Claim in writing to the Separation Coordinating Office. The Claim must include a description of the benefit that the Claimant believes is due, the reason(s) the Claimant believes such benefit is due and any information and documentation that the Claimant believes supports his Claim and that he wishes to have the Separation Coordinating Office consider.

SECTION 5.4. The Coordinating Office will process the Claim within 90 days of receipt of the Claim unless special circumstances require an extension of time for determining the Claim. In such event, written notice of an extension of time to consider the Claim and the reasons for it, will be sent to the Claimant before the end of the initial 90-day period. The extension will not exceed a period of 90 days from the end of the initial 90-day period. If the Coordinating Office has not determined the Claimant's eligibility for a Plan benefit within this 90-day period (180-day period if circumstances require an extension of time) the Claimant may deem the Claim denied.

SECTION 5.5. In the event a Claim is denied, in whole or in part, the notice of denial will set forth: (i) the specific reason(s) for the denial; (ii) specific reference to the pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect the Claim and an explanation of why such material or information is necessary; and (iv) an explanation that, if an adverse determination is made on review, the Claimant has a right to bring a civil action under Section 502(a) of ERISA.

SECTION 5.6. Within 60 days of receipt of notice of a Claim that has been denied in whole or in part, or from the date that a Claim is deemed denied, the Claimant may (i) submit an appeal, which is a written request for review by the Administrative Committee that includes all information and documents that the Claimant wishes to have the Administrative Committee consider; and (ii) review documents pertinent to the Claim. The Claimant shall be provided upon request and free of charge, reasonable access to all documents and records and other information relevant to the Claim. If the Claimant does not request an appeal of the denied claim within the 60-day period, the Claimant shall be barred and estopped from challenging the denial.

SECTION 5.7. The Administrative Committee will review a denied Claim for which an appeal has been submitted and render a decision no later than 60 days after receipt of the appeal, provided, however, that if special circumstances require an extension of time for determining the appeal, a decision shall be rendered no later than 120 days after receipt of the appeal. Written notice of any such extension and the reasons for it, shall be furnished to the Claimant before the end of the initial 60-day period. The extension will not exceed a period of 60 days from the end of the initial 60-day period. If the Administrative Committee has not rendered a decision within this 60-day period (120-day period if circumstances require an extension of time) the Claimant may deem the appeal denied.

SECTION 5.8. In the event an appeal is denied, in whole or in part, the Administrative Committee's decision will set forth: (i) the specific reason(s) for the denial; (ii) specific reference to the pertinent VERP/SSP SERP provisions on which the denial is based; and (iii) an explanation that the Claimant has a right to bring a civil action under Section 502(a) of ERISA.

SECTION 5.9. No legal action may be brought for benefits under this VERP/SSP SERP until the Claimant has exhausted the administrative procedure described in this Article V. No legal action may be commenced at all unless commenced no later than one year following the issuance of a final decision on the Claim, or the expiration of the appeal decision period if no decision is issued. This one-year statute of limitations

on suits for all benefits shall apply in any forum where the Claimant may initiate such a suit.

SECTION 5.10. No member of the Board of Directors or of the Committee, the Administrative Committee, the Separation Coordinating Office, or its delegates shall be liable for any act or action, whether of commission or omission, taken by any other member, or by any officer, agent or employee or by any investment advisor or financial institution appointed by any such person; nor, except in circumstances involving his bad faith, for anything done or omitted to be done by himself. Each member of the Committee, Administrative Committee, and Separation Coordinating Office shall be fully indemnified and entitled to receive an advance of any related attorney fees in connection with legal proceedings related to the Plan.

ARTICLE VI

Miscellaneous

SECTION 6.1. Each Participant shall, after his Separation Date, make himself available for such consultative and advisory services as the Company may reasonably request, taking fairly into consideration the age, health, residence, and individual circumstances of the Participant, and provided such amount of services to be provided shall not prevent the Participant's termination from constituting a Separation from Service. If such Participant shall unreasonably refuse to render such services, the Company may require such Participant to reimburse any payments made hereunder.

SECTION 6.2. Any benefit hereunder which is unclaimed, including outstanding checks, may, as determined by the Retirement Committee, be forfeited.

SECTION 6.3. The adoption of this Appendix allows for the early vesting of certain benefits under the Plan and shall not be considered a modification to the Plan.

SECTION 6.4. The Company reserves the right to delay the Separation Date of any Participant who elected to be included in the VERP for a period of up to six months (or until June 30, 2019) without the consent of the Participant. Further, provided the Participant consents, the Company may delay the Separation Date up to June 30, 2020.

EXHIBIT 10.12

Amendment No. 4

Pfizer Supplemental Savings Plan (the "PSSP")

* * *

(New material underlined; deletions crossed out)

1. Section 2.31 shall be clarified to read as follows:

2.31 Regular Earnings.

However, for Pension Transfers, solely for purposes of the Retirement Savings Contribution, Regular Earnings shall not include any bonuses (including but not limited to, sales and GPP bonuses) earned ~~paid or deferred in 2018 which reflects payment for services performed~~ in 2017.

2. Section 3.5(c) is clarified to read as follows:

3.5(c) For any Pension Transfer, the definition of "Regular Earnings" in connection solely with the calculation of the 2018 Retirement Savings Contributions under the Plan for such Pension Transfer shall not include any bonuses (including but not limited to, sales and GPP bonuses) earned in ~~paid to or deferred by such Pension Transfer during 2018 which reflects performance during~~ 2017.

EXHIBIT 10.13

Amendment No. 5 to the

Pfizer Supplemental Savings Plan ("PSSP")

* * *

(New material underlined)

1. Section 2.32 of the PSSP is amended to read as follows:

2.32 Retirement . The term "Retirement" means a termination of employment with an Employer after the Eligible Employee has attained either (i) age 65, or (ii) age 55 with at least 10 Years of Service (as determined in accordance with the Qualified Plan) , or an Eligible Employee who was eligible under the Pfizer Voluntary Early Retirement Program or involuntarily terminated under the Special Separation Program under a Company-sponsored severance plan, and who would attain either (i) age 65, or (ii) age 55 with at least 10 Years of Service, if credited with:

(a) An additional five years of age;

(b) An additional five Years of Service; or

(c) A combination (in months) of years of age and Years of Service, which combination does not exceed 60 months .

EXHIBIT 10.26

Amendment No. 1 to the

Pfizer Inc. Executive Severance Plan

* * *

(New material underlined)

1. The Plan is clarified to provide that the Plan Administrator is the Executive Vice President, Worldwide Human Resources.

2. A new Appendix A is added to the end of the Pfizer Inc. Executive Severance Plan to read as follows:

APPENDIX A

Special Separation Program

INTRODUCTION

The Company is adopting this Special Separation Program ("SSP") in connection with the new Organizing for Growth operating model to provide enhanced severance benefits to impacted eligible employees under the Plan who meet the additional eligibility requirements set forth in this Appendix.

This Appendix A sets forth certain special provisions applicable to eligible employees who may become eligible under the SSP. To the extent not superseded or specifically addressed by the provisions of this Appendix A, the provisions of the Plan shall govern.

ARTICLE I
DEFINITIONS

Unless specifically defined below, all other definitions are set forth in the Plan:

1.1 "Active Health & Insurance Continuation" means the period of time, beginning on an SSP Participant's Termination Date, for which an SSP Participant is offered Continuing Group Health and Life Insurance Coverage in accordance with Appendix A; Section 3.

1.2 "Five Points Brochure" means the brochure prepared and describing certain enhancements available under the pension plans, savings plans, retiree medical plan and equity awards for certain eligible employees.

1.3 "SSP" means the Special Separation Program set forth in this Appendix A.

1.4 "SSP Participant" means an eligible employee under the Plan who is eligible to participate in the SSP pursuant to Appendix A: Section 2.1 and becomes a Participant pursuant to Appendix A; Section 2.2.

ARTICLE 2

PARTICIPATION

2.1 Eligibility to Participate.

2.1.1 An eligible employee under the Plan shall become an SSP Participant if, on his Termination Date:

(a) He is an eligible employee under the Plan and is not, and has not been, a "named executive officer" in the Company's Annual Proxy Statement;

(b) He is involuntarily terminated due to business restructuring or job elimination (which will be determined by the Plan Administrator, or its designee, in its sole and absolute discretion), or due to exhaustion of short-term disability benefits; and

(c) His Official Notification Date is on or after December 21, 2018 and on or before August 2, 2019.

2.1.2 An eligible employee shall also be eligible to participate in the SSP under the Plan if he elected to terminate employment under the terms of the Pfizer Voluntary Early Retirement Program and his position is eliminated by June 26, 2019. The Plan Administrator, or its designee, in its sole and absolute discretion, will determine whether the position was eliminated by June 26, 2019. In the event that this determination is made after the eligible employee's Termination Date, such SSP Participant shall be eligible for the cash severance determined under Plan only, and not the additional benefits (including Active Health & Insurance Continuation) described in Appendix A; Section 3.

2.2 Participation. An eligible employee who is determined to be eligible to participate in the SSP under the provisions of this Appendix A; Article 2 becomes an SSP Participant after the Plan Administrator receives and accepts the eligible employee's duly executed Release Agreement within the time period specified by such agreement. The earliest date the Release Agreement may be signed is the eligible employee's Termination Date. Participation will begin on the eighth day after the eligible employee signs the Release Agreement, provided the eligible employee has not revoked the Release Agreement during that time period. If an eligible employee dies while in active service on or after his or her Official Notification Date

but before executing the Release Agreement, the estate may sign the Release Agreement on his or her behalf and receive the applicable cash severance under the Plan and the Active Health & Insurance Continuation.

ARTICLE 3

BENEFITS

3.1 Severance Pay.

3.1.1 If an eligible employee satisfies the eligibility requirements of Appendix A; Article 2. and becomes an SSP Participant, he will be entitled to cash severance in the amount determined under the Plan.

3.1.2 Continuing Group Health and Life Insurance Coverage.

(a) Health Benefits.

(i) An SSP Participant may continue coverage ("Active Health & Insurance Continuation") at the active employee rates in effect with respect to his elections during the 2019 Annual Enrollment period, or on his Termination Date if his Termination Date is later than December 31, 2018, and as adjusted thereafter for active Employees, in accordance with the same terms as applicable to active employees. Such Active Health & Insurance Continuation will last for up to a maximum of three (3) years from the Termination Date. If an SSP Participant covers an eligible dependent who is not their tax dependent, the value of any subsidized company provided healthcare coverage results in imputed income to the SSP Participant. Any Active Health & Insurance Coverage will end on the date as of which the SSP Participant becomes eligible for coverage under another employer's group health plans (regardless of whether he actually enrolls in such other plan). In addition, Active Health & Insurance Coverage will end if required contributions for such coverage are not received on a timely basis. Continuation under the Pfizer Flexible Spending Account Plan Health Care Account may only be continued to the end of the calendar year in which the Termination Date occurs.

(ii) After Active Health & Insurance Coverage ends and provided the SSP Participant was covered under the Company-sponsored medical plan for the entire period and is not eligible for medical coverage under another employer's plan, such SSP Participant may continue medical coverage for an additional 18 months (except for the Health Care Account Plan that is beyond the calendar year following the year containing the Date of Termination), at 102% of the full cost of coverage pursuant to his rights under the Consolidated Omnibus Budget Reconciliation Act (COBRA).

(iii) An SSP Participant who elects the continuing medical coverage provided under the SSP is also electing to continue any Company-sponsored dental, vision and basic life insurance coverage in effect on his Termination Date provided he is participating in such coverage on his

Termination Date. In all cases except for any COBRA elections, if an SSP Participant chooses to continue medical, dental, vision or basic life insurance coverage pursuant to this package, he must choose to continue each of the medical, dental, vision and basic life insurance coverages (as capped in the case of life insurance) in which he is participating on his Termination Date, or none of these coverages. There are no separate elections for these coverages. Dental and vision coverages continue in the same manner as provided with respect to medical coverage described in (a)(i) and (a)(ii) set forth above.

(iv) If an SSP Participant who is eligible for Company-sponsored retiree medical coverage on his Termination Date, elects Active Health & Insurance Coverage and/or an additional 18 months of COBRA coverage, he is also electing to defer enrollment in the Company-sponsored retiree medical plan (if available).

(v) If an SSP Participant does not elect Active Health & Insurance Coverage, the SSP Participant will be offered COBRA continuation coverage, as applicable. The SSP Participant will be offered to continue basic life insurance in accordance with the terms of the Pfizer Life Insurance Plan, as applicable.

(b) Retiree Medical.

(i) An SSP Participant who is eligible for Company-sponsored retiree medical coverage on his Termination Date may elect such coverage pursuant to the terms of such plan. An SSP Participant may not be enrolled for Company-sponsored retiree medical coverage while in Active Health & Insurance Continuation.

(ii) An SSP Participant who is eligible for Company-sponsored retiree medical coverage may elect to terminate the Active Health & Insurance Coverage or COBRA continuation before the end of the continuation period, as applicable, and begin retiree medical coverage in accordance with qualified status changes and the provisions of the medical plan and retiree medical plan. To elect any applicable Company-sponsored retiree medical coverage, the SSP Participant will be required to certify that he has been continuously enrolled in medical coverage from his date continuing medical coverage ends to the date he enrolls for the Company-sponsored retiree medical coverage. For this purpose only, COBRA continuation coverage would qualify as continuous medical coverage for the period such coverage is in effect. If an SSP Participant covers an eligible dependent who is not their tax dependent, the value of any subsidized company provided retiree medical coverage results in imputed income to the SSP Participant.

(c) Life Management Resources.

An SSP Participant who elects the Active Health & Insurance Coverage provided under the SSP is also electing to continue any coverage under Life Management Resources, at no cost, for the Active Health & Insurance Continuation period. After the end of the Active Health & Insurance Continuation period, coverage can still be continued under COBRA at a cost of 102% of the full cost of coverage.

(d) Life Insurance.

(i) An SSP Participant who is enrolled in a Company-sponsored life insurance plan on his Termination Date may continue his basic life insurance coverage at active employee rates and in accordance with the same terms as applicable to active Employees, until the end of the three year continuation period or the date as of which he becomes eligible for coverage under another employer's group health plans (regardless of whether he actually enrolls in such other plan). After such Active Health & Insurance Coverage ends, the SSP Participant will be eligible for the conversion and portability rights offered under the plan, as applicable. There is no additional 18 months of active life insurance coverage.

(ii) Company-sponsored basic life insurance coverage is limited to the lowest of: (A) the SSP Participant's coverage in effect on the day before his Termination Date; (B) one times the SSP Participant's annual pay (as defined in the applicable life insurance plan); or (C) $2,000,000. The cost of insurance in excess of $50,000 results in imputed income to the SSP Participant. Any employee supplemental and dependent life insurance coverage ends as of the SSP Participant's Termination Date, and the SSP Participant will be eligible for the conversion and portability rights offered under the plan, as applicable.

(e) Educational Assistance Program/Education/Retraining Benefit.

(i) An SSP Participant who has begun attending an approved course(s) under the Pfizer Educational Assistance Program before his Termination Date, remains eligible for reimbursement for that pre-approved and already started course(s), as long as the SSP Participant satisfies all of the other requirements for reimbursement under the Educational Assistance Program. No additional courses will be approved.

(ii) An SSP Participant shall be eligible for a $5,000 education/retraining allowance for approved courses and programs provided the courses begin (and are not just enrolled in) within 12 months of the Termination Date and the required documentation for reimbursement is submitted within 18 months of the Termination Date.

(iii) The Plan Administrator has final and absolute discretion to determine what constitutes "educational" or "retraining."

(f) Miscellaneous Provisions.

(i) Except as otherwise provided in this Appendix A: Section 3, all of the terms of the employee benefit plans described herein and as amended from time to time, shall apply. If there is a discrepancy, the terms of the official plan document for the applicable plan shall control.

(ii) Active Health & Insurance Coverage described in this Appendix A; Section 3, is subject to the terms and conditions of the particular plan, as in effect from time to time. All of the benefit plans

described herein, including this Plan, may be amended or terminated at any time and for any reason, with or without notice.

(iii) SSP Participants may be eligible to participate in reasonable outplacement services as offered by the Company in its sole and absolute discretion. In no case will the Company provide a payment to the Participant in lieu of these services.

3.1.4 Except as otherwise provided above or in the Five Points Brochure, no other severance benefits are payable to the SSP Participant under the Plan and the SSP, and the following will apply:

(a) Active employee benefits end as of the Termination Date;

(b) Eligibility for any applicable retiree medical, dental and/or life insurance benefits, if any, is determined as of the SSP Participant's Termination Date and pursuant to the terms of the applicable plans;

(c) The controlling conditions of any stock grants may be affected for an SSP Participant and are contained in the terms of the stock grant letters, grant agreements, points of interest for each such grant, applicable stock plan, and Five Points Brochure.

EXHIBIT 10.33

TIME SHARING AGREEMENT

This Time Sharing Agreement (this "Agreement") is dated this 17th day of December 2018, by and between Pfizer Inc., a Delaware corporation (the "Company") and Ian C. Read, an individual ("Lessee").

RECITALS

WHEREAS, Company rightfully possesses and operates the aircraft identified on Schedule I hereto (the "Aircraft") under Part 91 of the Federal Aviation Regulations ("FARs") incidental to its primary business; and

WHEREAS, Company desires to make the Aircraft available to Lessee, and Lessee desires to utilize the Aircraft, from time to time on a non-exclusive time-sharing basis as authorized under Sections 91.501(b)(6), 91.501(c)(1) and 91.501(d) of the FARs; and

WHEREAS, this Agreement is a time sharing agreement as defined in Section 91.501(c)(1) of the FAR, and use of the Aircraft pursuant to this Agreement will comply with the requirements of FAR 91.501(b)(6), 91.501(c)(1) and 91.501(d).

NOW, THEREFORE, in consideration of the foregoing, and the other agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby conclusively acknowledged, the parties, intending to be legally bound hereby, agree as follows:

1. **Provision of Aircraft; Term.** Company agrees to provide the Aircraft to and operate the Aircraft for Lessee on a non-exclusive basis from time to time as mutually agreed between the parties pursuant to the provisions of FAR 91.501(b)(6), 91.501(c)(1) and 91.501(d) and to provide a fully qualified flight crew for all operations conducted under this Agreement. This Agreement shall be effective on the date set forth above and shall remain in effect until terminated by either party upon ten (10) business days' prior written notice to the other.

2. **Lease Fee.** Lessee shall pay to Company for each flight conducted under this Agreement a lease fee ("Lease Fee") not to exceed the actual expenses of each specific flight as authorized by FAR Part 91.501(d) (including related deadhead flights, if applicable). Such actual expenses shall include and are limited to:

(a) Fuel, oil, lubricants, and other additives;
(b) Travel expenses of the crew, including food, lodging and ground transportation;
(c) Hangar and tie-down costs away from the Aircraft's base of operations;
(d) Insurance obtained for the specific flight;
(e) Landing fees, airport taxes and similar assessments;
(f) Customs, foreign permit, and similar fees directly related to the flight;
(g) In flight food and beverages;
(h) Passenger ground transportation;
(i) Flight planning and weather contract services; and

(j) An additional charge equal to 100 percent of the expenses listed in subparagraph 2(a) above.

In no event shall the Lease Fee include any costs not listed above.

3. **Taxes** . The parties acknowledge that, with the exception of Sections 2(g) and (h) hereof, the payments specified in Section 2 from Lessee to Company are subject to federal excise tax imposed under Article 4261 of the Internal Revenue Code of 1986, as amended (the "Federal Excise Tax"). If applicable, Lessee shall pay to Company (for remittance to the appropriate governmental agency) all Federal Excise Tax applicable to flights of the Aircraft conducted hereunder.

4. **Prepayment.** From time to time, Lessee may deliver to Company a mutually agreed sum to fund an account for anticipated Lease Fees (the "Prepayment Fund"). No interest shall be paid on the Prepayment Fund. Immediately upon presentment of invoices for time sharing flights, Company shall apply funds from the Prepayment Fund to pay for Lease Fees for such flights. Monthly reconciliations shall be provided to Lessee which shall set forth the expenses comprising the Lease Fees of each specific flight through the last day of the month in which any flight or flights for the account of Lessee occur. In the event Lease Fees exceed the Prepayment Fund in any given month, Lessee shall pay such Lease Fees upon receipt of the invoice for the amounts exceeding the Prepayment Fund, which invoice shall be presented within fifteen (15) days of the time such Lease Fees are incurred. Upon termination of this Agreement, any funds remaining in the Prepayment Fund shall be returned to Lessee within thirty (30) days. As a matter of clarification, the Prepayment Fund is in the nature of a deposit and not payment for transportation unless and until such time as an invoice for Lease Fees is presented and funds are withdrawn to pay such invoice.

5. **Operating Expenses.** Company shall pay all expenses related to the operation of the Aircraft for time-sharing flights when such expenses are incurred.

6. **Flight Information.** Lessee will provide Company with requests for flight time and proposed flight schedules as far in advance of any given flight as possible. Requests for flight time shall be in a form, whether written or oral, mutually convenient to, and agreed upon by the parties. In addition to the proposed schedules and flight times, Lessee shall provide at least the following information for each proposed flight prior to scheduled departure as required by the Company or Company's flight crew:

(a) proposed departure point;
(b) destination;
(c) date and time of flight;
(d) the number, name, and relationship to the Lessee of anticipated passengers;
(e) the nature and extent of luggage and/or cargo to be carried;
(f) the date and time of return flight, if any; and
(g) any other information concerning the proposed flight that may be pertinent or required by Company or Company's flight crew.

7. **Authority to Schedule.** Company shall have final authority over the scheduling of the Aircraft. It is understood that Company shall not be obligated to retain or contract for additional flight crew or maintenance personnel or equipment in order to accommodate Lessee's schedule requests.

8. **Operational Control.** The Company shall be responsible for all aspects of the physical and technical operation of the Aircraft and the safe performance of all flights, and shall retain and exercise exclusive operational control of the Aircraft during all phases of flight, including pre-flight and post-flight duties, and including, without limitation, all flights during which Lessee and/or Lessee's guests are on-board the Aircraft. Consistent with the Company's operational control responsibilities, Company shall be solely responsible to secure maintenance, preventive maintenance and required or otherwise necessary inspections on the Aircraft, and shall take such requirements into account in scheduling the Aircraft. All costs and expenses related to the maintenance of the Aircraft shall be the responsibility of the Company. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command. All flight operations under this Agreement shall be conducted under Part 91 of the FAR.

9. **Authority of Pilot in Command and Flight Crew.** For each flight conducted under this Agreement, the Aircraft will be operated only by a qualified flight crew. The pilot in command shall have final and complete authority to cancel any flight for any reason or condition that in his or her judgment would compromise the safety of the flight. Lessee specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight, or take other action which in the considered judgment of the pilot in command is necessitated by considerations of safety. No such action of the pilot in command shall create or support any liability for loss, injury, damage or delay to Lessee or any other person. The parties further agree that Company shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement for any reason whatsoever.

10. **Lessee's Covenants, Representations and Warranties.** Lessee covenants, represents and warrants to the Company that during the term of this Agreement:

(a) Lessee shall use the Aircraft for and on account of Lessee's own business or personal use only, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire or in violation of applicable FARs or any agreements entered into by the Company relating to the Aircraft;

(b) Lessee shall refrain from incurring any mechanics or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement, and Lessee shall not attempt to convey, mortgage, assign, lease or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and

(c) Lessee shall, and shall cause any passengers in Lessee's party to, abide by and conform to all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the use of the Aircraft by a timesharing lessee.

11. **Risk of Loss.** The Company assumes and shall bear the entire risk of loss, theft, confiscation, damage to, or destruction of the Aircraft from any cause whatsoever, except to the extent attributable to the gross negligence or willful misconduct of Lessee or Lessee's guests on the Aircraft.

12. **Insurance.** During the term of this Agreement, the Company shall maintain and have in force (i) all-risk hull insurance covering the fair market value of the Aircraft which policy shall be deemed primary in the event of

any incident or accident and (ii) aviation liability insurance of at least Three Hundred Million Dollars ($300,000,000) combined single limit. Company shall cause Lessee to be added as an additional insured to its aviation liability insurance.

13. **Home Base.** For purposes of this Agreement, the permanent base of operation of the Aircraft shall be as set forth on Schedule A hereto, or such other location as shall be determined by the Company from time to time.

14. **Successors and Assigns.** Neither this Agreement, nor any party's interest herein shall be assignable to any other party whatsoever. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective heirs, representatives, successors and permitted assigns.

15. **Governing Law.** This Agreement constitutes the entire agreement of the parties with respect to the time share of the Aircraft as set forth herein. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

16. **Subordination.** All rights and interests of Lessee hereunder and in and to the Aircraft are, and at all times shall be and remain, subject and subordinate to the rights and interests of the owner of each Aircraft under the aircraft lease agreements between such owner and the Company. Notwithstanding anything to the contrary contained herein, this Agreement shall terminate, or be canceled, immediately at the option of the Aircraft owner upon the occurrence of an event of default thereunder.

17. **Counterparts** . This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same Agreement, binding on all the parties notwithstanding that all the parties are not signatories to the same counterpart. The parties may effectively deliver an executed counterpart of a signature page of this Agreement by facsimile or in electronic (“pdf” or “tif”) format.

18. **Further Acts** . Lessor and Lessee shall from time to time perform such other and further acts and execute such other and further instruments as may be required by law or may be reasonably necessary to: (i) carry out the intent and purpose of this Agreement; and (ii) establish, maintain and protect the respective rights and remedies of the other party.

19. **Entire Agreement** . This Agreement constitutes the entire understanding among the Parties with respect to its subject matter, and there are no representations, warranties, rights, obligations, liabilities, conditions, covenants, or agreements other than as expressly set forth herein.

20. **Severability** . In the event that any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal, or unenforceable, those provisions shall be replaced by provisions acceptable to both Parties to this Agreement.

21. **Disclaimer; Consequential Damages** . EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER COMPANY NOR AIRCRAFT OWNER HAVE MADE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT, INCLUDING WITH RESPECT TO ITS DESIGN, CONDITION, QUALITY OF MATERIALS AND WORKMANSHIP, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, AIRWORTHINESS OR SAFETY. IN NO EVENT SHALL COMPANY OR OWNER BE LIABLE TO THE LESSEE, ITS MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES, GUESTS OR AGENTS (FOR THE PURPOSE OF THIS SECTION 21 HEREOF, COLLECTIVELY, “LESSEE”), FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES, HOWEVER ARISING,

WHETHER COMPANY KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGE, LOSS OR EXPENSE INCLUDING, WITHOUT LIMITATION, IN RESPECT OF ANY DELAY IN ARRIVAL OR DEPARTURE.

22. **Notices.** All communications, declarations, demands, consents, directions, approvals, instructions, requests and notices required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given or made when delivered personally or transmitted electronically by e-mail or facsimile, receipt acknowledged, or in the case of documented overnight delivery service or registered or certified mail, return receipt requested, delivery charge or postage prepaid, on the date shown on the receipt therefor, in each case at the address set forth on Schedule A hereto:

23. TRUTH IN LEASING STATEMENT PURSUANT TO 14 CFR PART 91.23

THE AIRCRAFT HAVE BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91.409(f)(3) DURING THE 12 MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT.

THE COMPANY, A DELAWARE CORPORATION, CERTIFIES THAT THE AIRCRAFT ARE IN COMPLIANCE WITH ALL APPLICABLE MAINTENANCE AND INSPECTION REQUIREMENTS FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT. THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91.409(f)(3) FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

THE COMPANY CERTIFIES AND ACKNOWLEDGES THAT WHENEVER THE AIRCRAFT ARE OPERATED UNDER THIS AGREEMENT, THE COMPANY SHALL BE KNOWN AS, CONSIDERED AND SHALL IN FACT BE RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT IDENTIFIED AND TO BE OPERATED UNDER THIS AGREEMENT. EACH PARTY CERTIFIES THAT IT UNDERSTANDS ITS RESPECTIVE RESPONSIBILITIES, IF ANY, FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS. I, THE UNDERSIGNED, JOHN D. WITZIG, AS VICE PRESIDENT OF THE COMPANY, CERTIFY THAT THE COMPANY IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT AND THAT THE COMPANY UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

EACH PARTY UNDERSTANDS THAT AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE ADDRESS OF THE COMPANY IS 235 EAST 42 ND STREET, NEW YORK, NEW YORK 10017.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PFIZER INC.

By:/s/ JOHN D. WITZIG
Name: John D. Witzig
Title: Vice President

/s/ IAN C. READ
IAN C. READ

Pfizer Inc. 2018 Financial Report

GLOSSARY OF DEFINED TERMS

Unless the context requires otherwise, references to "Pfizer," "the Company," "we," "us" or "our" in this 2018 Financial Report (defined below) refer to Pfizer Inc. and its subsidiaries. We also have used several other terms in this 2018 Financial Report, most of which are explained or defined below:

2018 Financial Report	This Financial Report for the fiscal year ended December 31, 2018, which was filed as Exhibit 13 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2018
2018 Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2018
ABO	Accumulated postretirement benefit obligation
ACA (Also referred to as U.S. Healthcare Legislation)	U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act
ACIP	Advisory Committee on Immunization Practices
ALK	anaplastic lymphoma kinase
Allergan	Allergan plc
Alliance revenues	Revenues from alliance agreements under which we co-promote products discovered or developed by other companies or us
Allogene	Allogene Therapeutics, Inc.
AMPA	α-amino-3-hydroxy-5-methyl-4-isoxazolepropionic acid
Anacor	Anacor Pharmaceuticals, Inc.
AOCI	Accumulated Other Comprehensive Income
Astellas	Astellas Pharma Inc., Astellas US LLC and Astellas Pharma US, Inc.
ASU	Accounting Standards Update
ATM-AVI	*aztreonam-avibactam*
Avillion	Avillion LLP
Bain Capital	Bain Capital Private Equity and Bain Capital Life Sciences
Bamboo	Bamboo Therapeutics, Inc.
Biogen	Biogen Inc.
Biopharma	Pfizer Biopharmaceuticals Group
BMS	Bristol-Myers Squibb Company
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
CIAS	cognitive impairment associated with schizophrenia
Citibank	Citibank, N.A.
CML	chronic myelogenous leukemia
Developed Markets	U.S., Western Europe, Japan, Canada, South Korea, Australia, Scandinavian countries, Finland and New Zealand
EEA	European Economic Area
EGFR	epidermal growth factor receptor
EH	Essential Health
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
EPS	earnings per share
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDA	U.S. Food and Drug Administration
GAAP	Generally Accepted Accounting Principles
GIST	gastrointestinal stromal tumors
GPD	Global Product Development organization
GSK	GlaxoSmithKline plc
GS&Co.	Goldman, Sachs & Co. LLC
HER	human epidermal growth factor receptor
HER2-	human epidermal growth factor receptor 2-negative
hGH-CTP	human growth hormone
HIS	Hospira Infusion Systems
Hisun	Zhejiang Hisun Pharmaceuticals Co., Ltd.
Hisun Pfizer	Hisun Pfizer Pharmaceuticals Company Limited
Hospira	Hospira, Inc.
HR+	hormone receptor-positive
ICU Medical	ICU Medical, Inc.
IH	Innovative Health
InnoPharma	InnoPharma, Inc.
IPR&D	in-process research and development

IRC	Internal Revenue Code
IRS	U.S. Internal Revenue Service
IV	intravenous
Janssen	Janssen Biotech, Inc.
J&J	Johnson & Johnson
King	King Pharmaceuticals LLC (formerly King Pharmaceuticals, Inc.)
LDL	low density lipoprotein
LEP	Legacy Established Products
LIBOR	London Interbank Offered Rate
Lilly	Eli Lilly and Company
LOE	loss of exclusivity
MCC	Merkel Cell Carcinoma
MCO	Managed Care Organization
Medivation	Medivation, Inc.
Merck	Merck & Co., Inc.
Meridian	Meridian Medical Technologies, Inc.
Moody's	Moody's Investors Service
NAV	Net asset value
NDA	new drug application
NovaQuest	NovaQuest Co-Investment Fund II, L.P. or NovaQuest Co-Investment Fund V, L.P., as applicable
NSCLC	non-small cell lung cancer
NYSE	New York Stock Exchange
OPKO	OPKO Health, Inc.
OTC	over-the-counter
PARP	poly ADP ribose polymerase
PBM	Pharmacy Benefit Manager
PBO	Projected benefit obligation
Pharmacia	Pharmacia Corporation
PPS	Portfolio Performance Shares
PP&E	Property, plant & equipment
PSAs	Performance Share Awards
PsA	psoriatic arthritis
PTSRUs	Performance Total Shareholder Return Units
PTUs	Profit Units
RA	rheumatoid arthritis
RCC	renal cell carcinoma
R&D	research and development
RPI	RPI Finance Trust
RSUs	Restricted Stock Units
Sandoz	Sandoz, Inc., a division of Novartis AG
Sangamo	Sangamo Therapeutics, Inc.
SEC	U.S. Securities and Exchange Commission
Servier	Les Laboratoires Servier SAS
SFJ	SFJ Pharmaceuticals
Shire	Shire International GmbH
SI&A	Selling, informational and administrative
S&P	Standard and Poor's
SIP	Sterile Injectable Pharmaceuticals
StratCO	Strategy and Commercial Operations
Tax Cuts and Jobs Act or TCJA	Legislation commonly referred to as the U.S. Tax Cuts and Jobs Act of 2017
Teuto	Laboratório Teuto Brasileiro S.A.
Teva	Teva Pharmaceuticals USA, Inc.
TSR	Total Shareholder Return
TSRUs	Total Shareholder Return Units
U.K.	United Kingdom
U.S.	United States
ViiV	ViiV Healthcare Limited
WRD	Worldwide Research and Development

INTRODUCTION

See the Glossary of Defined Terms at the beginning of this 2018 Financial Report for terms used throughout this Financial Review . Our Financial Review is provided to assist readers in understanding the results of operations, financial condition and cash flows of Pfizer Inc. and its subsidiaries (the Company). It should be read in conjunction with the consolidated financial statements and Notes to Consolidated Financial Statements. The discussion in this Financial Review contains forward-looking statements that involve substantial risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, such as those discussed in Part 1, Item 1A, "Risk Factors" of our 2018 Form 10-K and in the "Forward-Looking Information and Factors That May Affect Future Results", "Our Operating Environment" and "Our Strategy" sections of this Financial Review.

The Financial Review is organized as follows:

Certain amounts in our Financial Review may not add due to rounding. All percentages have been calculated using unrounded amounts.

OVERVIEW OF OUR PERFORMANCE, OPERATING ENVIRONMENT, STRATEGY AND OUTLOOK

Financial Highlights

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

2018 Total Revenues—$53.6 billion
An increase of 2% compared to 2017

2018 Net Cash Flow from Operations—$15.8 billion
A decrease of 6% compared to 2017

2018 Reported Diluted EPS—$1.87
A decrease of 47% compared to 2017

2018 Adjusted Diluted EPS (Non- GAAP)—$3.00*
An increase of 13% compared to 201 7

* For an understanding of 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 of this Financial Review.

Our Business

We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development and manufacture of healthcare products. Our global portfolio includes medicines and vaccines, as well as many of the world’s best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered or developed by other companies or us (Alliance revenues).

From the second quarter of our 2016 fiscal year until the end of 2018, we managed our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). For additional information about this operating structure, see Notes to Consolidated Financial Statements— *Note 18A. Segment, Geographic and Other Revenue Information: Segment Information.* At the beginning of our 2019 fiscal year, we began to manage our commercial operations through a new global commercial structure consisting of three businesses. See the “Our Strategy—Organizing for Growth” and “—Commercial Operations” sections of this Financial Review below for additional information.

On January 1, 2019, Dr. Albert Bourla succeeded Ian Read as Chief Executive Officer of the company and Ian Read transitioned from his role as Chairman and Chief Executive Officer to Executive Chairman of Pfizer’s Board of Directors.

The majority of our revenues come from the manufacture and sale of biopharmaceutical products. The biopharmaceutical industry is highly competitive and highly regulated. As a result, we face a number of industry-specific factors and challenges, which can significantly impact our results. These factors include, among others: the loss or expiration of intellectual property rights and the expiration of co-promotion and licensing rights, the ability to replenish innovative biopharmaceutical products, healthcare legislation, pipeline productivity, the regulatory environment, pricing and access pressures and competition. We also face challenges as a result of the global economic environment. For additional information about these factors and challenges, see the “Our Operating Environment” and “The Global Economic Environment” sections of this Financial Review and Part I, Item 1A, “Risk Factors” of our 2018 Form 10-K.

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

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

On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of the TCJA. The TCJA is complex and significantly changes the U.S. corporate income tax system by, among other things, reducing the U.S. Federal corporate tax rate from 35% to 21%, transitioning U.S. international taxation from a worldwide tax system to a territorial tax system and imposing a repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries. For information on the TCJA, see Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

Our significant recent business development activities include:

- On December 19, 2018, we announced that we entered into a definitive agreement with GSK under which we and GSK have agreed to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture that will operate globally under the GSK Consumer Healthcare name. The joint venture is expected to be a category leader in pain relief, respiratory, vitamin and mineral supplements, digestive health, skin health and therapeutic oral health and will be the largest global OTC consumer healthcare business. In exchange for contributing our Consumer Healthcare business, we will receive a 32% equity stake in the company and GSK will own the remaining 68%. The transaction is expected to close in the second half of 2019, subject to customary closing conditions including GSK shareholder approval and required regulatory approvals. For additional information, see Notes to Consolidated Financial Statements— *Note 2C. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Assets and Liabilities Held for Sale* and the “Our Strategy” section of this Financial Review below.
- On February 3, 2017, we completed the sale of Pfizer’s global infusion systems net assets, HIS, to ICU Medical for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock and seller financing . At closing, we received 3.2 million newly issued shares of ICU Medical common stock, which we initially valued at approximately $428 million (all of which we sold during 2018), a promissory note in the amount of $75 million and net cash of approximately $200 million before customary adjustments for net working capital. In addition, we are entitled to receive a contingent amount of up to an additional $225 million in cash based on ICU Medical’s achievement of certain cumulative performance targets for the combined company through December 31, 2019. The operating results of HIS are included in our consolidated statement of income and EH’s operating results through February 2, 2017 and, therefore, our financial results, and EH’s operating results, for the year ended December 31, 2017 reflect approximately one month of HIS domestic operations and approximately two months of HIS international operations, while our financial results, and EH’s operating results, for the year ended December 31, 2016 reflect 12 months of HIS global operations. Our financial results, and EH’s operating results, for 2018 do not reflect any contribution from HIS global operations.
- On December 22, 2016, which fell in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca’s small molecule anti-infectives business, primarily outside the U.S. for $1,040 million , composed of cash and contingent consideration. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of this business, and, in accordance with our international reporting period, our financial results, EH’s operating results, and cash flows for the year ended December 31, 2017 reflect approximately 11 months of the small molecule anti-infectives business acquired from AstraZeneca.
- On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ($13.9 billion , net of cash acquired). Of this consideration, approximately $365 million was not paid as of December 31, 2016, and was recorded in *Other current liabilities* . The remaining consideration was paid as of December 31, 2017 . Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Medivation. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately three months of Medivation operations.
- On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ($4.5 billion , net of cash acquired), plus $698 million debt assumed. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Anacor. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately six months of Anacor operations.
- On April 6, 2016, we announced that the merger agreement between Pfizer and Allergan entered into on November 22, 2015 was terminated by mutual agreement of the companies. The decision was driven by the actions announced by the U.S. Department of Treasury on April 4, 2016, which the companies concluded qualified as an “Adverse Tax Law Change” under the merger agreement. In connection with the termination of the merger agreement, on April 8, 2016 (which fell into Pfizer’s second fiscal quarter of 2016), Pfizer paid Allergan

$150 million (pre-tax) for reimbursement of Allergan's expenses associated with the terminated transaction (see the Notes to Consolidated Financial Statements— *Note 4* . *Other (Income)/Deductions — Net*). Pfizer and Allergan also released each other from any and all claims in connection with the merger agreement.

For additional information, see Notes to Consolidated Financial Statements— *Note 2. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment* and the "Our Strategy" and "Our Business Development Initiatives" sections of this Financial Review below.

Impact of Hurricanes in Puerto Rico

We have manufacturing and commercial operations in Puerto Rico, which were impacted by the hurricanes toward the end of the third quarter in 2017. While our three manufacturing sites in Puerto Rico sustained some damage and became inoperable due to issues impacting Puerto Rico overall, all three sites have resumed operations and remediation activities were completed in 2018. Our commercial sales offices in Puerto Rico have been operational since October 2017.

Product Manufacturing

We periodically encounter difficulties or delays in manufacturing, including due to suspension of manufacturing or voluntary recall of a product, or legal or regulatory actions such as warning letters. For example, Hospira's manufacturing facility in McPherson, Kansas is currently under the FDA inspection status of Official Action Indicated (OAI). As a result of this status, 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 will require a successful re-inspection by the FDA. Future FDA inspections and regulatory activities will further assess the adequacy and sustainability of corrections implemented at the site. Communication with the FDA on the status of the McPherson site is ongoing. For additional information regarding the FDA inspection of the McPherson site, see Part I, Item 1A, "Risk Factors—Product Manufacturing, Sales and Marketing Risks" of our 2018 Form 10-K.

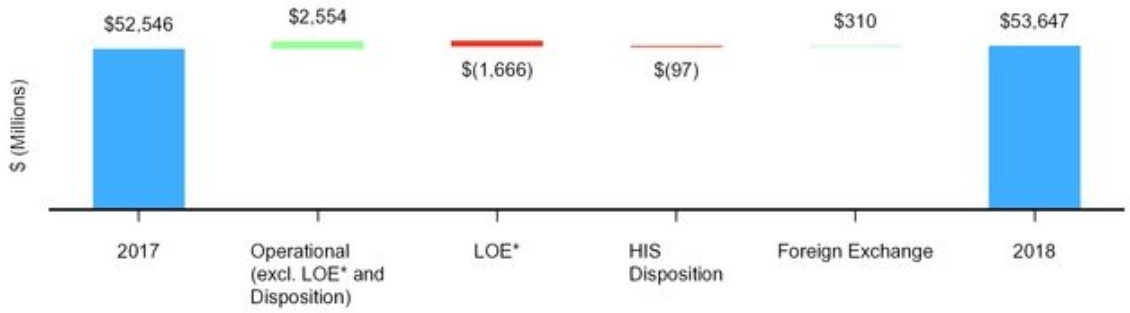
The product shortages we have been experiencing within our portfolio are primarily for products from the legacy Hospira portfolio and are largely driven by capacity constraints, technical issues and supplier quality concerns. We continue to remediate issues at legacy Hospira facilities manufacturing sterile injectables. Any continuing product shortage interruption at these manufacturing facilities could negatively impact our financial results, specifically in our SIP portfolio. We continue to make progress on our comprehensive remediation plan to upgrade and modernize these facilities, and we expect our supply issues to be substantially improved by the end of 2019.

Our 2018 Performance

Revenues— 2018

Revenues in 2018 increase d by $1.1 billion , or 2% , compared to 2017 , which reflects operational growth of $791 million , or 2% , and the favorable impact of foreign exchange of $310 million , or less than 1%.

The following graph illustrates the components of the increase in revenues in 2018 :



* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the changes in revenues in 2018 :

(MILLIONS OF DOLLARS)		
2017 *Revenues*	$	52,546
Operational growth/(decline):		
Continued growth from key brands [a] and from recently launched products [b], as well as growth from Biosimilars [c] and our Consumer Healthcare business, and the impact from CentreOne		3,377
Declines from total Viagra [d] (primarily in the U.S.), the Peri-LOE Products portfolio (excluding Viagra EH [d], which was impacted by the shift in the reporting of U.S. and Canada Viagra revenues to EH), the SIP portfolio (primarily in developed markets), the LEP portfolio (primarily in developed markets), Enbrel (driven by declines in most developed Europe markets) and the hemophilia portfolio (primarily in developed Europe)		(2,520)
Disposition-related impact of the February 2017 sale of HIS [e]		(97)
Other operational factors, net		31
Operational growth, net		791
Operational revenues		53,337
Favorable impact of foreign exchange		310
2018 *Revenues*	$	53,647

[a] K ey brands represent Ibrance, Eliquis, Xeljanz, Prevnar 13/Prevenar 13, Xtandi, Lyrica-IH and Chantix/Champix.
[b] Growth from recently launched products include Eucrisa in the U.S., as well as Besponsa and Bavencio, primarily in the U.S. and developed Europe.
[c] Growth in Biosimilars, primarily from Inflectra in certain channels in the U.S., as well as in developed Europe.
[d] Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, were reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra revenues were reported in EH. Total Viagra revenues in 2017 represent the aggregate of worldwide revenues from Viagra IH and Viagra EH.
[e] Impact on financial results for the sale of HIS in February 2017. The 2018 financial results do not reflect any contribution from HIS global operations, compared to approximately one month of HIS domestic operations and approximately two months of HIS international operations in 2017.

See the “Analysis of the Consolidated Statements of Income — Revenues — Overview” section below for more information, including a discussion of key drivers of our revenue performance.

Income from Continuing Operations Before Provision/(Benefit) for Taxes on Income— 2018

The following provides an analysis of the decrease in *Income from continuing operations before provision/benefit) for taxes on income* for 2018 :

(MILLIONS OF DOLLARS)		
Income from continuing operations before provision/(benefit) for taxes on income for the year ended December 31, 2017	$	12,305
Favorable change in revenues		1,101
Favorable/(Unfavorable) changes:		
Higher certain asset impairments [a]		(2,720)
Higher *Restructuring charges and certain acquisition-related costs* [b]		(693)
Higher *Research and development expenses* [c]		(322)
Impact of net realized (gains)/losses on sales of investments in debt securities [a]		(186)
Lower net losses on early retirement of debt [a]		996
Impact of net periodic benefit costs/(credits) other than service costs [a]		389
Higher net gains recognized during the period on investments in equity securities [a]		362
Lower *Selling, information and administrative expenses* [d]		350
Higher income from collaborations, out-licensing arrangements and sales of compound/product rights [a]		271
All other items, net		33
Income from continuing operations before provision/(benefit) for taxes on income for the year ended December 31, 2018	$	11,885

[a] See the Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net* .
[b] See the “Costs and Expenses— Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives ” and Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .
[c] See the “Costs and Expenses—Research and Development (R&D) Expenses” section of this Financial Review.
[d] See the “Costs and Expenses—Selling, Informational and Administrative (SI&A) Expenses” section of this Financial Review.

For information on our tax provision and effective tax rate see the “Provision/(Benefit) for Taxes on Income” section of this Financial Review and Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

Our Operating Environment

Industry-Specific Challenges

Intellectual Property Rights and Collaboration/Licensing Rights

The loss, expiration or invalidation of intellectual property rights, patent litigation settlements with generic 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 lose exclusivity on these products, and generic pharmaceutical manufacturers generally produce similar products and sell them for a lower price. The date at which generic competition commences may be different from the date that the patent or regulatory exclusivity expires. However, when generic 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 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. In June 2018, the Patent Trial and Appeal Board ruled on one patent, holding that one claim was valid and that all other claims were invalid. The party challenging that patent has appealed the decision. Challenges to other patents remain pending before the U.S. Patent and Trademark Office. The invalidation of these patents could potentially allow a competitor pneumococcal vaccine into the marketplace.

A number of our current products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last 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. In addition, the basic product patent for Lyrica in the U.S. will expire in June 2019, which includes the FDA's grant of pediatric exclusivity that extended the period of market exclusivity in the U.S. for Lyrica for an additional six months from December 2018.

For additional information, see the "Recent Losses and Expected Losses of Product Exclusivity" section below.

Our biologic products, including BeneFIX, ReFacto, Xyntha, Bavencio, Prevnar 13/Prevenar 13 and Enbrel (we market Enbrel outside the U.S. and Canada), may face in the future, or already face, competition from biosimilars (also referred to as follow-on biologics). 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 developed Europe markets. The expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant regulatory exclusivity period has expired.

We have lost exclusivity for a number of our products in certain markets and we have lost collaboration rights with respect to a number of our alliance products in certain markets, and we expect certain products to face significantly increased generic competition over the next few years.

Specifically:

Recent Losses and Expected Losses of Product Exclusivity

The following table provides information about certain of our products recently experiencing, or expected to experience in 2019 , patent expirations or loss of regulatory exclusivity in the U.S., Europe or Japan, showing, by product, the key dates or expected key dates, the markets impacted and the revenues associated with those products in those markets:

(MILLIONS OF DOLLARS)			Product Revenues in Markets Impacted		
Products	Key Dates [a]	Markets Impacted	Year Ended December 31,		
			2018	2017	2016
Viagra [b]	June 2013 May 2014 December 2017	Major European markets Japan U.S.	**$ 274**	$ 850	$ 1,217
Lyrica [c]	July 2014 June 2019	Major European markets U.S.	**3,852**	3,901	3,831
Zyvox [d]	August 2014 First half of 2015 January 2016	Japan U.S. Major European markets	**62**	103	235
Relpax	December 2015 December 2016	Major European markets U.S.	**90**	176	263
Vfend	July 2016 January 2016	Major European markets Japan	**106**	150	299
Tygacil	April 2016	U.S.	**25**	45	80
Pristiq [e]	March 2017	U.S.	**71**	133	578

[a] Unless stated otherwise, "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] In November 2018, the FDA granted pediatric exclusivity for Lyrica in the U.S. for an additional six months to June 2019; pediatric exclusivity applies to both the basic product patent for Lyrica and a method of treatment patent, both of which expired in the U.S. in December 2018.
[d] Pursuant to terms of a settlement agreement, certain formulations of Zyvox became subject to generic competition in the U.S. in January 2015. Other formulations of Zyvox became subject to generic competition in the U.S. in the first half of 2015.
[e] As a result of a patent litigation settlement with several generic manufacturers, generic versions of Pristiq launched in the U.S. in March 2017.

For additional information, including 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, see the "Patents and Other Intellectual Property Rights" section in Part I, Item 1, "Business" of our 2018 Form 10-K.

Our financial results in 2018 reflect the impact of the loss of exclusivity of various products discussed above.

We will continue to aggressively defend our patent rights whenever we deem appropriate. For a discussion of certain recent developments with respect to patent litigation, see Notes to Consolidated Financial Statements— *Note 17A1. Contingencies and Certain Commitments : Legal Proceedings — Patent Litigation* .

Regulatory Environment/Pricing and Access—U.S. Healthcare Legislation

In March 2010, the ACA was enacted in the U.S. For additional information, see the "Government Regulation and Price Constraints" section in Part I, Item 1, "Business", of our 2018 Form 10-K.

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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Reduction to *Revenues* , related to the Medicare "coverage gap" discount provision	**$ 674**	$ 450	$ 410
Selling, informational and administrative expenses , related to the fee payable to the federal government (which is not deductible for U.S. income tax purposes), based on our prior-calendar-year share relative to other companies of branded prescription drug sales to specified government programs. 2018 also reflected a favorable true-up associated with the updated 2017 invoice received from the federal government, which reflected a lower expense than what was previously estimated for invoiced periods.	**184**	307	312

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. We believe that medicines are amongst the most powerful tool for patients in curing, treating and preventing illness and disability, and that all patients should have appropriate access to the medicines their doctors prescribe. We may consider a number of factors when determining a medicine's price, including, for example, its impact on patients and their disease, other available treatments, the medicine's potential to reduce other healthcare costs (such as hospital stays), and affordability. Within the U.S., in particular, we may also engage with patients, doctors and healthcare plans regarding their views. We also negotiate with insurers, including PBMs and MCOs, often providing significant discounts to them from the initial price. The price that patients pay in the U.S. for the medicines their physicians prescribe is ultimately set by healthcare providers and insurers. On average, in the U.S., insurers cover a much lower share of prescription drug costs than medical services, which results in a greater proportion of out-of-pocket costs being passed on to patients for medicines, thereby making them less accessible and affordable. We will continue to work with insurance providers, governments and others to improve access to today's innovative treatments.

Governments, MCOs and other payer groups continue to seek increasing discounts on our products through a variety of means, such as leveraging their purchasing power, implementing price controls, and demanding price cuts (directly or by rebate actions). In Europe, Japan, China, Canada, South Korea and some other international markets, governments 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 economic pressures. 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. Any 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. 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.

Consolidation among MCOs has increased the negotiating power of MCOs and other 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.

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. Recently, there has been considerable public and government scrutiny of pharmaceutical pricing and proposals to address the perceived high cost of pharmaceuticals. At the federal level, for example, in May 2018, President Trump released his *Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs* (Blueprint). Pfizer communicated a formal response to the request for information that accompanied the Blueprint, and is participating in the subsequent rule-making process to advance the proposals that are most likely to bring meaningful out-of-pocket cost relief to patients. Certain proposals in the Blueprint, and related drug pricing measures proposed since the Blueprint, could cause significant operational and reimbursement changes for the pharmaceutical industry. As another example, in October 2018, the Centers for Medicare and Medicaid Services solicited public comments on potential changes to payment for certain Medicare Part B drugs, including reducing the Medicare payment amount for selected Medicare Part B drugs to more closely align with international drug prices. In addition, in January 2019, the White House Office of Management and Budget released the long awaited proposed rule submitted by the Office of Inspector General of the Department of Health and Human Services to remove safe harbor protections for drug rebates paid to insurance plans and PBMs for Medicare Part D and Managed Medicaid

and to create new safe harbors. Among other changes, the proposed rule would explicitly exclude the reductions in price offered by drug manufacturers to PBMs in Medicare Part D and Managed Medicaid plans from protection under the "discount" safe harbor. It would also create a new safe harbor designed specifically for price reductions in pharmaceutical products, but only those that are fully reflected in the price to the patient at the pharmacy counter. Additionally, a new safe harbor was proposed to protect administrative fees paid to PBMs, which must be at fair market value, a fixed fee and not based upon a percentage of volume or list price. Manufacturers could continue to negotiate price reductions with PBMs and Medicare Part D and Managed Medicaid plans if their reductions meet that criterion. The proposed rule represents a large step toward significantly altering the current rebate model in place with MCOs. We are in the process of evaluating the implications of the proposed rule on our operations and processes, as well as the infrastructure that will be required in order to implement the rule once it is finalized. There have also been state legislative efforts to address drug costs, which generally have focused on increasing transparency around drug costs or limiting drug prices. Certain state legislation has been subject to legal challenges. Adoption of new legislation regulating drug pricing at the federal or state level could further affect demand for, or pricing of, our products.

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 will continue to work with lawmakers 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.

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. For example, 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. For example, tax reform legislation enacted at the end of 2017 eliminates the tax penalty for individuals who do not maintain sufficient health insurance coverage beginning in 2019 (the so-called "individual mandate"). We anticipate continued Congressional interest in modifying provisions of the ACA, particularly given the recent ruling in *Texas v. Azar* to invalidate the law as unconstitutional. At this time, the law remains in effect pending appeals of the decision. Given the outcomes of the 2018 U.S. midterm elections with Democrats taking over the U.S. House of Representatives and Republicans growing their majority in the U.S. Senate, we believe it is unlikely Congress will find bipartisan consensus to advance any significant changes to the ACA until the legal process unfolds. The revenues generated for Pfizer by the health insurance exchanges and Medicaid expansion under the ACA are not material, so the impact of the change in law and similar recent administration actions is expected to be limited. Any future replacement, modification or repeal of the ACA may adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage. As another example, the Bipartisan Budget Act of 2018, which increased the discount we pay in the Medicare Part D "coverage gap" from 50% to 70%, will modestly increase our future Medicare Part D rebates. Any future healthcare reform efforts may adversely affect our business and financial results.

Pfizer continues to monitor the ongoing dialogue around drug pricing and will take necessary action accordingly. After deferring previously announced price increases in July 2018, Pfizer increased the list price of certain products (comprising about 10% of its entire drug portfolio) effective January 15, 2019.

The potential for additional pricing and access pressures in the commercial sector continues to be significant. Some employers, seeking to avoid the tax on high-cost health insurance in the ACA to be imposed in 2022, are already scaling back healthcare benefits and an increasing number are implementing high deductible benefit designs. 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.

Outside the U.S., governments, including the different EU Member States, Japan, China, Canada and South Korea, 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 and international reference pricing (i.e., the practice of a country linking its regulated medicine prices to those of other countries). This international patchwork of price regulation and differing economic conditions and incomplete value assessments across countries has led to varying health outcomes 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 (UN), including the World Health Organization (WHO), and the Organization for Economic Cooperation and Development (OECD), are increasing scrutiny of international pharmaceutical pricing through issuing reports and policy recommendations (e.g., *2016 UN High Level Panel Report on Access to Medicines*). Late in 2018, two new reports critical of the pharmaceutical industry's pricing practices were published: OECD's *Pharmaceutical Innovation and Access to Medicines* and WHO's *Pricing of Cancer Medicines and its Impacts* . These reports and upcoming public forums focused on their recommendations will continue to exert additional pricing pressures.

In response to the evolving U.S. and global healthcare spending landscape, we are continuing to 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 seeking 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.

Regulatory Environment—Pipeline Productivity

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. We have encountered increasing regulatory scrutiny of drug safety and efficacy, even as we continue to gather safety and other data on our products, before and after the products have been launched. 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. We devote considerable resources to R&D activities. These activities involve a high degree of risk and cost and may take many years, and with respect to any specific R&D project, there can be no assurance that the development of any particular product candidate or new indication for an in-line product will achieve the desired clinical endpoints and safety profile, will be approved by regulators or will be successful commercially.

During the development of a product, we conduct clinical trials to provide data on the drug's safety and efficacy to support the evaluation of its 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, and postmarketing trials may be conducted, including trials requested by regulators and trials that we do voluntarily 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. The FDA and regulatory authorities in other jurisdictions may evaluate potential safety concerns related to a product or a class of products and take regulatory actions in response, such as updating a product's labeling, restricting the use of a product, communicating new safety information to the public, or, in rare cases, removing a product from the market.

Competition

Many of our prescription pharmaceutical products face competition in the form of branded or generic drugs or biosimilars that treat similar diseases or indications. For additional information, see the "Competition" section in Part I, Item 1, "Business" of our 2018 Form 10-K.

The Global Economic Environment

In addition to the industry-specific factors discussed above, we, like other businesses of our size, are exposed to the economic cycle, which impacts our biopharmaceutical operations globally.

- 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. 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. Examples include the different EU Member States, Japan, China, Canada, South Korea and a number of other international markets. The U.S. continues to maintain competitive insurance markets, but has also seen significant increases in patient cost-sharing and growing government influence as government programs continue to grow as a source of coverage.
- Significant portions of our revenues, costs and expenses, as well as our substantial international net assets, are exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk in part through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk also is managed through the use of derivative financial instruments and foreign currency debt. As we operate in multiple foreign currencies, including the euro, the Japanese yen, the Chinese renminbi, the U.K. pound, the Canadian dollar and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar 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 further information about our exposure to foreign currency risk, see the "Analysis of Financial Condition, Liquidity and Capital Resources" and the "Our Financial Guidance for 2019 " sections of this Financial Review.
- In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". In March 2017, the U.K. government formally notified the European Council of its intention to leave the EU after it triggered Article 50 of the Lisbon Treaty to begin the two-year negotiation process establishing the terms of the exit and outlining the future relationship between the U.K. and the EU. Formal negotiations officially started in June 2017. This process continues to be highly complex and the end result of these negotiations 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. The EMA will be relocating from London, U.K. to Amsterdam, Netherlands by the scheduled date of Brexit at the end of March 2019. At present, it is still unclear whether and to what extent the U.K. will remain within or aligned to the EU system of medicines regulation, and/or what separate requirements will be imposed in the U.K. after it leaves the EU. 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 in the event of a 'hard Brexit', meaning an outcome where no negotiated settlement is reached.

We generated approximately 2% of our worldwide revenues from the U.K. in 2018 including the foreign currency exchange impact from the weakening U.K. pound relative to the U.S. dollar to date. We recognize that there are still significant uncertainties surrounding the ultimate resolution of Brexit negotiations, and we will continue to monitor any changes that may arise and assess their potential impact on our business.

Pfizer's preparations are well advanced to make the changes necessary to meet EU legal requirements after the U.K. is no longer a member state, especially in the regulatory, research, manufacturing and supply chain areas. The aim is to ensure the continuity of supply to patients in Europe (EU and the U.K.) and other global markets impacted by these changes. The one-time costs of making these adaptations are currently estimated at approximately $100 million and are expected to be incurred between 2018 and 2021.

- On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of the TCJA. The TCJA is complex and significantly changes the U.S. corporate income tax system by, among other things, reducing the U.S. Federal corporate tax rate from 35% to 21%, transitioning U.S. international taxation from a worldwide tax system to a territorial tax system and imposing a repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries. For additional information, see the "Provision/(Benefit) for Taxes on Income" and "Analysis of Financial Condition, Liquidity and Capital Resources" sections of this Financial Review and Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

Pfizer maintains a strong financial position while operating in a complex global environment. 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. Our long-term debt is rated high quality by both S&P and Moody's. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified, available-for-sale debt securities. For further discussion of our financial condition and credit ratings, see the "Analysis of Financial Condition, Liquidity and Capital Resources" section of this Financial Review.

These and other industry-wide factors that may affect our businesses should be considered along with information presented in the "Forward-Looking Information and Factors That May Affect Future Results" section of this Financial Review and in Part I, Item 1A, "Risk Factors" of our 2018 Form 10-K.

Our Strategy

We believe that our medicines provide significant value for both healthcare providers and patients, not only from the improved treatment of diseases but also from a reduction in other healthcare costs, such as emergency room or hospitalization costs, as well as improvements in health, wellness and productivity. We continue to actively engage in dialogues about the value of our 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 shareholders.

Organizing for Growth

Today Pfizer has what we believe is the best pipeline in our history and several new industry-leading medicines that position us well for future growth. Following the impact of the expected patent expiration of Lyrica in the U.S. in mid-2019, we expect to enter a period of significantly reduced revenue impact from patent expiries. This confluence of events has given us an opportunity to look at and refine how we organize our business to best achieve sustainable growth and to deliver our medicines and vaccines to the maximum number of people who need them.

At the beginning of our fiscal year 2019, we began to manage our commercial operations through a new global structure consisting of three businesses, each of which is led by a single manager—Pfizer Biopharmaceuticals Group (Biopharma), Upjohn and Pfizer's Consumer Healthcare business. We designed this new global structure to take advantage of new growth opportunities driven by the evolving and unique dynamics of relevant markets.

Some additional information about each business follows:

- Biopharma—a science-based innovative medicines business that includes our Innovative Health business units (except our Consumer Healthcare business), as well as a new Hospital business unit that commercializes our global portfolio of sterile injectable and anti-infective medicines. We also incorporated our biosimilar portfolio into our Oncology and Inflammation & Immunology therapeutic areas.
- Upjohn—an off-patent branded and generic established medicines business, headquartered in China that includes 20 of our off-patent solid oral dose legacy brands including Lyrica, Lipitor, Norvasc, Viagra and Celebrex, as well as certain generic medicines.
- Pfizer's Consumer Healthcare business—an over-the-counter medicines business, which we announced on December 19, 2018 will be contributed to, and combined with, GSK's consumer healthcare business to form a new consumer healthcare joint venture, of which we will own 32%. See Notes to Consolidated Financial Statements— *Note 2C. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Assets and Liabilities Held for Sale.*

We also reorganized our R&D operations as part of our Organizing for Growth reorganization:

- WRD is renamed Worldwide Research, Development and Medical (WRDM) as we have created a new Worldwide Medical & Safety organization in WRD that incorporates the former Chief Medical Office as well as the Worldwide Safety function;
- The R&D organization within the EH business has been integrated into the WRDM, GPD and Upjohn organizations, including moving biosimilars into WRDM and GPD and realigning them with the relevant therapeutic areas (e.g., Oncology and Inflammation & Immunology);
- The Regulatory function has been moved from the WRDM organization into the GPD organization; and
- Late-stage portfolio spend has been moved from IH to GPD and from EH to GPD and Upjohn.

We re-aligned our commercial operations in 2019 for a number of reasons, including:

- Bringing biosimilars into their therapeutic categories gives us the potential to leverage our R&D, regulatory and commercial infrastructure within the Biopharma business to more efficiently bring those assets to market;
- Making a business unit that is solely focused on medicines that are used in hospitals can potentially bring greater focus and attention to serving those customers and developing those relationships;
- Giving the Upjohn business more autonomy and a focus on maximizing the value of its products, particularly in emerging markets, gives it the opportunity to operate as a standalone business within Pfizer with the potential for sustainable modest growth; and
- We believe this new structure better positions each business to achieve its growth potential as we transition to a period post-2020 where we expect higher and more sustained revenue growth due to declining LOEs and the potential of our late-stage pipeline.

Biopharma seeks to leverage a strong pipeline, organize around 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 that address patients' unmet needs;
- Advances in both biological science and digital technology that are enhancing the delivery of breakthrough new medicines; and
- The increasingly significant role of hospitals in healthcare systems.

Urbanization and the rise of the middle class in emerging markets, particularly in Asia, provide growth opportunities for the Upjohn business. Our ability to work collaboratively within local markets and to be fast, focused and flexible is intended to position this business to seize these opportunities. Upjohn will have distinct and dedicated manufacturing, marketing, regulatory and, subject to limited exceptions, enabling functions that report directly into the business providing autonomy and positioning Upjohn to operate as a true stand-alone division. We created this new structure to, among other things, position Upjohn to optimize its distinct growth potential and provide us with the flexibility to access further opportunities to enhance value, which we continue to consider.

Results for 2018 and prior periods in our 2018 Form 10-K and in this 2018 Financial Report are reported on the basis under which we managed our business in 2018 and do not reflect the 2019 reorganization. Beginning with our first-quarter 2019 financial results, our financial reporting will reflect the new organizational structure. We are evaluating the impact to our operating segments and other costs and activities based on how the businesses are managed in 2019.

As we prepare for expected growth, we are focused on creating a simpler, more efficient organization by streamlining structures, process and governance within each business and the functions that support them. As our innovative pipeline matures with the anticipated progression of current trials and the initiation of new pivotal trials, we will need to increase our R&D investments. In addition, as our pipeline potentially delivers new commercialization opportunities, we will need to increase our investments in new-market-creation activities. We are also initiating an enterprise-wide digital effort to help speed up drug development, enhance patient and physician experiences and access and leverage technology and robotics to simplify and automate our processes.

In the fourth quarter of 2018, we took steps to simplify the organization, increase spans of control and reduce organizational layers, which impacted some managerial roles and responsibilities. The impacts of these voluntary and involuntary plans were recorded as a special termination benefit, as well as severance in the fourth quarter of 2018, and were reflected as Certain Significant Items and excluded from our non-GAAP measure of Adjusted Income. We also offered enhancements to certain employee benefits for a short period of time. The expenses related to these enhancements for certain employee benefits did not have a material impact on our 2018 results of operations and any expected future impact of these enhancements are reflected in the totality of our annual guidance for 2019. To partially offset the incremental cost increases of increased R&D investments and marketing activities in future periods, we expect to generate cost reduction opportunities, particularly in indirect SI&A.

Commercial Operations

From the second quarter of our 2016 fiscal year until the end of 2018, we managed our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). The IH and EH operating segments were each led by a single manager. Each operating segment had responsibility for its commercial activities and for certain IPR&D projects for new investigational products and additional indications for in-line products that generally have achieved proof-of-concept. Each business had a geographic footprint across developed and emerging markets.

Some additional information about our business segments as of December 31, 2018 (prior to our new 2019 commercial organizational re-alignment) follows:

Pfizer INNOVATIVE HEALTH	Pfizer ESSENTIAL HEALTH
IH focused on developing and commercializing novel, value-creating medicines and vaccines that significantly improve patients' lives, as well as products for consumer healthcare. Key therapeutic areas included internal medicine, vaccines, oncology, inflammation & immunology, rare disease and consumer healthcare.	EH included legacy brands that have lost or will soon lose market exclusivity in both developed and emerging markets, branded generics, generic sterile injectable products, biosimilars and select branded products including anti-infectives. EH also included an R&D organization, as well as our contract manufacturing business. Through February 2, 2017, EH also included HIS.
Leading brands included: - *Prevnar 13/Prevenar 13* - *Xeljanz* - *Eliquis* - *Lyrica* (U.S., Japan and certain other markets) - *Enbrel* (outside the U.S. and Canada) - *Ibrance* - *Xtandi* - *Chantix/Champix* - Several OTC consumer healthcare products*	**Leading brands included:** - *Lipitor* - *Norvasc* - *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia countries) - *Celebrex* - *Viagra*** - *Inflectra/Remsima* - *Sulperazon* - Several other sterile injectable products

* According to Nicholas Hall's retail sales data (based on moving annual total data through the third quarter of 2018), in 2018, our Consumer Healthcare business was the fifth-largest branded multi-national, OTC consumer healthcare business in the world and produced two of the ten largest selling consumer healthcare brands (*Centrum* and *Advil*) in the world.

** Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, were reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra worldwide revenues were reported in EH.

For additional information about the 2018 performance of each of our operating segments, see the "Analysis of Operating Segment Information" section of this Financial Review.

Description of Research and Development Operations

The following description of R&D operations reflects operations as of December 31, 2018 .

Innovation is critical to the success of our company, and drug discovery and development is time-consuming, expensive and unpredictable. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs. Our R&D priorities include:

- delivering a pipeline of differentiated therapies and vaccines with the greatest medical and commercial potential;
- advancing our capabilities that can position Pfizer for long-term leadership; and
- creating new models for biomedical collaboration that will expedite the pace of innovation and productivity.

To that end, our R&D primarily focuses on:

- Inflammation and Immunology ;
- Internal Medicine ;
- Oncology ;
- Rare Diseases ;
- Vaccines ; and
- Biosimilars.

In January 2018, we announced our decision to end internal neuroscience discovery and early development efforts and re-allocate funding to other areas where we have stronger scientific leadership. The development of tanezumab and potential treatments for rare neuromuscular disorders is not impacted by this decision. In June 2018, we announced our plan to invest up to $600 million in biotechnology and other emerging growth companies through Pfizer Ventures, our venture investment vehicle. In September 2018, we and Bain Capital entered into a transaction 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, including Parkinson's disease, epilepsy, Alzheimer's disease, schizophrenia and addiction. For additional information on the transaction with Bain Capital, see the Notes to Consolidated Financial Statements— *Note 2B. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Divestitures* .

In 2018, 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 was conducted through a number of matrix organizations:

- Research Units within our WRD organization were generally responsible for research and early-stage development assets for our IH business (assets that have not yet achieved proof-of-concept). Our Research Units were organized by therapeutic area to enhance flexibility, cohesiveness and focus. Because of our structure, we were 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 R&D organization within the EH business supported the large base of EH products and helped develop potential new sterile injectable drugs and therapeutic solutions, as well as biosimilars.
- Our GPD organization, a unified center for late-stage development for our innovative products that was generally responsible for the operational execution of clinical trials for both early-stage assets in the WRD portfolio as well as late-stage assets in the Innovative portfolio. For WRD assets, GPD worked in close collaboration with the Early Clinical Development group, which has expertise in various disciplines such as Biostatistics, Clinical Pharmacology and Digital Medicine. GPD helped enable more efficient and effective development and enhance our ability to accelerate and progress assets through our pipeline.
- Our science-based and other platform-services organizations, where a significant portion of our R&D spending occurred, provided technical expertise and other services to the various R&D projects, and were organized into science-based functions (which were part of our WRD organization), such as Pharmaceutical Sciences, Medicine Design, Regulatory and Drug Safety, and non-science-based functions, such as Facilities, Business Technology and Finance. As a result, within each of these functions, we were 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.

We manage R&D operations on a total-company basis through our matrix organizations described above. Specifically, a single committee with representation from the R&D groups and the IH commercial organization was accountable for aligning resources among all of our WRD, GPD and IH R&D projects and for seeking to ensure optimal capital allocation across the Innovative R&D portfolio. We believe that this approach also served to maximize accountability and flexibility. Our EH R&D organization managed its resources separately from the WRD and GPD organizations.

Generally, we do not disaggregate total R&D expense by development phase or by therapeutic area since, as described above, we do not manage a significant portion of 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, as conditions change, 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.

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, 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 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 and to access external scientific and technological expertise, and provide us the opportunity to advance our own products as well as the in-licensed or acquired products.

For additional information about R&D by operating segment, see the “Analysis of Operating Segment Information” section of this Financial Review. For additional information about our pending new drug applications and supplemental filings, see the “Analysis of the Consolidated Statements of Income—Product Developments—Biopharmaceutical” section of this Financial Review. For additional information about recent transactions and strategic investments that we believe have the potential to advance our pipeline, see the “Our Business Development Initiatives” section of this Financial Review.

Intellectual Property Rights

We continue to aggressively defend our patent rights whenever appropriate against increasingly aggressive infringement, and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to ensure appropriate patient access. In addition, we will continue to employ innovative approaches designed to prevent counterfeit pharmaceuticals from entering the supply chain and to achieve greater control over the distribution of our products, and we will continue to participate in the generics market for our products, whenever appropriate, once they lose exclusivity. Also, 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. For additional information about our current efforts to enforce our intellectual property rights and certain other patent proceedings, see Notes to Consolidated Financial Statements— *Note 17A1. Contingencies and Certain Commitments : Legal Proceedings — Patent Litigation.* For information on risks related to patent protection and intellectual property claims by third parties, see Part I, Item 1A, “Risk Factors—Risks Related to Intellectual Property” in our 2018 Form 10-K.

Capital Allocation and Expense Management

We seek to maintain a strong balance sheet and robust liquidity so that we continue to have the financial resources necessary to take advantage of prudent commercial, research and business development opportunities and to directly enhance shareholder value through share repurchases and dividends. For additional information about our financial condition, liquidity, capital resources, share repurchases (including accelerated share repurchases) and dividends, see the “Analysis of Financial Condition, Liquidity and Capital Resources” section of this Financial Review. For additional information about our recent business development activities, see the “Our Business Development Initiatives” section of this Financial Review.

In December 2018 , our Board of Directors declared a first-quarter 2019 dividend of $0.36 per share, an increase from the $0.34 per-share quarterly dividend paid during 2018 . For additional information, see the “Analysis of Financial Condition, Liquidity and Capital Resources” section of this Financial Review and Notes to Consolidated Financial Statements— *Note 12. Equity.*

We remain focused on achieving an appropriate cost structure for our company. For additional information about our cost-reduction and productivity initiatives, see the “Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-

Reduction/Productivity Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives.*

Increasing Investment in the U.S. —After evaluating the expected positive net impact the TCJA will have on us, in early 2018, we decided to take several actions:

- Over the five-year period from 2018 through 2022, we plan to invest approximately $5.0 billion in capital projects in the U.S., including the strengthening of our manufacturing presence in the U.S. As part of this plan, in July 2018, we announced that we will increase our commitment to U.S. manufacturing with a $465 million investment to build one of the most technically advanced sterile injectable pharmaceutical production facilities in the world in Portage, Michigan. This U.S. investment will strengthen our capability to produce and supply critical, life-saving injectable medicines for patients around the world. Known as Modular Aseptic Processing, the new, multi-story, 400,000-square-foot production facility will also support the area economy by creating an estimated 450 new jobs over the next several years.
- We made a $500 million voluntary contribution to the U.S. Pfizer Consolidated Pension Plan in February 2018.
- In the fourth quarter of 2017, we made a $200 million charitable contribution to the Pfizer Foundation, an organization that provides grant and investment funding to support organizations and social entrepreneurs in an effort to improve healthcare delivery.
- In the first quarter of 2018, we paid a special, one-time bonus to virtually all Pfizer colleagues, excluding executives, of $119 million in the aggregate.

Our Business Development Initiatives

We are committed to capitalizing on growth opportunities by advancing our own pipeline and maximizing the value of our in-line products, as well as through various forms of business development, which can include alliances, licenses, joint ventures, 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. We continue to evaluate business development transactions that have the potential to strengthen our businesses and their capabilities, such as our acquisitions of Hospira, Medivation, Anacor and AstraZeneca's small molecule anti-infectives business, as well as collaborations, and alliance and license agreements with other companies. We assess our businesses, 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 businesses.

For additional information on our business development activities, see Notes to Consolidated Financial Statements —*Note 2. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment* .

The more significant recent transactions and events are described below:

- Agreement to Form a New Consumer Healthcare Joint Venture (IH) —On December 19, 2018, we announced that we entered into a definitive agreement with GSK under which we and GSK agreed to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture that will operate globally under the GSK Consumer Healthcare name. The joint venture is expected to be a category leader in pain relief, respiratory, vitamin and mineral supplements, digestive health, skin health and therapeutic oral health and will be the largest global OTC consumer healthcare business.
- Sale of Hospira Infusion Systems Net Assets to ICU Medical, Inc. (EH) —On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, to ICU Medical. In connection with this transaction, we recognized pre-tax income of $1 million in 2018 and pre-tax losses of $55 million in 2017 in *Other (income)/deductions—net,* representing adjustments to amounts previously recorded in 2016 to write down the HIS net assets to fair value less costs to sell.
- Acquisition of AstraZeneca's Small Molecule Anti-Infectives Business (EH) —On December 22, 2016, which fell in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S. The total fair value of the consideration transferred for this business was approximately $1,040 million , inclusive of cash paid and the fair value of contingent consideration.
- Acquisition of Medivation, Inc. (IH) —On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ($13.9 billion , net of cash acquired). Medivation's portfolio includes Xtandi (enzalutamide), an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells, and talazoparib, which was approved by the FDA in October 2018, under the trade name Talzenna, for the treatment of adults with germline BRCA-mutated HER2-negative locally advanced or metastatic breast cancer and is currently in development for other types of cancer. Xtandi is being developed and commercialized through a collaboration with Astellas. Astellas has exclusive commercialization rights for Xtandi outside the U.S.
- Acquisition of Bamboo Therapeutics, Inc. (IH) — On August 1, 2016, we acquired all the remaining equity in Bamboo, a privately-held biotechnology company focused on developing gene therapies for the potential treatment of patients with certain rare diseases relating to neuromuscular conditions and those affecting the central nervous system, for $150 million plus potential milestone payments of up to $495 million contingent upon the progression of key assets through development, regulatory approval and commercialization.
- Acquisition of Anacor Pharmaceuticals, Inc. (IH) — On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ($4.5 billion net of cash acquired) plus $698 million debt assumed. Anacor's crisaborole, a non-steroidal topical PDE-4 inhibitor with anti-inflammatory properties, was approved by the FDA in December 2016 under the trade name, Eucrisa , for the treatment of mild-to-moderate atopic dermatitis in patients two years of age and older, commonly referred to as a type of eczema. Anacor also holds the rights to Kerydin, a topical treatment for onychomycosis (toenail fungus) that is distributed and commercialized by Sandoz in the U.S.

- Research and Development Arrangement with NovaQuest Co-Investment Fund II, L.P. — On November 1, 2016, we announced the discontinuation of the global clinical development program for bococizumab. During December 2016, $31.3 million was refunded to NovaQuest representing amounts NovaQuest prepaid for development costs (under the May 2016 agreement described below) that were not used for program expenses due to the discontinuation of the development program. No additional payments have been or are expected to be received from or paid to NovaQuest with respect to this agreement, which was terminated effective as of November 18, 2016.

  In May 2016, our agreement with NovaQuest became effective, under which NovaQuest agreed to fund up to $250 million in development costs related to certain Phase 3 clinical trials of Pfizer's bococizumab compound and Pfizer agreed to use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding was expected to cover up to 40% of the development costs and was to be received over five quarters during 2016 and 2017. As there was a substantive and genuine transfer of risk to NovaQuest, the development funding applicable to program expenses during 2016 was recognized as an obligation to perform contractual services and therefore has been recognized as a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* for 2016 totaled $180.3 million .
- Research and Development Arrangement with NovaQuest Co-Investment Fund V, L.P. — In April 2016, Pfizer entered into an agreement with NovaQuest under which NovaQuest would fund up to $200 million in development costs related to certain Phase 3 clinical trials of Pfizer's rivipansel compound and Pfizer will use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding is expected to cover up to 100% of the development costs and will be received over approximately 13 quarters from 2016 through the second quarter of 2019 after which Pfizer will be responsible for the remaining development costs. As there is a substantive and genuine transfer of risk to NovaQuest, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $57.6 million for 2018, $72.1 million for 2017 and $46.6 million for 2016. Following potential regulatory approval, NovaQuest will be eligible to receive a combination of fixed milestone payments of up to approximately $267 million in total, based on achievement of first commercial sale and certain levels of cumulative net sales as well as royalties on rivipansel net sales over approximately eight years. Fixed sales-based milestone payments will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the rivipansel product and royalties on net sales will be recorded as *Cost of sales* when incurred.
- Research and Development Arrangement with RPI Finance Trust — In January 2016, Pfizer entered into an agreement with RPI, a subsidiary of Royalty Pharma, under which RPI would fund up to $300 million in development costs related to certain Phase 3 clinical trials of Pfizer's Ibrance (palbociclib) product primarily for adjuvant treatment of hormone receptor positive early breast cancer (the Indication). RPI's development funding is expected to cover up to 100% of the costs primarily for the applicable clinical trials until the second quarter of 2020 after which Pfizer will be responsible for the remaining cost of the trials. As there is a substantive and genuine transfer of risk to RPI, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $99.3 million in 2018, $75.6 million for 2017 and $44.9 million for 2016. If successful and upon approval of Ibrance in the U.S. or certain major markets in the EU for the Indication based on the applicable clinical trials, RPI will be eligible to receive a combination of approval-based fixed milestone payments of up to $250 million dependent upon results of the clinical trials and royalties on certain Ibrance sales over approximately seven years. Fixed milestone payments due upon approval will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the Ibrance product and sales-based royalties will be recorded as *Cost of sales* when incurred.

Our Financial Guidance for 2019

The following table provides our financial guidance for full-year 2019 [(a), (b)] :

Revenues	$52.0 to $54.0 billion
Adjusted cost of sales as a percentage of revenues	20.8% to 21.8%
Adjusted selling, informational and administrative expenses	$13.5 to $14.5 billion
Adjusted research and development expenses	$7.8 to $8.3 billion
Adjusted other (income)/deductions	Approximately $100 million of income
Effective tax rate on adjusted income	Approximately 16.0%
Adjusted diluted EPS	$2.82 to $2.92

[(a)] The 2019 financial guidance reflects the following:

- A full year of revenue and expense contributions from Pfizer's Consumer Healthcare business.
- Does not assume the completion of any business development transactions not completed as of December 31, 2018 , including any one-time upfront payments associated with such transactions.
- Financial guidance for Adjusted other (income)/deductions and Adjusted diluted EPS now excludes the impact of gains and losses on investments in equity securities. In 2018, Pfizer's 2018 financial results included net gains on investments in equity securities, which favorably impacted Adjusted other (income)/deductions by $586 million and Adjusted diluted EPS [(2)] by approximately $0.08 in 2018. Beginning In 2019, we will exclude the gains and losses from equity securities from our measure of Adjusted income because of their inherent volatility, which we do not control and cannot predict with any level of certainty and because we do not believe that including these gains and losses assists investors in understanding our business or is reflective of our core operations and business. For example, we contributed assets related to our allogeneic CAR T therapy to Allogene and received equity securities. We will restate our Adjusted income and Adjusted diluted EPS for prior periods for consistency with our 2019 presentation.
- Reflects an anticipated negative revenue impact of $2.6 billion due to recent and expected generic and biosimilar competition for certain products that have recently lost or are anticipated to soon lose patent protection.
- Exchange rates assumed are as of mid-January 2019. Reflects the anticipated unfavorable impact of approximately $0.9 billion on revenues and approximately $0.06 on adjusted diluted EPS as a result of changes in foreign exchange rates relative to the U.S. dollar compared to foreign exchange rates from 2018.
- Guidance for adjusted diluted EPS assumes diluted weighted-average shares outstanding of approximately 5.7 billion shares, which reflects share repurchases totaling $12.2 billion in 2018 and the weighted-average impact of an anticipated approximately $9 billion of share repurchases in 2019 , which

have been completed through February 28, 2019. Dilution related to share-based employee compensation programs is currently expected to offset the reduction in shares associated with these share repurchases by approximately half.

(b) For an understanding of Adjusted income and its components and Adjusted diluted EPS (all of which are non-GAAP financial measures), see the "Non-GAAP Financial Measure (Adjusted Income)" section of this Financial Review.

Pfizer does not provide guidance for GAAP Reported financial measures (other than revenues) or a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP Reported financial measures on a forward-looking basis because it is unable to predict with reasonable certainty the ultimate outcome of pending litigation, unusual gains and losses, acquisition-related expenses, net gains or losses on equity securities and potential future asset impairments without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP Reported results for the guidance period.

For information about our actual costs and anticipated costs and cost savings associated with our three-year cost-reduction initiative entered into in the fourth quarter of 2016, the Hospira acquisition, our recent business development activities, and global commercial structure, see the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives.*

Our 2019 financial guidance is subject to a number of factors and uncertainties as described in the "Our Operating Environment", "The Global Economic Environment", "Our Strategy" and "Forward-Looking Information and Factors That May Affect Future Results" sections of this Financial Review; and Part I, Item 1A, "Risk Factors" of our 2018 Form 10-K.

SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

For a description of our significant accounting policies, see Notes to Consolidated Financial Statements— *Note 1. Basis of Presentation and Significant Accounting Policies* . 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: (i) Acquisitions (Note 1D); (ii) Fair Value (Note 1E); (iii) Revenues (Notes 1B and 1G); (iv) Asset Impairments (Note 1L); (v) Tax Assets and Liabilities and Income Tax Contingencies (Note 1P); (vi) Pension and Postretirement Benefit Plans (Note 1Q); and (vii) Legal and Environmental Contingencies (Note 1R).

Following is a discussion about the critical accounting estimates and assumptions impacting our consolidated financial statements. See also Notes to Consolidated Financial Statements— *Note 1C. Basis of Presentation and Significant Accounting Policies: Estimates and Assumptions* for a discussion about the risks associated with estimates and assumptions.

Acquisitions and Fair Value

For a discussion about the application of fair value to our recent acquisitions, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Acquisitions* .

For a discussion about the application of fair value to our investments, see Notes to Consolidated Financial Statements— *Note 7A. Financial Instruments : Fair Value Measurements* .

For a discussion about the application of fair value to our benefit plan assets, see Notes to Consolidated Financial Statements— *Note 11D. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Plan Assets* .

For a discussion about the application of fair value to our asset impairment reviews, see "Asset Impairment Reviews" 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 is required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. On a quarterly basis, our adjustments of estimates to reflect actual results generally have been less than 1% of revenues, and have resulted in either a net increase or a net decrease in revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, 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 time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

Asset Impairment Reviews

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 the Notes to Consolidated Financial Statements— *Note 1L. Basis of Presentation and Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

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. For example, restrictions imposed by the FDA or other regulatory authorities could affect our ability to manufacture or sell a product.
- A projection or forecast that indicates 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 results in a significant loss of market share or the inability to achieve the previously 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

As a result of our identifiable intangible asset impairment review work, we recognized a number of impairments of identifiable intangible assets for the years ended December 31, 2018 , 2017 and 2016 . See Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions — Net.*

When we are required to determine the fair value of intangible assets other than goodwill, we use an income approach, specifically the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the asset, which includes the application 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 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 projections and the impact of technological 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 diversity of the projected cash flows.

While all intangible assets other than goodwill can face events and circumstances that can lead to impairment, in general, intangible assets other than goodwill that are most at risk of impairment include IPR&D assets (approximately $2.2 billion as of December 31, 2018) and newly acquired or recently impaired indefinite-lived brand assets. IPR&D assets are high-risk assets, as R&D is an inherently risky activity. 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

As a result of our goodwill impairment review work, we concluded that none of our goodwill was impaired as of December 31, 2018 , and we do not believe the risk of impairment is significant at this time.

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, as appropriate for the individual reporting unit, we mainly use the income approach but we 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, the method that we use is the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with 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. Within the market approach are two methods that we may use:
  - 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" section of this Financial Review and Part I, Item 1A, "Risk Factors" in our 2018 Form 10-K.

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 sponsor 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.

The accounting for benefit plans is highly dependent on actuarial estimates, assumptions and calculations, which can result from a complex series of judgments about future events and uncertainties. The assumptions and actuarial estimates required to estimate the net employee benefit obligations for the defined benefit and postretirement plans include the discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality (life expectancy); expected return on plan assets; and healthcare cost trend rates.

Effective January 1, 2018, accruals for future benefits under the Pfizer Consolidated Pension Plan (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 Pfizer Consolidated Pension Plan and active members of the Pfizer Group Pension Scheme started accruing benefits under the defined contribution section of that plan.

As of December 31, 2018 , the noncurrent portion of our pension benefit obligations, net, and our postretirement benefit obligations, net decreased, in the aggregate, by approximately $747 million compared to December 31, 2017 . The decrease reflects, among other things, the $500 million voluntary contribution we made to the U.S. Pfizer Consolidated Pension Plan in February 2018 and an increase in the discount rate used in the measurement of plan obligations, partially offset by the decrease in the actual returns on plan assets.

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 table 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)] :

	2018	2017	2016
U.S. Qualified Pension Plans			
Expected annual rate of return on plan assets	**7.2 %**	7.5%	8.0%
Actual annual rate of return on plan assets	**(5.3)**	16.2	8.1
Discount rate used to measure the plan obligations	**4.4**	3.8	4.3
International Pension Plans			
Expected annual rate of return on plan assets	**3.9**	4.4	4.7
Actual annual rate of return on plan assets	**(0.9)**	10.3	9.3
Discount rate used to measure the plan obligations	**2.5**	2.3	2.4

[(a)] For detailed assumptions associated with our benefit plans, see Notes to Consolidated Financial Statements— *Note 11B. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Actuarial Assumptions.*

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 table 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):

	Change	Increase in 2019 Net Periodic Benefit Costs
Assumption		
Expected annual rate of return on plan assets	50 basis point decline	$104

The actual return on plan assets resulted in a net loss on our plan assets of approximately $895 million during 2018 .

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 table 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):

	Change	Increase in 2019 Net Periodic Benefit Costs	2018 Benefit Obligations
Assumption		Increase	Increase
Discount rate	10 basis point decline	$13	$417

The change in the discount rates used in measuring our plan obligations as of December 31, 2018 resulted in a decrease in the measurement of our aggregate plan obligations by approximately $1.5 billion .

Income Tax Assets and Liabilities

In the fourth quarter of 2017, we recorded an estimate of certain tax effects of the TCJA, including (i) the impact on deferred tax assets and liabilities from the reduction in the U.S. Federal corporate tax rate from 35% to 21% , (ii) the impact on valuation allowances and other state income tax considerations, (iii) a repatriation tax liability on accumulated post-1986 foreign earnings for which we plan to elect, with the filing of our 2018 U.S. Federal Consolidated Income Tax Return, payment over eight years through 2026 that is reported in *Other taxes payable* in our consolidated balance sheet as of December 31, 2017, and (iv) deferred taxes on basis differences expected to give rise to future taxes on global intangible low-taxed income. In addition, we had provided deferred tax liabilities in the past on foreign earnings that were not indefinitely reinvested. As a result of the TCJA, in the fourth quarter of 2017, we reversed an estimate of the deferred taxes that are no longer expected to be needed due to the change to the territorial tax system.

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. We were able to make a reasonable estimate of the deferred taxes on the temporary differences expected to reverse in the future and provided a provisional deferred tax liability as of December 31, 2017.

In 2018, we finalized our provisional accounting for the tax effects of the TCJA based on our best estimates of available information and data, and have reported and disclosed the impacts within the applicable measurement period, in accordance with guidance issued by the SEC. The amounts recorded may change in the future due to uncertain tax positions. With respect to the aforementioned repatriation tax liability, the first installment, due in April 2019, is reported in *Income taxes payable,* and the remaining liability is reported in *Other taxes payable* in our consolidated balance sheet as of December 31, 2018. We believe that there may be additional interpretations, clarifications and guidance from the U.S. Department of Treasury. Any change to our calculations resulting from such additional interpretations, clarifications and guidance would be reflected in the period of issuance. In addition, 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.

Income tax assets and liabilities also include income tax valuation allowances and accruals for uncertain tax positions. For additional information, see Notes to Consolidated Financial Statements— *Note 1C. Basis of Presentation and Significant Accounting Policies: Estimates and Assumptions* ; *Note 1P. Basis of Presentation and Significant Accounting Policies: Tax Assets and Liabilities and Income Tax Contingencies* and *Note 5A. Tax Matters: Taxes on Income from Continuing Operations,* as well as the “Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations” section of this Financial Review .

Contingencies

For a discussion about income tax contingencies, see Notes to Consolidated Financial Statements— *Note 5D. Tax Matters: Tax Contingencies.*

For a discussion about legal and environmental contingencies, guarantees and indemnifications, see Notes to Consolidated Financial Statements— *Note 17. Contingencies and Certain Commitments* .

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF INCOME

(MILLIONS OF DOLLARS)	Year Ended December 31, 2018	2017	2016	% Change 18/17	% Change 17/16
Revenues	**$ 53,647**	$ 52,546	$ 52,824	**2**	(1)
Cost of sales	**11,248**	11,228	12,322	**—**	(9)
% of revenues	**21.0%**	21.4 %	23.3%		
Selling, informational and administrative expenses	**14,455**	14,804	14,844	**(2)**	—
% of revenues	**26.9%**	28.2 %	28.1%		
Research and development expenses	**8,006**	7,683	7,892	**4**	(3)
% of revenues	**14.9%**	14.6 %	14.9%		
Amortization of intangible assets	**4,893**	4,758	4,056	**3**	17
% of revenues	**9.1%**	9.1 %	7.7%		
Restructuring charges and certain acquisition-related costs	**1,044**	351	1,565	*	(78)
% of revenues	**1.9%**	0.7 %	3.0%		
Other (income)/deductions—net	**2,116**	1,416	3,794	**49**	(63)
Income from continuing operations before provision/(benefit) for taxes on income	**11,885**	12,305	8,351	**(3)**	47
% of revenues	**22.2%**	23.4 %	15.8%		
Provision/(benefit) for taxes on income	**706**	(9,049)	1,123	*	*
Effective tax rate	**5.9%**	(73.5)%	13.4%		
Income from continuing operations	**11,179**	21,353	7,229	**(48)**	*
% of revenues	**20.8%**	40.6 %	13.7%		
Discontinued operations—net of tax	**10**	2	17	*	(87)
Net income before allocation to noncontrolling interests	**11,188**	21,355	7,246	**(48)**	*
% of revenues	**20.9%**	40.6 %	13.7%		
Less: Net income attributable to noncontrolling interests	**36**	47	31	**(24)**	54
Net income attributable to Pfizer Inc.	**$ 11,153**	$ 21,308	$ 7,215	**(48)**	*
% of revenues	**20.8%**	40.6 %	13.7%		

Certain amounts and percentages may reflect rounding adjustments.

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

Revenues — Overview

Total revenues in 2018 compared to 2017 reflects operational growth of $791 million , or 2% , and the favorable impact of foreign exchange of $310 million , or less than 1% , in 2018 , compared to 2017 .

Compared to 2016, total revenues for 2017 were unfavorably impacted by approximately $200 million as a result of 2017 having one less selling day in both U.S. and international markets.

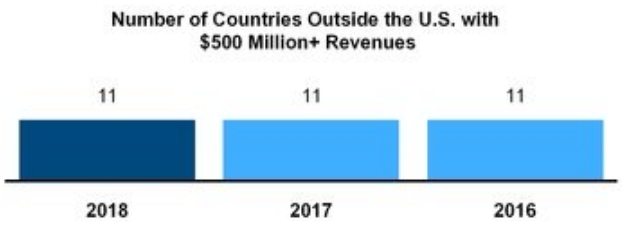
Total revenues in 2017 compared to 2016 reflect a slight operational decrease of $20 million, or less than 1%, and an unfavorable impact of foreign exchange of $259 million, or less than 1%, in 2017 compared to 2016 .

See the “Revenues by Segment and Geography” and “Revenues—Selected Product Discussion” sections of this Financial Review for additional analyses.

See the “Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights” section of this Financial Review for information about recent losses and expected losses of product exclusivity impacting product revenues.

A number of our current products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years. For additional information, see the “Patents and Other Intellectual Property Rights” section in Part I, Item 1, “Business” of our 2018 Form 10-K.

We have significant operations outside the U.S., with revenues exceeding $500 million in the following number of countries:



By total revenues, the U.S., China and Japan are our three largest national markets:

Inventory Stocking

Our policy relating to the supply of pharmaceutical inventory at domestic wholesalers, and in major international markets, is to generally maintain stocking levels under one month on average and to keep monthly levels consistent from year to year based on patterns of utilization. We historically have been able to closely monitor these customer stocking levels by purchasing information from our customers directly or by obtaining other third-party information. We believe our data sources to be directionally reliable but cannot verify their accuracy. Further, as we do not control this third-party data, we cannot be assured of continuing access. Unusual buying patterns and utilization are promptly investigated.

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. Such variable consideration represents chargebacks, rebates, sales allowances and sales returns.These deductions represent estimates of 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. Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. On a quarterly basis, our adjustments of estimates to reflect actual results generally have been less than 1% of revenues, and have resulted in either a net increase or a net decrease in revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product growth trends.

The following table provides information about revenue deductions:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Medicare rebates [a]	**$ 1,706**	$ 1,316	$ 1,063
Medicaid and related state program rebates [a]	**1,969**	1,860	1,473
Performance-based contract rebates [a], [b]	**3,377**	3,245	2,560
Chargebacks [c]	**6,461**	6,047	5,736
Sales allowances [d]	**5,592**	5,165	4,623
Sales returns and cash discounts	**1,522**	1,493	1,441
Total [e]	**$ 20,627**	$ 19,126	$ 16,895

[a] Rebates are product-specific and, therefore, for any given year are impacted by the mix of products sold.

[b] Performance-based contract rebates include contract rebates with managed care customers within the U.S., including health maintenance organizations and PBMs, who receive rebates based on the achievement of contracted performance terms and claims under these contracts. Outside the U.S., performance-based contract rebates include rebates to wholesalers/distributors based on achievement of contracted performance for specific products or sales milestones.

[c] Chargebacks primarily represent reimbursements to U.S. wholesalers for honoring contracted prices to third parties.

[d] Sales allowances primarily represent price reductions that are contractual or legislatively mandated outside the U.S., discounts and distribution fees.

[e] For 2018 , associated with the following segments: IH ($8.9 billion); and EH ($11.7 billion). For 2017 , associated with the following segments: IH ($9.0 billion); and EH ($10.1 billion). For 2016 , associated with the following segments: IH ($7.1 billion); and EH ($9.8 billion).

Total revenue deductions for 2018 increase d 8% compared to 2017 , primarily as a result of:

- an increase in sales allowances as a result of sales growth, primarily in international markets;
- higher chargebacks to U.S. wholesalers of certain IH and EH products, partially offset by decreases in chargebacks as a result of decreases in sales of sterile injectable products;
- an increase in Medicare rebates driven by increased sales of IH products through this channel; and
- an increase in Medicaid and related state program rebates, primarily as a result of increased sales of IH products through these programs.

For information on our accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts, including the balance sheet classification of these accruals, see Notes to Consolidated Financial Statements— *Note 1G. Basis of Presentation and Significant Accounting Policies: Revenues and Trade Accounts Receivable* .

Revenues by Segment and Geography

The following graphs show revenues by geography (dollars in billions):

The following table provides worldwide revenues by operating segment and geography:

	Year Ended December 31,									% Change					
	Worldwide			U.S.			International			Worldwide		U.S.		International	
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**18/17**	17/16	**18/17**	17/16	**18/17**	17/16
Operating Segments [a]:															
IH	**$ 33,426**	$ 31,422	$ 29,197	**$ 18,959**	$ 18,460	$ 16,773	**$ 14,467**	$ 12,962	$ 12,424	**6**	8	**3**	10	**12**	4
EH	**20,221**	21,124	23,627	**6,370**	7,567	9,596	**13,851**	13,557	14,031	**(4)**	(11)	**(16)**	(21)	**2**	(3)
Total revenues	**$ 53,647**	$ 52,546	$ 52,824	**$ 25,329**	$ 26,026	$ 26,369	**$ 28,318**	$ 26,519	$ 26,455	**2**	(1)	**(3)**	(1)	**7**	—

[a] IH = the Innovative Health segment; and EH = the Essential Health segment. For additional information about each operating segment, see the "Our Strategy—Commercial Operations" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 18A. Segment, Geographic and Other Revenue Information: Segment Information.*

We recorded direct product and/or alliance revenues of more than $1 billion for each of 10 products in 2018 and for nine products in 2017 and 2016 .

Direct Product And/Or Alliance Revenues of More Than $1 Billion

2018	2017	2016
Prevnar 13/Prevenar 13	*Prevnar 13/Prevenar 13*	*Prevnar 13/Prevenar 13*
Lyrica	*Lyrica*	*Lyrica*
Ibrance	*Ibrance*	*Enbrel*
Eliquis*	*Eliquis**	*Ibrance*
Enbrel	*Enbrel*	*Lipitor*
Lipitor	*Lipitor*	*Eliquis**
Xeljanz	*Xeljanz*	*Viagra*
Chantix/Champix	*Viagra*	*Sutent*
Sutent	*Sutent*	Premarin family of products
Norvasc		

* *Eliquis* includes alliance revenues and direct sales in 2018, 2017 and 2016.
These direct product sales and/or alliance product revenues represent 51% of our revenues in 2018 , 46% of our revenues in 2017 and 43% of our revenues in 2016 . See the "Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion" section of this Financial Review for additional information.

2018 v. 2017

The following provides an analysis of the change in revenues by geographic areas in 2018 :

(MILLIONS OF DOLLARS)	Worldwide	U.S.	International
Operational growth/(decline):			
Continued growth from certain key brands [(a)]	$ 2,815	$ 1,150	$ 1,664
Growth from Biosimilars, primarily from Inflectra in certain channels in the U.S. and developed Europe markets	217	147	69
Growth from recently launched products, including Eucrisa in the U.S., as well as Besponsa and Bavencio, primarily in the U.S. and developed Europe	195	158	37
Growth in our Consumer Healthcare business across all markets	107	26	81
Impact from CentreOne primarily in emerging markets	45	(127)	172
Lower revenues for total Viagra [(b)], primarily in the U.S. due to generic competition that began in December 2017	(572)	(572)	—
Decline from the Peri-LOE Products portfolio, driven by lower revenues in developed markets (excluding Viagra EH), primarily due to expected declines in Lyrica in developed Europe and Celebrex and Pristiq in the U.S. due to generic competition	(558)	(188)	(371)
Impact from the SIP portfolio, driven by lower revenues in developed markets, primarily due to increased competition across the portfolio and continued legacy Hospira product shortages in the U.S.	(504)	(589)	86
Impact from the LEP portfolio, driven by lower revenues in developed markets, primarily as a result of industry-wide pricing challenges in the U.S. and generic competition	(436)	(592)	156
Lower revenues for Enbrel, primarily in most developed Europe markets due to continued biosimilar competition	(350)	—	(350)
Lower revenues from the hemophilia portfolio (BeneFIX and Refacto AF/Xyntha), primarily in developed Europe	(100)	(13)	(88)
Impact on financial results from the sale of HIS in February 2017. 2018 does not reflect any contribution from HIS global operations, compared to approximately one month of HIS domestic operations and approximately two months of HIS international operations in the same period in 2017	(97)	(64)	(33)
Other operational factors, net	31	(34)	65
Operational growth/(decline), net	791	(698)	1,489
Favorable impact of foreign exchange	310	—	310
Revenues increase/(decrease)	$ 1,101	$ (698)	$ 1,799

[(a)] Certain key brands represent Ibrance, Eliquis, Xeljanz, Prevnar 13/Prevenar 13, Xtandi, Lyrica—IH and Chantix/Champix. See the "Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion" section of this Financial Review for product analysis information.

[(b)] Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, were reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra revenues were reported in EH. Total Viagra revenues in 2017 represent the aggregate of worldwide revenues from Viagra IH and Viagra EH.

Emerging markets revenues increase d $1.3 billion , or 11% , in 2018 to $12.7 billion , from $11.4 billion , reflecting an operational increase of $1.5 billion , or 13% . Foreign exchange had an unfavorable impact of approximately 2% on emerging markets revenues. The operational increase in emerging markets was driven by our EH segment, primarily by the Legacy Established Products portfolio and the Sterile Injectable Pharmaceuticals portfolio, as well as Prevenar 13, Ibrance and Eliquis in our IH segment.

2017 v. 2016

The following provides an analysis of the change in revenues by geographic areas in 2017 :

(MILLIONS OF DOLLARS)	Worldwide	U.S.	International
Disposition-related operational impact:			
Approximately one month of HIS domestic operations and approximately two months of HIS international operations in 2017, compared to twelve months of HIS global operations in 2016 (February 2017 sale)	$ (1,062)	$ (841)	$ (221)
Other operational growth/(decline):			
Continued growth from certain key brands [(a)]	1,608	1,104	503
Ibrance global growth: U.S. revenues increased primarily due to continued strong uptake in the metastatic breast cancer setting. International revenues increased operationally, but were negatively impacted by a one-time price adjustment to 2017 revenues related to finalizing reimbursement agreements in certain developed Europe markets.	993	757	236
Increase in Xtandi alliance revenues in the U.S. (September 2016 acquisition of Medivation)	450	450	—
Growth from Biosimilars, primarily from Inflectra in the U.S. and developed Europe markets	209	115	94
Decline from Peri-LOE Products, primarily due to expected declines in Pristiq in the U.S. as well as Lyrica (EH) and Vfend (both primarily in developed Europe markets)	(957)	(448)	(509)
Lower revenues for Enbrel primarily in developed Europe markets due to continued biosimilar competition	(448)	—	(448)
Lower revenues for Viagra (IH) in the U.S. due to generic competition that began in December 2017	(359)	(359)	—
Decline from the Sterile Injectable Pharmaceuticals portfolio, primarily due to legacy Hospira product shortages in the U.S.	(315)	(460)	145
Decline in the Legacy Established Products portfolio primarily due to generic competition in developed markets	(188)	(419)	231
Decline in Prevnar 13/Prevenar 13 revenues. U.S. revenues decreased primarily due to the expected decline in revenues for the adult indication in the U.S. due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining "catch up" opportunity compared to 2016, partially offset by growth from the pediatric indication. International revenues increased primarily due to the favorable overall impact of timing and increased volume associated with government purchases in certain emerging markets for the pediatric indication compared with prior year, as well as from the inclusion of Prevenar 13 in additional national immunization programs in certain emerging markets for the adult and pediatric indications in the fourth of quarter 2017.	(108)	(311)	203
Other operational factors, net	157	68	89
Operational growth (decline), net	(20)	(343)	323
Unfavorable impact of foreign exchange	(259)	—	(259)
Revenues increase/(decrease)	$ (278)	$ (343)	$ 64

[(a)] Certain k ey brands represent Eliquis (globally), as well as Xeljanz and Lyrica - IH (both primarily in the U.S.).

Emerging markets revenues increased $979 million , or 9% , in 2017 to $11.4 billion , reflecting an operational increase of $1.1 billion , or 11% . Foreign exchange had an unfavorable impact of approximately 2% on emerging markets revenues. The operational increase in emerging markets was primarily driven by our IH segment as well as our Legacy Established Products and Sterile Injectable Pharmaceuticals portfolios.

For additional information about operating segment revenues, see the "Analysis of Operating Segment Information" section of this Financial Review.

Revenues—Selected Product Discussion

The tables below provide worldwide revenues, by geography, for selected products. References to total change pertain to period-over-period growth rates that include foreign exchange. The difference between the total change and operational change represents the impact of foreign exchange. Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts. An asterisk (*) indicates the calculation is not meaningful or results are equal to or greater than 100%.

- **Prevnar 13/Prevenar 13** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 3,360	$ 3,334	1	
International	2,443	2,268	8	8
Worldwide revenues	$ 5,802	$ 5,601	4	4

The worldwide growth in 2018 was primarily driven by international operational growth due to higher volumes for the pediatric indication resulting from the second-quarter 2017 launch in China and increased orders associated with Gavi, the Vaccine Alliance, partially offset by

lower birth cohort and volumes in certain developed markets. The growth in 2018 in the U.S. was primarily due to the pediatric indication partially offset by the continued decline in revenues for the adult indication due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining "catch up" opportunity (i.e., the opportunity to reach adults aged 65 years and older who have not been previously vaccinated with Prevnar 13), compared to the prior-year period.

In 2014, the ACIP voted to recommend Prevnar 13 for routine use to help protect adults aged 65 years and older against pneumococcal disease, which for adults includes pneumonia caused by the 13 pneumococcal serotypes included in the vaccine. These ACIP recommendations were subsequently approved by the directors at the CDC and U.S. Department of Health and Human Services, and were published in the Morbidity and Mortality Weekly Report in September 2014 by the CDC. As with other vaccines, the CDC regularly monitors the impact of vaccination and reviews the recommendations. During the October 2018 ACIP meeting, the CDC presented initial data and indicated formal evaluation of evidence (grading) and a potential vote on the maintenance of the 65 years and older recommendation would likely happen in 2019. A potential adverse change in the ACIP recommendation would negatively impact future Prevnar 13 revenues. We continue to generate and publish data and communicate with the ACIP on the burden of pneumococcal disease and Prevnar 13 vaccine effectiveness and safety.

- **Lyrica** (EH (revenues from all of Europe, Russia, Turkey, Israel and Central Asia)/IH (revenues from all other geographies)):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 3,594	$ 3,463	4	
International	1,375	1,601	(14)	(15)
Worldwide revenues	$ 4,970	$ 5,065	(2)	(2)

The operational decline in worldwide Lyrica revenues in 2018 was primarily driven by losses of exclusivity in developed Europe markets and Australia, partially offset by growth in the U.S. and growth in the orally dissolving tablet formulation in Japan.

The following table provides worldwide revenues for Lyrica in our IH segment, by geography:

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 3,594	$ 3,463	4	
International	1,028	1,048	(2)	(3)
Worldwide revenues	$ 4,622	$ 4,511	2	2

The operational growth in worldwide Lyrica revenues in our IH segment in 2018 was primarily due to growth in the U.S. and growth in the orally dissolving tablet formulation in Japan, partially offset by losses of exclusivity primarily in Australia.

The following table provides worldwide revenues for Lyrica in our EH segment, by geography:

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ —	$ —	—	
International	347	553	(37)	(39)
Worldwide revenues	$ 347	$ 553	(37)	(39)

The worldwide operational decline in our EH segment in 2018 was primarily due to losses of exclusivity in developed Europe markets.

- **Ibrance** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 2,922	$ 2,825	3	
International	1,196	300	*	*
Worldwide revenues	$ 4,118	$ 3,126	32	32

The worldwide operational growth in 2018 reflects continued uptake in international markets, mostly driven by developed Europe, Japan and select emerging markets as we launched and secured access and reimbursement through 2017 and 2018, as well as the non-recurrence of a one-time price adjustment in 2017 related to finalizing reimbursement agreements in certain developed Europe markets. The growth in 2018 in the U.S. was primarily due to continued demand growth partially offset by uptake of competitors and increased rebates. Ibrance maintains class leadership among cyclin-dependent kinase inhibitors in major markets, supported by our scientific/clinical data and continued positive patient experience.

- **Eliquis alliance revenues and direct sales** (IH): 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 (NOAC) market; the agents in this class were developed as alternative treatment options to warfarin in appropriate patients.

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 1,849	$ 1,418	30	
International	1,585	1,105	43	40
Worldwide revenues	$ 3,434	$ 2,523	36	35

The worldwide operational growth in 2018 was primarily driven by continued increased adoption in non-valvular atrial fibrillation, as well as oral anti-coagulant market share gain.

- **Enbrel** (IH, outside the U.S. and Canada):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ —	$ —	—	
International	2,112	2,452	(14)	(14)
Worldwide revenues	$ 2,112	$ 2,452	(14)	(14)

The worldwide operational decline in 2018 was primarily due to ongoing biosimilar competition in most developed Europe markets, which is expected to continue.

- **Lipitor** (EH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 110	$ 161	(31)	
International	1,952	1,754	11	9
Worldwide revenues	$ 2,062	$ 1,915	8	5

The worldwide operational growth in 2018 was primarily driven by increased demand in China, partially offset by pricing pressures in China, the non-recurrence of favorable U.S. rebates that occurred in the third quarter of 2017 and generic competition in Japan.

- **Xeljanz** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 1,394	$ 1,133	23	
International	380	212	79	84
Worldwide revenues	$ 1,774	$ 1,345	32	33

The growth in the U.S. in 2018 was primarily driven by increased adoption among rheumatologists, growing awareness among patients and improvements in payer access, and to a lesser extent, launches of the PsA indication in the first quarter of 2018 and ulcerative colitis indication in the third quarter of 2018.

The operational growth internationally in 2018 was primarily driven by the 2017 approval of the RA indication in certain European markets, as well as continued uptake in Japan, Canada and emerging markets.

- **Chantix/Champix** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 838	$ 742	13	
International	247	255	(3)	(5)
Worldwide revenues	$ 1,085	$ 997	9	8

The growth in the U.S. in 2018 was primarily due to increased volume, improved patient access and positive price impact. The operational decline in 2018 internationally was primarily driven by lower demand in South Korea.

- **Sutent** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 357	$ 374	(4)	
International	692	707	(2)	(3)
Worldwide revenues	$ 1,049	$ 1,081	(3)	(4)

The worldwide operational decline in 2018 was primarily due to lower volumes driven by competitive pressure in the U.S. and key European markets.

- **Norvasc** (EH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 36	$ 38	(5)	
International	988	888	11	9
Worldwide revenues	$ 1,024	$ 926	11	9

The worldwide operational growth in 2018 was primarily driven by increased demand in China, partially offset by generic competition in Japan and pricing pressures in China.

- The **Premarin** family of products (EH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 783	$ 921	(15)	
International	49	56	(12)	(12)
Worldwide revenues	$ 832	$ 977	(15)	(15)

The worldwide operational decline in 2018 was primarily driven by generic competition in the U.S.

- **Xtandi alliance revenues** (IH): 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. Pfizer and Astellas also 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*).

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 699	$ 590	18	
International	—	—	—	—
Worldwide revenues	$ 699	$ 590	18	18

The growth in the U.S. in 2018 was driven by continued growth of Xtandi in castration-resistant prostate cancer as well as reduction in patient assistance program (PAP) utilization in 2018 compared to 2017.

- **Celebrex** (EH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 65	$ 164	(60)	
International	621	611	2	—
Worldwide revenues	$ 686	$ 775	(11)	(13)

The worldwide operational decline in 2018 was primarily driven by the non-recurrence of the favorable U.S. rebates that occurred in 2017, lower volumes in the U.S., as well as pricing pressure in Mexico and China, partially offset by increased demand in China.

- **Inflectra/Remsima** (EH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 259	$ 118	*	
International	383	301	27	23
Worldwide revenues	$ 642	$ 419	53	50

The worldwide operational growth in 2018 was primarily due to continued uptake in certain channels in the U.S., as well as in developed markets in Europe, partially offset by pricing pressures in these markets.

Inflectra uptake in the U.S. is being driven by a number of factors, including purchases by closed systems, which value long-term savings over short-term rebating, and consistent reimbursement in Medicare. To date, reimbursement coverage has been mixed. While we achieved 100% Medicare coverage, in the face of exclusionary conduct by J&J, we have experienced access challenges among commercial payers where our lower priced product has not received access at parity to the innovator product. We will continue to work with commercial payers to enable greater access for Inflectra. Additionally, 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.

- **Viagra** (EH): Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, are reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra revenues are reported in EH.

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 217	$ 789	(73)	
International	419	416	1	—
Worldwide revenues	$ 636	$ 1,204	(47)	(47)

The decline in the U.S. in 2018 was primarily due to the loss of exclusivity in December 2017.

The relatively flat operational performance in 2018 internationally was primarily driven by increased demand in China offset by lower volumes in Russia and developed Europe.

- **Sulperazon** (EH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ —	$ —	—	
International	613	471	30	27
Worldwide revenues	$ 613	$ 471	30	27

The international operational growth in 2018 was primarily due to increased demand in China.

- **Xalkori** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 158	$ 223	(29)	
International	366	371	(1)	(4)
Worldwide revenues	$ 524	$ 594	(12)	(14)

The worldwide operational decline in 2018 was primarily due to volume declines in the ALK indication across certain developed markets, primarily in the U.S. and certain markets in developed Europe, due to competitive pressure. The decline was partially offset by a continued increase in diagnostic rates for the ALK gene mutation across key markets and share in first-line ALK treatment outside the U.S., primarily in certain emerging markets, as well as uptake in treatment of patients with metastatic NSCLC whose tumors are ROS1-positive.

- **Inlyta** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 119	$ 126	(5)	
International	178	213	(16)	(16)
Worldwide revenues	$ 298	$ 339	(12)	(12)

The worldwide operational decline in 2018 was primarily due to increased competition across developed markets.

- **Eucrisa** (IH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 147	$ 67	*	
International	—	—	—	—
Worldwide revenues	$ 147	$ 67	*	*

The growth in the U.S. in 2018 was driven by increasing prescriber trial and adoption, enhanced patient awareness and availability of patient access programs.

- **Alliance revenues** (IH/EH):

	Year Ended December 31,			
			% Change	
(MILLIONS OF DOLLARS)	2018	2017	Total	Oper.
U.S.	$ 2,576	$ 2,037	26	
International	1,263	890	42	37
Worldwide revenues	$ 3,838	$ 2,927	31	30

The worldwide operational growth in 2018 was mainly due to increases in Eliquis and Xtandi alliance revenues discussed above.

  - **Bavencio** (IH) 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 generated from selling any products containing avelumab from this collaboration. Bavencio is currently approved in metastatic MCC in the U.S., Europe and Japan and selected other markets, as well as in second line treatment of locally advanced or metastatic urothelial carcinoma in the U.S.

See Notes to Consolidated Financial Statements— *Note 18C. Segment, Geographic and Other Revenue Information* : *Other Revenue Information* for additional information regarding the primary indications or class of the selected products discussed above.

See the "Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights" section of this Financial Review for information regarding the expiration of various patent rights.

See Notes to Consolidated Financial Statements— *Note 17. Contingencies and Certain Commitments* for a discussion of recent developments concerning patent and product litigation relating to certain of the products discussed above.

PRODUCT DEVELOPMENTS—BIOPHARMACEUTICAL

We continue to invest in R&D to provide potential future sources of revenues through the development of new products, as well as through additional uses for in-line and alliance products. Notwithstanding our efforts, there are no assurances as to when, or if, we will receive regulatory approval for additional indications for existing products or any of our other products in development.

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 will deliver value in the near term and over time.

For additional information about our R&D organization, see the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Organizing for Growth" and "—Description of Research and Development Operations" sections of this Financial Review.

A comprehensive update of Pfizer's development pipeline was published as of January 29, 2019 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 series of tables provides information about significant regulatory actions by, and filings pending with, the FDA and regulatory authorities in the EU and Japan, as well as additional indications and new drug candidates in late-stage development.

RECENT FDA APPROVALS		
PRODUCT	**INDICATION**	**DATE APPROVED**
Daurismo (glasdegib)	Treatment of newly-diagnosed acute myeloid leukemia in adult patients who are 75 years or older or who have comorbidities that preclude use of intensive induction chemotherapy	November 2018
Lorbrena (lorlatinib)	Treatment of patients with ALK-positive metastatic NSCLC whose disease has progressed on crizotinib and at least one other ALK inhibitor for metastatic disease; or whose disease has progressed on alectinib or ceritinib as the first ALK inhibitor therapy for metastatic disease	November 2018
Talzenna (talazoparib)	Treatment of adult patients with deleterious or suspected deleterious germline BRCA-mutated (gBRCAm) human epidermal growth factor receptor 2 (HER2)-negative locally advanced or metastatic breast cancer	October 2018
Vizimpro (dacomitinib)	First-line treatment of patients with metastatic non-small cell lung cancer with epidermal growth factor receptor exon 19 deletion or exon 21 L858R substitution mutations as detected by an FDA-approved test, which is being developed in collaboration with SFJ	September 2018
Nivestym (filgrastim-aafi) [(a)]	A biosimilar to Neupogen ® (filgrastim) for all eligible indications of the reference product	July 2018
Xtandi (enzalutamide)	Treatment of men with non-metastatic castration-resistant prostate cancer, which is being developed through a collaboration with Astellas	July 2018
Xeljanz (tofacitinib)	Treatment of adult patients with moderately to severely active ulcerative colitis	May 2018
Retacrit (epoetin alfa-epbx) [(b)]	A biosimilar to Epogen® and Procrit® (epoetin alfa) for all indications of the reference product	May 2018

[(a)] Neupogen ® is a registered trademark of Amgen Inc.
[(b)] Epogen® is a registered U.S. trademark of Amgen Inc.; Procrit® is a registered U.S. trademark of J&J.

PENDING U.S. NDAs AND SUPPLEMENTAL FILINGS		
PRODUCT	**PROPOSED INDICATION**	**DATE FILED***
Bavencio (avelumab)	A monoclonal antibody that inhibits PD-L1, in combination with Inlyta (axitinib), a tyrosine kinase inhibitor, for the first-line treatment of advanced renal cell carcinoma, which is being developed in collaboration with Merck KGaA, Germany	February 2019
PF-06410293 (a)	A potential biosimilar to Humira® (adalimumab)	January 2019
tafamidis meglumine	Treatment of transthyretin amyloid cardiomyopathy	January 2019
tafamidis free acid	Treatment of transthyretin amyloid cardiomyopathy	January 2019
PF-05280586 (b)	A potential biosimilar to Rituxan ® (rituximab)	September 2018
PF-06439535 (c)	A potential biosimilar to Avastin ® (bevacizumab)	August 2018
PF-05280014 (d)	A potential biosimilar to Herceptin ® (trastuzumab)	August 2017
tafamidis meglumine (e)	Treatment of transthyretin familial amyloid polyneuropathy	February 2012

* The dates set forth in this column are the dates on which the FDA accepted our submissions.

(a) Humira ® is a registered trademark of AbbVie Biotechnology Ltd.

(b) Rituxan ® is a registered trademark of Biogen MA Inc.

(c) Avastin ® is a registered trademark of Genentech, Inc.

(d) Herceptin ® is a registered trademark of Genentech, Inc. In April 2018, we received a "complete response" letter from the FDA with respect to our biologics license application (BLA) for PF-05280014, our proposed biosimilar to trastuzumab, which was submitted for all indications of the reference product. The FDA highlighted the need for additional technical information, which does not relate to safety or clinical data submitted in the application. In October 2018, the FDA acknowledged for review our BLA resubmission.

(e) In May 2012, the FDA's Peripheral and Central Nervous System Drugs Advisory Committee voted that the tafamidis meglumine data provide substantial evidence of efficacy for a surrogate endpoint that is reasonably likely to predict a clinical benefit. In June 2012, the FDA issued a "complete response" letter with respect to this tafamidis NDA. The FDA has requested the completion of a second efficacy study, and also has asked for additional information on the data within the current tafamidis NDA. Pfizer has completed study B3461028, a global Phase 3 study to support a potential new indication in transthyretin cardiomyopathy, which includes patients with wild type and variant transthyretin. This study has achieved its primary endpoint, and we are working with the FDA to identify next steps.

REGULATORY APPROVALS AND FILINGS IN THE EU AND JAPAN			
PRODUCT	**DESCRIPTION OF EVENT**	**DATE APPROVED**	**DATE FILED***
Zirabev (a)	Application approved in the EU for a biosimilar to Avastin ® (bevacizumab) for the treatment of metastatic carcinoma of the colon or rectum, metastatic breast cancer, unresectable advanced, metastatic or recurrent NSCLC, advanced and/or metastatic renal cell cancer and persistent, recurrent, or metastatic carcinoma of the cervix	February 2019	—
Vyndaqel (tafamidis free acid)	Application filed in the EU for the treatment of adult symptomatic transthyretin cardiomyopathy	—	January 2019
Bavencio (avelumab)	Application filed in Japan for Bavencio (avelumab) in combination with Inlyta (axitinib) for the first-line treatment of advanced renal cell carcinoma, which is being developed in collaboration with Merck KGaA, Germany	—	January 2019
Vizimpro (dacomitinib)	Application approved in Japan for the treatment of patients with locally advanced or metastatic non-small cell lung cancer with EGFR mutations, which is being developed in collaboration with SFJ	January 2019	—
PF-06410293 (b)	Application filed in the EU for a potential biosimilar to Humira ® (adalimumab)	—	November 2018
tafamidis meglumine	Application filed in Japan for treatment of transthyretin amyloid cardiomyopathy	—	November 2018
Xtandi (enzalutamide)	Application approved in the EU for treatment of adult men with high-risk non-metastatic castration-resistant prostate cancer, which is being developed through a collaboration with Astellas	October 2018	—
Trastuzumab BS for IV Infusion 60mg/150mg "Pfizer" (c)	Application approved in Japan for a biosimilar to Herceptin ® (trastuzumab)	September 2018	—
Lorbrena (lorlatinib)	Application approved in Japan for the treatment of patients with ALK-positive metastatic non-small cell lung cancer, previously treated with one or more ALK inhibitor	September 2018	—
PF-05280586 (d)	Application filed in the EU for a potential biosimilar to Rituxan ® (rituximab)	—	August 2018
Xeljanz (tofacitinib)	Application approved in the EU for the treatment of adult patients with moderately to severely active ulcerative colitis who have had an inadequate response, lost response, or were intolerant to either conventional therapy or a biologic agent	July 2018	—
Trazimera (c)	Application approved in the EU for a biosimilar to Herceptin ® (trastuzumab) for the treatment of human epidermal growth factor (HER2) overexpressing breast cancer and HER2 overexpressing metastatic gastric or gastroesophageal junction adenocarcinoma	July 2018	—
Infliximab BS for IV Infusion 100mg "Pfizer" (e)	Application approved in Japan for a biosimilar to Remicade ® (infliximab)	July 2018	—
Xeljanz (tofacitinib)	Application approved in the EU for Xeljanz in combination with methotrexate for the treatment of active PsA in adult patients who have had an inadequate response or who have been intolerant to a prior disease-modifying antirheumatic drug therapy	June 2018	—
talazoparib	Application filed in the EU for the treatment of patients with germline BRCA-mutated advanced breast cancer	—	June 2018
Xeljanz (tofacitinib)	Application approved in Japan for the treatment of ulcerative colitis	May 2018	—
crisaborole	Application filed in the EU for the treatment of mild-to-moderate atopic dermatitis	—	May 2018

REGULATORY APPROVALS AND FILINGS IN THE EU AND JAPAN (cont'd.)

PRODUCT	DESCRIPTION OF EVENT	DATE APPROVED	DATE FILED*
Mylotarg (gemtuzumab ozogamicin)	Application approved in the EU for treatment of patients age 15 years and above with previously untreated, de novo, CD33-positive acute myeloid leukemia, except acute promyelocytic leukemia	April 2018	—
Bosulif (bosutinib)	Application approved in the EU for the treatment of adults with newly diagnosed chronic phase Philadelphia chromosome-positive chronic myelogenous leukemia (Ph+ CML), which is being developed in collaboration with Avillion	April 2018	—
dacomitinib (f)	Application filed in the EU for the first-line treatment of patients with locally advanced or metastatic non-small cell lung cancer with EGFR activating mutations, which is being developed in collaboration with SFJ	—	March 2018
Steglatro (ertugliflozin)	Approval in the EU as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus: • as monotherapy in patients for whom the use of metformin is considered inappropriate due to intolerance or contraindications; and • in addition to other medicinal products for the treatment of diabetes, which is being developed in collaboration with Merck	March 2018	—
Segluromet (ertugliflozin and metformin)	Approval in the EU as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus: • in patients not adequately controlled on their maximally tolerated dose of metformin alone; • in patients on their maximally tolerated doses of metformin in addition to other medicinal products for the treatment of diabetes; and • in patients already being treated with the combination of ertugliflozin and metformin as separate tablets, which is being developed in collaboration with Merck	March 2018	—
Steglujan (ertugliflozin and sitagliptin)	Approval in the EU as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus: • when metformin and/or a sulphonylurea (SU) and one of the monocomponents of Steglujan do not provide adequate glycaemic control; and • in patients already being treated with the combination of ertugliflozin and sitagliptin as separate tablets, which is being developed in collaboration with Merck	March 2018	—
Xeljanz (tofacitinib)	Application filed in the EU for modified release 11mg tablet for RA	—	March 2018
lorlatinib (PF-06463922)	Application filed in the EU for the treatment of patients with ALK-positive metastatic non-small cell lung cancer, previously treated with one or more ALK inhibitors	—	February 2018

* For applications in the EU, the dates set forth in this column are the dates on which the EMA validated our submissions.

(a) Avastin ® is a registered trademark of Genentech, Inc.

(b) Humira ® is a registered trademark of AbbVie Biotechnology Ltd.

(c) Herceptin ® is a registered trademark of Genentech, Inc.

(d) Rituxan ® is a registered trademark of Biogen MA Inc.

(e) Remicade ® is a registered Japan trademark of Janssen. In February 2016, we divested the rights for development and commercialization of PF-06438179, a potential biosimilar to Remicade ® (infliximab) in the 28 countries that form the EEA to Sandoz, which was a condition to the European Commission's approval of the Hospira transaction. We retain commercialization rights to PF-06438179 in all countries outside of the EEA.

(f) In February 2019, the EMA's Committee for Medicinal Products for Human Use adopted a positive opinion recommending marketing authorization for dacomitinib, as monotherapy, for the first-line treatment of adult patients with locally advanced or metastatic NSCLC with EGFR-activating mutations.

LATE-STAGE CLINICAL PROGRAMS FOR ADDITIONAL USES AND DOSAGE FORMS FOR IN-LINE AND IN-REGISTRATION PRODUCTS	
PRODUCT	**PROPOSED INDICATION**
Bavencio (avelumab)	A monoclonal antibody that inhibits PD-L1, in combination with Inlyta (axitinib), a tyrosine kinase inhibitor, for the first-line treatment of advanced renal cell carcinoma, which is being developed in collaboration with Merck KGaA, Germany (ex-U.S./Japan)
Bavencio (avelumab)	A monoclonal antibody that inhibits PD-L1, in combination with Talzenna (talazoparib), in patients with previously untreated advanced ovarian cancer, which is being developed in collaboration with Merck KGaA, Germany
Bavencio (avelumab)	A monoclonal antibody that inhibits PD-L1 for the first-line treatment of stage IIIb/IV non-small cell lung cancer, which is being developed in collaboration with Merck KGaA, Germany
Bavencio (avelumab)	A monoclonal antibody that inhibits PD-L1 for maintenance treatment, in the first-line setting, for patients with urothelial cancer, which is being developed in collaboration with Merck KGaA, Germany
Bavencio (avelumab)	A monoclonal antibody that inhibits PD-L1 for maintenance treatment of advanced or metastatic gastric/ gastro-esophageal junction cancers, which is being developed in collaboration with Merck KGaA, Germany
Bavencio (avelumab)	A monoclonal antibody that inhibits PD-L1 for treatment of locally advanced squamous cell carcinoma of the head and neck, which is being developed in collaboration with Merck KGaA, Germany
Daurismo (glasdegib)	A smoothened inhibitor, in combination with azacitidine, for the treatment of acute myeloid leukemia
Ibrance (palbociclib)	Treatment of HER2+ advanced breast cancer, in collaboration with the Alliance Foundation Trials, LLC
Ibrance (palbociclib)	Treatment of high-risk early breast cancer, in collaboration with the German Breast Group
Ibrance (palbociclib)	Treatment of HR+ early breast cancer, in collaboration with the Alliance Foundation Trials, LLC, and the Austrian Breast Colorectal Cancer Study Group
Lorbrena (lorlatinib)	A next generation ALK/ROS1 tyrosine kinase inhibitor for the first-line treatment of patients with ALK-positive advanced non-small cell lung cancer
Xeljanz (tofacitinib)	Treatment of ankylosing spondylitis
Xtandi (enzalutamide)	Treatment of non-metastatic hormone-sensitive prostate cancer, which is being developed through a collaboration with Astellas
Xtandi (enzalutamide)	Treatment of metastatic hormone-sensitive prostate cancer, which is being developed through a collaboration with Astellas
Talzenna (talazoparib)	An oral PARP inhibitor, in combination with Xtandi (enzalutamide), for the treatment of metastatic castration-resistant prostate cancer

In February 2018, we and our partner Merck KGaA, Darmstadt, Germany, announced that the Bavencio Phase 3 trial in patients with previously treated NSCLC did not meet its pre-specified primary endpoint. The alliance made the decision to discontinue further development in this indication.

In November 2018, we and our partner Merck KGaA, Darmstadt, Germany, announced that the Bavencio Phase 3 trial in platinum-resistant/refractory ovarian cancer did not meet the pre-specified primary endpoints . We continue to evaluate the detailed results of the trial.

In December 2018, we and our partner Merck KGaA, Darmstadt, Germany, announced that data from a planned interim analysis of the Bavencio Phase 3 trial in previously untreated advanced ovarian cancer did not support the study's initial hypothesis, and therefore the alliance made the decision to terminate the trial in alignment with the independent Data Monitoring Committee.

In February 2019, we announced that the company has taken steps to transition rheumatoid arthritis study patients who were on tofacitinib 10 mg twice daily to tofacitinib 5 mg twice daily in the FDA post-marketing requirement study A3921133, a study performed in patients considered to be at high risk for certain side effects. This action is being taken as the result of notification from the tofacitinib Rheumatology Data Safety Monitoring Board of a safety signal regarding the tofacitinib 10 mg twice daily treatment arm in study A3921133. The 5 mg twice daily dose is the FDA approved dose in the U.S. for adult patients with moderate to severe rheumatoid arthritis. We continue to evaluate the information.

NEW DRUG CANDIDATES IN LATE-STAGE DEVELOPMENT	
CANDIDATE	**PROPOSED INDICATION**
aztreonam-avibactam (PF-06947387)	A beta lactam/beta lactamase inhibitor for the treatment of complicated intra-abdominal infections, hospital acquired pneumonia/ventilator associated pneumonia
fidanacogene elaparvovec (PF-06838435)	An investigational gene therapy for the treatment of hemophilia B
PF-06482077	A 20-Valent pneumococcal conjugate vaccine for the prevention of invasive pneumococcal disease and pneumonia caused by *Streptococcus pneumoniae* serotypes covered by the vaccine in adults 18 years of age and older
PF-06651600	A Janus kinase 3 (JAK3) inhibitor for the treatment of patients with moderate to severe alopecia areata
PF-04965842	A Janus kinase 1 (JAK1) inhibitor for the treatment of moderate-to-severe atopic dermatitis
PF-06425090	A prophylactic vaccine for active immunization to prevent clostridium difficile disease
rivipansel (GMI-1070)	A pan-selectin inhibitor for the treatment of vaso-occlusive crisis in hospitalized individuals with sickle cell disease, which was licensed from GlycoMimetics Inc.
somatrogon (PF-06836922)	A long-acting hGH-CTP for the treatment of growth hormone deficiency in children, which is being developed in collaboration with OPKO
somatrogon (PF-06836922)	A long-acting hGH-CTP for the treatment of growth hormone deficiency in adults, which is being developed in collaboration with OPKO
tanezumab	An anti-nerve growth factor monoclonal antibody for the treatment of pain, which is being developed in collaboration with Lilly

Additional product-related programs are in various stages of discovery and development.

COSTS AND EXPENSES

The changes in expenses below reflect, among other things, the favorable impact of the February 2017 sale of HIS. The operating results of HIS are included in our operating results through February 2, 2017 and, therefore, operating results for 2017 include approximately one month of HIS domestic operations and approximately two months of HIS international operations, while operating results for 2016 reflect 12 months of HIS global operations. Our operating results for 2018 do not reflect any HIS global operations.

Cost of Sales

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**18/17**	17/16
Cost of sales	**$ 11,248**	$ 11,228	$ 12,322	**—**	(9)
As a percentage of *Revenues*	**21.0%**	21.4%	23.3%		

2018 v. 2017

Cost of sales increased $21 million , or were relatively flat in 2018 , compared to 2017 , primarily due to:

- increased sales volumes primary related to key products within our product portfolio;
- higher costs across the SIP portfolio, as a result of the complexity of high quality product manufacture across the legacy Hospira plants, which was partially offset by decreases in other costs across various markets;
- an increase in royalty expenses based on the mix of products sold; and
- the unfavorable impact of hedging activity on intercompany inventory of $65 million ,

partially offset by:

- lower volumes from the SIP portfolio, in developed markets, primarily due to increased competition across the SIP portfolio and continued legacy Hospira product shortages in the U.S.;
- the non-recurrence of $195 million in inventory losses, overhead costs, and incremental costs related to the period in 2017 during which our Puerto Rico plants were not operational due to hurricanes;
- the favorable impact of foreign exchange of $153 million ;
- the non-recurrence of charges related to a product recall that occurred in 2017; and
- the favorable impact of the sale of HIS of $35 million.

The decrease in *Cost of sales* as a percentage of revenues in 2018 , compared to 2017 , was primarily due to all of the factors discussed above, as well as an increase in alliance revenues, which have no associated cost of sales.

2017 v. 2016

Cost of sales decreased $1.1 billion , or 9% , in 2017 , compared to 2016 , primarily due to:

- the favorable impact of the sale of HIS global operations (which carried a higher cost of sales than other products) of $561 million;
- recognition of synergies related to our cost-reduction/productivity initiatives;
- the nonrecurring unfavorable impact of $248 million of acquired Hospira inventory, which is measured at fair value on the acquisition date and was amortized over the turn of the related inventory;
- the favorable impact of foreign exchange of $140 million and the favorable offset of hedging gains of $52 million ; and
- a favorable change in product mix, including an operational decline in the SIP portfolio and the favorability attributed to products that have lost exclusivity,

partially offset by:

- $195 million in inventory losses, overhead costs related to the period in 2017 during which our Puerto Rico plants were not operational, and incremental costs, all of which resulted from the hurricanes in Puerto Rico.

The decrease in *Cost of sales* as a percentage of revenues in 2017 , compared to 2016 , was primarily due to all of the factors discussed above, as well as an increase in alliance revenues, which have no associated cost of sales.

Selling, Informational and Administrative (SI&A) Expenses

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**18/17**	17/16
Selling, informational and administrative expenses	**$ 14,455**	$ 14,804	$ 14,844	**(2)**	—
As a percentage of *Revenues*	**26.9%**	28.2%	28.1%		

2018 v. 2017

SI&A expenses decreased $350 million , or 2% , in 2018 , compared to 2017 , primarily due to:

- lower advertising, promotional and field force expenses, as well as general and administrative expenses, reflecting the benefits of cost-reduction and productivity initiatives;
- the non-recurrence of a $200 million charitable contribution to the Pfizer Foundation;
- decreased investment across several of our key products, primarily Viagra and Enbrel; and

- lower healthcare reform expenses as a result of a true up of the prior year amount,

partially offset by:

- additional investment across several of our key products, primarily, Xeljanz, Ibrance, Eucrisa and Prevnar 13/Prevenar 13.
- additional investments in China; and
- a special, one-time bonus paid to virtually all Pfizer colleagues, excluding executives, of $119 million , in the aggregate, in the first quarter of 2018.

2017 v. 2016

SI&A expenses decreased $40 million , or were relatively flat in 2017 , compared to 2016 , primarily due to:

- the non-recurrence of an allowance for doubtful trade accounts receivable of approximately $265 million, resulting from unfavorable developments with a distributor that was recorded in the first quarter of 2016 ;
- lower advertising, promotional and field force expenses, reflecting the benefits of cost-reduction and productivity initiatives;
- lower spending for certain products, primarily Prevnar 13/Prevenar 13;
- the favorable impact of the sale of HIS global operations of $135 million; and
- lower spending for Viagra due to the loss of exclusivity in December 2017,

offset by:

- additional investment across several of our key products, primarily Eucrisa, Ibrance and Xeljanz, as well as biosimilars, primarily related to the U.S. launch of Inflectra; and
- an increase in charitable contributions, including a $200 million charitable contribution to the Pfizer Foundation, an organization that provides grant and investment funding to support organizations and social entrepreneurs in an effort to improve healthcare delivery.

Research and Development (R&D) Expenses

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**18/17**	17/16
Research and development expenses	**$ 8,006**	$ 7,683	$ 7,892	**4**	(3)
As a percentage of *Revenues*	**14.9%**	14.6%	14.9%		

2018 v. 2017

R&D expenses increased $322 million , or 4% , in 2018 , compared to 2017 , primarily due to:

- increased costs associated with our Phase 3 clinical trials related to our JAK1 inhibitor (which was initiated in December 2017) and the *C. difficile* vaccine program (which was initiated in March 2017) as well as increased spending for our 20 valent pneumococcal conjugate vaccine candidate;
- increased costs associated with the Bavencio program; and
- an increase 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,

partially offset by:

- decreased spending for biosimilars as several programs have reached completion; and
- the impact of our decision to end internal neuroscience discovery and early development efforts.

2017 v. 2016

R&D expenses decreased $208 million , or 3% , in 2017 , compared to 2016 , primarily due to:

- lower expenses of approximately $743 million due to the discontinuation of the global clinical development program for bococizumab in the fourth quarter of 2016 and the non-recurrence of its associated close-out costs;

partially offset by:

- increased costs associated with our oncology programs, primarily clinical trial spend on Medivation assets;
- lower development funding credits of approximately $124 million primarily related to the discontinuation of the global clinical development program for bococizumab in the fourth quarter of 2016;
- increased costs associated with our *C. difficile* vaccine program, which initiated a Phase 3 clinical study in March 2017;
- an expense of $75 million resulting from our May 2017 agreement with Sangamo to develop and commercialize gene therapy programs for Hemophilia A; and
- increased costs associated with late stage development programs, including Xtandi, talazoparib and tanezumab.

For additional information on Cost of sales, SI&A and R&D expenses by operating segment, see the "Analysis of Operating Segment Information" section of this Financial Review.

Amortization of Intangible Assets

(MILLIONS OF DOLLARS)	Year Ended December 31, 2018	2017	2016	% Change 18/17	17/16
Amortization of intangible assets	**$ 4,893**	$ 4,758	$ 4,056	**3**	17
As a percentage of *Revenues*	**9.1%**	9.1%	7.7%		

Amortization of intangible assets increased $135 million , or 3% in 2018 , compared to 2017 , primarily due to amortization expense of approximately $151 million (pre-tax) in 2018 associated with the approval of Xtandi in the U.S. for the treatment of non-metastatic castration-resistant prostate cancer. The U.S. approval resulted in the transfer of $2.7 billion from an indefinite-lived *IPR&D* intangible asset to a finite-lived *Developed technology rights* intangible asset.

Amortization of intangible assets increased $703 million , or 17% , in 2017 , compared to 2016 , primarily due to amortization expense of approximately $797 million (pre-tax) in 2017 associated with the identifiable intangible assets acquired from Medivation and Anacor, partially offset by assets that became fully amortized at the end of their estimated useful lives and the favorable impact of the February 2017 sale of HIS.

See also Notes to Consolidated Financial Statements— *Note 10A. Identifiable Intangible Assets and Goodwill: Identifiable Intangible Assets.*

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

(MILLIONS OF DOLLARS)	Year Ended December 31, 2018	2017	2016	% Change 18/17	17/16
Restructuring charges—acquisition-related costs [a]	**$ 37**	$ 105	$ 207	**(64)**	(49)
Restructuring charges/(credits)—cost reduction initiatives [b]	**745**	(75)	849	*	*
Restructuring charges	**782**	30	1,055	*	(97)
Transaction costs [c]	**1**	4	127	**(62)**	(97)
Integration costs [c]	**260**	317	383	**(18)**	(17)
Restructuring charges and certain acquisition-related costs	**1,044**	351	1,565	*	(78)
Net periodic benefit costs [d]	**146**	136	159	**8**	(15)
Total additional depreciation—asset restructuring	**50**	91	207	**(45)**	(56)
Total implementation costs	**194**	227	340	**(15)**	(33)
Costs associated with acquisitions and cost-reduction/productivity initiatives [e]	**$ 1,434**	$ 805	$ 2,271	**78**	(65)

[a] Restructuring charges—acquisition-related costs include employee termination costs, asset impairments and other exit costs associated with business combinations. Charges for 2018 were primarily due to asset write downs, partially offset by the reversal of previously recorded accruals for employee termination costs related to our acquisition of Hospira. Restructuring charges for 2017 were primarily due to asset write-downs, partially offset by the reversal of previously recorded accruals for employee termination costs. For 2017 and 2016, restructuring charges—acquisition-related costs were mainly related to our acquisitions of Hospira and Medivation.

[b] Restructuring (credits)/charges—cost reduction initiatives relate to employee termination costs, asset impairments and other exit costs not associated with acquisitions. For 2018, the charges were primarily related to employee termination costs and asset write downs. The employee termination costs are associated with our improvements to operational effectiveness as part of the realignment of our organizational structure effective at the beginning of 2019. For 2017, the credits are mostly related to the reversal of previously recorded accruals for employee termination costs, partially offset by asset write downs.

[c] For additional information, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

[d] For additional information, see Notes to Consolidated Financial Statements— *Note 1B . Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018* and *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

[e] Comprises *Restructuring charges and certain acquisition-related costs* as well as costs associated with our cost-reduction/productivity initiatives included in *Cost of sales* , *Research and development expenses, Selling, informational and administrative expenses* and/or *Other (income)/deductions—net* as appropriate. For additional information, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

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

In connection with our acquisition of Hospira in September 2015, we focused our efforts on achieving an appropriate cost structure for the combined company. We achieved our expected $1 billion of annual cost savings in connection with the Hospira acquisition, 25% more than our initial cost savings target of $800 million . The one-time costs to generate the savings were approximately $1 billion (not including costs of $215 million for full-year 2015 associated with the return of acquired IPR&D rights), and the majority of these costs were incurred within the three-year period post-acquisition.

In 2016, we substantially completed previously disclosed cost-reduction initiatives begun in 2014 associated with our 2014 global commercial structure reorganization, manufacturing plant network rationalization and optimization initiatives, and additional cost-reduction/productivity initiatives across the enterprise. Through December 31, 2016, we incurred $3.1 billion (pre-tax) in total costs for the 2014-2016 program. The cumulative ongoing annual cost savings associated with the 2014-2016 program (but not including expected cost savings associated with the

Hospira acquisition), are approximately $3.1 billion. These savings were recognized, for the most part, through the end of 2016. However, savings from costs incurred in the last half of 2016 largely occurred in 2017.

2017-2019 Initiatives and Organizing for Growth

During 2018, as we reviewed our business opportunities and challenges and the way in which we think about our business operations, we determined that at the start of our 2019 fiscal year, we would begin operating under our new commercial structure, which reorganizes our operations into three businesses — Biopharma, a science-based Innovative medicines business; Upjohn, a global off-patent branded and generic established medicines business; and a Consumer Healthcare business. To operate effectively in this structure and position ourselves for future growth, we are focused on creating a simpler, more efficient operating structure within each business as well as the functions that support them. Beginning in the fourth quarter of 2018, we reviewed previously planned initiatives and new initiatives to ensure that there was alignment around our new structure and have combined the 2017 to 2019 initiatives with our current Organizing for Growth initiatives to form one cohesive plan. For the combined programs, to achieve targeted savings of approximately $1.9 billion , we expect to incur approximately $2.2 billion in costs over the three-year period 2017-2019. Of this amount, we expect approximately 40% to be related to manufacturing operations, and we expect approximately 20% of the charges to be non-cash. Anticipated savings through 2020 associated with the Organizing for Growth initiatives of approximately $500 million will be reinvested in our R&D pipeline and in selling and marketing to support our current and recently launched products and indications. For additional information about these programs and expected and actual total costs, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

In addition to these major initiatives, 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

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**18/17**	17/16
Other (income)/deductions—net	**$ 2,116**	$ 1,416	$ 3,794	**49**	(63)

For information about the components of *Other (income)/deductions—net* , see Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net.*

See also the “Analysis of Operating Segment Information” section of this Financial Review.

PROVISION/(BENEFIT) FOR TAXES ON INCOME

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**18/17**	17/16
Provision/(benefit) for taxes on income	**$ 706**	$ (9,049)	$ 1,123	*	*
Effective tax rate on continuing operations	**5.9%**	(73.5)%	13.4%		

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

2018 v. 2017

The higher effective tax rate in 2018 compared to 2017 was primarily the result of:

- the non-recurrence of a $10.7 billion tax benefit recorded in 2017 to reflect the enactment of the TCJA,

partially offset by:

- tax benefits related to the TCJA, including certain current year tax initiatives as well as favorable adjustments to the provisional estimate of the impact of the legislation, reported and disclosed within the applicable measurement period, in accordance with guidance issued by the SEC;
- the favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business; as well as
- an increase in tax benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations.

2017 v. 2016

The lower effective tax rate in 2017 compared to 2016 was primarily the result of:

- the tax benefits associated with the remeasurement of deferred tax liabilities, which includes the repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries associated with the enactment of the TCJA; and
- a favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business,

partially offset by:

- the decrease in tax benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities and the expiration of certain statutes of limitations; and

- the non-recurrence of tax benefits related to the final resolution of an agreement in principle reached in February 2016 and finalized in April 2016 to resolve certain claims related to Protonix, which resulted in the receipt of information that raised our initial assessment in 2015 of the likelihood of prevailing on the technical merits of our tax position.

For details about discrete elements that impacted our tax provisions, see Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* .

Changes in Tax Laws

On December 22, 2017, the U.S. enacted significant changes to U.S. tax law following the passage and signing of the TCJA. The TCJA is complex and significantly changes the U.S. corporate income tax system by, among other things, reducing the U.S. Federal corporate tax rate from 35% to 21%, transitioning U.S. international taxation from a worldwide tax system to a territorial tax system and imposing a repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries. In accordance with guidance issued by the SEC we recorded provisional estimates of the legislation in the fourth-quarter 2017. In 2018, we finalized our provisional accounting for the tax effects of the TCJA based on our best estimates of available information and data, and have reported and disclosed the impacts within the applicable measurement period, in accordance with guidance issued by the SEC. For additional information, see Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* and the "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations" section of this Financial Review.

On January 23, 2017, the Governor of Puerto Rico signed into law Act No. 3-2017, amending Section 2101 of the Puerto Rico Internal Revenue Code of 1994, which imposes an excise tax that was effective beginning in 2011 (Act 154). The excise tax is imposed on the purchase of products by multinational corporations and their affiliates from their Puerto Rico affiliates. As originally adopted, the excise tax was to be in effect from 2011 through 2016 and the tax rate was to decline over time from 4% in 2011 to 1% in 2016. Act No. 2-2013 extended the excise tax through 2017 and, effective July 1, 2013, increased the tax rate to 4% for all years through 2017. Act No. 3-2017 further extended the excise tax for all years through 2027 at a rate of 4%. The excise tax has been recorded in *Cost of sales* and *Provision/(benefit) for taxes on income,* as appropriate. All expected impacts in 2019 have been reflected in our financial guidance for 2019.

NON-GAAP FINANCIAL MEASURE (ADJUSTED INCOME)

General Description of Non-GAAP Financial Measure (Adjusted Income)

Adjusted income is an alternative view of performance used by management. We measure the performance of the overall Company on this basis in conjunction with other performance metrics. Because Adjusted income is an important internal measurement for Pfizer, we believe that investors' understanding of our performance is enhanced by disclosing this performance measure. We report Adjusted income, certain components of Adjusted income, and Adjusted diluted earnings per share in order to portray the results of our major operations—the discovery, development, manufacture, marketing and sale of prescription medicines, vaccines and consumer healthcare (OTC) products—prior to considering certain income statement elements. We have defined Adjusted income as *Net income attributable to Pfizer Inc.* before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items, which are described below. Similarly, we have defined the Adjusted income components as *Cost of sales, Selling, informational and administrative expenses, Research and development expenses, Amortization of intangible assets* and *Other (income)/deductions—net* each before the impact of purchase accounting for acquisitions, acquisition-related costs and certain significant items. We have defined Adjusted diluted earnings per share as *Earnings per common share attributable to Pfizer Inc.—diluted* before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items. The Adjusted income measure, the Adjusted income component measures and the Adjusted diluted earnings per share measure are not, and should not be viewed as,substitutes for U.S. GAAP net income, U.S. GAAP net income components or U.S. GAAP diluted earnings per share. The following are examples of how the Adjusted income and Adjusted diluted earnings per share measures are utilized:

- senior management receives a monthly analysis of our operating results that is prepared on an Adjusted income and Adjusted diluted earnings per share basis;
- our annual budgets are prepared on an Adjusted income and Adjusted diluted earnings per share basis; and
- senior management's annual compensation is derived, in part, using Adjusted income and Adjusted diluted earnings per share measures. The bonus plans for virtually all bonus-eligible, non-sales-force employees worldwide, including the Executive Leadership Team members and other members of senior management, are funded from a pool based on the performance measured by three financial metrics, including Adjusted diluted earnings per share, which is derived from Adjusted income. This metric accounts for 40% of the bonus pool funding. In addition, Adjusted operating income, which is derived from Adjusted income, is one of the measures utilized to determine payout for performance share awards.

Adjusted income and its components and Adjusted diluted earnings per share are non-GAAP financial measures that have no standardized meaning prescribed by U.S. GAAP and, therefore, are limited in their usefulness to investors. Because of their non-standardized definitions, Adjusted income and its components (unlike U.S. GAAP net income and its components) and Adjusted diluted earnings per share (unlike U.S. GAAP diluted earnings per share) may not be comparable to the calculation of similar measures of other companies. Adjusted income and its components and Adjusted diluted earnings per share are presented solely to permit investors to more fully understand how management assesses performance.

We also recognize that, as internal measures of performance, the Adjusted income and its components and Adjusted diluted earnings per share measures have limitations, and we do not restrict our performance-management process solely to these metrics. A limitation of these measures is that they provide a view of our operations without including all events during a period, such as the effects of an acquisition or amortization of purchased intangibles, and do not provide a comparable view of our performance to other companies in the biopharmaceutical industry. We also use other specifically tailored 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 Pfizer's long-term incentive compensation plans.

See the accompanying reconciliations of certain GAAP reported to non-GAAP adjusted information for 2018 , 2017 and 2016 below.

Purchase Accounting Adjustments

Adjusted income is calculated prior to considering certain significant purchase accounting impacts resulting from business combinations and net asset acquisitions. These impacts, primarily associated with Wyeth (acquired in 2009), Hospira (acquired in 2015), Anacor (acquired in June 2016) and Medivation (acquired in September 2016), 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 (primarily manufacturing facilities), amortization related to the increase in fair value of acquired debt, and the fair value changes associated with 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.

Certain of the purchase accounting adjustments can occur through 20 or more years, but this presentation provides an alternative view of our performance that is used by management to internally assess business performance. We believe the elimination of amortization attributable to acquired intangible assets provides management and investors an alternative view of our business results by trying to provide a degree of parity to internally developed intangible assets for which R&D costs previously have been expensed.

However, a completely accurate comparison of internally developed intangible assets and acquired intangible assets cannot be achieved through Adjusted income. This component of Adjusted income is derived solely from the impacts of the items listed in the first paragraph of this section. We have not factored in the impacts of any other differences in experience that might have occurred if we had discovered and developed those intangible assets on our own, and this approach does not intend to be representative of the results that would have occurred in those circumstances. For example, our R&D costs in total, and in the periods presented, may have been different; our speed to commercialization and resulting sales, if any, may have been different; or our costs to manufacture may have been different. In addition, our marketing efforts may have been received differently by our customers. As such, in total, there can be no assurance that our Adjusted income amounts would have been the same as presented had we discovered and developed the acquired intangible assets.

Acquisition-Related Costs

Adjusted income is calculated prior to considering transaction, integration, restructuring and additional depreciation costs associated with business combinations because these costs are unique to each transaction and represent costs that were incurred to restructure and integrate two businesses as a result of the acquisition decision. For additional clarity, only transaction costs, additional depreciation and restructuring and integration activities that are associated with a business combination or a net-asset acquisition are included in acquisition-related costs. We have made no adjustments for the resulting synergies.

We believe that viewing income prior to considering these charges provides investors with a useful additional perspective because 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 the costs incurred to convert disparate systems, to close duplicative facilities or to eliminate duplicate positions (for example, in the context of a business combination) can be viewed differently from those costs incurred in other, more normal, business contexts.

The integration and restructuring costs associated with a business combination may occur over several years, with the more significant impacts typically ending within three years of the 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. For example, due to the highly regulated nature of the pharmaceutical business, the closure of excess facilities can take several years, as all manufacturing changes are subject to extensive validation and testing and must be approved by the FDA and/or other global regulatory authorities.

Discontinued Operations

Adjusted income is calculated prior to considering the results of operations included in 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 businesses and product lines for strategic fit with our operations, we do not build or run our businesses with the intent to sell them. 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 is calculated prior to considering certain significant items. Certain significant items represent substantive and/or unusual items that are evaluated on an individual basis. Such evaluation considers both the quantitative and the qualitative aspects of their nature. 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, major non-acquisition-related cost-reduction programs stand on their own as they are specific to an event or goal with a defined term, but we may have subsequent programs based on reorganizations of the business, cost productivity or in response to loss of exclusivity 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 may 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. While not all-inclusive, examples of items that could be included as certain

significant items would be a major non-acquisition-related restructuring charge and associated implementation costs; amounts related to certain disposals of businesses, products or facilities that do not qualify as discontinued operations under U.S. GAAP; certain intangible asset impairments; adjustments related to the resolution of certain tax positions; the impact of adopting certain significant, event-driven tax legislation, such as the TCJA discussed in Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* or charges related to certain legal matters, such as certain of those discussed in Notes to Consolidated Financial Statements— *Note 17A. Contingencies and Certain Commitments : Legal Proceedings* and in Part II, Item 1, "Legal Proceedings" in our Quarterly Reports on Form 10-Q. Normal, ongoing defense costs of the Company or settlements of and accruals for legal matters made in the normal course of our business would not be considered certain significant items.

Beginning In 2019, we will exclude the gains and losses from equity securities from our measure of Adjusted income because of their inherent volatility, which we do not control and cannot predict with any level of certainty and because we do not believe that including these gains and losses assists investors in understanding our business or is reflective of our core operations and business. For example, we contributed assets related to our allogeneic CAR T therapy to Allogene and received equity securities. We will restate our Adjusted income and Adjusted diluted EPS for prior periods for consistency with our 2019 presentation.

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

	2018					
IN MILLIONS, EXCEPT PER COMMON SHARE DATA	**GAAP Reported**	Purchase Accounting Adjustments [a]	Acquisition-Related Costs [a]	Discontinued Operations [a]	Certain Significant Items [a]	Non-GAAP Adjusted
Revenues	**$ 53,647**	$ —	$ —	$ —	$ —	$ 53,647
Cost of sales	**11,248**	3	(10)	—	(110)	11,130
Selling, informational and administrative expenses	**14,455**	2	(2)	—	(222)	14,232
Research and development expenses	**8,006**	3	—	—	(47)	7,962
Amortization of intangible assets	**4,893**	(4,612)	—	—	—	281
Restructuring charges and certain acquisition-related costs	**1,044**	—	(299)	—	(745)	—
Other (income)/deductions—net	**2,116**	(182)	(7)	—	(3,181)	(1,253)
Income from continuing operations before provision/(benefit) for taxes on income	**11,885**	4,786	318	—	4,305	21,294
Provision/(benefit) for taxes on income [b]	**706**	915	54	—	1,625	3,301
Income from continuing operations	**11,179**	3,871	264	—	2,680	17,994
Discontinued operations—net of tax	**10**	—	—	(10)	—	—
Net income attributable to noncontrolling interests	**36**	—	—	—	—	36
Net income attributable to Pfizer Inc.	**11,153**	3,871	264	(10)	2,680	17,958
Earnings per common share attributable to Pfizer Inc.—diluted	**1.87**	0.65	0.04	—	0.45	3.00

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2017 GAAP Reported	Purchase Accounting Adjustments [a]	Acquisition-Related Costs [a]	Discontinued Operations [a]	Certain Significant Items [a]	Non-GAAP Adjusted
Revenues	**$ 52,546**	$ —	$ —	$ —	$ —	$ 52,546
Cost of sales	**11,228**	(47)	(39)	—	(363)	10,778
Selling, informational and administrative expenses	**14,804**	(16)	—	—	(299)	14,489
Research and development expenses	**7,683**	8	—	—	(38)	7,653
Amortization of intangible assets	**4,758**	(4,565)	—	—	—	193
Restructuring charges and certain acquisition-related costs	**351**	—	(426)	—	75	—
Other (income)/deductions—net	**1,416**	(138)	9	—	(2,020)	(733)
Income from continuing operations before provision/(benefit) for taxes on income	**12,305**	4,758	456	—	2,647	20,166
Provision/(benefit) for taxes on income [b]	**(9,049)**	1,331	173	—	11,577	4,033
Income from continuing operations	**21,353**	3,426	283	—	(8,930)	16,132
Discontinued operations—net of tax	**2**	—	—	(2)	—	—
Net income attributable to noncontrolling interests	**47**	—	—	—	—	47
Net income attributable to Pfizer Inc.	**21,308**	3,426	283	(2)	(8,930)	16,085
Earnings per common share attributable to Pfizer Inc.—diluted	**3.52**	0.57	0.05	—	(1.47)	2.65

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2016 GAAP Reported	Purchase Accounting Adjustments [a]	Acquisition-Related Costs [a]	Discontinued Operations [a]	Certain Significant Items [a]	Non-GAAP Adjusted
Revenues	**$ 52,824**	$ —	$ —	$ —	$ —	$ 52,824
Cost of sales	**12,322**	(295)	(7)	—	(397)	11,622
Selling, informational and administrative expenses	**14,844**	(3)	—	—	(89)	14,751
Research and development expenses	**7,892**	3	—	—	(34)	7,861
Amortization of intangible assets	**4,056**	(3,928)	—	—	—	128
Restructuring charges and certain acquisition-related costs	**1,565**	—	(716)	—	(849)	—
Other (income)/deductions—net	**3,794**	39	(62)	—	(4,519)	(748)
Income from continuing operations before provision/(benefit) for taxes on income	**8,351**	4,185	785	—	5,888	19,210
Provision/(benefit) for taxes on income [b]	**1,123**	1,248	104	—	1,943	4,418
Income from continuing operations	**7,229**	2,937	682	—	3,944	14,792
Discontinued operations—net of tax	**17**	—	—	(17)	—	—
Net income attributable to noncontrolling interests	**31**	—	—	—	—	31
Net income attributable to Pfizer Inc.	**7,215**	2,937	682	(17)	3,944	14,761
Earnings per common share attributable to Pfizer Inc.—diluted	**1.17**	0.48	0.11	—	0.64	2.40

[a] For details of adjustments, see "Details of Income Statement Items Included in GAAP Reported but Excluded from Non-GAAP Adjusted Income" below.

[b] The effective tax rate on Non-GAAP Adjusted income was 15.5% in 2018 , 20.0% in 2017 and 23.0% in 2016 . The decrease in the effective tax rate on Non-GAAP Adjusted income for 2018 compared with 2017 was primarily due to tax benefits associated with the December 2017 enactment of the TCJA, a favorable change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business, as well as an increase in benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations. The decline in the effective tax rate on Non-GAAP Adjusted income in 2017 compared to 2016 was primarily due to tax benefits associated with the enactment of the TCJA, primarily reflecting the remeasurement of U.S. deferred tax liabilities on deemed repatriated post-1986 earnings of foreign subsidiaries that were accrued during 2017, as well as 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 benefits associated with the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations.

Details of Income Statement Items Included in GAAP Reported but Excluded from Non-GAAP Adjusted Income

Adjusted income, as shown above, excludes the following items:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Purchase accounting adjustments			
Amortization, depreciation and other [a]	**$ 4,789**	$ 4,711	$ 3,890
Cost of sales	**(3)**	47	295
Total purchase accounting adjustments—pre-tax	**4,786**	4,758	4,185
Income taxes [b]	**(915)**	(1,331)	(1,248)
Total purchase accounting adjustments—net of tax	**3,871**	3,426	2,937
Acquisition-related costs			
Restructuring charges [c]	**37**	105	207
Transaction costs [c]	**1**	4	127
Integration costs [c]	**260**	317	383
Net periodic benefit costs/(credits) other than service costs [d]	**7**	(9)	62
Additional depreciation—asset restructuring [e]	**12**	39	7
Total acquisition-related costs—pre-tax	**318**	456	785
Income taxes [f]	**(54)**	(173)	(104)
Total acquisition-related costs—net of tax	**264**	283	682
Discontinued operations			
Total discontinued operations—net of tax, attributable to Pfizer Inc. [g]	**(10)**	(2)	(17)
Certain significant items			
Restructuring charges/(credits) — cost reduction initiatives [h]	**745**	(75)	849
Implementation costs and additional depreciation—asset restructuring [i]	**232**	279	540
Certain legal matters, net [j]	**157**	237	494
Loss on sale and impairment on remeasurement of HIS net assets [j]	**(1)**	55	1,712
Certain asset impairments [j]	**3,101**	379	1,426
Business and legal entity alignment costs [j]	**4**	71	261
Net losses on early retirement of debt [i]	**3**	999	312
Other [k]	**65**	700	294
Total certain significant items—pre-tax	**4,305**	2,647	5,888
Income taxes [l]	**(1,625)**	(11,577)	(1,943)
Total certain significant items—net of tax	**2,680**	(8,930)	3,944
Total purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items—net of tax, attributable to Pfizer Inc.	**$ 6,805**	$ (5,223)	$ 7,546

[a] Included primarily in *Amortization of intangible assets* .

[b] 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 that jurisdiction's applicable tax rate. Income taxes recorded in 2017 do not reflect any changes associated with the enactment of the TCJA. These changes resulting from the TCJA have been reflected in the line item, Certain significant items "Income taxes".

[c] Included in *Restructuring charges and certain acquisition-related costs* . Restructuring charges include employee termination costs, asset impairments and other exit costs associated with business combinations. Restructuring charges in 2018 were primarily due to asset write downs, partially offset by the reversal of previously recorded accruals for employee termination costs related to our acquisition of Hospira. Restructuring charges for 2017 were primarily due to asset write-downs, partially offset by the reversal of previously recorded accruals for employee termination costs. For 2017 and 2016, restructuring charges—acquisition-related costs were mainly related to our acquisitions of Hospira and Medivation. Transaction costs represent external costs for banking, legal, accounting and other similar services. Integration costs represent external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes. For additional information, see Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

[d] Amounts for the 2017 and 2016 represent the net periodic benefit costs/(credits), excluding service costs, reclassified to *Other (income)/deductions—net* as a result of the retrospective adoption of a new accounting standard in the first quarter of 2018. For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018* . The credits for full-year 2017 included a net settlement gain, partially offset by accelerated amortization of actuarial losses and prior service costs upon the settlement of the remaining obligation associated with the Hospira U.S. qualified defined benefit pension plan.

[e] Primarily included in C *ost of sales.* Represents the impact of changes in 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 that jurisdiction's applicable tax rate. Income taxes recorded in 2017 do not reflect any changes

associated with the December 2017 enactment of the TCJA. These changes resulting from the TCJA have been reflected in Certain significant items “Income taxes”. 2016 also includes an unfavorable impact of the remeasurement of certain deferred tax liabilities resulting from our plant network restructuring activities.

(g) Included in *Discontinued operations—net of tax*. For all years presented, represents post-close adjustments.

(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 Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives).* For 2018, the charges were primarily related to employee termination costs and asset write downs. The employee termination costs are associated with our improvements to operational effectiveness as part of the realignment of our organizational structure effective at the beginning of 2019. For 2017, the credits were mostly related to the reversal of previously recorded accruals for employee termination costs, partially offset by asset write downs.

(i) Amounts relate to our cost-reduction/productivity initiatives not related to acquisitions (see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*). For 2018 , included in *Cost of sales* ($121 million), *Selling, informational and administrative expenses* ($72 million) and *Research and development expenses* ($39 million). For 2017 , included in *Cost of sales* ($170 million), *Selling, informational and administrative expenses* ($71 million) and *Research and development expenses* ($38 million). For 2016 , primarily included in *Cost of sales* ($423 million), *Selling, informational and administrative expenses* ($81 million) and *Research and development expenses* ($32 million).

(j) Included in *Other (income)/deductions—net* (see the Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions—Net*).

(k) For 2018 , included in *Cost of sales* ($10 million income), *Selling, informational and administrative expenses* ($151 million), *Research and development expenses* ($8 million) and *Other (income)/deductions—net* ($83 million income). For 2017 , included in *Cost of sales* ($193 million), *Selling, informational and administrative expenses* ($229 million) and *Other (income)/deductions—net* ($278 million). For 2016 , primarily included in *Cost of sales* ($27 million income), *Selling, informational and administrative expenses (* $8 million) and *Other (income)/deductions—net* ($311 million). For 2018 , includes, 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) a $119 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 legislation commonly referred to as the TCJA, (iii) $59 million of incremental costs associated with the design, planning and implementation of the new organizational structure, effective in the beginning of 2019, and primarily include consulting, legal, tax, and advisory services and (iv) a non-cash $50 million pre-tax gain in *Other (income)/deductions—net* as a result of the contribution of our allogeneic chimeric antigen receptor T cell therapy development program assets in connection with our contribution agreement entered into with Allogene (see Notes to Consolidated Financial Statements— *Note 2B. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Divestitures*). For 2017 includes, among other things, (i) a charitable contribution to the Pfizer Foundation of $200 million , which is included in Selling, i *nformational and administrative expenses* ; (ii) $195 million in inventory losses, overhead costs related to the period in which our Puerto Rico plants were not operational, and incremental costs, all of which resulted from hurricanes in Puerto Rico in 2017 and are included in *Cost of sales* ; (iii) an $81 million loss related to the sale of our 49% equity share in Hisun Pfizer, which is included in *Other (income)/deductions—net;* and (iv) a net loss of $30 million related to the sale of our then 40% ownership investment in Teuto, including the extinguishment of a put option for the remaining 60% ownership interest, which is included in *Other (income)/deductions—net* . For 2016, includes, among other things, $150 million paid to Allergan for reimbursement of Allergan's expenses associated with the terminated transaction, which is included in *Other (income)/deductions—net* .

(l) 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 that jurisdiction’s applicable tax rate. The amount in 2018 was favorably impacted primarily by tax benefits related to the TCJA, including certain current year 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. The amount in 2017 was favorably impacted by tax benefits primarily associated with the remeasurement of deferred tax liabilities, which includes the repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries associated with the TCJA. The amount in 2016 was favorably impacted by benefits related to the final resolution of an agreement in principle reached in February 2016 and finalized in April 2016 to resolve certain claims related to Protonix, which resulted in the receipt of information that raised our initial assessment in 2015 of the likelihood of prevailing on the technical merits of our tax position. See Notes to Consolidated Financial Statements— *Note 5A. Tax Matters : Taxes on Income from Continuing Operations* .

ANALYSIS OF OPERATING SEGMENT INFORMATION

The following tables and associated notes provide additional information about the performance of our two operating segments for the periods presented—the IH segment and the EH segment. For additional information about each operating segment, see the “Our Strategy —- Commercial Operations” section of this Financial Review and Notes to Consolidated Financial Statements— *Note 18. Segment, Geographic and Other Revenue Information* .

As described in Notes to Consolidated Financial Statements— *Note 1A. Basis of Presentation and Significant Accounting Policies: Basis of Presentation* , acquisitions and divestitures have impacted our results of operations in 2017 and 2016 .

The following tables provide revenue and cost information by reportable operating segment and a reconciliation of that information to our consolidated statements of income:

	2018					
(MILLIONS OF DOLLARS)	Innovative Health (IH) [a]	Essential Health (EH) [a]	Other [b]	Non-GAAP Adjusted [c]	Reconciling Items [d]	**GAAP Reported**
Revenues	**$ 33,426**	**$ 20,221**	**$ —**	**$ 53,647**	**$ —**	**$ 53,647**
Cost of sales	**4,140**	**6,056**	**934**	**11,130**	**118**	**11,248**
% of revenue	**12.4%**	**29.9%**	*	**20.7%**	*	**21.0%**
Selling, informational and administrative expenses	**6,961**	**2,612**	**4,659**	**14,232**	**223**	**14,455**
Research and development expenses	**2,866**	**937**	**4,160**	**7,962**	**43**	**8,006**
Amortization of intangible assets	**219**	**62**	**—**	**281**	**4,612**	**4,893**
Restructuring charges and certain acquisition-related costs	**—**	**—**	**—**	**—**	**1,044**	**1,044**
Other (income)/deductions—net	**(1,017)**	**(158)**	**(78)**	**(1,253)**	**3,369**	**2,116**
Income/(loss) from continuing operations before provision/(benefit) for taxes on income	**$ 20,258**	**$ 10,712**	**$ (9,676)**	**$ 21,294**	**$ (9,409)**	**$ 11,885**

	2017					
(MILLIONS OF DOLLARS)	Innovative Health (IH) [a]	Essential Health (EH) [a]	Other [b]	Non-GAAP Adjusted [c]	Reconciling Items [d]	**GAAP Reported**
Revenues	$ 31,422	$ 21,124	$ —	$ 52,546	$ —	**$ 52,546**
Cost of sales	4,091	5,937	750	10,778	449	**11,228**
% of revenue	13.0%	28.1%	*	20.5%	*	**21.4%**
Selling, informational and administrative expenses	6,727	2,898	4,864	14,489	316	**14,804**
Research and development expenses	2,544	1,052	4,057	7,653	31	**7,683**
Amortization of intangible assets	129	65	—	193	4,565	**4,758**
Restructuring charges and certain acquisition-related costs	—	—	—	—	351	**351**
Other (income)/deductions—net	(878)	(287)	432	(733)	2,150	**1,416**
Income/(loss) from continuing operations before provision/(benefit) for taxes on income	$ 18,809	$ 11,460	$ (10,104)	$ 20,166	$ (7,861)	**$ 12,305**

	2016					
(MILLIONS OF DOLLARS)	Innovative Health (IH) [a]	Essential Health (EH) [a]	Other [b]	Non-GAAP Adjusted [c]	Reconciling Items [d]	**GAAP Reported**
Revenues	$ 29,197	$ 23,627	$ —	$ 52,824	$ —	**$ 52,824**
Cost of sales	4,049	6,272	1,301	11,622	699	**12,322**
% of revenue	13.9%	26.5%	*	22.0%	*	**23.3%**
Selling, informational and administrative expenses	6,957	3,296	4,499	14,751	92	**14,844**
Research and development expenses	2,921	1,237	3,703	7,861	31	**7,892**
Amortization of intangible assets	102	26	—	128	3,928	**4,056**
Restructuring charges and certain acquisition-related costs	—	—	—	—	1,565	**1,565**
Other (income)/deductions—net	(998)	(269)	519	(748)	4,543	**3,794**
Income/(loss) from continuing operations before provision/(benefit) for taxes on income	$ 16,166	$ 13,065	$ (10,021)	$ 19,210	$ (10,858)	**$ 8,351**

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

[a] Amounts represent the revenues and costs managed by each of our operating segments. The expenses generally include only those costs directly attributable to the operating segment.

The following organizational change impacted our operating segments in 2018:

Effective in the first quarter of 2018, certain costs for Pfizer's StratCO group, which were previously reported in the operating results of our operating segments and Corporate, are reported in Other Unallocated. StratCO costs primarily include headcount costs, vendor costs and data costs largely in support of Pfizer's commercial operations. The majority of the StratCO costs reflect additional amounts that our operating segments would have incurred had each segment operated as a standalone company during the periods presented. The reporting change was made to streamline accountability and speed decision making. In 2017, we reclassified approximately $468 million of costs from IH, approximately $176 million of costs from EH and approximately $70 million of costs from Corporate to Other unallocated costs to conform to the current period presentation, and in 2016, we reclassified approximately $312 million of costs from IH, approximately $167 million of costs from EH and approximately $43 million of costs from Corporate to Other unallocated costs to conform to the current period presentation.

(b) Other comprises the revenues and costs included in our Adjusted income components (see footnote (c) below) that are managed outside of our two operating segments and includes the following:

	2018				
	Other Business Activities				
(MILLIONS OF DOLLARS)	WRD [i]	GPD [ii]	Corporate [iii]	Other Unallocated [iv]	Total
Revenues	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Cost of sales	**—**	**—**	**168**	**767**	**934**
Selling, informational and administrative expenses	**—**	**—**	**3,958**	**701**	**4,659**
Research and development expenses	**2,341**	**788**	**957**	**73**	**4,160**
Amortization of intangible assets	**—**	**—**	**—**	**—**	**—**
Restructuring charges and certain acquisition-related costs	**—**	**—**	**—**	**—**	**—**
Other (income)/deductions—net	**(148)**	**(5)**	**13**	**62**	**(78)**
Loss from continuing operations before provision/(benefit) for taxes on income	**$ (2,193)**	**$ (784)**	**$ (5,096)**	**$ (1,603)**	**$ (9,676)**

	2017				
	Other Business Activities				
(MILLIONS OF DOLLARS)	WRD [i]	GPD [ii]	Corporate [iii]	Other Unallocated [iv]	Total
Revenues	$ —	$ —	$ —	$ —	$ —
Cost of sales	—	—	32	718	750
Selling, informational and administrative expenses	—	(1)	4,159	706	4,864
Research and development expenses	2,402	783	823	50	4,057
Amortization of intangible assets	—	—	—	—	—
Restructuring charges and certain acquisition-related costs	—	—	—	—	—
Other (income)/deductions—net	(42)	(5)	439	40	432
Loss from continuing operations before provision/(benefit) for taxes on income	$ (2,361)	$ (777)	$ (5,452)	$ (1,514)	$ (10,104)

	2016				
	Other Business Activities				
(MILLIONS OF DOLLARS)	WRD [i]	GPD [ii]	Corporate [iii]	Other Unallocated [iv]	Total
Revenues	$ —	$ —	$ —	$ —	$ —
Cost of sales	—	—	198	1,103	1,301
Selling, informational and administrative expenses	—	—	3,957	542	4,499
Research and development expenses	2,359	690	612	41	3,703
Amortization of intangible assets	—	—	—	—	—
Restructuring charges and certain acquisition-related costs	—	—	—	—	—
Other (income)/deductions—net	(28)	(2)	681	(131)	519
Loss from continuing operations before provision/(benefit) for taxes on income	$ (2,332)	$ (688)	$ (5,448)	$ (1,554)	$ (10,021)

[i] WRD—the R&D expenses managed by our WRD organization, which is generally responsible for research projects for our IH business until proof-of-concept is achieved and then for transitioning those projects to the IH segment via the GPD organization for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. The WRD organization also has responsibility for certain science-based and other platform-services organizations, which provide technical expertise and other services to the various R&D projects, including EH R&D projects. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.

[ii] GPD—the costs associated with our GPD organization, which is generally responsible for the operational execution of clinical trials for both early-stage assets in the WRD portfolio as well as late-stage assets in the Innovative portfolio. GPD also provides technical support and other services to Pfizer R&D projects.

[iii] Corporate—the costs associated with Corporate, representing platform functions (such as worldwide technology, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance, and worldwide procurement), the provision of medical information to healthcare providers, patients and other parties, transparency and disclosure activities, clinical trial results publication, grants for healthcare quality improvement and medical education, and partnerships with global public health and medical associations, as well as certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments. Effective in the first quarter of 2018, certain costs for StratCO, which were previously reported in the operating results of our operating segments and Corporate, are reported in Other Unallocated. For additional information, see note (iv) below.
We recognized a net $13 million loss in 2018 in *Cost of sales* primarily related to euro-denominated losses, partially offset by Japanese yen denominated gains on forward-exchange contracts designated as cash flow hedges of a portion of our foreign exchange-denominated intercompany forecasted inventory sales. We recognized a $52 million gain in 2017 as an offset to *Cost of sales* related to foreign currency forward-exchange contracts designated as cash flow

hedges of a portion of our foreign exchange-denominated intercompany forecasted inventory sales. For additional information, see Notes to Consolidated Financial Statements— *Note 7F. Financial Instruments* : *Derivative Financial Instruments and Hedging Activities* .

(iv) Other Unallocated—other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations that are not directly assessed to an operating segment, as business unit (segment) management does not manage these costs (which include manufacturing variances associated with production). In connection with the StratCO reporting change, in 2017 we reclassified approximately $468 million of costs from IH, approximately $176 million of costs from EH and approximately $70 million of costs from Corporate to Other unallocated costs to conform to the current period presentation, and in 2016, we reclassified approximately $312 million of costs from IH, approximately $167 million of costs from EH and approximately $43 million of costs from Corporate to Other unallocated costs to conform to the current period presentation.

For information purposes only, the following tables present reconciliations of our segment operating results to segment operating results including estimated Other costs generally associated with each segment for 2018. While we do not manage our segments or have performance goals under such an allocated manner, we believe that some investors may find this information useful in their analyses.

The estimated Other costs generally associated with our operating segments do not purport to reflect the additional amounts that each of our operating segments would have incurred had each segment operated as a standalone company during the period presented.

For information purposes only, for 2018 , we estimate that Other costs, as described above, for combined WRD and GPD costs of $3.0 billion , and combined Corporate and Other Unallocated costs of $5.8 billion after excluding (i) net interest-related expense not attributable to an operating segment included in Corporate (approximately $1.0 billion in *Other (income)/deductions—net*); and (ii) net income from investments and other assets not attributable to an operating segment included in Corporate (approximately $72 million in *Other (income)/deductions—net*), are generally associated with our operating segments, as follows:

	2018			
		Estimated Other Costs Associated with IH (ii)		
(MILLIONS OF DOLLARS)	Innovative Health Non-GAAP Adjusted (i), (iii)	Estimated WRD/GPD (ii)	Estimated Corporate/Other Unallocated (ii)	Innovative Health with Estimated Other Costs Associated with Innovative Health Non-GAAP Adjusted (ii), (iii)
Revenues	$ 33,426			$ 33,426
Cost of sales	4,140	—	142	4,282
Selling, informational and administrative expenses	6,961	—	2,708	9,669
Research and development expenses	2,866	3,097	938	6,901
Amortization of intangible assets	219		(4)	215
Restructuring charges and certain acquisition-related costs	—			—
Other (income)/deductions—net	(1,017)	(152)	(672)	(1,841)
Income/(loss) from continuing operations before provision/(benefit) for taxes on income	20,258	(2,945)	(3,112)	14,201

	2018			
		Estimated Other Costs Associated with EH (ii)		
(MILLIONS OF DOLLARS)	Essential Health Non-GAAP Adjusted (i), (iii)	Estimated WRD/GPD (ii)	Estimated Corporate/Other Unallocated (ii)	Essential Health with Estimated Other Costs Associated with Essential Health Non-GAAP Adjusted (ii), (iii)
Revenues	$ 20,221			$ 20,221
Cost of sales	6,056	—	792	6,849
Selling, informational and administrative expenses	2,612	—	1,952	4,563
Research and development expenses	937	32	92	1,061
Amortization of intangible assets	62		4	66
Restructuring charges and certain acquisition-related costs	—			—
Other (income)/deductions—net	(158)	—	(192)	(351)
Income/(loss) from continuing operations before provision/(benefit) for taxes on income	10,712	(32)	(2,648)	8,032

(i) Amount represents the revenues and costs managed by each of our operating segments. The expenses generally include only those costs directly attributable to the operating segment. See note (a) above for more information.

(ii) Represents costs not assessed to an operating segment, as business unit (segment) management does not manage these costs. For a description of these other costs and business activities, see note (b) above.

- WRD/GPD — The information provided for WRD and GPD was substantially all derived from our estimates of the costs incurred in connection with the R&D projects associated with each operating segment.
- Corporate/Other Unallocated — The information provided for Corporate and Other Unallocated was derived mainly using proportional allocation methods based on global, regional or country revenues or global, regional or country headcount, as well as certain cost metrics, as appropriate, such as those derived from R&D and manufacturing costs, and, to a lesser extent, specific identification and estimates. Management believes that the allocations of Corporate and Other Unallocated costs are reasonable.

The estimated Other costs generally associated with our operating segments do not purport to reflect the additional amounts that each of our operating segments would have incurred had each segment operated as a standalone company during the period presented.

(iii) See note (c) below for an explanation of our Non-GAAP Adjusted financial measure.

(c) See the “Non-GAAP Financial Measure (Adjusted Income)” section of this Financial Review for a definition of these “Adjusted Income” components.

[d] Includes costs associated with (i) purchase accounting adjustments; (ii) acquisition-related costs; and (iii) certain significant items, which are substantive and/or unusual, and in some cases recurring, items (such as restructuring or legal charges), that are evaluated on an individual basis by management. For additional information about these reconciling items and/or our Non-GAAP adjusted measure of performance, see the "Non-GAAP Financial Measure (Adjusted Income)" section of this Financial Review.

Innovative Health Operating Segment

2018 vs. 2017

IH *Revenues* increase d $2.0 billion , or 6% , to $33.4 billion , reflecting an operational increase of $1.9 billion , or 6% , and a de minimis impact of foreign exchange of $130 million .

The following graph illustrates the components of the increase in IH *Revenues* :

* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the increase in worldwide IH *Revenues* :

(MILLIONS OF DOLLARS)		
IH *Revenues* , 2017	$	31,422
Operational growth/(decline):		
Continued growth from certain key brands [a]		2,815
Growth from recently launched products, including Eucrisa in the U.S., as well as Besponsa and Bavencio, primarily in the U.S. and developed Europe		195
Growth in our Consumer Healthcare business across all markets		107
Negative impact of the loss of exclusivity of Viagra in the U.S. in December 2017 and the resulting shift in the reporting of U.S. and Canada Viagra revenues from IH to EH in 2018		(823)
Lower revenues for Enbrel, primarily in most developed Europe markets due to continued biosimilar competition		(350)
Lower revenues from the hemophilia portfolio (BeneFIX and Refacto AF/Xyntha), primarily in developed Europe		(100)
Other operational factors, net		31
Operational growth, net		1,873
Favorable impact of foreign exchange		130
IH *Revenues* increase		2,004
IH *Revenues* , 2018	$	33,426

[a] Certain key brands represent Ibrance, Eliquis, Xeljanz, Prevnar 13/Prevenar 13, Xtandi, Lyrica—IH and Chantix/Champix. See the "Analysis of the Consolidated Statements of Income—Revenues—Selected Product Discussion" section of this Financial Review for product analysis information.

Total IH revenues from emerging markets increased $507 million , or 12% , to $4.9 billion in 2018 from $4.4 billion in 2017, reflecting a 16% operational increase . Foreign exchange had an unfavorable impact of 5% on total IH revenues from emerging markets. The operational increase in emerging markets was primarily driven by Prevenar 13, Ibrance and Eliquis.

Costs and Expenses

- *Cost of sales* as a percentage of *Revenues* decrease d 0.6 percentage points, primarily driven by the favorable impact of foreign exchange.
- The increase in *Cost of sales* of 1% was primarily driven by an increase in royalty expenses based on the mix of products sold and an increase in sales volumes for various key products within our product portfolio, partially offset by the favorable impact of foreign exchange.
- The increase in *Selling, informational and administrative expenses* of 3% was primarily driven by additional investment across several of our key products, primarily Xeljanz, Ibrance, Eucrisa and Prevnar 13/Prevenar 13 (pediatric indication), partially offset by a reduction related to Viagra as a result of the reclassification of Viagra IH to EH and lower healthcare reform expenses.
- The increase in *Research and development expenses* of 13% primarily reflects:
  - increased costs associated with the Bavencio program; and

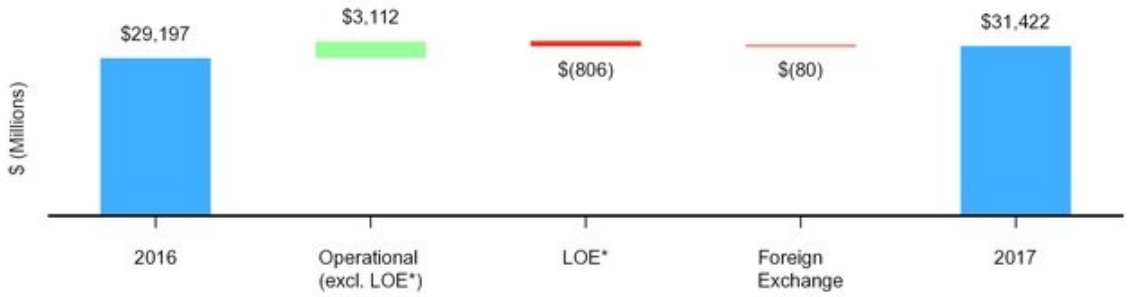
- increased costs associated with our Phase 3 clinical trials related to our JAK1 inhibitor (which was initiated in December 2017) and the *C. difficile* vaccine program (which was initiated in March 2017) as well as increased spending for our 20 valent pneumococcal conjugate vaccine candidate.

- The favorable change in *Other (income)/deductions—net* primarily reflects a $116 million increase in income from collaborations, out-licensing arrangements and sales of compound/product rights, partially offset by a $13 million decrease in dividend income from our investment in ViiV.

2017 vs. 2016

IH *Revenues* increase d $2.2 billion , or 8% , to $31.4 billion , reflecting an operational increase of $2.3 billion , or 8% , partially offset by a de minimis impact of foreign exchange of $80 million .

The following graph illustrates the components of the increase in IH *Revenues* :



* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the increase in IH *Revenues* :

(MILLIONS OF DOLLARS)		
IH *Revenues,* 2016	$	29,197
Operational growth/(decline):		
Continued growth from key brands [a]		1,608
Ibrance global growth: U.S. revenues increased primarily due to continued strong uptake in the metastatic breast cancer setting. International revenues increased operationally, but were negatively impacted by a one-time price adjustment to 2017 revenues related to finalizing reimbursement agreements in certain developed Europe markets.		993
Increase in Xtandi alliance revenues in the U.S. (September 2016 acquisition of Medivation)		450
Lower revenues for Enbrel primarily in developed Europe markets due to continued biosimilar competition		(448)
Lower revenues for Viagra in the U.S. due to generic competition that began in December 2017		(359)
Decline in Prevnar 13/Prevenar 13 revenues. U.S. revenues decreased primarily due to the expected decline in revenues for the adult indication in the U.S. due to a high initial capture rate of the eligible population following its successful fourth-quarter 2014 launch, which resulted in a smaller remaining “catch up” opportunity compared to 2016, partially offset by growth from the pediatric indication. International revenues increased primarily due to the favorable overall impact of timing and increased volume associated with government purchases in certain emerging markets for the pediatric indication compared with prior year, as well as from the inclusion of Prevenar 13 in additional national immunization programs in certain emerging markets for the adult and pediatric indications in the fourth of quarter 2017.		(108)
Other operational factors, net		169
Operational growth, net		2,305
Unfavorable impact of foreign exchange		(80)
IH *Revenues* increase		2,225
IH *Revenues,* 2017	$	31,422

[a] Key brands represent Eliquis (globally), as well as Xeljanz and Lyrica — IH (both primarily in the U.S.).

Total IH revenues from emerging markets increased $656 million, or 18%, to $4.4 billion in 2017 from $3.7 billion in 2016, reflecting an 18% operational increase. Foreign exchange had a de minimis impact on total IH revenues from emerging markets.

Costs and Expenses

- *Cost of sales* as a percentage of *Revenues* decrease d 0.9 percentage points primarily driven by a favorable change in product mix, including an increase in alliance revenues, which have no associated cost of sales, partially offset by an increase in royalty expense, mostly related to Ibrance.
- The increase in *Cost of sales* of 1% was primarily driven by an increase in royalty expense, mostly related to Ibrance, partially offset by a favorable change in product mix.
- The decrease in *Selling, informational and administrative expenses* of 3% was primarily driven by the non-recurrence of an allowance for doubtful trade accounts receivable, resulting from unfavorable developments with a distributor that was recorded in the first quarter 2016, lower spending for certain products, primarily Prevnar 13/Prevenar 13 and Viagra (which lost exclusivity in the U.S. in December 2017), partially offset by additional investment across several of our key products, primarily Eucrisa, Ibrance and Xeljanz.
- The decrease in *Research and development expenses* of 13% primarily reflects:
  - the discontinuation of the global clinical development program for bococizumab in the fourth quarter of 2016 and the non-recurrence of its associated close-out costs,

  partially offset by increased costs associated with:
  - our oncology programs, including clinical trial spend on Medivation assets;
  - our *C. difficile* vaccine program, which initiated a Phase 3 clinical study in March 2017;
  - our tanezumab development program; and
  - an expense of $28 million, representing IH's portion of the $75 million expense resulting from our May 2017 agreement with Sangamo to develop and commercialize gene therapy programs for Hemophilia A.
- The unfavorable change in *Other (income)/deductions—net* primarily reflects:
  - lower royalty income for Enbrel of $470 million, resulting from the expiration on October 31, 2016 of the 36-month royalty period under the collaboration agreement for Enbrel in the U.S. and Canada (the collaboration period under the agreement expired on October 31, 2013); and
  - a $51 million decrease in Prezista royalties,

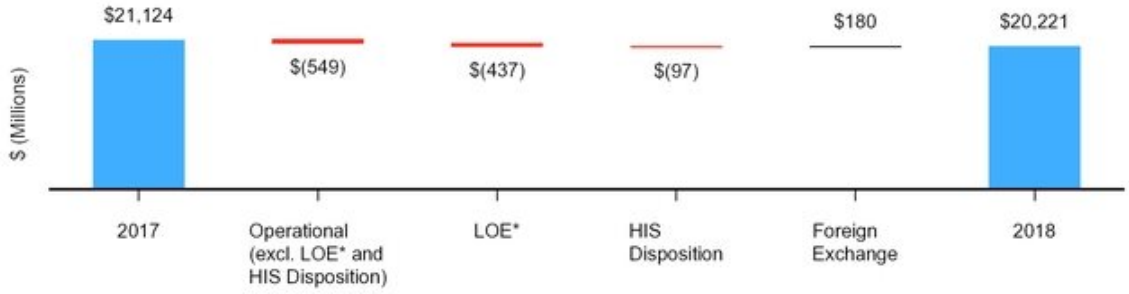
  partially offset by:
  - a $256 million increase in dividend income from our investment in ViiV; and
  - a $176 million increase in Xtandi royalty income.

Essential Health Operating Segment

2018 vs. 2017

EH *Revenues* decrease d $903 million, or 4% to $20.2 billion , reflecting an operational decrease of $1.1 billion, or 5% , partially offset by the favorable impact of foreign exchange of $180 million, or 1%.

The following graph illustrates the components of the decrease in EH *Revenues* :



* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the decrease in worldwide EH *Revenues* :

(MILLIONS OF DOLLARS)		
EH *Revenues* , 2017	$	21,124
Operational growth/(decline):		
Decline from the Peri-LOE Products portfolio, driven by lower revenues in developed markets (excluding Viagra EH), primarily due to expected declines in Lyrica in developed Europe and Celebrex and Pristiq in the U.S. due to generic competition		(558)
Impact from the SIP portfolio, driven by lower revenues in developed markets, primarily due to increased competition across the portfolio and continued legacy Hospira product shortages in the U.S.		(504)
Impact from the LEP portfolio, driven by lower revenues in developed markets, primarily as a result of industry-wide pricing challenges in the U.S. and generic competition		(436)
Impact on financial results for the sale of HIS in February 2017. 2018 does not reflect any contribution from HIS global operations, compared to approximately one month of HIS domestic operations and approximately two months of HIS international operations in 2017		(97)
Positive impact of Viagra, mostly driven by the shift in the reporting of U.S. and Canada Viagra revenues from IH to EH in 2018 (due to the loss of exclusivity of Viagra in the U.S. in December 2017), partially offset by lower revenues in developed Europe markets (previously reported in EH)		251
Growth from Biosimilars, primarily from Inflectra in certain channels in the U.S. and developed Europe markets		217
Impact from CentreOne primarily in emerging markets		45
Operational decline, net		(1,082)
Favorable impact of foreign exchange		180
EH *Revenues* decrease		(903)
EH *Revenues* , 2018	$	20,221

Total EH revenues from emerging markets increased $745 million, or 11% , to $7.8 billion in 2018 from $7.0 billion in 2017, primarily driven by 11% operational growth from the LEP portfolio and 13% operational growth from the SIP portfolio, partially offset by a 2% operational decline from the Peri-LOE Products portfolio. Foreign exchange had a de minimis impact on total EH revenues from emerging markets.

Costs and Expenses

The changes in EH expenses below reflect, among other things, the favorable impact of the February 2017 sale of HIS. The operating results of HIS are included in EH's operating results through February 2, 2017 and, therefore, operating results for EH for 2017 include approximately one month of HIS domestic operations and approximately two months of HIS international operations. Operating results for EH for 2018 do not reflect any contribution from HIS global operations.

- *Cost of sales* as a percentage of *Revenues* increase d 1.8 percentage points, primarily due to:
  - higher sales volume of Inflectra in the U.S. and developed Europe, and higher Pfizer CentreOne sales volumes, both of which carry higher product costs; and
  - lower sales volumes and margins as a result of product losses of exclusivity and generic competition in developed markets,

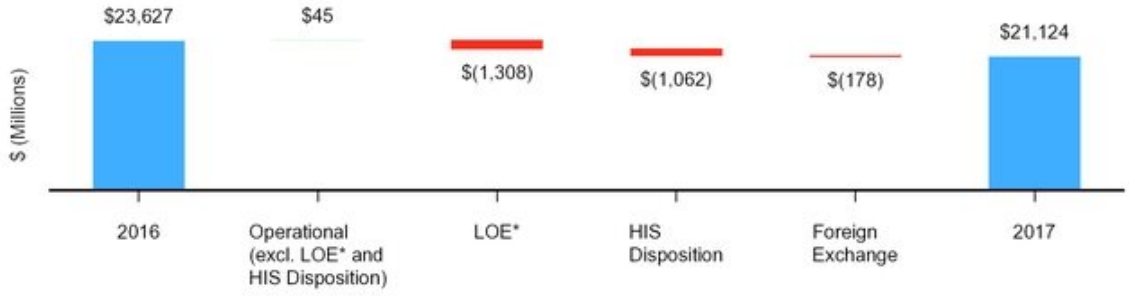
  partially offset by:
  - lower sales volumes in the SIP portfolio, which carries a higher cost to produce, in developed markets, primarily due to increased competition across the SIP portfolio and continued legacy Hospira product shortages in the U.S.;
  - the favorable impact of foreign exchange; and
  - the non-recurrence of charges related to a product recall that occurred in 2017.
- The increase in *Cost of sales* of 2% was primarily due to:
  - higher sales volumes of Inflectra in the U.S. and developed Europe, and higher Pfizer CentreOne sales volumes, both of which carry higher product costs; and
  - lower sales volumes in the SIP portfolio, which carries a higher cost to produce, in developed markets, primarily due to increased competition across the SIP portfolio and continued legacy Hospira product shortages in the U.S.,

  partially offset by:
  - lower sales volumes as a result of product losses of exclusivity and generic competition in developed markets; and
  - the non-recurrence of charges related to a product recall that occurred in 2017.
- *Selling, informational and administrative expenses* decrease d 10% mainly due to lower advertising, promotional and field force expenses, reflecting the benefits of cost-reduction and productivity initiatives, and lower general and administrative expenses , partially offset by additional investments in China .
- *Research and development expenses* decrease d 11% , primarily due to decreased spending for biosimilars as several programs have reached completion.
- The unfavorable change in *Other (income)/deductions—net* primarily reflects the non-recurrence of income from resolution of a contract disagreement, the non-recurrence of a gain on the redemption of an acquired bond in 2017 and the unfavorable impact of foreign exchange, partially offset by an increase in income from collaborations, out-licensing arrangements and sales of compound/product rights.

2017 vs. 2016

EH *Revenues* decrease d $2.5 billion , or 11% , to $21.1 billion , reflecting an operational decrease of $2.3 billion , or 10%, and a 1% unfavorable impact from foreign exchange.

The following graph illustrates the components of the decrease in EH *Revenues* :



* LOE generally pertains to period-over-period revenue impacts for products across our portfolios experiencing patent expirations or loss of regulatory exclusivity in certain developed markets.

The following provides an analysis of the decrease in EH *Revenues* :

(MILLIONS OF DOLLARS)		
EH *Revenues* , 2016	$	23,627
Disposition:		
Approximately one month of HIS domestic operations and approximately two months of HIS international operations in 2017, compared to twelve months of HIS global operations in 2016 (February 2017 sale)		(1,062)
Other Operational growth/(decline):		
Decline from Peri-LOE Products, primarily due to expected declines in Pristiq in the U.S. as well as Lyrica and Vfend (both primarily in developed Europe markets)		(957)
Decline from the Sterile Injectable Pharmaceuticals portfolio, primarily due to legacy Hospira product shortages in the U.S.		(315)
Decline in the Legacy Established Products portfolio primarily due to generic competition in developed markets		(188)
Growth from Biosimilars, primarily from Inflectra in the U.S. and developed Europe markets		209
Other operational factors, net		(13)
Operational decline, net		(2,325)
Unfavorable impact of foreign exchange		(178)
EH *Revenues* decrease		(2,503)
EH *Revenues,* 2017	$	21,124

Total EH revenues from emerging markets increased $323 million, or 5%, to $7.0 billion in 2017 from $6.7 billion in 2016, reflecting 7% operational growth, primarily driven by 6% operational growth from the Legacy Established Products portfolio and 17% operational growth from the Sterile Injectable Pharmaceuticals portfolio. Foreign exchange had an unfavorable impact of 2%. Excluding HIS in both periods, EH revenues in emerging markets grew 8% operationally.

Costs and Expenses

The changes in EH expenses below reflect, among other things, the favorable impact of the February 2017 sale of HIS. The operating results of HIS are included in EH's operating results through February 2, 2017 and, therefore, operating results for EH for 2017 include approximately one month of HIS domestic operations and approximately two months of HIS international operations, while operating results for EH for 2016 reflect 12 months of HIS global operations.

- *Cost of sales* as a percentage of Revenues increase d 1.6 percentage points primarily due to cost increases reflecting the shift to EH of certain legacy Hospira costs that were previously unallocated to EH as a result of harmonizing the Hospira cost policy, and the impact of product losses of exclusivity, partially offset by the favorable impact of the sale of HIS, which had a higher cost of sales than the other EH products, and the favorable impact of foreign exchange.
- The decrease in *Cost of sales* of 5% primarily reflects:
  - the favorable impact of the sale of HIS, which had a higher cost of sales than the other EH products;
  - the favorable impact of foreign exchange;
  - a net decrease in royalty expense and, to a lesser extent,
  - lower volumes driven by, among other things, the SIP portfolio, primarily due to legacy Hospira product shortages in the U.S.,

partially offset by:

- cost increases reflecting the shift to EH of certain legacy Hospira costs that were previously unallocated to EH as a result of harmonizing the Hospira cost policy.

- *Selling, informational and administrative expenses* decrease d 12% , primarily due to the favorable impact of the sale of HIS, lower advertising, promotional, and field force expenses, reflecting the benefits of cost-reduction and productivity initiatives, as well as lower expenses associated with products that recently lost marketing exclusivity, partially offset by increased spending for biosimilars, primarily related to the U.S. launch of Inflectra.
- *Research and development expenses* decrease d 15% primarily due to decreased spending for biosimilars, the close-out of certain postmarketing clinical trials and the favorable impact of the sale of HIS.
- The favorable change in *Other (income)/deductions—net* primarily reflects the favorable impact of foreign exchange, a gain on the redemption of an acquired bond and an increase in Inflectra royalty income, partially offset by the non-recurrence of a resolution of a contract disagreement in the first quarter of 2016.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Changes in the components of *Accumulated other comprehensive loss* reflect the following:

2018

- For *Foreign currency translation adjustments, net,* primarily reflects the strengthening of the U.S. dollar against the euro, U.K. pound and Chinese renminbi.
- For *Unrealized holding gains/(losses) on derivative financial instruments, net* and *Unrealized holding gains/(losses) on available-for-sale securities, net,* reflects the impact of fair value re-measurements and the reclassification of amounts into income. For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018* and Notes to Consolidated Financial Statements— *Note 7. Financial Instruments.*
- For *Benefit plans: actuarial losses, net,* primarily reflects (i) an increase due to the cumulative effect adjustment as of January 1, 2018 resulting from the adoption of a new accounting standard related to certain tax effects from AOCI; (ii) a decrease in actual returns on plan assets; (iii) an increase in our discount rate assumptions; (iv) the amortization of changes in the pension benefit obligation previously recognized in *Other comprehensive income* ; and (v) the favorable impact of foreign exchange. For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards in 2018* and *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* .
- For *Tax provision/(benefit) on other comprehensive income/(loss),* reflect the reclassification of the stranded tax amounts related to the TCJA from AOCI to *Retained earnings,* which was recorded in the first quarter of 2018. For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies—Adoption of New Accounting Standards* and Notes to Consolidated Financial Statements— *Note 5E. Tax Matters : Tax Provision/(Benefit) on Other Comprehensive Income/(Loss).*

2017

- For *Foreign currency translation adjustments, net,* primarily reflects the weakening of the U.S. dollar against the euro, U.K. pound and the Canadian dollar, as well as the reclassification of amounts related to (i) the agreement to sell our 40% ownership investment in Teuto and (ii) the sale of our 49% equity share in Hisun Pfizer. For additional information, see Notes to Consolidated Financial Statements— *Note 2F. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Equity-Method Investments* .
- For *Unrealized holding gains/(losses) on derivative financial instruments, net* and *Unrealized holding gains/(losses) on available-for-sale securities, net,* reflect the impact of fair value re-measurements and the reclassification of amounts into net income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments*
- For *Benefit plans: actuarial losses, net,* primarily reflects (i) an increase in the actuarial losses due to a decrease in our discount rate assumptions; (ii) an increase in actual returns on plan assets; (iii) the amortization of changes in the pension benefit obligation previously recognized in *Other comprehensive income* ; and (iv) the unfavorable impact of foreign exchange. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans.*

2016

- *Foreign currency translation adjustments, net,* primarily reflects the strengthening of the U.S. dollar against the U.K. pound, Chinese renminbi, Mexican peso, and Argentine peso, partially offset by the weakening of the U.S. dollar against the Australian dollar and Japanese yen.
- For *Unrealized holding gains/(losses) on derivative financial instruments, net* and *Unrealized holding gains/(losses) on available-for-sale securities, net,* reflects the impact of fair value re-measurements and the reclassification of amounts into net income. For additional information, see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .
- For *Benefit plans: actuarial losses, net,* reflects the actuarial losses related primarily to a decrease in the discount rate, partially offset by (i) the amortization of changes in the pension benefit obligation previously recognized in *Other comprehensive income* , and (ii) higher actual return on plan assets as compared to the expected return on plan assets. For additional information, see Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* and the “Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans” section of this Financial Review.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEETS

For information about certain of our financial assets and liabilities, including *Cash and cash equivalents, Short-term investments, Long-term investments, Short-term borrowings, including current portion of long-term debt* , and *Long-term debt* , see the "Analysis of the Consolidated Statements of Cash Flows" and the "Analysis of Financial Condition, Liquidity and Capital Resources: Selected Measures of Liquidity and Capital Resources" sections of this Financial Review and Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* .

For information about events and circumstances impacting our tax-related accounts, see Notes to Consolidated Financial Statements— *Note 5. Tax Matters* .

For a description of changes in *Total Equity* , see the consolidated statements of equity.

For information related to changes in *Accumulated other comprehensive loss* , see the "Analysis of the Consolidated Statements of Comprehensive Income" section of this Financial Review and Notes to Consolidated Financial Statements— *Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests* .

The changes in our asset and liability accounts as of December 31, 2018 , compared to December 31, 2017 , generally reflect, among other things, fluctuations in foreign currency exchange rates, the impact of the adoption of new accounting standards in the first quarter of 2018 and the reclassification to assets and liabilities held for sale in connection with our pending consumer business joint venture with GSK . The following explanations exclude the impacts of foreign exchange, the adoption of new accounting standards in the first quarter of 2018 and the pending consumer healthcare business joint venture with GSK (see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018* and *Note 2C. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Asset and Liabilities Held for Sale* for additional information).

- For *Trade accounts receivable, less allowance for doubtful accounts,* the change reflects the timing of sales and collections in the normal course of business.
- For *Inventories,* the change reflects increases for certain products to meet targeted levels in the normal course of business, primarily for inventory build for supply recovery, new product launches and the movement of products within our manufacturing network.
- For *Other current assets,* the change reflects an increase in receivables associated with derivative financial instruments, partially offset by the receipt of a milestone payment related to the first marketing authorization for ertugliflozin (see Notes to Consolidated Financial Statements— *Note 2E. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Research and Development and Collaborative Arrangements*).
- For PP&E, the change primarily reflects capital additions in the normal course of business, partially offset by depreciation during the period and reductions due to asset impairments largely associated with cost reduction initiatives not associated with acquisitions (see Notes to Consolidated Financial Statements— *Note 3 . Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*).
- For *Identifiable intangible assets, less accumulated amortization* , the change primarily reflects amortization for the period and intangible asset impairment charges (see Notes to Consolidated Financial Statements— *Note 4. Other (Income)/Deductions-Net*), partially offset by an intangible asset recorded in connection with the EU approval of Mylotarg (see Notes to Consolidated Financial Statements— *Note 10A. Identifiable Intangible Assets and Goodwill : Identifiable Intangible Assets*).
- For *Trade accounts payable,* the change reflects the timing of purchases and payments in the normal course of business.
- For *Other current liabilities* , the change reflects an increase in liabilities associated with:
  - payments and accruals in the normal course of business;
  - reclassifications from noncurrent liabilities; and
  - accruals for restructuring activities associated with our Organizing for Growth initiative (see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost Reduction/Productivity Initiatives)* ;

  partially offset by decreases related to:
  - payments for contingent consideration obligations;
  - payments to settle certain legal and product liability obligations;
  - payables related to derivative financial instruments; and
  - payments for the current portion of obligations recorded in connection with the U.S. approval of Bosulif, and the EU and U.S. approvals of Besponsa (see Notes to Consolidated Financial Statements— *Note 7E. Financial Instruments : Other Noncurrent Liabilities*) .
- For *Pension benefit obligations, net* , the decrease primarily reflects the $500 million voluntary pension contribution we made to the U.S. Pfizer Consolidated Pension Plan in February 2018 and the impact of an increase in the discount rate used in the measurement of plan obligations, partially offset by a decrease in actual returns on plan assets.
- For *Other noncurrent liabilities* , the change reflects an increase in liabilities associated with:
  - an increase in payables, associated with derivative financial instruments;
  - an increase in liabilities associated with the sale-leaseback of our New York headquarters (see the "Analysis of Financial Condition, Liquidity and Capital Resources— Selected Measures of Liquidity and Capital Resources —Contractual Obligations" section of this Financial Review for additional information); and
  - a change in the fair value of contingent consideration (see Notes to Consolidated Financial Statements— *Note 4 . Other (Income)/Deductions—Net*),

partially offset by:

- reclassifications to current liabilities.

- For *Treasury stock,* the change reflects open market share repurchases of $8.2 billion in 2018, as well as $4.0 billion paid to Citibank in March 2018 pursuant to the terms of an accelerated share repurchase agreement. See Notes to Consolidated Financial Statements— *Note 12A. Equity: Common Stock* for additional information.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**18/17**	17/16
Cash provided by/(used in):					
Operating activities	**$ 15,827**	$ 16,802	$ 16,192	**(6)**	4
Investing activities	**4,525**	(4,740)	(7,791)	*	(39)
Financing activities	**(20,441)**	(13,350)	(9,228)	**53**	45
Effect of exchange-rate changes on cash and cash equivalents and restricted cash and cash equivalents	**(116)**	53	(215)	*	*
Net decrease in *Cash and cash equivalents and restricted cash and cash equivalents*	**$ (205)**	$ (1,235)	$ (1,041)	**(83)**	19

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

In the consolidated statements of cash flows, the line item, *Other changes in assets and liabilities, net of acquisitions and divestitures* , is presented excluding the effects of changes in foreign currency exchange rates, as these changes do not reflect actual cash inflows or outflows, and excluding any other significant non-cash movements. Accordingly, the amounts shown will not necessarily agree with the changes in the assets and liabilities that are presented in our consolidated balance sheets.

Operating Activities

2018 v. 2017

Our net cash provided by operating activities was $15.8 billion in 2018 , compared to $16.8 billion in 2017 . The decrease in net cash provided by operating activities reflects a decrease in net cash generated from net income. The net cash generated reflects the timing of receipts from customers and payments to vendors in the ordinary course of business.

In 2018 , the change in the line item *Other adjustments, net* primarily reflects, among other items:

- non-recurrence of a non-cash net loss on early retirement of debt under an exchange offer in 2017;
- unrealized net gains on equity securities resulting from the adoption of a new accounting standard on January 1, 2018 related to financial assets and liabilities (see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies* : *Adoption of New Accounting Standards in 2018*);
- a decrease in debt extinguishment costs in 2018 related to early retirement of debt under an exchange offer in 2017, which have been reclassified from operating to financing activities in 2018 and 2017 in accordance with our implementation of a new accounting standard on January 1, 2018 related to the classification of debt prepayment and extinguishment costs (see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018*);
- a non-cash gain associated with our transaction with Bain Capital to create a new biopharmaceutical company to continue development of a portfolio of clinical and preclinical stage neuroscience assets (see Notes to Consolidated Financial Statements— *Note 2B. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Divestitures*); and
- a non-cash gain on the contribution of Pfizer's allogeneic CAR T developmental program assets, in connection with our contribution agreement with Allogene (see Notes to Consolidated Financial Statements— *Note 2B. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Divestitures*),

partially offset by:

- decreases in net realized gains on sales of investments in debt and equity securities;
- net losses on foreign exchange contracts hedging a portion of our forecasted intercompany inventory sales (that fixes the cost of inventory later sold to customers); and
- a decrease in gains on the sale of property, plant and equipment.

In 2018 and 2017 , the line item *Other changes in assets and liabilities, net of acquisitions and divestitures,* primarily reflects changes, in the normal course of business, in trade accounts receivable, inventories, other current assets, other noncurrent assets, trade accounts payable, accrued compensation and other current and noncurrent liabilities.

For additional information about changes in other assets and liabilities account balances, see the "Analysis of the Consolidated Balance Sheets" in this Financial Review.

2017 v. 2016

Our net cash provided by operating activities was $16.8 billion in 2017 , compared to $16.2 billion in 2016 . The increase in net cash provided by operating activities reflects the timing of receipts from customers and payments to vendors in the ordinary course of business, partially offset by an increase in benefit plan contributions. In 2017 , the change in the line item *Other adjustments, net* primarily reflects, among other items:

- a decrease in the provision for bad debt expense;
- an increase in dividends from our investment in ViiV reclassified from operating to investing activities;
- an increase in gains from sales of available-for-sale securities; and
- an increase in gains on the sale of property, plant and equipment,

partially offset by:

- a non-cash net loss on early retirement of debt under an exchange offer.

In 2017 and 2016 , the line item *Other changes in assets and liabilities, net of acquisitions and divestitures,* primarily reflects changes, in the normal course of business, in trade accounts receivable, inventories, other current assets, other noncurrent assets, trade accounts payable, accrued compensation and other current and noncurrent liabilities. For 2016 , this line item also includes the adjustments necessary to reflect the payments of certain legal claims accrued in prior periods, including for Protonix-related matters.

For additional information about changes in other assets and liabilities account balances, see the “Analysis of the Consolidated Balance Sheets” in this Financial Review.

Investing Activities

2018 v. 2017

Our net cash provided by investing activities was $4.5 billion in 2018 , compared to net cash used in investing activities of $4.7 billion in 2017 . The change in net cash used in investing activities was primarily attributable to:

- an increase in net proceeds generated from the sale of investments of $8.6 billion in 2018 for cash needs; and
- a decrease in cash used for acquisitions, net of cash acquired of $1.0 billion due to the acquisition of the development and commercialization rights to AstraZeneca’s small molecule anti-infectives business and substantially all of the remaining consideration for the Medivation acquisition in 2017 (see Notes to Consolidated Financial Statements — *Note 2A. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Acquisitions*).

2017 v. 2016

Our net cash used in investing activities was $4.7 billion in 2017 , compared to net cash used in investing activities of $7.8 billion in 2016 . The change in net cash used in investing activities was primarily attributable to:

- a decrease in cash used for acquisitions — cash paid of $1.0 billion, net of cash acquired, primarily for the acquisition of AstraZeneca’s small molecule anti-infectives business in 2017 and substantially all of the remaining consideration for the Medivation acquisition, compared to cash paid of $18.4 billion , net of cash acquired, primarily for the acquisitions of Medivation, Bamboo and Anacor in 2016 (see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Acquisitions*); and
- an increase in *Other investing activities, net,* including dividends received from our investment in ViiV,

partially offset by:

- lower net proceeds generated from the sale of investments of $14.7 billion in 2017 for cash needs.

Financing Activities

2018 v. 2017

Our net cash used in financing activities was $20.4 billion in 2018 , compared to $13.3 billion in 2017 . The increase in net cash used in financing activities was primarily attributable to:

- $2.3 billion less proceeds raised from short-term borrowings in 2018 , compared to 2017 ; and
- higher purchases of common stock of $7.2 billion ,

partially offset by:

- lower repayments on long-term debt of $2.6 billion .

2017 v. 2016

Our net cash used in financing activities was $13.3 billion in 2017 , compared to $9.2 billion in 2016 . The increase in net cash used in financing activities was primarily attributable to:

- the issuance of long-term debt of $5.3 billion in 2017 , compared to $11.0 billion in 2016 (see Notes to Consolidated Financial Statements— *Note 7D. Financial Instruments: Long-Term Debt*); and
- $7.7 billion cash dividends paid in 2017 , compared to $7.3 billion in the same period in 2016 ,

partially offset by:

- lower repayments on long-term debt of $1.5 billion , compared to 2016 ; and
- lower net repayments on short-term borrowings in 2017 of $619 million , compared to 2016 .

ANALYSIS OF FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We rely largely on operating cash flows, short-term investments, short-term 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 include:

- 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 associated with 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. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified available-for-sale debt securities.

Selected Measures of Liquidity and Capital Resources

The following table provides certain relevant measures of our liquidity and capital resources:

	As of December 31,	
(MILLIONS OF DOLLARS, EXCEPT RATIOS AND PER COMMON SHARE DATA)	**2018**	2017
Selected financial assets [a]:		
Cash and cash equivalents	**$ 1,139**	$ 1,342
Short-term investments	**17,694**	18,650
Long-term investments	**2,767**	7,015
	21,600	27,007
Debt:		
Short-term borrowings, including current portion of long-term debt	**8,831**	9,953
Long-term debt	**32,909**	33,538
	41,740	43,491
Selected net financial liabilities [b]	**$ (20,140)**	$ (16,484)
Working capital [c]	**$ 18,068**	$ 10,714
Ratio of current assets to current liabilities	**1.57:1**	1.35:1
Total Pfizer Inc. shareholders' equity per common share [d]	**$ 11.09**	$ 11.93

[a] See Notes to Consolidated Financial Statements— *Note 7. Financial Instruments* for a description of certain assets held and for a description of credit risk related to our financial instruments held.

[b] The increase in selected net financial liabilities was primarily driven by the decrease in long-term investments used for cash needs, partially offset by the repayment of debt. We retain a strong financial liquidity position as a result of our net cash provided by operating activities, our high-quality financial asset portfolio and access to capital markets. For additional information, see the "Credit Ratings" section of this Financial Review.

[c] The increase in working capital was primarily due to:

- the reclassification to assets and liabilities held for sale in connection with our pending consumer business joint venture with GSK (see Notes to Consolidated Financial Statements— *Note 2 C. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment : Assets and Liabilities Held for Sale)* ;
- a decrease in short-term borrowings as a result of repayments of commercial paper;
- an increase in inventory related to increases for certain products to meet targeted levels in the normal course of business, primarily for inventory build for supply recovery, new product launches and the movement of products within our manufacturing network; and
- the timing of accruals, cash receipts and payments in the ordinary course of business,

partially offset by:

- a decrease in S *hort-term investments* mainly driven by the financing requirements for share repurchase activities, dividend payments, capital expenditures and debt repayment, partially offset by operating cash flow generation, cash from employee stock option exercises and reclassification of long-term to short-term investments;
- an increase in income taxes payable primarily related to the reclassification of the first federal installment of the repatriation tax previously recorded in noncurrent liabilities and the timing of accruals in certain major markets in the ordinary course of business; and
- the net impact of foreign currency exchange.

[d] Represents total Pfizer Inc. shareholders' equity divided by the actual number of common shares outstanding (which excludes treasury stock).

In September 2018, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes (see *Notes to Consolidated Financial Statements—Note 7D. Financial Instruments : Long-Term Debt)* .

In December 2017, we exchanged approximately £833 million principal amount of senior unsecured notes due 2038 with an interest rate of 6.50% for £ 1.376 billion principal amount of senior unsecured notes due 2043 with an interest rate of 2.735% (see Notes to Consolidated Financial Statements— *Note 7D. Financial Instruments: Long-Term Debt*).

In March 2017, we completed a public offering of $1.065 billion principal amount of senior unsecured notes due 2047 with an interest rate of 4.20% , and on March 6, 2017, we completed a public offering of € 4.0 billion principal amount of senior unsecured notes with a weighted-average effective interest rate of 0.23% (see Notes to Consolidated Financial Statements— *Note 7D. Financial Instruments: Long-Term Debt*).

In November 2016, we completed a public offering of $6.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 3.10% .

In June 2016, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 2.09% .

For additional information about the sources and uses of our funds, see the "Analysis of the Consolidated Balance Sheets " and " Analysis of the Consolidated Statements of Cash Flows " sections of this Financial Review.

Domestic and International Selected Financial Assets

Many of our operations are conducted outside the U.S., and significant portions of our selected financial assets are held internationally. The amount of funds held in U.S. tax jurisdictions can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business-development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and international cash flows (both inflows and outflows). The changes in tax law under the TCJA, which includes transitioning U.S. international taxation from a worldwide tax system to a territorial tax system, will also allow us to more easily access our selected financial assets globally. As a result of the enactment of the TCJA, in 2018 we repatriated the majority of our cash we held internationally as of year-end 2017.

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 following table provides the current ratings assigned by these rating agencies to our commercial paper and senior unsecured long-term debt:

	Pfizer Commercial Paper	Pfizer Long-Term Debt		
NAME OF RATING AGENCY	Rating	Rating	Outlook	Date of Last Rating Change
Moody's	P-1	A1	Stable	October 2009
S&P	A-1+	AA	Stable	October 2009

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 in excess of our commercial paper and other short-term borrowings. As of December 31, 2018, we had access to a $7.0 billion U.S. revolving credit facility expiring in 2023, which may be used to support our commercial paper borrowings. In addition to the U.S. revolving credit facility, our lenders have provided us an additional $553 million lines of credit, of which $502 million expire within one year. Of these total lines of credit, $7.5 billion were unused as of December 31, 2018.

LIBOR

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. Banks currently reporting information used to set LIBOR will stop doing so after 2021. Various parties, including government agencies, are seeking to identify an alternative rate to replace LIBOR. We are monitoring their efforts, and we will likely amend contracts to accommodate any replacement rate where it is not already provided.

Global Economic Conditions—General

The global economic environment has not had, nor do we anticipate 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. For additional information see the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—The Global Economic Environment" section in this Financial Review.

Global Economic Conditions—Venezuela Operations

Our Venezuela operations continue to operate with the U.S. dollar as the functional currency due to the hyperinflationary status of the Venezuelan economy.

We used the Venezuelan bolivar soberano rate of 85.87 as our best estimate to revalue our Venezuelan bolivar denominated net monetary assets. The current DICOM rate is about 3,298.64. Future actions by the Venezuelan government in response to economic uncertainties could impact the recoverability of our investment in Venezuela, which could result in an impairment charge and, under extreme circumstances, could impact our ability to continue to operate in the country in the same manner as we have historically. We have in Venezuela a few net monetary assets and $39 million of non-monetary assets, and $11 million of deferred foreign exchange losses reported in the balance sheet in *Accumulated other comprehensive loss—Foreign currency translation adjustments* at November 30, 2018 , our international quarter-end.

Global Economic Conditions—Argentina Operations

Our Argentina operations function in a hyperinflationary economy. The impact to Pfizer is not considered material.

Contractual Obligations

Payments due under contractual obligations as of December 31, 2018 , mature as follows:

		Years			
(MILLIONS OF DOLLARS)	Total	2019	2020-2021	2022-2023	Thereafter
Long-term debt, including current portion [a]	$ 37,684	$ 4,776	$ 5,935	$ 4,067	$ 22,907
Interest payments on long-term debt obligations [b]	20,680	1,443	2,518	2,330	14,389
Other long-term liabilities [c]	2,798	414	611	549	1,224
Operating leases [d]	3,317	300	462	515	2,040
Purchase obligations and other [e]	3,722	1,322	1,294	337	769
Other taxes payable — deemed repatriated accumulated post-1986 earnings of foreign subsidiaries [f]	11,000	800	1,775	1,775	6,650
Uncertain tax positions [g]	19	19	—	—	—

[a] Long-term debt consists of senior unsecured notes (including fixed and floating rate, foreign currency denominated, and other notes), carried at historical proceeds, as adjusted, and capital lease obligations (see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments*). Commitments under capital leases are not significant.

[b] Our calculations of expected interest payments incorporate only current period assumptions for interest rates, foreign currency translation rates and hedging strategies (see Notes to Consolidated Financial Statements— *Note 7. Financial Instruments*), and assume that interest is accrued through the maturity date or expiration of the related instrument.

[c] 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 $4.6 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. See also our liquidity discussion above in this "Analysis of Financial Condition, Liquidity and Capital Resources" section, as well as the Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives, Note 7A. Financial Instruments: Fair Value Measurements, Note 11E. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Cash Flows,* and *Note 17. Contingencies and Certain Commitments* .

[d] Includes future minimum rental commitments under non-cancelable operating leases. These amounts include an agreement we entered in April 2018 to lease space in an office building in New York City. We will relocate our global headquarters to this property with occupancy expected beginning in 2022. Our future minimum rental commitment under this 20-year lease is approximately $1.7 billion . In July 2018, we completed the sale of our current headquarters buildings. We also agreed to lease these properties from the buyer while we complete our relocation.

[e] 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. Also includes obligations to make guaranteed fixed annual payments over the next 8 years in connection with the U.S. and EU approvals for Besponsa ($422 million) and an obligation to make guaranteed fixed annual payments over the next 9 years for Bosulif ($240 million), both associated with R&D arrangements. For additional information, see Notes to Consolidated Financial Statements— *Note 7E. Financial Instruments: Other Noncurrent Liabilities.* Also includes consideration of $175 million paid in January 2019 related to our purchase of AstraZeneca's small molecule anti-infective business. For additional information, see Notes to Consolidated Financial Statements— *Note 2A. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Acquisitions* .

[f] Represents estimated cash payments related to the TCJA repatriation tax for which we plan to elect, with the filing of our 2018 U.S. Federal Consolidated Income Tax Return, payment over eight years through 2026 (with the first installment due in April 2019). 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. For additional information, see Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* and *Note 5C. Tax Matters: Deferred Taxes.*

[g] 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.

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 2019 , we expect to spend approximately $2.3 billion on property, plant and equipment. We rely largely on operating cash flows to fund our capital investment needs. Due to our significant operating cash flows, we believe we have the ability to meet our capital investment needs and anticipate no delays to planned capital expenditures.

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 a 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 indemnification obligations generally are subject to various restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2018 , the estimated fair value of our indemnification obligations was not significant.

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

Our December 2015 $11 billion share repurchase program was exhausted in the third quarter of 2018.

In December 2017, the Board of Directors authorized an additional $10 billion share repurchase program, and share repurchases commenced thereunder in the third quarter of 2018 (the 2017 program).

On March 12, 2018 , we entered into an accelerated share repurchase agreement with Citibank to repurchase $4.0 billion of our common stock.

In December 2018, the Board of Directors authorized a new $10.0 billion share repurchase program to be utilized over time. This new program is in addition to the $4.2 billion remaining under the company's 2017 program authorization as of December, 31 2018. For additional information, see Notes to Consolidated Financial Statements— *Note 12. Equity.*

The following table provides the number of shares of our common stock purchased and the cost of purchases under our publicly announced share-purchase plans, including our accelerated share repurchase agreements:

(SHARES IN MILLIONS, DOLLARS IN BILLIONS)	**2018** [a]	2017 [b]	2016 [c]
Shares of common stock purchased	**307**	150	154
Cost of purchase	**$ 12.2**	$ 5.0	$ 5.0

[a] Represents shares purchased pursuant to an accelerated share repurchase agreement with Citibank entered into on March 12, 2018, as well as other share repurchases. For additional information, see Notes to Consolidated Financial Statements— *Note 12* . Equity.
[b] Represents shares purchased pursuant to an accelerated share repurchase agreement with Citibank entered into on February 2, 2017. For additional information, see Notes to Consolidated Financial Statements— *Note 12. Equity.*
[c] Represents shares purchased pursuant to an accelerated share repurchase agreement entered into on March 8, 2016. For additional information, see Notes to Consolidated Financial Statements— *Note 12. Equity.*

At December 31, 2018 , our remaining share-purchase authorization was approximately $14.2 billion .

In 2019, Pfizer anticipates approximately $9 billion of share repurchases, which have been completed through February 28, 2019.

On February 7, 2019 , we entered into an accelerated share repurchase agreement with GS&Co. to repurchase approximately $6.8 billion of our common stock. This agreement was entered into pursuant to our previously announced share repurchase authorization. For additional information, see Notes to Consolidated Financial Statements — *Note 19. Subsequent Event* .

Dividends on Common Stock

We paid dividends on our common stock of $8.0 billion in 2018 , $7.7 billion in 2017 and $7.3 billion in 2016 . In December 2018 , our Board of Directors declared a first-quarter 2019 dividend of $0.36 per share, payable on March 1, 2019 , to shareholders of record at the close of business on February 1, 2019 . The first-quarter 2019 cash dividend will be our 321 st consecutive quarterly dividend.

Our current and projected dividends provide a return to shareholders while maintaining sufficient capital to invest in growing our businesses and to seek to increase shareholder value. Our dividends are not restricted by debt covenants. While the dividend level remains a decision of Pfizer's Board of Directors 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.

NEW ACCOUNTING STANDARDS

Recently Adopted Accounting Standards

See Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards in 2018.*

Recently Issued Accounting Standards, Not Adopted as of December 31, 2018

Standard/Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In February 2016, the FASB issued new guidance on accounting for **leases** . The new ASU provides guidance for both lessee and lessor accounting models. Among other things, the new guidance requires that a right of use asset and a lease liability be recognized for leases with a duration of greater than one year. Since its issuance, the FASB has issued several ASUs, including amending the guidance to offer an additional transition method.	January 1, 2019.	We have substantially completed our review of the impact of this new guidance. We will adopt this standard in the first quarter of fiscal 2019 utilizing the modified retrospective method, and therefore no adjustments will be made to amounts in our prior period financial statements. We expect to recognize approximately $1.5 billion of additional assets and corresponding liabilities on our balance sheet as of the beginning of fiscal 2019 and will record any cumulative effect of adopting the new standard as an adjustment to the opening balance of *Retained Earnings.* We do not expect that this adjustment to *Retained Earnings* at adoption will have a material impact on our consolidated financial statements. We have also assessed the potential impact of embedded leases on our consolidated financial statements, given our manufacturing outsourcing, service arrangements and other agreements. In connection with this guidance we have designed new global processes, technological solutions and related controls to provide the appropriate financial accounting and disclosure data. We continue to monitor changes, modifications, clarifications or interpretations undertaken by the FASB, which may impact our conclusions.
In March 2017, the FASB issued new guidance that shortens the **amortization period for certain callable debt securities held at a premium** . The new guidance requires the premium to be amortized to the earliest call date.	January 1, 2019.	We do not have any investments with features subject to this standard and do not expect this new guidance to have a material impact on our consolidated financial statements.
In July 2017, the FASB issued new guidance on accounting for **certain financial instruments with characteristics of liabilities and equity,** and accounting for certain financial instruments with **down round features** (a feature in a financial instrument that reduces the strike price of an issued financial instrument if the issuer sells shares of its stock for an amount less than the currently stated strike price of the issued financial instrument or issues an equity-linked financial instrument with a strike price below the currently stated strike price of the issued financial instrument).	January 1, 2019.	We do not have any financial instruments with features subject to this standard and do not expect this new guidance to have a material impact on our consolidated financial statements.
In June 2018, the FASB issued new guidance to simplify the accounting for **share-based payments to nonemployees** by aligning it with the accounting for share-based payments to employees, with certain exceptions. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date.	January 1, 2019.	We do not have any share-based awards issued to nonemployees and do not expect this new guidance to have a material impact on our consolidated financial statements.
In June 2016, the FASB issued new guidance on accounting for **credit losses of financial instruments** . The new guidance replaces the probable initial recognition threshold for incurred loss estimates in current GAAP with a methodology that reflects expected credit loss estimates.	January 1, 2020. Earlier application is permitted as of fiscal years beginning after December 15, 2018, including interim periods within that fiscal year.	We are assessing the impact of the provisions of this new guidance on our consolidated financial statements. This standard includes our financial instruments, such as accounts receivable, and investments that are generally of high credit quality. Previously, when credit losses were measured under GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. The new guidance requires us to identify, analyze, document and support new methodologies for quantifying expected credit loss estimates for our financial instruments, using information such as historical experience and current economic conditions, plus the use of reasonable supportable forecast information.

Standard/Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In January 2017, the FASB issued new guidance for **goodwill impairment testing** . The new guidance 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, although it cannot exceed the total amount of goodwill allocated to that reporting unit.	January 1, 2020. Earlier application is permitted.	We do not expect this new guidance to have a material impact on our consolidated financial statements.
In August 2018, the FASB issued new guidance 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 new guidance can be adopted either prospectively or retrospectively.	January 1, 2020. Earlier application is permitted.	We are assessing the impact of the provisions of this new guidance on our consolidated financial statements. We do not expect this new guidance to have a material impact on our consolidated financial statements.
In November 2018, the FASB issued new guidance clarifying the interaction between the accounting guidance for **collaboration agreements and revenue from contracts with customers** .	January 1, 2020. Earlier application is permitted	We have assessed the impact of the provisions of this new guidance and do not expect it will have a material impact on our consolidated financial statements.

FORWARD-LOOKING INFORMATION AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This report and other written or oral statements that we make from time to time contain 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, in-line products and product candidates, including anticipated regulatory submissions, data read-outs, study starts, approvals, performance, timing of exclusivity and potential benefits of Pfizer's products and product candidates, strategic reviews, capital allocation, business-development plans, the benefits expected from the reorganization of our commercial operations into three businesses effective at the beginning of our 2019 fiscal year, our acquisitions and other business development activities, 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, business plans and prospects, our acquisitions and other business development activities, our proposed transaction with GSK to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture, prospective products or product approvals, our product pipeline, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, plans relating to share repurchases and dividends, government regulation and financial results, including, in particular, the anticipated progress in remediation efforts at certain of our Hospira manufacturing facilities and the expectations related to our supply issues set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business—Product Manufacturing" section of this Financial Review, the benefits expected from the reorganization of our commercial operations into three businesses effective at the beginning of our 2019 fiscal year and our expectations regarding growth set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Organizing for Growth" section of this Financial Review, the expected timing of completion and benefits of our proposed transaction with GSK to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business," "—Our Strategy" and "—Our Business Development Initiatives" sections of this Financial Review, the anticipated costs related to our preparations for Brexit set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—The Global Economic Environment" section of this Financial Review, our anticipated liquidity position set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—The Global Economic Environment" and the "Analysis of Financial Condition, Liquidity and Capital Resources" sections of this Financial Review, 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 of this Financial Review, the financial guidance set forth in the "Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Financial Guidance for 2019 " section of this Financial Review, the anticipated costs and savings, including from our cost-reduction/productivity initiatives, as well as from our Organizing for Growth initiative, set forth in the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and in Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* , 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 of this Financial Review and the contributions that we expect to make from our general assets to the Company's pension, postretirement and deferred compensation plans during 2019 set forth in the "Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations" section of this Financial Review and in Notes to Consolidated Financial Statements— *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* . Among the factors that could cause actual results to differ materially from past results and future plans and projected future results are the following:

- the outcome of R&D activities, including, without limitation, 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, regulatory approval dates and/or launch dates, as well as the possibility of unfavorable pre-clinical and clinical trial results, including the possibility of unfavorable new clinical data and further analyses of existing clinical data;
- the risk we may not be able to successfully address all of the comments received from regulatory authorities such as the FDA or the EMA, or obtain approval from regulators, which will depend on myriad factors, including such regulator making a determination as to whether a product's benefits outweigh its known risks and a determination of the product's efficacy; regulatory decisions impacting labeling, manufacturing processes, safety and/or other matters; and recommendations by technical or advisory committees, such as the Advisory Committee on Immunization Practices, that may impact the use of our vaccines;
- the speed with which regulatory authorizations, pricing approvals and product launches may be achieved;
- the outcome of post-approval clinical trials, which 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 that could affect its availability or commercial potential;
- the success 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, and the potential need to obtain additional equity or debt financing to pursue these opportunities which could result in increased leverage and impact our credit ratings;
- competitive developments, including the impact on our competitive position of 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 implementation by the FDA and regulatory authorities in many other countries of an abbreviated legal pathway to approve biosimilar products, which could subject our biologic products to competition from biosimilar products, with attendant competitive pressures, after the expiration of any applicable exclusivity period and patent rights;

- risks related to our ability to develop and launch biosimilars, including risks associated with “at risk” launches, defined as the marketing of a product by Pfizer before the final resolution of litigation (including any appeals) brought by a third party alleging that such marketing would infringe one or more patents owned or controlled by the third party, and access challenges for our biosimilar products where our product may not receive appropriate formulary access or remains in a disadvantaged position relative to the innovator product;
- the ability to meet competition from generic, branded and biosimilar products after the loss or expiration of patent protection for our products or competitor products;
- the ability to successfully market both new and existing products domestically and internationally;
- difficulties or delays in manufacturing, including delays caused by natural events, such as hurricanes; supply shortages at our facilities; and legal or regulatory actions, such as warning letters, suspension of manufacturing, seizure of product, injunctions, debarment, voluntary recall of a product or failure to secure product approvals;
- trade buying patterns;
- the impact of existing and future legislation and regulatory provisions on product exclusivity;
- 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;
- the impact of 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;
- the impact of any U.S. healthcare reform or legislation, including any replacement, repeal, modification or invalidation of some or all of the provisions of the U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act;
- U.S. federal or state legislation or regulatory action and/or policy efforts affecting, among other things, pharmaceutical product pricing, reimbursement or access, including under Medicaid, Medicare and other publicly funded or subsidized health programs; patient out-of-pocket costs for medicines, manufacturer prices and/or price increases that could result in new mandatory rebates and discounts or other pricing restrictions; general budget control actions; the importation of prescription drugs from outside the U.S. at prices that are regulated by governments of various foreign countries; revisions to reimbursement of biopharmaceuticals under government programs; 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 the cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines; as well as pricing pressures for our products as a result of highly competitive insurance markets;
- legislation or regulatory action in markets outside the U.S. affecting pharmaceutical product pricing, 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 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;
- contingencies related to actual or alleged environmental contamination;
- claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates;
- any significant breakdown, infiltration or interruption of our information technology systems and infrastructure;
- legal defense costs, insurance expenses and settlement costs;
- the risk of an adverse decision or settlement and the adequacy of reserves related to 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 and other legal proceedings, including various means for resolving asbestos litigation, as well as tax issues;
- the risk that our currently pending or future patent applications may not result in issued patents, or be granted on a timely basis, or any patent-term extensions that we seek may not be granted on a timely basis, if at all;
- our ability to protect our patents and other intellectual property, both domestically and internationally;
- interest rate and foreign currency exchange rate fluctuations, including the impact of possible currency devaluations in countries experiencing high inflation rates;
- governmental laws and regulations affecting domestic and foreign operations, including, without limitation, tax obligations and changes affecting the tax treatment 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 the TCJA;
- any significant issues involving our largest wholesale distributors, which account for a substantial portion of our revenues;
- the possible impact of the increased presence of counterfeit medicines in the pharmaceutical supply chain on our revenues and on patient confidence in the integrity of our medicines;
- the end result of any negotiations between the U.K. government and the EU regarding the terms of the U.K.’s exit from the EU, which could have implications on our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products;
- any significant issues that may arise related to the outsourcing of certain operational and staff functions to third parties, including with regard to quality, timeliness and compliance with applicable legal or regulatory requirements and industry standards;

- any significant issues that may arise related to our joint ventures and other third-party business arrangements;
- changes in U.S. generally accepted accounting principles;
- further clarifications and/or changes in interpretations of existing laws and regulations, or changes in laws and regulations, in the U.S. and other countries;
- 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; the related risk that our allowance for doubtful accounts may not be adequate; and the risks related to volatility of our income due to changes in the market value of equity investments;
- any changes in business, political and economic conditions due to actual or threatened terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas;
- growth in costs and expenses;
- changes in our product, segment and geographic mix;
- the impact of purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items;
- the impact of acquisitions, divestitures, restructurings, internal reorganizations, including the reorganization of our commercial operations into three businesses effective at the beginning of the company's 2019 fiscal year, 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;
- the impact of product recalls, withdrawals and other unusual items;
- the risk of an impairment charge related to our intangible assets, goodwill or equity-method investments;
- risks related to internal control over financial reporting;
- risks and uncertainties related to acquisitions, including, among other things, the ability to realize the anticipated benefits of those acquisitions, including the possibility that the expected cost savings and/or accretion from certain of those acquisitions will not be realized or will not be realized within the expected time frame; the risk that the businesses will not be integrated successfully; disruption from the transactions making it more difficult to maintain business and operational relationships; risks related to our ability to grow revenues for certain acquired products; significant transaction costs; and unknown liabilities; and
- risks and uncertainties related to our proposed transaction with GSK to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture, including, among other things, risks related to the satisfaction of the conditions to closing the transaction (including the failure to obtain necessary regulatory and GSK shareholder approvals) in the anticipated timeframe or at all and the possibility that the transaction does not close, risks related to the ability to realize the anticipated benefits of the transaction, including the possibility that the expected benefits and cost synergies from the proposed transaction will not be realized or will not be realized within the expected time period, the risk that the businesses will not be integrated successfully, the possibility that a future separation of the joint venture may not occur, disruption from the transaction making it more difficult to maintain business and operational relationships, negative effects of the announcement or the consummation of the proposed transaction on the market price of Pfizer's common stock and on Pfizer's operating results, significant transaction costs, unknown liabilities, the risk of litigation and/or regulatory actions related to the proposed transaction, other business effects, including the effects of industry, market, economic, political or regulatory conditions, future exchange and interest rates, changes in tax and other laws, regulations, rates and policies, future business combinations or disposals and competitive developments.

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. Investors should bear this in mind as they consider forward-looking statements, and 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.

Certain risks, uncertainties and assumptions are discussed here and under the heading entitled "Risk Factors" in Part I, Item 1A. of our Form 10-K for the year ended December 31, 2018 . 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 any such list to be a complete set of all potential risks or uncertainties.

The operating segment information provided in this report does not purport to represent the revenues, costs and income from continuing operations before provision for taxes on income that each of our operating segments would have recorded had each segment operated as a standalone company during the periods presented.

This report 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.

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 " *Our Operating Environment — The Global Economic Environment* " section of this Financial Review 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 Notes to Consolidated Financial Statements— *Note 7A. Financial Instruments : Fair Value Measurements* .

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, 2018 , 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 Notes to Consolidated Financial Statements— *Note 7A. Financial Instruments : Fair Value Measurements* .

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 decrease in interest rates as of December 31, 2018 , 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.

Contingencies

Legal Matters

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 (see Notes to Consolidated Financial Statements— *Note 17. Contingencies and Certain Commitments*) .

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 certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of our contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

Tax Matters

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business for tax matters (see Notes to Consolidated Financial Statements— *Note 5D. Tax Matters : Tax Contingencies*).

We account for income tax contingencies using a benefit recognition model. If our initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the 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. We regularly re-evaluate our tax positions based on the results of audits of federal, state and local and foreign income tax filings, statute of limitations expirations, changes in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the “more-likely-than-not” standard.

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.

Management’s Report on Internal Control Over Financial Reporting

Management’s Report

We prepared and are responsible for the financial statements that appear in our 2018 Financial Report. 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.

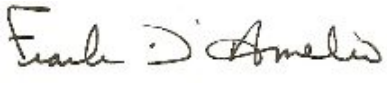
Report on Internal Control Over Financial Reporting

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.

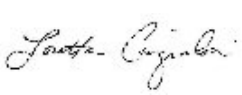
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree 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, 2018 . 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, 2018 .

The Company’s independent auditors have issued their auditors’ report on the Company’s internal control over financial reporting. That report appears in our 2018 Financial Report under the heading, *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting* .

Albert Bourla
Chief Executive Officer



Frank D’Amelio
Principal Financial Officer



Loretta Cangialosi
Principal Accounting Officer

February 28, 2019

Audit Committee Report

The Audit Committee reviews Pfizer's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

The Committee met and held discussions with management and the independent registered public accounting firm regarding the fair and complete presentation of Pfizer's results and the assessment of Pfizer's internal control over financial reporting. We discussed significant accounting policies applied in Pfizer's financial statements, as well as, when applicable, alternative accounting treatments. Management represented to the Committee that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Committee reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Committee discussed with the independent registered public accounting firm matters required to be discussed under applicable Public Company Accounting Oversight Board (PCAOB) standards.

In addition, the Committee reviewed and discussed with the independent registered public accounting firm the auditor's independence from Pfizer and its management. As part of that review, we received the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and the Committee discussed the independent registered public accounting firm's independence from Pfizer.

We also considered whether the independent registered public accounting firm's provision of non-audit services to Pfizer is compatible with the auditor's independence. The Committee concluded that the independent registered public accounting firm is independent from Pfizer and its management.

As part of our responsibilities for oversight of Pfizer's Enterprise Risk Management process, we reviewed and discussed company policies with respect to risk assessment and risk management, including discussions of individual risk areas, as well as an annual summary of the overall process.

The Committee discussed with Pfizer's Internal Audit Department and independent registered public accounting firm the overall scope of and plans for their respective audits. The Committee meets with the Chief Internal Auditor, Chief Compliance, Quality and Risk Officer and representatives of the independent registered public accounting firm, in regular and executive sessions, to discuss the results of their examinations, the evaluations of Pfizer's internal controls, and the overall quality of Pfizer's financial reporting and compliance programs.

In reliance on the reviews and discussions referred to above, the Committee has recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in Pfizer's Annual Report on Form 10-K for the year ended December 31, 2018 , for filing with the U.S. Securities and Exchange Commission. The Committee has selected, and the Board of Directors has ratified, the selection of Pfizer's independent registered public accounting firm for 2019 .

The Audit Committee

Suzanne Nora Johnson, Chair
Dennis A. Ausiello
Joseph J. Echevarria
James C. Smith

February 28, 2019

The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.

Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements

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, 2018 and 2017 , 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, 2018 , and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pfizer Inc. and Subsidiary Companies as of December 31, 2018 and 2017 , and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2018 , 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, 2018 , based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2019 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 audit 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 audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 28, 2019

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

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, 2018 , based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018 , based on criteria established in Internal Control-Integrated Framework (2013) issued by COSO.

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, 2018 and 2017 , 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, 2018 , and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2019 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 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 (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.

KPMG LLP
New York, New York

February 28, 2019

Consolidated Statements of Income

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Year Ended December 31, 2018	2017	2016
Revenues	**$ 53,647**	$ 52,546	$ 52,824
Costs and expenses:			
Cost of sales [a]	**11,248**	11,228	12,322
Selling, informational and administrative expenses [a]	**14,455**	14,804	14,844
Research and development expenses [a]	**8,006**	7,683	7,892
Amortization of intangible assets	**4,893**	4,758	4,056
Restructuring charges and certain acquisition-related costs	**1,044**	351	1,565
Other (income)/deductions—net	**2,116**	1,416	3,794
Income from continuing operations before provision/(benefit) for taxes on income	**11,885**	12,305	8,351
Provision/(benefit) for taxes on income	**706**	(9,049)	1,123
Income from continuing operations	**11,179**	21,353	7,229
Discontinued operations:			
Income from discontinued operations—net of tax	**10**	(1)	16
Gain on disposal of discontinued operations—net of tax	**—**	3	—
Discontinued operations—net of tax	**10**	2	17
Net income before allocation to noncontrolling interests	**11,188**	21,355	7,246
Less: Net income attributable to noncontrolling interests	**36**	47	31
Net income attributable to Pfizer Inc.	**$ 11,153**	$ 21,308	$ 7,215
Earnings per common share—basic :			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.90**	$ 3.57	$ 1.18
Discontinued operations—net of tax	**—**	—	—
Net income attributable to Pfizer Inc. common shareholders	**$ 1.90**	$ 3.57	$ 1.18
Earnings per common share—diluted :			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.86**	$ 3.52	$ 1.17
Discontinued operations—net of tax	**—**	—	—
Net income attributable to Pfizer Inc. common shareholders	**$ 1.87**	$ 3.52	$ 1.17
Weighted-average shares—basic	**5,872**	5,970	6,089
Weighted-average shares—diluted	**5,977**	6,058	6,159

[a] Exclusive of amortization of intangible assets, except as disclosed in *Note 1L. Basis of Presentation and Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Pfizer Inc. and Subsidiary Companies

(MILLIONS)	Year Ended December 31, 2018	2017	2016
Net income before allocation to noncontrolling interests	**$ 11,188**	$ 21,355	$ 7,246
Foreign currency translation adjustments, net	**$ (799)**	$ 1,116	$ (815)
Reclassification adjustments [a]	**(22)**	162	—
	(821)	1,278	(815)
Unrealized holding gains/(losses) on derivative financial instruments, net	**220**	(10)	(442)
Reclassification adjustments for (gains)/losses included in net income [b]	**27**	(520)	452
	247	(530)	10
Unrealized holding gains/(losses) on available-for-sale securities, net	**(185)**	818	248
Reclassification adjustments for (gains)/losses included in net income [b]	**124**	(244)	(118)
Reclassification adjustments for unrealized gains included in *Retained earnings* [c]	**(462)**	—	—
	(522)	574	130
Benefit plans: actuarial losses, net	**(649)**	(212)	(1,888)
Reclassification adjustments related to amortization	**242**	588	558
Reclassification adjustments related to settlements, net	**142**	117	127
Other	**112**	(145)	195
	(153)	348	(1,009)
Benefit plans: prior service (costs)/credits and other, net	**(9)**	(2)	184
Reclassification adjustments related to amortization	**(181)**	(184)	(173)
Reclassification adjustments related to curtailments, net	**(19)**	(18)	(26)
Other	**2**	—	6
	(207)	(203)	(8)
Other comprehensive income/(loss), before tax	**(1,457)**	1,468	(1,692)
Tax provision/(benefit) on other comprehensive income/(loss) [d]	**518**	(262)	(174)
Other comprehensive income/(loss) before allocation to noncontrolling interests	**$ (1,975)**	$ 1,730	$ (1,518)
Comprehensive income before allocation to noncontrolling interests	**$ 9,214**	$ 23,085	$ 5,728
Less: Comprehensive income attributable to noncontrolling interests	**16**	62	28
Comprehensive income attributable to Pfizer Inc.	**$ 9,198**	$ 23,023	$ 5,701

[a] For the year ended December 31, 2017, the foreign currency translation adjustments reclassified into *Other (income)/deductions—net* in the consolidated statement of income primarily result from the sale of our 40% ownership investment in Teuto and the sale of our 49% equity share in Hisun Pfizer. See *Note 2F. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Equity-Method Investments* .

[b] Reclassified into *Other (income)/deductions—net* and *Cost of sales* in the consolidated statements of income. For additional information on amounts reclassified into *Cost of sales,* see *Note 7F. Financial Instruments: Derivative Financial Instruments and Hedging Activities.*

[c] For additional information, see *Note 1B . Basis of Presentation and Significant Accounting Policies : Adoption of New Accounting Standards in 2018* .

[d] See *Note 5E. Tax Matters: Tax Provision/(Benefit) on Other Comprehensive Income/(Loss).*

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Balance Sheets
Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PREFERRED STOCK ISSUED AND PER COMMON SHARE DATA)	As of December 31, 2018	2017
Assets		
Cash and cash equivalents	**$ 1,139**	$ 1,342
Short-term investments	**17,694**	18,650
Trade accounts receivable, less allowance for doubtful accounts: 2018—$541; 2017—$584	**8,025**	8,221
Inventories	**7,508**	7,578
Current tax assets	**3,374**	3,050
Other current assets	**2,461**	2,289
Assets held for sale	**9,725**	12
Total current assets	**49,926**	41,141
Long-term investments	**2,767**	7,015
Property, plant and equipment, less accumulated depreciation	**13,385**	13,865
Identifiable intangible assets, less accumulated amortization	**35,211**	48,741
Goodwill	**53,411**	55,952
Noncurrent deferred tax assets and other noncurrent tax assets	**1,924**	1,855
Other noncurrent assets	**2,799**	3,227
Total assets	**$ 159,422**	$ 171,797
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt: 2018—$4,776; 2017—$3,546	**$ 8,831**	$ 9,953
Trade accounts payable	**4,674**	4,656
Dividends payable	**2,047**	2,029
Income taxes payable	**1,265**	477
Accrued compensation and related items	**2,397**	2,196
Other current liabilities	**10,753**	11,115
Liabilities held for sale	**1,890**	—
Total current liabilities	**31,858**	30,427
Long-term debt	**32,909**	33,538
Pension benefit obligations, net	**5,272**	5,926
Postretirement benefit obligations, net	**1,338**	1,504
Noncurrent deferred tax liabilities	**3,700**	3,900
Other taxes payable	**14,737**	18,697
Other noncurrent liabilities	**5,850**	6,149
Total liabilities	**95,664**	100,141
Commitments and Contingencies		
Preferred stock, no par value, at stated value; 27 shares authorized; issued: 2018—478; 2017—524	**19**	21
Common stock, $0.05 par value; 12,000 shares authorized; issued: 2018—9,332; 2017—9,275	**467**	464
Additional paid-in capital	**86,253**	84,278
Treasury stock, shares at cost: 2018—3,615; 2017—3,296	**(101,610)**	(89,425)
Retained earnings	**89,554**	85,291
Accumulated other comprehensive loss	**(11,275)**	(9,321)
Total Pfizer Inc. shareholders' equity	**63,407**	71,308
Equity attributable to noncontrolling interests	**351**	348
Total equity	**63,758**	71,656
Total liabilities and equity	**$ 159,422**	$ 171,797

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

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, 2016	649	$ 26	9,178	$ 459	$ 81,016	(3,003)	$ (79,252)	$ 71,993	$ (9,522)	$ 64,720	$ 278	$ 64,998
Net income								7,215		7,215	31	7,246
Other comprehensive income/(loss), net of tax									(1,514)	(1,514)	(3)	(1,518)
Cash dividends declared:												
Common stock								(7,446)		(7,446)		(7,446)
Preferred stock								(2)		(2)		(2)
Noncontrolling interests										—	(10)	(10)
Share-based payment transactions			52	3	1,672	(3)	(111)			1,563		1,563
Purchases of common stock						(154)	(5,000)			(5,000)		(5,000)
Preferred stock conversions and redemptions	(52)	(2)			(2)	—	—			(5)		(5)
Other [a]		—	—	—	—	—	—	13	—	13	—	13
Balance, December 31, 2016	597	24	9,230	461	82,685	(3,160)	(84,364)	71,774	(11,036)	59,544	296	59,840
Net income								21,308		21,308	47	21,355
Other comprehensive income/(loss), net of tax									1,715	1,715	14	1,730
Cash dividends declared:												
Common stock								(7,789)		(7,789)		(7,789)
Preferred stock								(1)		(1)		(1)
Noncontrolling interests										—	(9)	(9)
Share-based payment transactions [b]			45	2	1,597	15	(63)			1,536		1,536
Purchases of common stock						(150)	(5,000)			(5,000)		(5,000)
Preferred stock conversions and redemptions	(73)	(3)			(3)	—	1			(5)		(5)
Other					—	—		—		—	—	—
Balance, December 31, 2017	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:												
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 [c]					**—**	**—**		**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**

[a] Represents the $13 million cumulative effect of the adoption of a new accounting standard in the fourth quarter of 2016, as of January 1, 2016, for certain elements of the accounting for share-based payments. For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards* in Pfizer's 2016 Financial Report .

[b] 2017 treasury shares include the effect of the modification for a commitment to pay 15.2 million common-share equivalents that were scheduled for near-term settlement. These common share equivalents were paid in the first quarter of 2018.

[c] Primarily represents the cumulative effect of the adoption of new accounting standards in the first quarter of 2018 for revenues, financial assets and liabilities, income tax accounting, and the reclassification of certain tax effects from *Accumulated other comprehensive income* . For additional information, see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards* in Pfizer's 2018 Financial Report.

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Statements of Cash Flows

Pfizer Inc. and Subsidiary Companies

(MILLIONS)	Year Ended December 31, 2018	2017	2016
Operating Activities			
Net income before allocation to noncontrolling interests	**$ 11,188**	$ 21,355	$ 7,246
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**6,384**	6,269	5,757
Asset write-offs and impairments	**3,398**	634	1,613
Loss on sale of HIS net assets	**(1)**	55	1,712
TCJA impact [(a)]	**(596)**	(10,660)	—
Deferred taxes from continuing operations	**(2,205)**	(2,410)	(700)
Share-based compensation expense	**949**	840	691
Benefit plan contributions in excess of expense	**(1,095)**	(961)	(712)
Other adjustments, net	**(1,268)**	344	487
Other changes in assets and liabilities, net of acquisitions and divestitures:			
Trade accounts receivable	**(644)**	259	(134)
Inventories	**(717)**	(357)	365
Other assets	**(16)**	7	(47)
Trade accounts payable	**431**	46	871
Other liabilities	**98**	(67)	(223)
Other tax accounts, net	**(78)**	1,446	(734)
Net cash provided by operating activities	**15,827**	16,802	16,192
Investing Activities			
Purchases of property, plant and equipment	**(2,042)**	(1,956)	(1,823)
Purchases of short-term investments	**(11,677)**	(14,596)	(15,957)
Proceeds from redemptions/sales of short-term investments	**17,581**	10,302	29,414
Net (purchases of)/proceeds from redemptions/sales of short-term investments with original maturities of three months or less	**(3,917)**	2,058	(4,218)
Purchases of long-term investments	**(1,797)**	(3,537)	(8,011)
Proceeds from redemptions/sales of long-term investments	**6,244**	3,579	11,268
Acquisitions of businesses, net of cash acquired	**—**	(1,000)	(18,368)
Acquisitions of intangible assets	**(154)**	(261)	(176)
Other investing activities, net [(b)]	**288**	671	80
Net cash provided by/(used in) investing activities	**4,525**	(4,740)	(7,791)
Financing Activities			
Proceeds from short-term borrowings	**3,711**	8,464	7,472
Principal payments on short-term borrowings	**(4,437)**	(9,947)	(5,093)
Net (payments on)/proceeds from short-term borrowings with original maturities of three months or less	**(1,617)**	1,422	(3,060)
Proceeds from issuance of long-term debt	**4,974**	5,274	10,976
Principal payments on long-term debt	**(3,566)**	(6,154)	(7,689)
Purchases of common stock	**(12,198)**	(5,000)	(5,000)
Cash dividends paid	**(7,978)**	(7,659)	(7,317)
Proceeds from exercise of stock options	**1,259**	862	1,019
Other financing activities, net	**(588)**	(611)	(536)
Net cash used in financing activities	**(20,441)**	(13,350)	(9,228)
Effect of exchange-rate changes on cash and cash equivalents and restricted cash and cash equivalents	**(116)**	53	(215)
Net decrease in cash and cash equivalents and restricted cash and cash equivalents	**(205)**	(1,235)	(1,041)
Cash and cash equivalents and restricted cash and cash equivalents, beginning	**1,431**	2,666	3,707
Cash and cash equivalents and restricted cash and cash equivalents, end	**$ 1,225**	$ 1,431	$ 2,666

- Continued -

Consolidated Statements of Cash Flows
Pfizer Inc. and Subsidiary Companies

	Year Ended December 31,		
	2018	2017	2016
Supplemental Cash Flow Information			
Non-cash transactions:			
Exchange of $1.1 billion net book value 6.50% U.K. pound-denominated bonds maturing in 2038 for $1.8 billion of new 2.735% U.K. pound-denominated bonds maturing in 2043, resulting in a debt extinguishment loss of $747 million [c]	**$ —**	$ 1,848	$ —
Receipt of ICU Medical common stock [b]	**—**	428	—
Promissory note from ICU Medical [b]	**—**	75	—
Equity investment in Cerevel Therapeutics, Inc. in exchange for Pfizer's portfolio of clinical and preclinical neuroscience assets [b]	**343**	—	—
Equity investment in Allogene received in exchange for Pfizer's allogeneic CAR T developmental program assets [b]	**92**	—	—
Cash paid (received) during the period for:			
Income taxes	**$ 3,655**	$ 2,489	$ 2,521
Interest	**1,311**	1,518	1,451
Interest rate hedges	**(38)**	(199)	(338)

[a] As a result of the enactment of the TCJA in December 2017, Pfizer's *Provision/(benefit) for taxes on income* (i) for the year ended December 31, 2017 was favorably impacted by approximately $10.7 billion , primarily reflecting the remeasurement of U.S. deferred tax liabilities, which includes the repatriation tax on deemed repatriated accumulated post-1986 earnings of foreign subsidiaries and (ii) for the year ended December 31, 2018 was favorably impacted by approximately $600 million , primarily related to certain tax initiatives associated with the TCJA, as well as favorable adjustments to the provisional estimates of the legislation. See *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* for additional information.

[b] For additional information, see *Note 2B. Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment: Divestitures* .

[c] The $747 million is included in the net loss of $846 million upon the exchange and early retirement of the U.K. pound-denominated debt. See *Note 7D. Financial Instruments: Long-Term Debt* for additional information.

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Note 1 . Basis of Presentation and Significant Accounting Policies

A. Basis of Presentation

See the Glossary of Defined Terms at the beginning of this 2018 Financial Report for terms used throughout the consolidated financial statements and related notes in this 2018 Financial Report.

The consolidated financial statements include our parent company and all subsidiaries, and are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The decision of whether or not to consolidate an entity 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 businesses have been eliminated. Beginning on January 1, 2018, only taxes paid on intercompany inventory sales transactions are deferred until recognized upon the sale of the inventory to a third party, reflecting the adoption of a new accounting standard in the first quarter of 2018. Prior to the adoption of this new accounting standard in the first quarter of 2018, taxes paid on intercompany sales transactions were deferred until recognized upon sale of the asset to a third party. See *Note 1B* for further information.

From the second quarter of our 2016 fiscal year until the end of 2018, we managed our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). For additional information, see *Note 18* .

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

In the first quarter of 2018, as of January 1, 2018, we adopted eleven new accounting standards. See *Note 1B* for further information.

Our recent significant business development activities include:

- On December 19, 2018, we announced that we entered into a definitive agreement with GSK under which we and GSK have agreed to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture, which will operate globally under the GSK Consumer Healthcare name. Assets and liabilities associated with our Consumer Healthcare business were reclassified as held for sale in the consolidated balance sheet as of December 31, 2018. We expect to complete the transaction during the second half of 2019, subject to customary closing conditions, including GSK shareholder approval and required regulatory approvals.
- On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, to ICU Medical, a global device manufacturer, for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock (all of which we sold during 2018) and seller financing. HIS includes IV pumps, solutions and devices. The operating results of HIS are included in the consolidated statement of income and EH's operating results through February 2, 2017 and, therefore, our financial results, and EH's operating results, for the year ended December 31, 2017 reflect approximately one month of HIS domestic operations and approximately two months of HIS international operations, while our financial results, and EH's operating results, for the year ended December 31, 2016 reflect 12 months of HIS global operations. Our financial results, and EH's operating results, for 2018 do not reflect any contribution from HIS global operations.
- On December 22, 2016, which fell in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S. for $1,040 million , composed of cash and contingent consideration. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of this business, and, in accordance with our international reporting period, our financial results, EH's operating results, and cash flows for the year ended December 31, 2017 reflect approximately 11 months of the small molecule anti-infectives business acquired from AstraZeneca.
- On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ($13.9 billion , net of cash acquired). Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Medivation. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately three months of Medivation operations.
- On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ($4.5 billion , net of cash acquired), plus $698 million debt assumed. Commencing from the acquisition date, our financial statements reflect the assets, liabilities, operating results and cash flows of Anacor. In accordance with our domestic and international reporting periods, our consolidated financial statements for the year ended December 31, 2016 reflect approximately six months of Anacor operations.
- On April 6, 2016, we announced that the merger agreement between Pfizer and Allergan entered into on November 22, 2015 was terminated by mutual agreement of the companies. The decision was driven by the actions announced by the U.S. Department of Treasury on April 4, 2016, which the companies concluded qualified as an "Adverse Tax Law Change" under the merger agreement. In connection with the termination of the merger agreement, on April 8, 2016 (which fell into Pfizer's second fiscal quarter of 2016), Pfizer paid Allergan $150 million (pre-tax) for reimbursement of Allergan's expenses associated with the terminated transaction (see *Note 4*). Pfizer and Allergan also released each other from any and all claims in connection with the merger agreement.

For additional information, see *Note 2 .*

B. Adoption of New Accounting Standards in 2018

On January 1, 2018, we adopted eleven new accounting standards. The quantitative impacts on our prior period consolidated financial statements of adopting the following new standards are summarized in the tables within the section titled *Impacts to our Consolidated Financial Statements* , further below.

Revenues —We adopted a new accounting standard for revenue recognition and changed our revenue recognition policies accordingly. Generally, the previous revenue recognition standards permitted recognition when persuasive evidence of a contract existed, delivery had occurred, and the seller's price to the buyer was fixed or determinable. Under the new standard, revenue is recognized upon transfer of control of the product to our customer in an amount that reflects the consideration we expect to receive in exchange. We adopted the new accounting standard utilizing the modified retrospective method, and, therefore, no adjustments were made to amounts in our prior period financial statements. We recorded the cumulative effect of adopting the standard as an adjustment to increase the opening balance of *Retained earnings* by $584 million on a pre-tax basis ($450 million after-tax). This amount includes $500 million (pre-tax) related to the timing of recognizing *Other (income)/deductions — net* primarily for upfront and milestone payments on our collaboration arrangements ($394 million , pre-tax) and, to a lesser extent, product rights and out-licensing arrangements, and $84 million (pre-tax) related to the timing of recognizing *Revenues* and *Cost of sales* on certain product shipments. The impact of adoption did not have a material impact to our consolidated statement of income for the year ended December 31, 2018 nor on our consolidated balance sheet as of December 31, 2018 . For additional information, see *Note 1G* and *Note 1H* .

Financial Assets and Liabilities —The new accounting standard related to the recognition and measurement of financial assets and liabilities makes the following changes to prior guidance and requires:

- certain equity investments to be measured at fair value with changes in fair value now recognized in net income. However, equity investments that do not have readily determinable fair values may be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer;
- a qualitative assessment of equity investments without readily determinable fair values to identify impairment; and
- separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements.

We adopted the new accounting standard utilizing the modified retrospective method, and, therefore, no adjustments were made to amounts in our prior period financial statements. We recorded the cumulative effect of adopting the standard as an adjustment to increase the opening balance of *Retained earnings* by $462 million on a pre-tax basis ($419 million after-tax) related to the net impact of unrealized gains and losses primarily on available-for-sale equity securities, restricted stock and private equity securities. In 2018, we recorded net unrealized gains on equity securities of $477 million , in *Other (income)/deductions—net* . For additional information, see *Note 4* and *Note 7* .

Presentation of Net Periodic Pension and Postretirement Benefit Cost —We adopted a new accounting standard that requires the net periodic pension and postretirement benefit costs other than the service costs be presented in *Other (income)/deductions—net,* and that the presentation be applied retrospectively. We adopted the presentation of the net periodic benefit costs other than service costs by reclassifying these costs from *Cost of sales* , *Selling, informational and administrative expenses* , *Research and development expenses* and *Restructuring charges and certain acquisition-related costs* to *Other (income)/deductions—net* . We elected to apply the practical expedient as it is impracticable to determine the disaggregation of the cost components for amounts capitalized within *Inventories* and property, plant and equipment and amortized in each of those periods. We have therefore reclassified the prior period net periodic benefit costs/(credits) disclosed in *Note 11* to apply the retrospective presentation for comparative periods.

As of January 1, 2018, only service costs will be included in amounts capitalized in *Inventories* or property, plant and equipment, while the other components of net periodic benefit costs will be included in *Other (income)/deductions — net* . For additional information, see *Note 4* and *Note 11* .

Income Tax Accounting —The new guidance removes the prohibition against recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to a third party, unless the asset transferred is inventory. We adopted the standard utilizing the modified retrospective method, and, therefore, no adjustments were made to amounts in our prior period financial statements. We recorded the cumulative effect of adopting the standard as an adjustment to decrease the opening balance of *Retained earnings* by $189 million .

Accounting for Hedging Activities —The standard includes the following changes:

- Permits hedge accounting for risk components in hedging relationships involving nonfinancial risk and interest rate risk;
- Changes the guidance for designating fair value hedges of interest rate risk and for measuring the change in fair value of the hedged item in fair value hedges of interest rate risk;
- No longer requires the separate measurement and reporting of hedge ineffectiveness, but requires the income statement presentation of the earnings effect of the hedging instrument with the earnings effect of the hedged item;
- Permits us to exclude the portion of the change in fair value of a currency swap that is attributable to a cross-currency basis spread from the assessment of hedge effectiveness; and
- Simplifies hedge effectiveness testing.

We early adopted the new accounting standard on January 1, 2018 on a prospective basis. In 2018, we recorded income of $107 million in *Other (income)/deductions — net* , whereas this item would have been classified in interest income in prior periods. For additional information, see *Note 7F* .

Reclassification of Certain Tax Effects from AOCI —We early adopted a new accounting standard that provides guidance on the reclassification of certain tax effects from AOCI. Under the new guidance, we elected to reclassify the stranded tax amounts related to the TCJA from AOCI to *Retained earnings* . We adopted the new accounting standard utilizing the modified retrospective method, and recorded the cumulative effect of adopting the standard as an adjustment to increase the opening balance of *Retained earnings* by $495 million , primarily due to the effect of the change in the U.S. Federal corporate tax rate. The impact on other stranded tax amounts related to the application of the TCJA was not material to our consolidated financial statements.

Classification of Certain Transactions in the Statement of Cash Flows —We retrospectively adopted an accounting standard that changed the presentation of certain information in the consolidated statements of cash flows, including the classification of:

- debt prepayment and extinguishment costs, resulting in an increase in *Operating activities — Other adjustments, net* and a decrease in *Financing activities — Other financing activities, net* of $7 million for the year ended December 31, 2018 ; and
- accreted interest on the settlement of commercial paper debt instruments, resulting in a decrease in *Operating activities — Other adjustments, net* , and an increase in *Financing activities — Other financing activities, net* of $83 million for the year ended December 31, 2018 .

The new standard also establishes guidance on the classification of certain cash flows related to contingent consideration in a business acquisition. Cash payments made soon after a business acquisition date will be classified as *Investing activities* , while payments made thereafter will be classified as *Financing activities* . Payments made in excess of the amount of the original contingent consideration liability will be classified as *Operating activities* . The adoption of this guidance did not have a material impact to our consolidated financial statements.

Presentation of Restricted Cash in the Statement of Cash Flows —We adopted, on a retrospective basis, the new accounting standard, which requires that restricted cash and restricted cash equivalents be included with *Cash and cash equivalents* when reconciling the beginning-of-period and end-of-period total amounts shown in the consolidated statements of cash flows. As a result, for the year ended December 31, 2018 , $2 million is presented as a decrease in *Cash, cash equivalents, restricted cash and restricted cash equivalents.*

Definition of a Business —We prospectively adopted the standard for determining whether business development transactions should be accounted for as acquisitions (or disposals) of assets or businesses. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, the transaction will not qualify for treatment as a business. To be considered a business, a set of integrated activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, without regard as to whether a purchaser could replace missing elements. In addition, the definition of the term “output” has been narrowed to make it consistent with the updated revenue recognition guidance. In 2018, there was no impact to our consolidated financial statements from the adoption of this new standard.

Derecognition of Nonfinancial Assets —We prospectively adopted the standard, which applies to the full or partial sale or transfer of nonfinancial assets, including intangible assets, real estate and inventory. The standard provides that the gain or loss is determined by the difference between the consideration received and the carrying value of the asset. In 2018, there was no impact to our consolidated financial statements from the adoption of this new standard.

Accounting for Modifications of Share-Based Payment Awards —We prospectively adopted the standard, which clarifies that certain changes in the terms or conditions of a share-based payment award be accounted for as a modification. There was no impact to our consolidated financial statements from the adoption of this new standard.

Impacts to our Consolidated Financial Statements —The impacts on our prior period consolidated financial statements of adopting the new standards described above are summarized in the following tables:

Adoption of the standard related to pension and postretirement benefit costs impacted our prior period consolidated statements of income as follows:

	2017		
(MILLIONS OF DOLLARS)	As Previously Reported	Effect of Change Higher/(Lower)	As Restated
Cost of sales	$ 11,240	$ (12)	$ 11,228
Selling, informational and administrative expenses	14,784	20	14,804
Research and development expenses	7,657	27	7,683
Restructuring charges and certain acquisition-related costs	487	(136)	351
Other (income)/deductions—net	1,315	101	1,416
Income from continuing operations before provision for taxes on income	12,305	—	12,305

	2016		
(MILLIONS OF DOLLARS)	As Previously Reported	Effect of Change Higher/(Lower)	As Restated
Cost of sales	$ 12,329	$ (7)	$ 12,322
Selling, informational and administrative expenses	14,837	7	14,844
Research and development expenses	7,872	20	7,892
Restructuring charges and certain acquisition-related costs	1,724	(159)	1,565
Other (income)/deductions—net	3,655	139	3,794
Income from continuing operations before provision for taxes on income	8,351	—	8,351

Adoption of the standards impacted our consolidated balance sheet as follows:

		Effect of New Accounting Standards Higher/(Lower)				
(MILLIONS OF DOLLARS)	As Previously Reported Balance at December 31, 2017	Revenues	Financial Assets and Liabilities	Income Tax Accounting	Reclassification of Certain Tax Effects from AOCI	Balance at January 1, 2018
Trade accounts receivable	$ 8,221	$ 13	$ —	$ —	$ —	$ 8,234
Inventories	7,578	(11)	—	—	—	7,567
Current tax assets	3,050	(11)	—	(3)	—	3,036
Noncurrent deferred tax assets and other noncurrent tax assets	1,855	(17)	—	—	—	1,838
Other noncurrent assets	3,227	—	—	(204)	—	3,023
Other current liabilities	11,115	(123)	—	—	—	10,992
Noncurrent deferred tax liabilities	3,900	106	—	(18)	—	3,988
Other noncurrent liabilities	6,149	(459)	—	—	—	5,690
Retained earnings	85,291	450	419	(189)	495	86,466
Accumulated other comprehensive loss	(9,321)	—	(419)	—	(495)	(10,235)

Adoption of the standards related to the classification of certain transactions in the statements of cash flows and the presentation of restricted cash in the statement of cash flows impacted our consolidated statement of cash flows as follows:

	2017			
		Effect of New Accounting Standards Inflow/(Outflow)		
(MILLIONS OF DOLLARS)	As Previously Reported	Cash Flow Classification	Restricted Cash	As Restated
Operating Activities				
Other adjustments, net	$ 50	$ 294	$ —	$ 344
Other changes in assets and liabilities, net of acquisitions and divestitures—Other assets	(31)	—	38	7
Investing Activities				
Proceeds from redemptions/sales of short-term investments	10,307	—	(5)	10,302
Proceeds from redemptions/sales of long-term investments	3,594	—	(14)	3,579
Other investing activities, net	650	21	—	671
Financing Activities				
Principal payments on short-term borrowings	(9,990)	43	—	(9,947)
Net proceeds from short-term borrowings with original maturities of three months or less	1,401	20	—	1,422
Other financing activities, net	(233)	(378)	—	(611)
Net decrease in cash and cash equivalents and restricted cash and cash equivalents	(1,254)	—	19	(1,235)
Cash and cash equivalents and restricted cash and cash equivalents, beginning	2,595	—	70	2,666
Cash and cash equivalents and restricted cash and cash equivalents, ending	1,342	—	89	1,431

	2016			
		Effect of New Accounting Standards Inflow/(Outflow)		
(MILLIONS OF DOLLARS)	As Previously Reported	Cash Flow Classification	Restricted Cash	As Restated
Operating Activities				
Other adjustments, net	$ 208	$ 278	$ —	$ 487
Other changes in assets and liabilities, net of acquisitions and divestitures—Other assets	(60)	—	13	(47)
Investing Activities				
Proceeds from redemptions/sales of short-term investments	29,436	—	(22)	29,414
Proceeds from redemptions/sales of long-term investments	11,254	—	14	11,268
Other investing activities, net	51	28	—	80
Financing Activities				
Principal payments on short-term borrowings	(5,102)	9	—	(5,093)
Net (payments on)/proceeds from short-term borrowings with original maturities of three months or less	(3,084)	24	—	(3,060)
Other financing activities, net	(196)	(340)	—	(536)
Net decrease in cash and cash equivalents and restricted cash and cash equivalents	(1,046)	—	5	(1,041)
Cash and cash equivalents and restricted cash and cash equivalents, beginning	3,641	—	65	3,707
Cash and cash equivalents and restricted cash and cash equivalents, ending	2,595	—	70	2,666

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheet that sum to the total of the same amounts shown in the consolidated statements of cash flows:

(MILLIONS OF DOLLARS)	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 1,139	$ 1,342
Restricted cash and cash equivalents in *Short-term investments*	32	—
Restricted cash and cash equivalents in *Long-term investments*	55	—
Restricted cash and cash equivalents in *Other current assets*	—	14
Restricted cash and cash equivalents in *Other noncurrent assets*	—	75
Total cash and cash equivalents and restricted cash and cash equivalents shown in the consolidated balance sheets	$ 1,225	$ 1,431

Amounts included in restricted cash represent those required to be set aside by a contractual agreement in connection with ongoing litigation or to secure delivery of Pfizer medicines at the agreed upon terms. The restriction will lapse upon the resolution of the litigation or the proper delivery of the medicines.

C. Estimates and Assumptions

In preparing the consolidated financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures, including amounts recorded and disclosed in connection with acquisitions. These estimates and underlying 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 (such as rebates, chargebacks, sales allowances and sales returns), 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, such as accounts receivable, investments, inventories, deferred tax assets, fixed assets and intangible assets (including acquired IPR&D assets), and estimates are used in determining the reported amounts of liabilities, such as taxes payable, benefit obligations, accruals for contingencies, rebates, chargebacks, sales allowances and sales returns, and restructuring reserves, all of which also impact the consolidated statements of income.

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.

For information on estimates and assumptions in connection with the TCJA, see Notes to Consolidated Financial Statements— *Note 5A . Tax Matters: Taxes on Income from Continuing Operations.*

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. 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* .

Amounts recorded in connection with an acquisition can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

E. Fair Value

We are often required to measure certain assets and liabilities at fair value, either upon initial recognition or for subsequent accounting or reporting. For example, we use fair value extensively in the initial recognition of net assets acquired in a business combination, when measuring certain impairment losses and when accounting for and reporting of certain financial instruments. 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).

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

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 we translate functional currency income and expense amounts to their U.S. dollar equivalents 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

On January 1, 2018, we adopted a new accounting standard for revenue recognition. For further information, see *Note 1B* .

We recorded direct product sales and/or alliance revenues of more than $1 billion for each of ten products in 2018 and for each of nine products in 2017 and 2016 . In the aggregate, these direct products sales and/or alliance product revenues represent 51% of our revenues in 2018 , 46% of our revenues in 2017 and 43% of our revenues in 2016 . See *Note 18C* 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 Consumer Healthcare business includes OTC brands with a focus on dietary supplements, pain management, gastrointestinal and respiratory and personal care. We sell biopharmaceutical products after patent expiration, and under patent, and, to a much lesser extent, consumer healthcare products worldwide to developed and emerging market countries.

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.

- *Customers* —Our biopharmaceutical 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 vaccine products in the U.S., we primarily sell directly to the CDC, wholesalers, individual provider offices, retail pharmacies and integrated delivery networks. Our consumer healthcare customers include 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 pharmacy benefit managers, 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).
- *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 loss of exclusivity, 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.

Specifically:

- In the U.S., we sell our products to distributors and hospitals under our sales contracts. However, we also have contracts with managed care or pharmacy benefit managers and legislatively mandated contracts with the federal and state governments under which we provide rebates to them 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 quarters. 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.
- Provisions for pharmaceutical sales returns 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 loss of exclusivity, 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.

Our accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts totaled $5.4 billion as of December 31, 2018 and $4.9 billion as of December 31, 2017 .

The following table provides information about the balance sheet classification of these accruals:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2018**	2017
Reserve against ***Trade accounts receivable, less allowance for doubtful accounts***	**$ 1,288**	$ 1,352
Other current liabilities **:**		
Accrued rebates	**3,208**	2,674
Other accruals	**531**	512
Other noncurrent liabilities	**399**	385
Total accrued rebates and other accruals	**$ 5,426**	$ 4,923

The accrued rebates increased from the prior year-end due to an increase in Medicare rebates driven by increased sales of IH products through this channel.

Amounts recorded for revenue deductions can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

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 against gross trade accounts receivable reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other current information. Trade accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

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 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 services for the collaboration and the collaboration partners sell the products to their customers within the applicable period. The related expenses for selling and marketing these products 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 net 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 collaboration 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.

On January 1, 2018, we adopted a new accounting standard on revenue recognition (see *Note 1B*). As a result of the adoption, we recognized the following cumulative effect adjustments related to collaboration arrangements to *Retained earnings* :

- $394 million (pre-tax) for collaborative arrangements where upfront, pre-approval and regulatory approval milestone payments received from our collaboration partners are recognized in *Other (income)/deductions—net* over a reduced period. Under the new standard, the income from upfront and pre-approval milestone payments due to us is typically recognized over the development period for the collaboration when our performance obligation, in addition to granting a license, is to provide R&D services to our collaboration partners, and major regulatory approval milestones are typically recognized immediately when earned as the related development period has ended. The income from upfront and milestone payments is typically recognized immediately as earned if our performance obligation, in addition to granting a license, is only for commercialization activities. Under the old standard, this income was recognized over the combined development and estimated commercialization (including co-promotion) period for the collaboration products.
- $82 million (pre-tax) for collaborative arrangements where we manufacture products for our collaboration partners and recognize *Revenues* and *Cost of sales* for product shipments at an earlier point in time. Under the new standard, revenue is recognized when we transfer control of the products to our collaboration partners. Under the old standard, revenue was recognized when our collaboration partners sell the products and transfer title to their third party customers.

I. Cost of Sales and Inventories

We carry inventories 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 $3.1 billion in 2018 , $3.1 billion in 2017 and $3.2 billion in 2016 . Production costs are expensed as incurred and the costs of radio time, television time and space in 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 made by us 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.

R&D expenses related to upfront and milestone payments for intellectual property rights totaled $197 million in 2018 , $169 million in 2017 and $82 million in 2016 . For additional information, see *Note 2E* .

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 and are increased by the cost of any significant improvements after purchase. 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 acquired assets are recorded at fair value. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite lives that are associated with marketed products 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 expense related to finite-lived acquired intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property is included in *Amortization of intangible assets* as these intangible assets benefit multiple business functions. Amortization expense related to intangible assets that are associated with a single function 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 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.

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 associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be 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 re-evaluate 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 compare that value to its book value. If the carrying amount is found to be greater, we then determine the implied fair value of goodwill by subtracting the fair value of all the identifiable net assets other than goodwill from the fair value of the reporting unit and record an impairment loss, if any, for the excess of the book value of goodwill over the implied fair value.

Impairment reviews can involve a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

M. Restructuring Charges and Certain Acquisition-Related Costs

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. 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. Termination costs are generally recorded when the actions are probable and estimable. Transaction costs, such as banking, legal, accounting and other similar costs incurred in connection with a business acquisition are expensed as incurred .

Amounts recorded for restructuring charges and other associated costs can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

N. Cash Equivalents and Statement of Cash Flows

On January 1, 2018, we adopted standards related to the classification of certain transactions in the statements of cash flows and the presentation of restricted cash in the statement of cash flow. For further information, see *Note 1B* .

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 associated with 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 associated with financial instruments designated as net investment hedges are classified according to the nature of the hedge instrument. Cash flows associated with 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

On January 1, 2018, we adopted new accounting standards for financial assets and liabilities as well as accounting for hedging activities. For further information, see *Note 1B* .

Our investments are comprised of the following: trading funds and securities, available-for-sale securities, held-to-maturity securities (when we have both the positive intent and ability to hold the investment to maturity) and private equity securities. The classification of an investment can depend on the nature of the investment, our intent and ability to hold the investment, and the degree to which we may exercise influence.

- Trading securities are carried at fair value, with changes in fair value reported in *Other (income)/deductions—net.*
- Available-for-sale debt securities are carried at fair value, with changes in fair value reported in *Other comprehensive income/(loss)* until realized.
- Held-to-maturity debt securities are carried at amortized cost.
- Private equity securities are carried at equity-method or at cost. For additional information, see *Note 1B.* For equity investments 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 equity of the investee as of the acquisition date is allocated to the identifiable assets of the investee, with any remaining excess amount allocated to goodwill. Such investments are initially recorded at cost, which typically does not include amounts of 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 securities, when a decline in fair value, if any, is determined to be other-than-temporary, 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 7F*).

A single estimate of fair value and impairment reviews can involve a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

P. Tax Assets and Liabilities and Income Tax Contingencies

On January 1, 2018, we adopted new accounting standards for income tax accounting as well as reclassification of certain tax effects from AOCI. For further information, see *Note 1B* .

Current tax assets primarily includes income tax receivables that are expected to be recovered either as refunds from taxing authorities or as a reduction 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, including the TCJA enacted in December 2017. 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. 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 taxes payable in our consolidated balance sheet as of December 31, 2018 includes liabilities for uncertain tax positions and the noncurrent portion of the repatriation tax liability on the deemed repatriated accumulated post-1986 foreign earnings recorded in connection with the TCJA for which we plan to elect, with the filing of our 2018 U.S. Federal Consolidated Income Tax Return, payment over eight years through 2026. See *Note 5A* for additional information.

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 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 appropriate taxing authority that has full knowledge of all relevant information.

Under the benefit recognition model, if our initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the 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. We regularly re-evaluate our tax positions based on the results of audits of federal, state and local and foreign income tax filings, statute of limitations expirations, changes and clarification in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the more-likely-than-not standard. Liabilities associated with 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.

Amounts recorded for valuation allowances and income tax contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

Q. Pension and Postretirement Benefit Plans

On January 1, 2018, we adopted a new accounting standard for the presentation of net periodic pension and postretirement benefit cost. For further information, see *Note 1B* .

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 on our consolidated balance sheet. 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 include assumptions such as 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* .

Amounts recorded for pension and postretirement benefit plans can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

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.
Amounts recorded for contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

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 into *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses* , as appropriate.

Amounts recorded for share-based compensation can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C* .

Note 2 . Acquisitions, Divestitures, Assets and Liabilities Held for Sale, Licensing Arrangements, Research and Development and Collaborative Arrangements, Equity-Method Investments and Privately Held Investment

A. Acquisitions

AstraZeneca's Small Molecule Anti-Infectives Business (EH)

On December 22, 2016, which fell in the first fiscal quarter of 2017 for our international operations, we acquired the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside the U.S., including the commercialization and development rights to the marketed products Zavicefta™ (ceftazidime-avibactam), Merrem™/Meronem™ (meropenem) and Zinforo™ (ceftaroline fosamil), and the clinical development assets ATM-AVI and CXL (ceftaroline fosamil-AVI). In 2017, under the terms of the agreement, we made payments of approximately $605 million to AstraZeneca related to the transaction. We made an additional milestone payment of $125 million in our first fiscal quarter of 2018 and we made a deferred payment of $175 million to AstraZeneca in January 2019. In addition, we may be required to pay an additional milestone payment of $75 million if the related milestone is achieved prior to December 31, 2021, and up to $600 million if sales of Zavicefta™ exceed certain thresholds prior to January 1, 2026, as well as tiered royalties on sales of Zavicefta™ and ATM-AVI in certain markets for a period ending on the later of 10 years from first commercial sale or the loss of patent protection or loss of regulatory exclusivity. The total royalty payments are unlimited during the royalty term and the undiscounted payments are expected to be in the range of approximately $327 million to $553 million . The total fair value of consideration transferred for AstraZeneca's small molecule anti-infectives business was approximately $1,040 million inclusive of cash paid of $555 million and the fair value of contingent consideration of $485 million (which is composed of the deferred payment, the $50 million milestone payment made in the second quarter of 2017, the $125 million milestone payment made in our first fiscal quarter of 2018 and the future expected milestone and royalty payments). In connection with this acquisition, we recorded $894 million in *Identifiable intangible assets* , consisting of $728 million in *Developed technology rights* and $166 million in *IPR&D* . We also recorded $92 million in *Other current assets* related to the economic value of inventory which was retained by AstraZeneca for sale on our behalf, $73 million in *Goodwill* and $19 million of net deferred tax liabilities. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

Medivation, Inc. (IH)

On September 28, 2016, we acquired Medivation for $81.50 per share. The total fair value of consideration transferred for Medivation was approximately $14.3 billion in cash ($13.9 billion , net of cash acquired). Of this consideration, approximately $365 million was not paid as of December 31, 2016, and was recorded in *Other current liabilities.* The remaining consideration was paid as of December 31, 2017 . Medivation is a wholly-owned subsidiary of Pfizer. Medivation is a biopharmaceutical company focused on developing and commercializing small molecules for oncology. Medivation's portfolio includes Xtandi (enzalutamide), an androgen receptor inhibitor that blocks multiple steps in the androgen receptor signaling pathway within tumor cells. Xtandi is approved for the treatment of castration-resistant prostate cancer. In the third quarter of 2018, upon the approval of Xtandi in the U.S. for the treatment of men with non-metastatic castration-resistant prostate cancer, we transferred the remaining *IPR&D* value of Xtandi to *Developed technology rights* (see *Note 10A*). Xtandi is being developed and commercialized through a collaboration with Astellas. Astellas has exclusive commercialization rights for Xtandi outside the U.S. The Medivation portfolio also includes talazoparib, which was approved by the FDA in October 2018, under the trade name Talzenna, for the treatment of adults with germline BRCA-mutated HER2-negative locally advanced or metastatic breast cancer and is currently in development for other types of cancer. In connection with this acquisition, we recorded $12.2 billion in *Identifiable intangible assets* , primarily consisting of $8.1 billion of *Developed technology rights* with an average useful life of approximately 12 years and $4.1 billion of *IPR&D,* and recorded $6.1 billion of *Goodwill,* $4.0 billion of net income tax liabilities, and $259 million of assumed contingent consideration of which $35 million has been paid through December 31, 2018. In 2017 and 2016, we recorded measurement period adjustments to the estimated fair values initially recorded in 2016, which resulted in a reduction in *Identifiable intangible assets* of approximately $1.0 billion with a corresponding change to *Goodwill* and net income tax liabilities. The measurement period adjustments were recorded to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date. The 2017 results included a decrease of approximately $38 million to *Amortization of intangible assets* which reflected the cumulative pre-tax impact of the measurement period adjustments to *Identifiable intangible assets* that were amortized to the income statement since the acquisition date. The measurement period adjustments did not result

from intervening events subsequent to the acquisition date. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

Bamboo Therapeutics, Inc. (IH)

On August 1, 2016, we acquired all the remaining equity in Bamboo, a privately-held biotechnology company focused on developing gene therapies for the potential treatment of patients with certain rare diseases relating to neuromuscular conditions and those affecting the central nervous system, for $150 million , plus potential milestone payments of up to $495 million contingent upon the progression of key assets through development, regulatory approval and commercialization. The total fair value of the consideration transferred for Bamboo was approximately $343 million , including cash of $130 million ($101 million , net of cash acquired), contingent consideration of $167 million , consisting of milestone payments, and the fair value of Pfizer's previously held equity interest in Bamboo of $45 million . We previously purchased a minority stake in Bamboo in the first quarter of 2016 for a payment of approximately $43 million . Upon acquiring the remaining interest in Bamboo in the third quarter of 2016, we recognized a gain of $2 million on our existing investment in *Other (income)/deductions—net* over the one-year allocation period . This acquisition provides us with several clinical and pre-clinical assets that complement our rare disease portfolio, an advanced recombinant Adeno-associated virus vector design and production technology, and a fully functional Phase I/II gene therapy manufacturing facility. Bamboo is a wholly-owned subsidiary of Pfizer. In connection with this acquisition, we recorded $330 million of *Identifiable intangible assets,* consisting entirely of *IPR&D*. We also recorded $142 million of *Goodwill* and $94 million of net deferred tax liabilities. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

Anacor Pharmaceuticals, Inc. (IH)

On June 24, 2016, we acquired Anacor for $99.25 per share. The total fair value of consideration transferred for Anacor was approximately $4.9 billion in cash ($4.5 billion net of cash acquired), plus $698 million debt assumed. Anacor is a wholly-owned subsidiary of Pfizer. Anacor is a biopharmaceutical company focused on novel small-molecule therapeutics derived from its boron chemistry platform. Anacor's crisaborole, a non-steroidal topical PDE-4 inhibitor with anti-inflammatory properties, was approved by the FDA in December 2016 under the trade name, Eucrisa . In connection with this acquisition, we recorded $698 million as the fair value of notes payable in cash, and recorded $4.9 billion in *Identifiable intangible assets* , primarily consisting of $4.8 billion of *IPR&D* , and recorded $646 million of *Goodwill* and $346 million of net income tax liabilities. The final allocation of the consideration transferred to the assets acquired and the liabilities assumed has been completed.

B. Divestitures

Sale of Hospira Infusion Systems Net Assets to ICU Medical, Inc. (EH)

On October 6, 2016, we announced that we entered into a definitive agreement under which ICU Medical agreed to acquire all of our global infusion systems net assets, HIS, for approximately $1 billion in cash and ICU Medical common stock. HIS includes IV pumps, solutions, and devices. As a result of the performance of HIS relative to ICU Medical's expectations, on January 5, 2017 we entered into a revised agreement with ICU Medical under which ICU Medical would acquire HIS for up to approximately $900 million , composed of cash and contingent cash consideration, ICU Medical common stock and seller financing.

The revised transaction closed on February 3, 2017. At closing, we received 3.2 million newly issued shares of ICU Medical common stock (as originally agreed), which we initially valued at approximately $428 million (based upon the closing price of ICU Medical common stock on the closing date less a discount for lack of marketability) and which were reported as equity securities at fair value in *Long-term investments* on the consolidated balance sheet as of December 31, 2017. Upon the sale of these shares in 2018, we realized a full gain of $302 million on these securities, although our income statement only reflects a gain of $47 million as the balance of the previously unrealized gain was recorded as a cumulative effect adjustment upon the adoption of a new accounting standard (see *Note 1B*). We also received a promissory note in the amount of $75 million , which was repaid in full as of December 31, 2017, and net cash of approximately $200 million before customary adjustments for net working capital, which is reported in *Other investing activities, net* on the consolidated statement of cash flows for the year-ended December 31, 2017. In addition, we are entitled to receive a contingent amount of up to an additional $225 million in cash based on ICU Medical's achievement of certain cumulative performance targets for the combined company through December 31, 2019. We recognized a pre-tax gain of approximately $1 million in 2018 and pre-tax losses of $55 million in 2017 in *Other (income)/deductions—net,* representing adjustments to amounts previously recorded in 2016 to write down the HIS net assets to fair value less costs to sell. For additional information, see *Note 4* .

The sale of the HIS net assets was fully completed in all jurisdictions as of year-end 2018.

In connection with the sale transaction, we entered into certain transitional agreements designed to facilitate the orderly transition of the HIS net assets to ICU Medical. These agreements primarily related to administrative services, and were provided for a period of 24 months after the closing date. We will also manufacture and supply certain HIS products for ICU Medical and ICU Medical will manufacture and supply certain retained Pfizer products for us after closing, generally for a term of five years. These agreements are not material to Pfizer and none confers upon us the ability to influence the operating and/or financial policies of ICU Medical subsequent to the sale.

At December 31, 2016 , we determined that the carrying value of the HIS net assets held for sale exceeded their fair value less estimated costs to sell, resulting in a pre-tax impairment charge of $1.7 billion , which is included in *Other (income)/deductions—net* for the year ended December 31, 2016 (see *Note 4*). The decline in value resulted from lower expectations as to future cash flows to be generated by HIS, primarily as a result of an increase in competition for customer contracts and pricing factors that were not initially anticipated.

Contribution Agreement Between Pfizer and Allogene Therapeutics, Inc. (WRD)

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, Allogene received from Pfizer rights to pre-clinical and clinical CAR T assets, all of which were previously licensed to Pfizer 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. Pfizer will continue to participate financially in the development of the CAR T portfolio through an ownership stake in Allogene. Separately, Pfizer continues to maintain its approximate 7% ownership stake in Cellectis that

was obtained in 2014 as part of the licensing agreement in which Pfizer obtained exclusive rights to pursue the development and commercialization of certain Cellectis CAR T therapies in exchange for an upfront payment of $80 million , as well as potential future development, regulatory and commercial milestone payments and royalties. In connection with the Allogene transaction, Pfizer 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*).

In October 2018, Allogene consummated an initial public offering of new shares of its common stock, which resulted in Pfizer's preferred stock converting into common stock and a decrease in our ownership percentage from approximately 25% to approximately 18% as of December 31, 2018. The closing price on the day of the initial public offering was $25 per share. Beginning as of the date of the initial public offering, our investment in Allogene is being measured at fair value with changes in fair value recognized in net income (see *Note 4*).

Sale of Phase 2b Ready AMPA Receptor Potentiator for CIAS to Biogen Inc. (WRD)

In April 2018, we sold our Phase 2b ready AMPA receptor potentiator for CIAS to Biogen. We received $75 million upfront and have the opportunity to receive up to $515 million in future development and commercialization milestones, as well as tiered royalties in the low-to-mid-teen percentages. We recognized the $75 million upfront payment in *Other (income)/deductions—net* in the second quarter of 2018 (see *Note 4*). In the fourth quarter of 2018, we recognized an additional $10 million milestone in *Other (income)/deductions—net* (see *Note* 4). We will record the other milestones and royalties to *Other (income)/deductions—net* when due, or earlier if we have sufficient experience to determine such amounts are not probable of significant reversal.

Divestiture of Neuroscience Assets (WRD)

In September 2018, we and Bain Capital entered into a transaction 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 including Parkinson's disease, epilepsy, Alzheimer's disease, schizophrenia and addiction. These assets were part of the neuroscience discovery and early development efforts, which we announced we were ending in January 2018. 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. Bain Capital has committed to invest $350 million to develop the portfolio, with the potential for additional funding as the assets advance. 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*). Our investment in Cerevel Therapeutics, Inc. is reported in *Long-term investments* on the consolidated balance sheet as of December 31, 2018.

C. Assets and Liabilities Held for Sale

On December 19, 2018, we announced that we entered into a definitive agreement with GSK under which we and GSK have agreed to combine our respective consumer healthcare businesses into a new consumer healthcare joint venture that will operate globally under the GSK Consumer Healthcare name. In exchange for contributing our Consumer Healthcare business, we will receive a 32% equity stake in the company and GSK will own the remaining 68% . The transaction is expected to close in the second half of 2019, subject to customary closing conditions including GSK shareholder approval and required regulatory approvals. Upon the closing of the transaction, we will deconsolidate our Consumer Healthcare business and recognize a gain for the difference in the fair value of our 32% equity stake in the company and the carrying value of our Consumer Healthcare business. We will account for our 32% equity stake in the company after closing of the transaction as an equity-method investment. Assets and liabilities associated with our Consumer Healthcare business were reclassified as held for sale in the consolidated balance sheet as of December 31, 2018. The Consumer Healthcare business assets held for sale are reported in *Assets held for sale* and Consumer Healthcare business liabilities held for sale are reported in *Liabilities held for sale* . This includes the Consumer Healthcare business tax assets and liabilities related to fully dedicated consumer healthcare subsidiaries. The amounts associated with the Consumer Healthcare business, as well as other assets classified as held for sale consisted of the following:

(MILLIONS OF DOLLARS)	As of December 31, 2018	2017
Assets Held for Sale		
Cash and cash equivalents	**$ 32**	$ —
Trade accounts receivable, less allowance for doubtful accounts	**532**	—
Inventories	**538**	—
Other current assets	**56**	—
PP&E	**675**	—
Identifiable intangible assets, less accumulated amortization	**5,763**	—
Goodwill	**1,972**	—
Noncurrent deferred tax assets and other noncurrent tax assets	**54**	—
Other noncurrent assets	**57**	—
Total Consumer assets held for sale	**9,678**	—
Other assets held for sale [(a)]	**46**	12
Assets held for sale	**$ 9,725**	$ 12
Liabilities Held for Sale		
Trade accounts payable	**$ 406**	$ —
Income taxes payable	**39**	—
Accrued compensation and related items	**93**	—
Other current liabilities	**353**	—
Pension benefit obligations, net	**39**	—
Postretirement benefit obligations, net	**33**	—
Noncurrent deferred tax liabilities	**870**	—
Other noncurrent liabilities	**56**	—
Total Consumer liabilities held for sale	**$ 1,890**	$ —

[(a)] Other assets held for sale consist of PP&E.

As a part of Pfizer, pre-tax income on a management business unit basis for the Consumer Healthcare business was $977 million in 2018, $863 million in 2017 and $780 million in 2016.

D. Licensing Arrangements

Shire International GmbH (IH)

In 2016, we out-licensed PF-00547659, an investigational biologic being evaluated for the treatment of moderate-to-severe inflammatory bowel disease, including ulcerative colitis and Crohn's disease, to Shire for an upfront payment of $90 million , up to $460 million in development and sales-based milestone payments and potential future royalty payments on commercialized products. The $90 million upfront payment was initially deferred and recognized in *Other (income)/deductions—net* ratably through December 2017. In the first quarter of 2018, we recognized $75 million in *Other (income)/deductions—net* for a milestone payment received from Shire related to their first dosing of a patient in a Phase 3 clinical trial of the compound for the treatment of ulcerative colitis, and in the third quarter of 2018, we recognized $35 million in *Other (income)/deductions—net* for a milestone payment received from Shire related to their first dosing of a patient in a Phase 3 clinical trial of the compound for the treatment of Crohn's disease (see *Note 4*).

BionTech AG (WRD)

In August 2018, a multi-year R&D arrangement went into effect between BionTech AG (BionTech), a privately held company, and Pfizer to develop mRNA-based vaccines for prevention of influenza (flu). In September 2018, we made an upfront payment of $50 million to BionTech, which was recorded in *Research and development expenses,* and BionTech is eligible to receive up to an additional $325 million in future development and sales based milestones and future 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, which are reported in *Long-term investments* in the consolidated balance sheet as of December 31, 2018.

E. Research and Development and Collaborative Arrangements

We adopted a new accounting standard for revenue recognition and changed our accounting policies with respect to collaborative arrangements accordingly. For additional information, see *Note 1B* .

Research and Development Arrangement with NovaQuest Co-Investment Fund II, L.P.

On November 1, 2016, we announced the discontinuation of the global clinical development program for bococizumab. During December 2016, $31.3 million was refunded to NovaQuest representing amounts NovaQuest prepaid for development costs (under the May 2016 agreement described below) that were not used for program expenses due to the discontinuation of the development program. No additional payments have been or are expected to be received from or paid to NovaQuest with respect to this agreement, which was terminated effective as of November 18, 2016.

In May 2016, our agreement with NovaQuest became effective, under which NovaQuest agreed to fund up to $250 million in development costs related to certain Phase 3 clinical trials of Pfizer's bococizumab compound and Pfizer agreed to use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding was expected to cover up to 40% of the development costs and was to be received over five quarters during 2016 and 2017. As there was a substantive and genuine transfer of risk to NovaQuest, the development funding applicable to program expenses during 2016 was recognized as an obligation to perform contractual services and therefore has been recognized as a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* for 2016 totaled $180.3 million .

Research and Development Arrangement with NovaQuest Co-Investment Fund V, L.P.

In April 2016, Pfizer entered into an agreement with NovaQuest under which NovaQuest would fund up to $200 million in development costs related to certain Phase 3 clinical trials of Pfizer's rivipansel compound and Pfizer will use commercially reasonable efforts to develop and obtain regulatory approvals for such compound. NovaQuest's development funding is expected to cover up to 100% of the development costs and will be received over approximately 13 quarters from 2016 through the second quarter of 2019 after which Pfizer will be responsible for the remaining development costs. As there is a substantive and genuine transfer of risk to NovaQuest, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $57.6 million for 2018, $72.1 million for 2017 and $46.6 million for 2016. Following potential regulatory approval, NovaQuest will be eligible to receive a combination of fixed milestone payments of up to approximately $267 million in total, based on achievement of first commercial sale and certain levels of cumulative net sales as well as royalties on rivipansel net sales over approximately eight years. Fixed sales-based milestone payments will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the rivipansel product and royalties on net sales will be recorded as *Cost of sales* when incurred.

Research and Development Arrangement with RPI Finance Trust

In January 2016, Pfizer entered into an agreement with RPI, a subsidiary of Royalty Pharma, under which RPI would fund up to $300 million in development costs related to certain Phase 3 clinical trials of Pfizer's Ibrance (palbociclib) product primarily for adjuvant treatment of hormone receptor positive early breast cancer (the Indication). RPI's development funding is expected to cover up to 100% of the costs primarily for the applicable clinical trials until the second quarter of 2020 after which Pfizer will be responsible for the remaining cost of the trials. As there is a substantive and genuine transfer of risk to RPI, the development funding is recognized by us as an obligation to perform contractual services and therefore is a reduction of *Research and development expenses* as incurred. The reduction to *Research and development expenses* totaled $99.3 million for 2018, $75.6 million for 2017 and $44.9 million for 2016. If successful and upon approval of Ibrance in the U.S. or certain major markets in the EU for the Indication based on the applicable clinical trials, RPI will be eligible to receive a combination of approval-based fixed milestone payments of up to $250 million dependent upon results of the clinical trials and royalties on certain Ibrance sales over approximately seven years. Fixed milestone payments due upon approval will be recorded as intangible assets and amortized to *Amortization of intangible assets* over the estimated commercial life of the Ibrance product and sales-based royalties will be recorded as *Cost of sales* when incurred.

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.

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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Revenues —Revenues [a]	**$ 571**	$ 606	$ 659
Revenue s—Alliance revenues [b]	**3,838**	2,927	1,746
Total revenues from collaborative arrangements	**4,409**	3,533	2,405
Cost of sales [c]	**(296)**	(329)	(315)
Selling, informational and administrative expenses [d]	**(90)**	(54)	(5)
Research and development expenses [e]	**162**	222	64
Other income/(deductions)—net [f]	**281**	249	542

[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 2018 and 2017 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 associated with 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. The upfront and milestone payments were as follows: $50 million in 2018 , $15 million in 2017 and $15 million in 2016 . Our collaboration with Lilly (see below) also includes reimbursements of $98 million in 2018, $147 million in 2017 and $120 million in 2016.

[f] Primarily relates to royalties from our collaboration partners. The decrease in 2017 is due to the October 31, 2016 expiration of our 36 month royalty arrangement on sales of Enbrel in the U.S. and Canada, partially offset by a full year of royalties earned in 2017, versus a partial year in 2016, on Xtandi ex-U.S. sales.

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

In addition, in connection with our collaborative arrangements, we paid post-approval milestones of $140 million in 2017 related to our collaboration with Merck KGaA (see below). These payments were recorded in *Identifiable intangible assets — Developed technology rights.* We did not pay post-approval milestones to collaboration partners in 2018 or 2016. We also recorded milestones earned related to our collaboration with Merck (see below) of $40 million in 2018 to *Other (income)/deductions—net* and $150 million in 2017, substantially all of which was included in the adjustment to increase the opening balance of *Retained earnings* upon the adoption of a new accounting standard for revenue recognition, effective January 1, 2018 (see *Note 1B*).

Collaboration with Merck & Co., Inc. (IH)

Under a worldwide collaboration agreement, except for Japan, we collaborated with Merck on the clinical development of ertugliflozin and ertugliflozin-containing fixed-dose combinations with metformin and Januvia (sitagliptin) tablets, which were approved by the FDA in December 2017 and the European Commission in March 2018 as Steglatro, Segluromet and Steglujan. Merck exclusively promotes Steglatro and the two fixed-dose combination products and we share revenues and certain costs with Merck on a 60% / 40% basis, with Pfizer having the 40% share.

In the first quarter of 2017 , we received a $90 million milestone payment from Merck upon the FDA's acceptance for review of the NDAs for ertugliflozin and two fixed-dose combinations (ertugliflozin plus Januvia (sitagliptin) and ertugliflozin plus metformin), which, as of December 31, 2017, was deferred and primarily reported in *Other noncurrent liabilities,* and through December 31, 2017, was being recognized in *Other (income)/deductions—net* over a multi-year period. As of December 31, 2017, we were due a $60 million milestone payment from Merck, which we received in the first quarter of 2018, in conjunction with the approval of ertugliflozin by the FDA. As of December 31, 2017, the $60 million due from Merck was deferred and primarily reported in *Other noncurrent liabilities* . In the first quarter of 2018, in connection with the approval of ertugliflozin in the EU, we recognized a $40 million milestone payment from Merck in *Other (income)/deductions—net* (see *Note 4*). We are eligible for additional payments associated with the achievement of future commercial milestones. In the first quarter of 2018, in connection with the adoption of a new accounting standard, as of January 1, 2018, the $60 million of deferred income and approximately $85 million of the $90 million of deferred income associated with the above-mentioned milestone payments were recorded to and included in the $584 million cumulative effect adjustment to *Retained earnings* . See *Note 1B* for additional information.

Collaboration with Eli Lilly & Company (IH)

In 2013, we entered into a collaboration agreement with Lilly to jointly develop and globally commercialize Pfizer's tanezumab, which provides that Pfizer and Lilly will equally share product-development expenses as well as potential revenues and certain product-related costs. We received a $200 million upfront payment from Lilly in accordance with the collaboration agreement between Pfizer and Lilly, which was deferred and primarily reported in *Other noncurrent liabilities,* and through December 31, 2017, was being recognized in *Other (income)/deductions—net* over a multi-year period beginning in the second quarter of 2015. Pfizer and Lilly resumed the Phase 3 chronic pain program for tanezumab in July 2015. The FDA granted Fast Track designation for tanezumab for the treatment of chronic pain in patients with osteoarthritis A and chronic low back pain in June 2017. Under the collaboration agreement with Lilly, we are eligible to receive additional payments from Lilly upon the achievement of specified regulatory and commercial milestones. In the first quarter of 2018, in connection with the adoption of a new accounting standard, as of January 1, 2018, approximately $107 million of deferred income associated with the above-mentioned upfront payment was recorded to and included in the $584 million cumulative effect adjustment to *Retained earnings* . See *Note 1B* for additional information. Approximately $37 million of the upfront payment continues to be deferred, of which approximately $30 million is reported in *Other current liabilities* and approximately $8 million is reported in *Other noncurrent liabilities* as of December 31, 2018. This amount is expected to be recognized in *Other (income)/deductions—net* over the remaining development period for the product between 2019 and 2020.

Collaboration with Merck KGaA (IH)

In November 2014, we entered into a collaborative arrangement with Merck KGaA, to jointly develop and commercialize avelumab, currently approved as Bavencio for metastatic MCC and for patients with locally advanced or metastatic UC in certain countries and in development as a potential treatment for multiple other types of cancer. We and Merck KGaA are exploring the therapeutic potential of this novel anti-PD-L1 antibody as a single agent as well as in various combinations with our and Merck KGaA's broad portfolio of approved and investigational oncology therapies. Also, as part of the agreement, we gave Merck KGaA certain co-promotion rights for Xalkori in the U.S. and several other key markets. Under the terms of the agreement, in the fourth quarter of 2014, we made an upfront payment of $850 million to Merck KGaA and Merck KGaA is eligible to receive regulatory and commercial milestone payments of up to approximately $2.0 billion . During 2017, we made $140 million in milestone payments to Merck KGaA, which were recorded in *Identifiable intangible assets — Developed technology rights,* for approvals of avelumab received in 2017 for the MCC indication in the U.S., the EU and Japan, and for the metastatic UC indication in the U.S. Both companies jointly fund the majority of development and commercialization costs, and split equally any profits generated from selling any products containing avelumab from this collaboration. In September 2018, the companies announced positive top-line results from the pivotal Phase 3 JAVELIN Renal 101 study evaluating Bavencio (avelumab) in combination with Inlyta (axitinib), compared with Sutent (sunitinib) as initial therapy for patients with advanced RCC. In December 2018, both companies amended the collaborative agreement such that Pfizer will be solely responsible for the development and commercialization of its anti PD-1 antibody. Under the terms of the amended agreement, Pfizer paid Merck KGaA an up-front payment and we will make a potential milestone and tiered royalty payments should the Pfizer anti PD-1 antibody achieve regulatory and commercial success.

F. Equity-Method Investments

Investment in Hisun Pfizer Pharmaceuticals Company Limited (EH)

In September 2012, we and Hisun, a leading pharmaceutical company in China, formed a new company, Hisun Pfizer, to develop, manufacture, market and sell pharmaceutical products, primarily branded generic products, predominately in China. Hisun Pfizer was established with registered capital of $250 million , of which our portion was $122.5 million . As a result of the contributions from both parties, Hisun Pfizer holds a broad portfolio of branded generics covering cardiovascular disease, infectious disease, oncology, mental health and other therapeutic areas.

We accounted for our interest in Hisun Pfizer as an equity-method investment, due to the significant influence we had over the operations of Hisun Pfizer through our board representation, minority veto rights and 49% voting interest. Our investment in Hisun Pfizer was reported in *Long-term investments* , and our share of Hisun Pfizer's net income was recorded in *Other (income)/deductions—net.*

On November 10, 2017, we sold our 49% equity share in Hisun Pfizer to Sapphire I (HK) Holdings Limited, an investment fund managed by Hillhouse Capital, for a total of $286 million in cash which included our carrying value of $270 million in cash plus $16 million to cover certain taxes incurred on the transaction. As a result of the sale transaction, we recognized a loss of $81 million in the fourth quarter of 2017 for the recognition in earnings of the currency translation adjustment associated with our investment. After the sale transaction, Hisun Pfizer changed its name but retained its current rights to manufacture, sell and distribute all of Hisun Pfizer's currently marketed and pipeline products in China. We are providing technical, manufacturing and regulatory services in connection with a technology transfer process being run by Hisun Pfizer to support Hisun Pfizer's objective that the products that we had previously licensed to Hisun Pfizer, will in the future, be manufactured locally in China. We continue to supply certain products to Hisun Pfizer for a period of time, after the sale transaction, to facilitate a smooth transition.

In 2016, we determined that we had other-than-temporary declines in the value of Hisun Pfizer, and, therefore, we recognized a loss of $452 million in *Other (income)/deductions—net* (see *Note 4*), consisting of losses recognized in the first, second and fourth quarters of 2016. In the first and second quarters of 2016, we determined that we had other-than-temporary declines in the value of Hisun Pfizer and, therefore, we recognized a loss of $81 million and $130 million , respectively. The declines in value resulted from lower expectations as to the future cash flows to be generated by Hisun Pfizer, primarily as a result of an increase in risk due to the continued slowdown in the Chinese economy and changes in the expected timing and number of new product introductions by Hisun Pfizer. In the fourth quarter of 2016, we recognized a loss of $241 million to reduce the carrying value of our investment in Hisun Pfizer to approximately $270 million at December 31, 2016.

In valuing our investment in Hisun Pfizer, we used discounted cash flow techniques, reflecting our best estimate of the various risks inherent in the projected cash flows, and a nominal terminal year growth factor. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which include the expected impact of competitive, legal, economic and/or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long-term; and the discount rate, which seeks to reflect the various risks inherent in the projected cash flows, including country risk.

Investment in Laboratório Teuto Brasileiro S.A. (EH)

We entered into an agreement on June 30, 2017 to exit our investment in Teuto, a 40% -owned generics company in Brazil, and sell our 40% interest in Teuto to the majority shareholders. As part of the agreement, we waived our option to acquire the remaining 60% of Teuto, and Teuto's other shareholders have waived their option to sell their 60% stake in the company to us. As a result, in the second quarter of 2017, we recognized a net loss of approximately $30 million in *Other (income)/deductions—net* (see *Note 4*), which included the impairment of our equity-method investment in Teuto, the reversal of a contingent liability associated with the majority shareholders' option to sell their 60% stake in the company to us, and the recognition in earnings of the currency translation adjustment associated with the Teuto investment. The transaction closed on August 16, 2017.

In 2016, we determined that we had an other-than-temporary decline in the value of Teuto, and, therefore, in 2016, we recognized a loss of $50 million in *Other (income)/deductions—net* (see *Note 4*) related to our equity-method investment. The decline in value resulted from lower expectations as to the future cash flows to be generated by Teuto, primarily due to a slowdown in Brazilian economic conditions, which have been impacted by political risk, higher inflation, and the depreciation of the Brazilian Real.

In valuing our investment in Teuto, we used discounted cash flow techniques, reflecting our best estimate of the various risks inherent in the projected cash flows, and a nominal terminal year growth factor. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which include the expected impact of competitive, legal, economic and/or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long-term; and the discount rate, which seeks to reflect the various risks inherent in the projected cash flows, including country risk.

G. Privately Held Investment

AM-Pharma B.V. (WRD)

In April 2015, we acquired a minority equity interest in AM-Pharma, a privately-held Dutch biopharmaceutical company focused on the development of human recombinant Alkaline Phosphatase (recAP) for inflammatory diseases, and secured an exclusive option to acquire the remaining equity in the company. The option became exercisable after completion of a Phase 2 trial of recAP for the treatment of Acute Kidney Injury related to sepsis in the first quarter of 2018. We declined to exercise the option and the option expired unexercised during the second quarter of 2018. Under the terms of the agreement, we originally paid $87.5 million for both the exclusive option and the minority equity interest, which was recorded as a cost-method investment in *Long-term investments* . During the fourth quarter of 2017, we recognized a loss of $43 million in *Other (income)/deductions—net* (see *Note 4*) for an impairment of our long-term investment.

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

We incur significant costs in connection with acquiring, integrating and restructuring businesses and in connection with our global cost-reduction/productivity initiatives. For example:

- In connection with acquisition activity, we typically incur costs associated with executing the transactions, integrating the acquired operations (which may include expenditures for consulting and the integration of systems and processes), and restructuring the combined company (which may include charges related to employees, assets and activities that will not continue in the combined company); and
- In connection with our cost-reduction/productivity initiatives, we typically incur costs and charges associated with site closings and other facility rationalization actions, workforce reductions and the expansion of shared services, including the development of global systems.

All of our businesses and functions may be impacted by these actions, including sales and marketing, manufacturing and R&D, as well as groups such as information technology, shared services and corporate operations.

In connection with our acquisition of Hospira in September 2015, we focused our efforts on achieving an appropriate cost structure for the combined company. We incurred costs of approximately $1 billion (not including costs of $215 million in 2015 associated with the return of acquired IPR&D rights as described in the *Current-Period Key Activities* section below) associated with the integration of Hospira. The majority of these costs were incurred within the three -year period post-acquisition.

In 2016, we substantially completed previously disclosed cost-reduction initiatives begun in 2014 associated with our 2014 global commercial structure reorganization, manufacturing plant network rationalization and optimization initiatives, and additional cost-reduction/productivity initiatives across the enterprise.

2017-2019 Initiatives and Organizing for Growth

During 2018, as we reviewed our business opportunities and challenges and the way in which we think about our business operations, we determined that at the start of our 2019 fiscal year, we would begin operating under our new commercial structure, which reorganizes our operations into three businesses — Biopharma, a science-based Innovative medicines business; Upjohn, a global off-patent branded and generic established medicines business; and a Consumer Healthcare business. To operate effectively in this structure and position ourselves for future growth, we are focused on creating a simpler, more efficient operating structure within each business as well as the functions that support them. Beginning in the fourth quarter of 2018, we reviewed previously planned initiatives and new initiatives to ensure that there was alignment around our new structure and have combined the 2017 to 2019 initiatives with our current Organizing for Growth initiatives to form one cohesive plan. Initiatives for the combined program include activities related to the optimization of our manufacturing plant network, the centralization of our corporate and platform functions, and the simplification and optimization of our operating business structure and functions that support them. Through December 31, 2018, we incurred approximately $713 million associated with manufacturing optimization, and approximately $752 million associated with other activities.

In 2019, we expect restructuring, implementation and additional depreciation charges of about $800 million and, of that amount, we expect approximately 20% of the total charges will be non-cash.

Current-Period Key Activities

In 2018 , we incurred costs of $1.4 billion composed of $1.1 billion associated with the 2017-2019 and Organizing for Growth initiatives, $274 million associated with the integration of Hospira and $45 million associated with all other acquisition-related initiatives.

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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Restructuring charges/(credits):			
Employee terminations	**$ 459**	$ (181)	$ 839
Asset impairments [a]	**290**	190	142
Exit costs	**33**	21	74
Total restructuring charges [b]	**782**	30	1,055
Transaction costs [c]	**1**	4	127
Integration costs [d]	**260**	317	383
Restructuring charges and certain acquisition-related costs	**1,044**	351	1,565
Net periodic benefit costs recorded in *Other (income)/deductions—net* [e]	**146**	136	159
Additional depreciation—asset restructuring, virtually all of which is recorded in *Cost of sales* [f]	**50**	91	207
Implementation costs recorded in our consolidated statements of income as follows [g]:			
Cost of sales	**83**	118	230
Selling, informational and administrative expenses	**72**	71	81
Research and development expenses	**39**	38	25
Other (income)/deductions—net	**—**	—	3
Total implementation costs	**194**	227	340
Total costs associated with acquisitions and cost-reduction/productivity initiatives	**$ 1,434**	$ 805	$ 2,271

(a) The asset impairment charges for 2018 are largely associated with cost reduction initiatives not associated with acquisitions. The asset impairment charges for 2017 are largely associated with our acquisitions of Hospira and Medivation. The asset impairment charges included in restructuring charges for 2017 and 2016 are primarily associated with abandoned assets. See (b) below for additional information.

(b) In 2018 , restructuring charges were primarily related to employee termination costs and asset write downs. The employee termination costs are associated with our improvements to operational effectiveness as part of the realignment of our organizational structure effective at the beginning of 2019 . In 2017 , restructuring charges are primarily associated with our acquisitions of Hospira and Medivation, partially offset by credits associated with cost-reduction and productivity initiatives not associated with acquisitions that mostly related to the reversal of previously recorded accruals for employee termination costs resulting from revisions of our severance benefit estimates. In 2016 , restructuring charges are largely associated with cost-reduction and productivity initiatives not associated with acquisitions, as well as our acquisitions of Hospira and Medivation. Employee termination costs are generally recorded when the actions are probable and estimable and include accrued severance benefits, pension and postretirement benefits, many of which may be paid out during periods after termination.

The restructuring activities in 2018 are associated with the following:

- IH ($176 million charge); EH ($31 million charge); WRD/GPD ($135 million charge); manufacturing operations ($403 million charge); and Corporate ($38 million charge).

The restructuring activities in 2017 are associated with the following:

- IH ($83 million credit); EH ($6 million credit); WRD/GPD ($19 million charge); manufacturing operations ($89 million charge); and Corporate ($12 million charge),

The restructuring activities in 2016 are associated with the following:

- IH ($255 million charge); EH ($155 million charge); WRD/GPD ($145 million charge); manufacturing operations ($328 million charge); and Corporate ($172 million charge).

(c) Transaction costs represent external costs for banking, legal, accounting and other similar services, which in 2017 were directly related to our acquisitions of Hospira, Anacor and Medivation.Transaction costs in 2016 were mostly related to our acquisitions of Medivation and Anacor, and the terminated transaction with Allergan.

(d) Integration costs represent external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes. In 2018 , integration costs were primarily related to our acquisition of Hospira. In 2017 , integration costs primarily related to our acquisitions of Hospira and Medivation, as well as a net gain of $12 million related to the settlement of the Hospira U.S. qualified defined benefit pension plan (see *Note 11*). In 2016, integration costs primarily related to our acquisition of Hospira and the terminated transaction with Allergan.

(e) In 2018 , primarily represents the net pension curtailments and settlements included in *Other (income)/deductions—net* upon the adoption of a new accounting standard in the first quarter of 2018. In 2017, primarily represents the net pension curtailments and settlements, partially offset by net periodic benefit credits, excluding service costs, related to our acquisition of Hospira, both of which were reclassified to *Other (income)/deductions—net* as a result of the retrospective adoption of a new accounting standard in the first quarter of 2018. These credits included a net settlement gain, partially offset by accelerated amortization of actuarial losses and prior service costs upon the settlement of the remaining obligation associated with the Hospira U.S. qualified defined benefit pension plan. In 2016, primarily represents the net pension curtailments and settlements as well as the accelerated amortization of unrecognized loss and prior service costs related to our acquisition of Hospira, which were reclassified to *Other (income)/deductions—net* as a result of the retrospective adoption of a new accounting standard in the first quarter of 2018. For additional information, see *Note 1B* and *Note 11* .

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

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

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

(MILLIONS OF DOLLARS)	Employee Termination Costs	Asset Impairment Charges	Exit Costs	Accrual
Balance, January 1, 2017	$ 1,547	$ —	$ 36	$ 1,583
Provision/(Credit)	(181)	190	21	30
Utilization and other [a]	(326)	(190)	9	(508)
Balance, December 31, 2017 [b]	1,039	—	66	1,105
Provision	**459**	**290**	**33**	**782**
Utilization and other [a]	**(295)**	**(290)**	**(51)**	**(636)**
Balance, December 31, 2018 [c]	**$ 1,203**	**$ —**	**$ 49**	**$ 1,252**

(a) Includes adjustments for foreign currency translation.

(b) Included in *Other current liabilities* ($643 million) and *Other noncurrent liabilities* ($462 million).

(c) Included in *Other current liabilities* ($823 million) and *Other noncurrent liabilities* ($428 million).

Note 4. Other (Income)/Deductions—Net

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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Interest income [a]	**$ (333)**	$ (391)	$ (470)
Interest expense [a]	**1,316**	1,270	1,186
Net interest expense	**983**	879	716
Royalty-related income [b]	**(495)**	(499)	(905)
Net (gains)/losses on asset disposals [c]	**(71)**	45	(51)
Net gains recognized during the period on investments in equity securities [d]	**(586)**	(224)	(18)
Net realized (gains)/losses on sales of investments in debt securities [e]	**141**	(45)	(35)
Income from collaborations, out-licensing arrangements and sales of compound/product rights [f]	**(488)**	(217)	(108)
Net periodic benefit costs/(credits) other than service costs [g]	**(288)**	101	139
Certain legal matters, net [h]	**157**	240	510
Certain asset impairments [i]	**3,115**	395	1,447
Loss on sale and impairment on remeasurement of HIS net assets [j]	**(1)**	55	1,712
Business and legal entity alignment costs [k]	**4**	71	261
Net losses on early retirement of debt [l]	**3**	999	312
Other, net [m]	**(357)**	(383)	(186)
Other (income)/deductions—net	**$ 2,116**	$ 1,416	$ 3,794

[a] 2018 v. 2017 —Interest income decreased primarily driven by a lower investment balance. Interest expense increased primarily as a result of higher short-term interest rates, offset, in part, by refinancing activity that occurred in the fourth quarter of 2017. 2017 v. 2016 —Interest income decreased primarily driven by a lower investment balance. Interest expense increased, primarily as a result of higher short-term interest rates, offset, in part, by the retirement of high-coupon debt and the issuance of new low-coupon debt. Capitalized interest expense totaled $73 million in 2018 , $ 72 million in 2017 and $ 61 million in 2016 .

[b] Royalty-related income decreased in 2017 , primarily due to lower royalty income for Enbrel of $470 million in 2017 , compared to 2016, resulting from the expiration on October 31, 2016 of the 36 -month royalty period under the collaboration agreement for Enbrel in the U.S. and Canada (the collaboration period under the agreement expired on October 31, 2013), partially offset by increases in Xtandi royalty-related income of $176 million in 2017 , compared to 2016 .

[c] In 2018, primarily includes a realized gain on sale of property of $60 million . In 2017 , primarily includes an $81 million realized loss related to the sale of our then 49% -owned equity-method investment in Hisun Pfizer and a realized net loss of $30 million related to the sale of our 40% ownership investment in Teuto, including the extinguishment of a put option for the then remaining 60% ownership interest, partially offset by a realized gain on sale of property of $52 million . In 2016, primarily includes realized gains on sales of property and other assets.

[d] The net gains on investments in equity securities in 2018 , include unrealized net gains on equity securities of $477 million , reflecting the adoption of a new accounting standard in the first quarter of 2018. Net gains in 2018 were primarily driven by unrealized gains of $466 million related to our investment in Allogene. Prior to the adoption of a new accounting standard in the first quarter of 2018, net unrealized gains and losses on virtually all equity securities with readily determinable fair values were reported in *Accumulated other comprehensive income* . For additional information, see *Note 1B, Note 2B* and *Note 7B* .

[e] In 2018, primarily includes 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.

In 2017, primarily includes gross realized gains on sales of available-for-sale debt securities of $451 million , partially offset by gross realized losses on sales of available-for-sale debt securities of $281 million and a net loss of $120 million from derivative financial instruments used to hedge the foreign exchange component of the matured available-for-sale debt securities. Proceeds from the sale of available-for-sale debt securities were $5.1 billion in 2017.

In 2016, primarily includes gross realized gains on sales of available-for-sale debt securities of $666 million , partially offset by gross realized losses on sales of available-for-sale debt securities of $548 million and a net loss of $64 million from derivative financial instruments used to hedge the foreign exchange component of the matured available-for-sale debt securities. Proceeds from the sale of available-for-sale debt securities were $10.2 billion in 2016.

[f] Includes income from upfront and milestone payments from our collaboration partners and income from out-licensing arrangements and sales of compound/product rights. In 2018 , primarily includes, among other things, (i) approximately $118 million in milestone income from multiple licensees, (ii) $110 million in milestone payments received from Shire, of which $75 million was received in the first quarter of 2018 related to their first dosing of a patient in a Phase 3 clinical trial for the treatment of ulcerative colitis and $35 million was received from Shire in the third quarter of 2018 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) $62 million in gains related to sales of compound/product rights and (v) a $40 million milestone payment from Merck in conjunction with the approval of ertugliflozin in the EU. For additional information, see *Note 2B, Note 2C, Note 2D* and *Note 2E* . In 2017, primarily includes, among other things, $101 million in milestone payments received from multiple licensees and an $85 million gain related to sales of compound/product rights. In 2016, primarily includes, among other things, a $50 million gain related to sales of compound/product rights and $33 million in milestone payments received from multiple licensees.

[g] Represents the net periodic benefit costs/(credits), excluding service costs, as a result of the adoption of a new accounting standard in the first quarter of 2018. Effective January 1, 2018, the U.S. Pfizer Consolidated Pension Plan was frozen to future benefit accruals and for 2018 , resulted in the recognition of lower net periodic benefit costs due to the extension of the amortization period for the actuarial losses. There was also a greater than expected gain on plan assets due to a higher plan asset base compared to 2017. For additional information, see *Note 1B* and *Note 11* .

[h] In 2018 , primarily includes legal reserves for certain pending legal matters, partially offset by the reversal of a legal accrual where a loss was no longer deemed probable. In 2017, primarily includes a $94 million charge to resolve a class action lawsuit filed by direct purchasers relating to Celebrex, which was approved by the court in April 2018, and a $79 million charge to reflect damages awarded by a jury in a patent matter. In 2016, primarily includes amounts to resolve a Multi-District Litigation relating to Celebrex and Bextra pending against the Company in New York federal court for $486 million , partially offset by the reversal of a legal accrual where a loss was no longer deemed probable. In addition, 2016 includes a settlement related to a patent matter.

[i] In 2018 , primarily includes intangible asset impairment charges of $3.1 billion , mainly composed of (i) $2.6 billion related to EH developed technology rights, $242 million related to EH licensing agreements and $80 million related to EH IPR&D, all of which relate to our acquisition of Hospira, for generic sterile injectable products associated with various indications; (ii) $117 million related to a multi-antigen vaccine IPR&D program for adults undergoing elective spinal fusion surgery; (iii) $31 million related to an IH developed technology right, acquired in connection with our acquisition of Anacor, for the treatment for toenail fungus market marketed in the U.S. market only; and (iv) $17 million of other IPR&D assets acquired in connection with our acquisition of Innopharma. In 2018,

the intangible asset impairment charges associated with 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 ongoing 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. The intangible asset impairment charge related to the IH developed technology right reflects , among other things, updated commercial forecasts. In addition, 2018 includes other asset impairments of $13 million .

In 2017, primarily includes intangible asset impairment charges of $337 million , reflecting (i) $127 million related to developed technology rights, acquired in connection with our acquisition of Hospira, for a generic sterile injectable product for the treatment of edema associated with certain conditions; (ii) $124 million related to developed technology rights, acquired in connection with our acquisition of Hospira, for a sterile injectable pain reliever; (iii) $39 million related to developed technology rights, acquired in connection with our acquisition of NextWave, for the treatment of attention deficit hyperactivity disorder; (iv) $26 million related to developed technology rights, acquired in connection with our acquisition of Hospira, for a generic injectable antibiotic product for the treatment of bacterial infections; and (v) $20 million related to other developed technology rights. The intangible asset impairment charges for 2017 are associated with EH and reflect, among other things, updated commercial forecasts and an increased competitive environment. In addition, 2017 includes a loss of $43 million for an impairment of our AM-Pharma B.V. long-term investment (see *Note 2G*).

In 2016, primarily includes intangible asset impairment charges of $869 million , reflecting (i) $366 million related to developed technology rights for a generic injectable antibiotic product for the treatment of bacterial infections; and (ii) $265 million related to an IPR&D compound for the treatment of anemia, both acquired in connection with our acquisition of Hospira; (iii) $128 million of sterile injectable IPR&D compounds acquired in connection with our acquisition of InnoPharma; and (iv) $110 million of other IPR&D assets, $81 million of which were acquired in connection with our acquisition of Hospira and $29 million of which were acquired in connection with our acquisition of King in 2011. The intangible asset impairment charges for 2016 are associated with the following: EH ($840 million) and IH ($29 million). In addition, 2016 includes an impairment loss of $452 million related to Pfizer's then 49% -owned equity-method investment with Hisun in China, Hisun Pfizer, and an impairment loss of $50 million related to Pfizer's 40% -owned equity-method investment in Teuto. For additional information concerning Hisun Pfizer and Teuto, see *Note 2F* .

The intangible asset impairment charge for 2016 for the IPR&D compound for the treatment of anemia acquired in connection with our acquisition of Hospira reflects, among other things, the impact of regulatory delays, including delays resulting from a then recent court ruling, requiring a 180-day waiting period after approval before a biosimilar product can be launched. The intangible asset impairment charges for 2016 for the sterile injectable IPR&D compounds acquired in connection with our acquisition of InnoPharma reflect, among other things, the impact of portfolio prioritization decisions and decreased commercial profiles of certain compounds. The intangible asset impairment charges for 2016 for developed technology rights and other IPR&D assets acquired in connection with our acquisition of Hospira reflect, among other things, the impact of regulatory delays, the impact of new scientific findings, updated commercial forecasts, changes in pricing, and an increased competitive environment. The intangible asset impairment charges for 2016 for other IPR&D assets acquired in connection with our acquisition of King reflect changes in the competitive environment.

(j) In 2018 and 2017, represents adjustments to amounts previously recorded in 2016 to write down the HIS net assets to fair value less costs to sell related to the sale of HIS net assets to ICU Medical on February 3, 2017. In 2016, represents a charge related to the write-down of the HIS net assets to fair value less estimated costs to sell. See *Note 2B* for additional information.

(k) Represents expenses for changes to our infrastructure to align our commercial operations that existed through December 31, 2018, including costs to internally separate our businesses into distinct legal entities, as well as to streamline our intercompany supply operations to better support each business.

(l) In 2017 and 2016, represents net losses due to the early retirement of debt, inclusive of the related termination of cross currency swaps in 2017 and inclusive of the related termination of interest rate swaps in 2016.

(m) In 2018 , includes (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 (see *Note 2B*), (ii) dividend income of $253 million from our investment in ViiV, (iii) a non-cash $50 million pre-tax gain on the contribution of Pfizer's allogeneic CAR T therapy development program assets obtained from Cellectis and Servier in connection with our contribution agreement entered into with Allogene in which Pfizer obtained a 25% ownership stake in Allogene (see *Note 2B*), and (iv) a non-cash $17 million pre-tax gain on the cash settlement of a liability that we incurred in April 2018 upon the EU approval of Mylotarg (see *Note 7E*), partially offset by charges of $207 million , reflecting the change in the fair value of contingent consideration and $59 million of incremental costs associated with the design, planning and implementation of the new organizational structure, effective in the beginning of 2019, and primarily include consulting, legal, tax, and advisory services. In 2017, includes, among other things, dividend income of $266 million from our investment in ViiV, and income of $62 million from resolution of a contract disagreement. In 2016, includes among other things, $150 million paid to Allergan for reimbursement of Allergan's expenses associated with the terminated transaction (see *Note 1A*); and income of $116 million from resolution of a contract disagreement.

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

The following table provides additional information about the intangible assets that were impaired during 2018 in *Other (income)/deductions—net* :

	Fair Value [a]				Year Ended December 31, 2018
(MILLIONS OF DOLLARS)	Amount	Level 1	Level 2	Level 3	Impairment
Intangible assets—Developed technology rights [b]	$ 665	$ —	$ —	$ 665	$ 2,647
Intangible assets—Licensing agreements and other [b]	150	—	—	150	242
Intangible assets — IPR&D [b]	95	—	—	95	214
Total	$ 910	$ —	$ —	$ 910	$ 3,103

(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 2018 . Fair value was determined using the income approach, specifically the multi-period excess earnings method, also known as the discounted cash flow method. We started with a forecast of all the expected net cash flows associated with the asset and then 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

The following table provides the components of *Income from continuing operations before provision/(benefit) for taxes on income* :

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
United States	**$ (4,403)**	$ (6,879)	$ (8,534)
International	**16,288**	19,184	16,886
Income from continuing operations before provision/(benefit) for taxes on income [a], [b]	**$ 11,885**	$ 12,305	$ 8,351

(a) 2018 v. 2017 — The decrease in the domestic loss was primarily due to lower interest expense paid to certain foreign subsidiaries, lower net losses on the retirement of debt, higher net gains on investments in equity securities and increased revenue related to Eliquis, partially offset by higher certain asset impairments and lower revenue for Viagra and the SIP portfolio. The decrease in international income was primarily related to lower interest income received primarily from intercompany borrowings from Pfizer Inc. and higher charges related to certain cost reduction initiatives, partially offset by increased revenue related to Ibrance and Eliquis.

(b) 2017 v. 2016 — The decrease in the domestic loss was primarily due to lower restructuring charges and certain acquisition-related costs, the non-recurrence of the 2016 impairment on the remeasurement of HIS net assets, lower certain asset impairments and lower certain legal matters, partially offset by higher net losses on early retirement of debt, and higher amortization of intangible assets. The increase in international income was primarily due to the non-recurrence of the 2016 impairment on the remeasurement of HIS net assets, lower restructuring charges and certain acquisition-related costs, and lower certain asset impairments.

The following table provides the components of *Provision/(benefit) for taxes on income* based on the location of the taxing authorities:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
United States			
Current income taxes:			
Federal	**$ 668**	$ 1,267	$ 342
State and local	**9**	45	(52)
Deferred income taxes:			
Federal	**(1,663)**	(2,064)	(419)
State and local	**16**	(304)	(106)
Total U.S. tax provision	**(970)**	(1,055)	(235)
TCJA [a]			
Current income taxes	**(3,035)**	13,135	—
Deferred Income taxes	**2,439**	(23,795)	—
Total TCJA tax provision	**(596)**	(10,660)	—
International			
Current income taxes	**2,831**	2,709	1,532
Deferred income taxes	**(558)**	(42)	(175)
Total international tax provision	**2,273**	2,667	1,358
Provision/(benefit) for taxes on income	**$ 706**	$ (9,049)	$ 1,123

(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 and *Note 5C* .

In the fourth quarter of 2017, we recorded an estimate of certain tax effects of the TCJA, including (i) the impact on deferred tax assets and liabilities from the reduction in the U.S. Federal corporate tax rate from 35% to 21% , (ii) the impact on valuation allowances and other state income tax considerations, (iii) the $15.2 billion repatriation tax liability on accumulated post-1986 foreign earnings for which we plan to elect, with the filing of our 2018 U.S. Federal Consolidated Income Tax Return, payment over eight years through 2026 that is reported in *Other taxes payable* in our consolidated balance sheet as of December 31, 2017 and (iv) deferred taxes on basis differences expected to give rise to future taxes on global intangible low-taxed income. In addition, we had provided deferred tax liabilities in the past on foreign earnings that were not indefinitely reinvested. As a result of the TCJA, in the fourth quarter of 2017, we reversed an estimate of the deferred taxes that are no longer expected to be needed due to the change to the territorial tax system.

In 2018, we finalized our provisional accounting for the tax effects of the TCJA, based on our best estimates of available information and data, and have reported and disclosed the impacts within the applicable measurement period, in accordance with guidance issued by the SEC, and recorded a favorable adjustment of approximately $100 million to *Provision/(benefit) for taxes on income* . The amounts recorded may change in the future due to uncertain tax positions. With respect to the aforementioned repatriation tax liability, our revised estimate is approximately $15 billion . The first installment, due in April 2019, is reported in *Income taxes payable* , and the remaining liability is reported in *Other taxes payable* in our consolidated balance sheet as of December 31, 2018. We believe that there may be additional interpretations, clarifications and guidance from the U.S. Department of Treasury. Any change to our calculations resulting from such additional interpretations, clarifications and guidance would be reflected in the period of issuance. In addition, 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 have elected to recognize deferred taxes for temporary differences expected to reverse as global intangible low-taxed income in future years. In 2017, we provided a provisional deferred tax liability of approximately $1.0 billion based on the evaluation of certain temporary differences inside each of our foreign subsidiaries that are expected to reverse as global intangible low-taxed income. In 2018, this estimate was finalized and we have provided for an additional deferred tax liability of approximately $200 million , resulting in a deferred tax liability of approximately $1.2 billion .

In 2018 , the *Provision/(benefit) for taxes on income* was impacted by the following:

- estimated U.S. net tax benefits of approximately $600 million associated with the enactment of the TCJA (see discussion above), primarily reflecting:
  - approximately $500 million of tax benefits associated primarily with certain current year tax initiatives;
  - approximately $100 million of tax benefits associated with adjustments to our provisional accounting for the tax effects of the TCJA, reported and disclosed within the applicable measurement period, in accordance with guidance issued by the SEC, primarily consisting of:
    - $160 million of tax benefits related to the repatriation tax on deemed repatriated accumulated earnings of foreign subsidiaries; and
    - $140 million of tax benefits associated with the remeasurement of other U.S. deferred tax liabilities,

    partially offset by:
    - $200 million of tax expense related to future taxes on global intangible low-taxed income;
- tax benefits of approximately $700 million representing tax and interest resulting from the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations; and
- tax benefits of approximately $740 million related to certain asset impairments.

In 2017 , the *Provision/(benefit) for taxes on income* was impacted by the following:

- estimated U.S. net tax benefits of $10.7 billion associated with the enactment of the TCJA (see discussion above), primarily reflecting:
  - $22.8 billion tax benefit associated with the remeasurement of U.S. deferred tax liabilities on unremitted earnings of foreign subsidiaries (see *Note 5C*);
  - $1.6 billion tax benefit associated with the remeasurement of other U.S. deferred tax liabilities, primarily associated with intangibles (see *Note 5C*);
  - $12.9 billion tax expense related to the repatriation tax on deemed repatriated accumulated pre-2017 post-1986 earnings of foreign subsidiaries;
  - $1.0 billion tax expense related to future taxes on global intangible low-taxed income (see *Note 5C*); and
  - approximately $100 million tax benefit primarily associated with certain tax initiatives;
- U.S. tax expense of approximately $1.3 billion related to the repatriation tax on deemed repatriated current year earnings of foreign subsidiaries;
- tax benefit of approximately $370 million related to net losses on early retirement of debt;
- tax benefits of approximately $150 million representing tax and interest resulting from the resolution of certain tax positions pertaining to prior years primarily with various foreign tax authorities, and the expiration of certain statutes of limitations; and
- the non-deductibility of a $307 million fee payable to the federal government as a result of the U.S. Healthcare Legislation.

In 2016 , the *Provision/(benefit) for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $1.1 billion as a result of providing U.S. deferred income taxes on certain funds earned outside the U.S. that will not be indefinitely reinvested overseas, virtually all of which were earned in 2016;
- tax benefits of approximately $460 million , representing tax and interest, resulting from the resolution of certain tax positions pertaining to prior years, primarily with various foreign tax authorities, and from the expiration of certain statutes of limitations;
- benefits related to the final resolution of an agreement in principle reached in February 2016 and finalized in April 2016 to resolve certain claims related to Protonix, which resulted in the receipt of information that raised our initial assessment in 2015 of the likelihood of prevailing on the technical merits of our tax position;
- net tax benefits of $89 million , related to the adoption of a new accounting standard in the fourth quarter of 2016, as of January 1, 2016, requiring excess tax benefits or deficiencies of share-based compensation to be recognized as a component of the *Provision/(benefit) for taxes on income* (see Notes to Consolidated Financial Statements— *Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards* in Pfizer's 2016 Financial Report);
- the non-deductibility of a $312 million fee payable to the federal government as a result of the U.S. Healthcare Legislation; and
- the permanent extension of the U.S. R&D tax credit, which was signed into law in December 2015.

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,		
	2018	2017	2016
U.S. statutory income tax rate	**21.0 %**	35.0 %	35.0 %
TCJA impact [a]	**(5.0)**	(86.6)	—
Taxation of non-U.S. operations [b], [c], [d]	**(6.1)**	(17.0)	(13.8)
Tax settlements and resolution of certain tax positions [e]	**(5.8)**	(1.2)	(5.5)
U.S. Healthcare Legislation [e], [f]	**(0.4)**	0.9	1.3
U.S. R&D tax credit and manufacturing deduction [e]	**(0.7)**	(0.7)	(1.0)
Certain legal settlements and charges [e]	**(0.1)**	0.1	(2.9)
All other, net [g]	**3.1**	(3.9)	0.3
Effective tax rate for income from continuing operations	**5.9 %**	(73.5)%	13.4 %

[a] For a discussion about the enactment of the TCJA, 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 cost of repatriation decisions, which, for 2017, includes the repatriation tax on deemed repatriated 2017 earnings of foreign subsidiaries discussed in *Note 5A* , 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 cost of repatriation decisions, and other 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; and (iii) 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 repatriation costs, can vary as a result of the repatriation decisions, 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 periods presented, 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 associated with our subsidiaries in Puerto Rico and Singapore. 2016 also includes incentives in Costa Rica and the Dominican Republic related to the Hospira infusion systems business, which was sold to ICU Medical in February 2017. We benefit from a Puerto Rican incentive grant that expires in 2029. Under the grant, we are partially exempt from income, property and municipal taxes. In Singapore, we benefit from incentive tax rates effective through 2031 on income from manufacturing and other operations.

[d] The favorable rate impacts in 2018 and 2017 also reflect lower repatriation costs associated with the estimated income of our foreign subsidiaries. The favorable rate impact in 2016 also includes the non-recurrence of the non-deductibility of a foreign currency loss related to Venezuela.

[e] For a discussion about tax settlements and resolution of certain tax positions, the impact of U.S. Healthcare Legislation, the U.S. R&D tax credit and manufacturing deduction and the impact of certain legal settlements and charges, see *Note 5A*.

[f] 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.

[g] All other, net in 2018 is primarily due to routine business operations and the non-recurrence of tax benefits associated with certain tax initiatives. 2017 primarily relates to tax benefits associated with certain tax initiatives in the normal course of business.

C. Deferred Taxes

Deferred taxes arise as a result of basis differentials between financial statement accounting and tax amounts.

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

	2018 Deferred Tax*		2017 Deferred Tax*	
(MILLIONS OF DOLLARS)	**Assets**	**(Liabilities)**	Assets	(Liabilities)
Prepaid/deferred items	**$ 1,655**	**$ (325)**	$ 1,837	$ (132)
Inventories	**280**	**(10)**	405	(3)
Intangible assets [a]	**532**	**(7,620)**	685	(10,808)
Property, plant and equipment	**160**	**(1,011)**	124	(755)
Employee benefits	**2,292**	**(134)**	2,346	(109)
Restructurings and other charges	**266**	**—**	240	(8)
Legal and product liability reserves	**415**	**—**	480	—
Net operating loss/tax credit carryforwards [b], [c]	**2,512**	**—**	4,502	—
Unremitted earnings	**—**	**(83)**	—	(85)
State and local tax adjustments	**264**	**—**	178	—
All other	**200**	**(274)**	492	(424)
	8,576	**(9,456)**	11,289	(12,325)
Valuation allowances	**(2,068)**	**—**	(2,203)	—
Total deferred taxes	**$ 6,508**	**$ (9,456)**	$ 9,086	$ (12,325)
Net deferred tax liability [d]		**$ (2,948)**		$ (3,238)

* For 2018 and 2017, the deferred tax assets and liabilities associated with global intangible low-taxed income are included in the relevant categories above. See *Note 5A* . 2018 excludes deferred tax assets and liabilities associated with fully dedicated consumer healthcare subsidiaries. For additional information, see *Note 2C* .

(a) The decrease in 2018 is primarily the result of amortization of intangible assets and certain impairment charges.

(b) The decrease in 2018 is primarily a result of the utilization of tax credit carryforwards against the repatriation tax liability associated with the enactment of the TCJA. See *Note 5A* .

(c) The amounts in 2018 and 2017 are reduced for unrecognized tax benefits of $3.3 billion and $3.4 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) In 2018 , *Noncurrent deferred tax assets and other noncurrent tax assets* ($0.8 billion), and *Noncurrent deferred tax liabilities* ($3.7 billion). In 2017 , *Noncurrent deferred tax assets and other noncurrent tax assets* ($0.7 billion), and *Noncurrent deferred tax liabilities* ($3.9 billion).

We have carryforwards, primarily related to net operating and capital losses 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 2018 to 2038. Certain of our U.S. net operating losses are subject to limitations under IRC Section 382.

Valuation allowances are provided 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.

As of December 31, 2018, we have not made a U.S. tax provision on approximately $31.0 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, 2018 is not practicable.

D. Tax Contingencies

We are subject to income tax in many jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities related to income taxes. All of our tax positions are subject to audit by the local taxing authorities in each tax jurisdiction. These tax audits can involve complex issues, interpretations and judgments and the resolution of matters may span multiple years, particularly if subject to negotiation or litigation. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution.

For a description of our accounting policies associated with accounting for income tax contingencies, see *Note 1P*. For a description of the risks associated with estimates and assumptions, see *Note 1C.*

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, 2018 we had approximately $5.1 billion in net unrecognized tax benefits, excluding associated interest and as of December 31, 2017 we had approximately $5.4 billion in net unrecognized tax benefits, excluding associated interest.

- Tax assets associated with 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, 2018 we had approximately $1.1 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 (* $128 million). As of December 31, 2017 , we had approximately $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 (* $118 million).
- Tax liabilities associated with uncertain tax positions represent unrecognized tax benefits, which arise when the estimated benefit recorded in our financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. These unrecognized tax benefits relate primarily to issues common among multinational corporations. 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)	**2018**	2017	2016
Balance, beginning	**$ (6,558)**	$ (5,826)	$ (5,919)
Acquisitions [a]	**—**	10	(83)
Increases based on tax positions taken during a prior period [b]	**(192)**	(49)	(11)
Decreases based on tax positions taken during a prior period [b], [c]	**561**	28	409
Decreases based on settlements for a prior period [d]	**123**	35	126
Increases based on tax positions taken during the current period [b]	**(370)**	(753)	(489)
Impact of foreign exchange	**56**	(121)	(5)
Other, net [b], [e]	**121**	118	146
Balance, ending [f]	**$ (6,259)**	$ (6,558)	$ (5,826)

(a) For 2017 and 2016, primarily related to the acquisitions of Medivation and Anacor. See also *Note 2A* .

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

(c) Primarily related to effectively settling certain tax positions primarily with foreign tax authorities. See also *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 2018 , included in *Income taxes payable* ($11 million), *Current tax assets* ($1 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($47 million), *Noncurrent deferred tax liabilities* ($3.2 billion) and *Other taxes payable* ($3.0 billion). In 2017 , included in *Income taxes payable* ($1 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($123 million), *Noncurrent deferred tax liabilities* ($3.3 billion) and *Other taxes payable* ($3.2 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 our consolidated statements of income. In 2018 , we recorded a net increase in interest of $103 million . In 2017 , we recorded a net increase in interest of $208 million ; and in 2016 , we recorded a net increase in interest of $72 million . Gross accrued interest totaled $1.1 billion as of December 31, 2018 (reflecting a decrease of approximately $16 million as a result of cash payments) and gross accrued interest totaled $975 million as of December 31, 2017 (reflecting a decrease of approximately $4 million as a result of cash payments). In 2018 , this amount was included in *Income taxes payable* ($6 million) and *Other taxes payable* ($1.1 billion). In 2017 , this amount was included in *Other taxes payable* ($975 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 2009-2010. We are not in agreement with the RAR and are currently appealing certain disputed issues. Tax years 2011-2015 are currently under audit. Tax years 2016-2018 are open, but not under audit. All other tax years are closed.
- With respect to Hospira, the federal income tax audit of tax year 2014 through short-year 2015 was effectively settled in the second quarter of 2018. All other tax years are closed.
- With respect to Anacor and Medivation, the open tax years are not considered material to Pfizer.

In addition to the open audit years in the U.S., we have open audit years in other major tax jurisdictions, such as Canada (2013-2018), Japan (2017-2018), Europe (2011-2018, primarily reflecting Ireland, the United Kingdom, France, Italy, Spain and Germany), Latin America (1998-2018, primarily reflecting Brazil) and Puerto Rico (2011-2018).

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)

The following table provides the components of the *Tax provision/(benefit) on other comprehensive income/(loss)* :

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Foreign currency translation adjustments, net [a]	**$ 94**	$ (215)	$ (15)
Unrealized holding gains/(losses) on derivative financial instruments, net	**21**	72	(75)
Reclassification adjustments for (gains)/losses included in net income	**27**	(224)	158
Reclassification adjustments of certain tax effects from AOCI to *Retained earnings* [b]	**1**	—	—
	50	(152)	83
Unrealized holding gains/(losses) on available-for-sale securities, net	**(23)**	102	49
Reclassification adjustments for (gains)/losses included in net income	**16**	(60)	(15)
Reclassification adjustments for tax on unrealized gains from AOCI to *Retained earnings* [c]	**(45)**	—	—
	(53)	42	34
Benefit plans: actuarial losses, net	**(141)**	(59)	(535)
Reclassification adjustments related to amortization	**55**	192	186
Reclassification adjustments related to settlements, net	**33**	42	45
Reclassification adjustments of certain tax effects from AOCI to *Retained earnings* [b]	**637**	—	—
Other	**29**	(39)	36
	612	137	(269)
Benefit plans: prior service (costs)/credits and other, net	**2**	—	67
Reclassification adjustments related to amortization	**(39)**	(67)	(64)
Reclassification adjustments related to curtailments, net	**(4)**	(7)	(10)
Reclassification adjustments of certain tax effects from AOCI to *Retained earnings* [b]	**(144)**	—	—
Other	**—**	—	(1)
	(185)	(74)	(7)
Tax provision/(benefit) on other comprehensive income/(loss)	**$ 518**	$ (262)	$ (174)

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

(c) For additional information on the adoption of a new accounting standard related to financial assets and liabilities, see *Note 1B* .

Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests

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

	Net Unrealized Gain/(Losses)			Benefit Plans		
(MILLIONS OF DOLLARS)	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, 2016	$ (5,863)	$ 421	$ (227)	$ (4,733)	$ 880	$ (9,522)
Other comprehensive income/(loss) [a]	(797)	(73)	96	(740)	(1)	(1,514)
Balance, December 31, 2016	(6,659)	348	(131)	(5,473)	879	(11,036)
Other comprehensive income/(loss) [a]	1,479	(378)	532	211	(129)	1,715
Balance, December 31, 2017	(5,180)	(30)	401	(5,262)	750	(9,321)
Other comprehensive income/(loss) due to the adoption of new accounting standards [b]	**(2)**	**(1)**	**(416)**	**(637)**	**144**	**(913)**
Other comprehensive income/(loss) [a]	**(893)**	**198**	**(53)**	**(128)**	**(166)**	**(1,041)**
Balance, December 31, 2018	**$ (6,075)**	**$ 167**	**$ (68)**	**$ (6,027)**	**$ 728**	**$ (11,275)**

[a] Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of $20 million loss in 2018 , $14 million income in 2017 and $3 million loss in 2016 .

[b] Amounts represent the cumulative effect adjustments as of January 1, 2018 from the adoption of new accounting standards related to (i) financial assets and liabilities and (ii) the reclassification of certain tax effects from AOCI. For additional information, see *Note 1B.*

As of December 31, 2018 , we estimate that we will reclassify into 2019 income the following pre-tax amounts currently held in *Accumulated other comprehensive loss* : $258 million of unrealized pre-tax net gains on derivative financial instruments (which is expected to be offset primarily by net losses resulting from reclassification adjustments related to net losses related to foreign currency exchange-denominated forecasted intercompany inventory sales and available-for-sale debt securities); $242 million of actuarial losses related to benefit plan obligations and plan assets and other benefit plan items; and $186 million of prior service credits, primarily related to benefit plan amendments.

Note 7 . Financial Instruments

A. Fair Value Measurements

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

On January 1, 2018, we adopted a new accounting and disclosure standard related to accounting for the recognition of financial assets and liabilities. For additional information see *Note 1B* .

The following table presents the financial assets and liabilities measured at fair value using a market approach on a recurring basis by balance sheet categories and fair value hierarchy level as defined in *Note 1E* :

	December 31, 2018			December 31, 2017		
(MILLIONS OF DOLLARS)	Total	Level 1	Level 2	Total	Level 1	Level 2
Financial assets measured at fair value on a recurring basis:						
Short-term investments						
Classified as equity securities:						
Money market funds	**$ 1,571**	**$ —**	**$ 1,571**	$ 2,115	$ —	$ 2,115
Equity [(a)]	**29**	**17**	**11**	35	16	19
	1,600	**17**	**1,583**	2,150	16	2,134
Classified as available-for-sale debt securities:						
Government and agency—non-U.S.	**9,609**	**—**	**9,609**	12,242	—	12,242
Corporate and other	**5,482**	**—**	**5,482**	3,120	—	3,120
	15,091	**—**	**15,091**	15,362	—	15,362
Total short-term investments	**16,691**	**17**	**16,674**	17,512	16	17,496
Other current assets						
Derivative assets:						
Interest rate contracts	**97**	**—**	**97**	104	—	104
Foreign exchange contracts	**477**	**—**	**477**	234	—	234
Total other current assets	**574**	**—**	**574**	337	—	337
Long-term investments						
Classified as equity securities:						
Equity [(a)]	**1,223**	**1,193**	**30**	1,440	1,398	42
Classified as trading securities:						
Equity	**50**	**50**	**—**	73	73	—
	1,273	**1,243**	**30**	1,514	1,472	42
Classified as available-for-sale debt securities:						
Government and agency—non-U.S.	**94**	**—**	**94**	387	—	387
Corporate and other	**397**	**—**	**397**	4,702	36	4,667
	491	**—**	**491**	5,090	36	5,054
Total long-term investments	**1,764**	**1,243**	**521**	6,603	1,507	5,096
Other noncurrent assets						
Derivative assets:						
Interest rate contracts	**335**	**—**	**335**	477	—	477
Foreign exchange contracts	**232**	**—**	**232**	7	—	7
Total other noncurrent assets	**566**	**—**	**566**	484	—	484
Total assets	**$ 19,595**	**$ 1,260**	**$ 18,335**	$ 24,937	$ 1,523	$ 23,414
Financial liabilities measured at fair value on a recurring basis:						
Other current liabilities						
Derivative liabilities:						
Interest rate contracts	**$ 5**	**$ —**	**$ 5**	$ 1	$ —	$ 1
Foreign exchange contracts	**78**	**—**	**78**	201	—	201
Total other current liabilities	**82**	**—**	**82**	201	—	201
Other noncurrent liabilities						
Derivative liabilities:						

Interest rate contracts	**378**	**—**	**378**	177	—	177
Foreign exchange contracts	**564**	**—**	**564**	313	—	313
Total other noncurrent liabilities	**942**	**—**	**942**	490	—	490
Total liabilities	**$ 1,024**	**$ —**	**$ 1,024**	$ 691	$ —	$ 691

[a] As of December 31, 2018 , short-term equity securities of $11 million and long-term equity securities of $29 million are held in trust for benefits attributable to the former Pharmacia Savings Plus Plan. As of December 31, 2017 , short-term equity securities of $19 million and long-term equity securities of $42 million are held in trust for benefits attributable to the former Pharmacia Savings Plus Plan.

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

The following table presents the financial liabilities not measured at fair value on a recurring basis, including the carrying values and estimated fair values using a market approach:

	December 31, 2018			December 31, 2017		
	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	**$ 32,909**	**$ 35,260**	**$ 35,260**	$ 33,538	$ 37,253	$ 37,253

The differences between the estimated fair values and carrying values of held-to-maturity debt securities, restricted stock and private equity securities, and short-term borrowings not measured at fair value on a recurring basis were not significant as of December 31, 2018 or December 31, 2017 . The fair value measurements of our held-to-maturity debt securities and our short-term borrowings are based on Level 2 inputs. The fair value measurements of our private equity securities, which represent investments in the life sciences sector, are based on Level 3 inputs using a market approach.

In addition, as of December 31, 2018 and 2017 , we had long-term receivables whose fair value is based on Level 3 inputs. As of December 31, 2018 and 2017 , the differences between the estimated fair values and carrying values of these receivables were not significant.

Total Short-Term and Long-Term Investments

The following table represents our investments by classification type:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2018**	2017
Short-term investments		
Equity securities	**$ 1,600**	$ 2,150
Available-for-sale debt securities	**15,091**	15,362
Held-to-maturity debt securities	**1,003**	1,138
Total Short-term investments	**$ 17,694**	$ 18,650
Long-term investments		
Equity securities	**$ 1,223**	$ 1,440
Trading equity securities	**50**	73
Available-for-sale debt securities	**491**	5,090
Held-to-maturity debt securities	**59**	4
Private equity investments carried at equity-method or cost	**944**	408
Total Long-term investments	**$ 2,767**	$ 7,015
Held-to-maturity cash equivalents	**$ 199**	$ 719

Fair Value Methodology

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

- Trading debt securities—quoted market prices.
- 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 interest rate yield curves.
- Equity securities—quoted market prices and observable net asset value prices.
- Derivative assets and liabilities (financial instruments)—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data. Where applicable, these models discount future cash flow amounts using market-based observable inputs, including interest rate yield curves, and forward and spot prices for currencies. The credit risk impact to our derivative financial instruments was not significant.
- Money market funds—observable net asset value 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 LIBOR interest rates) and selectively performing test-comparisons of values with actual sales of financial instruments.

B. Investments

At December 31, 2018 and 2017, the investment securities portfolio consisted of debt securities that were virtually all investment-grade.
Information on investments in debt and equity securities at December 31, 2018 and December 31, 2017 is as follows, including, as of December 31, 2018, the contractual maturities, or as necessary, the estimated maturities, of the available-for-sale and held-to-maturity debt securities:

	December 31, 2018								December 31, 2017			
		Gross Unrealized			Maturities (in Years)					Gross Unrealized		
(MILLIONS OF DOLLARS)	Amortized Cost	Gains	Losses	Fair Value	Within 1	Over 1 to 5	Over 5	Total	Amortized Cost	Gains	Losses	Fair Value
Available-for-sale debt securities												
Government and agency — non-U.S.	**$ 9,754**	**$ 7**	**$ (58)**	**$ 9,703**	**$ 9,609**	**$ 94**	**$ —**	**$ 9,703**	$ 12,616	$ 61	$ (48)	$ 12,629
Corporate and other [a]	**5,905**	**—**	**(27)**	**5,878**	**5,482**	**394**	**3**	**5,878**	7,859	15	(52)	7,823
Held-to-maturity debt securities												
Time deposits and other	**668**	**—**	**—**	**668**	**610**	**24**	**35**	**668**	1,091	—	—	1,091
Government and agency — non-U.S.	**592**	**—**	**—**	**592**	**592**	**—**	**—**	**592**	770	—	—	770
Total debt securities	**$ 16,920**	**$ 8**	**$ (85)**	**$ 16,842**	**$ 16,293**	**$ 512**	**$ 38**	**$ 16,842**	$ 22,337	$ 77	$ (100)	$ 22,313
Available-for-sale equity securities [b]												
Money market funds									$ 2,115	$ —	$ —	$ 2,115
Equity									728	586	(124)	1,190
Total available-for-sale equity securities									$ 2,843	$ 586	$ (124)	$ 3,304

[a] Primarily issued by a diverse group of corporations.
[b] Upon the 2018 adoption of a new accounting standard related to financial assets and liabilities, available-for-sale equity securities were classified as equity securities. For additional information see *Note 1B* .

The following table presents the net unrealized gains and losses for the period that relate to equity securities still held at the reporting date, calculated as follows:

(MILLIONS OF DOLLARS)	December 31, 2018
Net gains recognized during the period on investments in equity securities [a]	**$ 586**
Less: Net gains recognized during the period on equity securities sold during the period	**(109)**
Net unrealized gains during the reporting period on equity securities still held at the reporting date	**$ 477**

[a] The net gains on investments in equity securities are reported in *Other (income)/deductions — net* and, for 2018 , include unrealized net gains on equity securities reflecting the adoption of a new accounting standard in the first quarter of 2018. For additional information, see *Note 4* .

C. Short-Term Borrowings

Short-term borrowings include:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2018**	2017
Commercial paper	**$ 3,100**	$ 6,100
Current portion of long-term debt, principal amount [a]	**4,781**	3,532
Other short-term borrowings, principal amount [b]	**966**	320
Total short-term borrowings, principal amount	**8,847**	9,951
Net fair value adjustments related to hedging and purchase accounting	**(5)**	14
Net unamortized discounts, premiums and debt issuance costs	**(11)**	(12)
Total *Short-term borrowings, including current portion of long-term debt* , carried at historical proceeds, as adjusted	**$ 8,831**	$ 9,953

[a] For additional information, see *Note 7D* .
[b] Other short-term borrowings primarily include cash collateral. For additional information, see *Note 7F* .

The weighted-average effective interest rate on commercial paper outstanding was approximately 2.42% as of December 31, 2018 and 1.36% as of December 31, 2017 .

On June 24, 2016, we acquired Anacor and assumed its short-term debt with an acquisition date fair value of $698 million , which was redeemed in the second and third quarters of 2016.

As of December 31, 2018 , we had access to a $7.0 billion U.S. revolving credit facility expiring in 2023, which may be used to support our commercial paper borrowings. In addition to the U.S. revolving credit facility, our lenders have provided us an additional $553 million lines of credit, of which $502 million expire within one year. Of these total lines of credit, $7.5 billion were unused as of December 31, 2018.

D. Long-Term Debt

New Issuances

In 2018, we issued the following senior unsecured notes:

(MILLIONS OF DOLLARS)

Maturity Date	Interest Rate	Principal
September 2021	3.000% notes [(a)]	$ 1,000
September 2023	Floating rate notes (LIBOR plus 0.33%) [(b)]	300
September 2023	3.200% notes [(a)]	1,000
September 2028	3.600% notes [(a)]	1,000
September 2038	4.100% notes [(a)]	700
September 2048	4.200% notes [(a)]	1,000
Total long-term debt issued [(c)]		$ 5,000

[(a)] Fixed rate notes may be redeemed by us at any time, in whole, or in part, at varying redemption prices plus accrued and unpaid interest.
[(b)] Floating rate notes may not be redeemed by their terms prior to maturity.
[(c)] The weighted-average effective interest rate for the notes at issuance was 3.56% .

In March 2017, we completed a public offering of $1.065 billion principal amount of senior unsecured notes due 2047 with an interest rate of 4.20% , and also in March 2017, we completed a public offering of € 4.0 billion principal amount of senior unsecured notes with a weighted-average effective interest rate of 0.23% .

On November 21, 2016, we completed a public offering of $6.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 3.10% .

On June 3, 2016, we completed a public offering of $5.0 billion aggregate principal amount of senior unsecured notes with a weighted-average effective interest rate of 2.09% .

Retirements

In January 2019, we repurchased all €1.1 billion principal amount outstanding of the 5.75% euro-denominated debt that was due June 2021 before the maturity date at a redemption value of €1.3 billion . As a result, we recorded a net loss of approximately $138 million , which included the related termination of cross-currency swaps, and that was recorded in *Other (income)/deductions—net* in the consolidated statement of income in the first quarter of 2019.

In December 2017, we exchanged approximately £833 million and repurchased £197 million principal amount of the outstanding 6.50% debt before the maturity date at a redemption value of £1.7 billion , leaving £470 million principal amount of the 6.50% debt due 2038 outstanding. Also, in December 2017, we repurchased approximately €834 million principal amount of the outstanding 5.75% debt before the maturity date at a redemption value of €1.0 billion , leaving approximately €1.2 billion of the 5.75% euro-denominated debt due 2021 outstanding as of December 31, 2017. As a result, we recorded a net loss of approximately $846 million and $153 million upon the exchange and early retirement of the U.K. pound-denominated debt and the early retirement of the euro-denominated debt, respectively, for a net loss on early retirement of debt of $999 million . which included the related termination of cross-currency swaps, and that were recorded in *Other (income)/deductions—net* in the consolidated statement of income (see *Note 4*).

In November 2016, we repurchased $3.4 billion carrying value of outstanding debt before the maturity date at a redemption value of $3.7 billion . The debt repurchased included $3.27 billion carrying value of 6.20% senior notes due March 2019. As a result, we recorded a total net loss of approximately $312 million upon the early redemption of debt, which included the related termination of interest rate swaps, and which was recorded in *Other (income)/deductions—net* in the consolidated statement of income (see *Note 4*).

The following table provides the components of our senior unsecured long-term debt, including the weighted-average stated interest rate for 2018 and 2017 by maturity:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2018**	2017
Notes due 2019 (1.3%) [(a)]	**$ —**	$ 4,848
Notes due 2020 (1.2% and 1.1%)	**1,474**	1,528
Notes due 2021 (3.4% and 3.5%)	**4,459**	3,550
Notes due 2022 (0.3%)	**1,145**	1,199
Notes due 2023 (3.6% and 4.3%)	**2,892**	1,592
Notes due 2024 (4.4%)	**1,500**	1,500
Notes due 2026-2028 (3.3% and 3.2%)	**5,718**	4,759
Notes due 2034 (6.5%)	**750**	750
Notes due 2036-2039 (6.0% and 6.2%)	**7,301**	6,636
Notes due 2040-2044 (3.8%)	**4,004**	4,106
Notes due 2046-2048 (4.2%)	**3,315**	2,315
Total long-term debt, principal amount	**32,558**	32,783
Net fair value adjustments related to hedging and purchase accounting	**479**	872
Net unamortized discounts, premiums and debt issuance costs	**(136)**	(125)
Other long-term debt	**7**	8
Total long-term debt, carried at historical proceeds, as adjusted	**$ 32,909**	$ 33,538
Current portion of long-term debt, carried at historical proceeds (not included above (1.3% and 2.4%))	**$ 4,776**	$ 3,546

[(a)] At December 31, 2018, the debt issuances have been reclassified to the current portion of long-term debt.

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

E. Other Noncurrent Liabilities

Mylotarg (gemtuzumab ozogamicin)

In April 2018, the EU approved Mylotarg for the treatment of acute myeloid leukemia. In connection with the EU approval, we incurred an obligation to make guaranteed fixed annual payments over a ten -year period aggregating $301 million related to an R&D arrangement. We recorded the estimated net present value of $240 million as a liability and an intangible asset in *Developed technology rights* as of the approval date. In June 2018, we entered into a transaction with the obligee to buyout the remaining liability for the fixed annual payments for a lump sum payment of $224 million . As a result of the buyout transaction, the liability was extinguished and we recognized a non-cash $17 million pre-tax gain in *Other (income)/deductions—net* in the second quarter of 2018 (see *Note 4*).

Bosulif (bosutinib)

In December 2017, the U.S. FDA approved Bosulif for the treatment of patients with newly-diagnosed chronic-phase Ph+ CML. In connection with the U.S. approval, we incurred an obligation to make guaranteed fixed annual payments over a ten -year period aggregating $416 million related to an R&D arrangement. We recorded the estimated net present value of $364 million as of the approval date as an intangible asset in *Developed technology rights* . In August 2018, we entered into a transaction with the obligee to buyout a portion of the remaining liability for the fixed annual payments for a lump sum payment of $71 million . As a result of the buyout transaction, the liability was reduced and we recognized a non-cash $9 million pre-tax gain in *Other (income)/deductions—net* in the third quarter of 2018 . The present value of the remaining future payments as of December 31, 2018 is $209 million , of which $23 million is recorded in *Other current liabilities* and $186 million is recorded in *Other noncurrent liabilities* .

Besponsa (inotuzumab ozogamicin)

In August 2017, the U.S. FDA approved Besponsa and in June 2017, the EU approved Besponsa as monotherapy for the treatment of adults with relapsed or refractory CD22-positive B-cell precursor acute lymphoblastic leukemia. In connection with the U.S. approval, we incurred an obligation to make guaranteed fixed annual payments over a nine -year period aggregating $296 million related to an R&D arrangement. We recorded the estimated net present value of $248 million as of the approval date as an intangible asset in *Developed technology rights* . The present value of the remaining future payments as of December 31, 2018 is $243 million , of which $7 million is recorded in *Other current liabilities* and $235 million is recorded in *Other noncurrent liabilities* . In connection with the EU approval, we incurred an obligation to make guaranteed fixed annual payments over a nine -year period aggregating $148 million related to an R&D arrangement. We recorded the estimated net present value of $123 million as of the approval date as an intangible asset in *Developed technology rights* . The present value of the remaining future payments as of December 31, 2018 is $122 million , of which $3 million is recorded in *Other current liabilities* and $119 million is recorded in *Other noncurrent liabilities* .

The differences between the estimated fair values, using a market approach in the Level 2 fair value hierarchy, and carrying values of these obligations were not significant as of December 31, 2018 .

F . Derivative Financial Instruments and Hedging Activities

We adopted a new accounting standard in the first quarter of 2018, as of January 2018. For additional information, see *Note 1B.*

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, 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. We also manage our foreign exchange risk, depending on market conditions, through fair value, cash flow, and net investment hedging programs through the use of derivative financial instruments and foreign currency debt. These financial instruments serve to protect net income against the impact of remeasurement into another currency, or against the impact of translation into U.S. dollars of certain foreign exchange-denominated transactions.

All derivative financial instruments used to manage foreign currency risk are measured at fair value and are reported as assets or liabilities on the consolidated balance sheet. The derivative financial instruments primarily hedge or offset exposures in the euro, U.K. pound, Japanese yen, Swedish krona and Chinese Renminbi . 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) and the effectiveness of the hedge relationships, 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 risk. Upon the adoption of the new standard in 2018, for certain foreign exchange contracts, we exclude an amount from the assessment of hedge effectiveness and recognize that excluded amount through an amortization approach. 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, as appropriate, into earnings in the same period or periods during which the hedged transaction affects earnings. Upon the adoption of the new standard in 2018, for certain foreign exchange contracts, we exclude an amount from the assessment of hedge effectiveness and recognize that excluded amount through an amortization approach.
- Upon the adoption of the new standard in 2018, for foreign exchange contracts, we exclude an amount from the assessment of hedge effectiveness and recognize that excluded amount through an amortization approach. We record in *Other comprehensive income/(loss)* the foreign exchange gains and losses related to foreign exchange-denominated debt 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. Historically, as part of our net investment hedging program, we recognized the gain and loss impact on foreign exchange contracts designated as hedges of our net investments in earnings in three ways: over time — for the periodic net swap payments; immediately — to the extent of any change in the difference between the foreign exchange spot rate and forward rate; and upon sale or substantial liquidation of our net investments — to the extent of change in the foreign exchange spot rates.
- For certain foreign exchange contracts not designated as hedging instruments, we recognize the gains and losses on foreign currency exchange contracts that are used to offset the same 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.

As a part of our cash flow hedging program, we designate foreign exchange contracts to hedge a portion of our forecasted euro, Japanese yen, Chinese renminbi, Canadian dollar, U.K. pound and Australian dollar -denominated intercompany inventory sales expected to occur no more than two years from the date of each hedge.

For 2017, any ineffectiveness is recognized immediately into earnings. There is no significant ineffectiveness for 2017.

Interest Rate Risk

Our interest-bearing investments and borrowings are subject to interest rate risk. 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. We currently borrow primarily on a long-term, fixed-rate basis. Historically, we strove to borrow primarily on a floating-rate basis; but in recent years we borrowed 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. We entered into derivative financial instruments to hedge or offset the fixed interest rates on the hedged item, matching the amount and timing of the hedged item. The derivative financial instruments primarily hedge U.S. dollar fixed-rate debt.

All derivative contracts used to manage interest rate risk are measured at fair value and reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings, as follows:

- 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 of fixed-rate debt attributable to the hedged risk in earnings.

For 2017, any ineffectiveness is recognized immediately into earnings. There is no significant ineffectiveness for 2017.

The following table provides the fair value of the derivative financial instruments and the related notional amounts presented between those derivatives that are designated as hedging instruments and those that are not designated as hedging instruments:

(MILLIONS OF DOLLARS)	December 31, 2018			December 31, 2017		
		Fair Value			Fair Value	
	Notional	Asset	Liability	Notional	Asset	Liability
Derivatives designated as hedging instruments:						
Foreign exchange contracts [a]	**$ 22,984**	**$ 654**	**$ 586**	$ 18,723	$ 179	$ 459
Interest rate contracts	**11,145**	**432**	**383**	12,430	581	178
		1,085	**968**		760	637
Derivatives not designated as hedging instruments:						
Foreign exchange contracts	**$ 15,154**	**55**	**55**	$ 14,300	62	54
Total		**$ 1,140**	**$ 1,024**		$ 822	$ 691

[a] As of December 31, 2018 , the notional amount of outstanding foreign currency forward-exchange contracts hedging our intercompany forecasted inventory sales was $5.8 billion .

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

	Amount of Gains/(Losses) Recognized in OID [a], [b]		Amount of Gains/(Losses) Recognized in OCI [a], [c]		Amount of Gains/(Losses) Reclassified from OCI into OID and COS [a], [c]	
	As of December 31,					
(MILLIONS OF DOLLARS)	**2018**	2017	**2018**	2017	**2018**	2017
Derivative Financial Instruments in Cash Flow Hedge Relationships:						
Foreign exchange contracts [d]	**$ —**	$ (6)	**$ 80**	$ (12)	**$ (182)**	$ 520
Amount excluded from effectiveness testing recognized in earnings based on an amortization approach	**—**		**140**		**153**	
Derivative Financial Instruments in Fair Value Hedge Relationships:						
Interest rate contracts	**(348)**	(60)	**—**	—	**—**	—
Hedged item gain	**348**	60	**—**	—	**—**	—
Foreign exchange contracts	**5**	(19)	**—**	—	**—**	—
Hedged item gain/(loss)	**(5)**	19	**—**	—	**—**	—
Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign exchange contracts	**—**	—	**175**	—	**—**	—
The portion of gains/(losses) on foreign exchange contracts excluded from the assessment of hedge effectiveness	**—**		**77**		**68**	
Non-Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency short-term borrowings	**—**	—	**68**	—	**—**	—
Foreign currency long-term debt [e]	**—**	—	**149**	(580)	**—**	—
Derivative Financial Instruments Not Designated as Hedges:						
Foreign exchange contracts	**136**	(87)	**—**	—	**—**	—
All other net	**—**	—	**(1)**	2	**2**	1
	$ 136	$ (93)	**$ 688**	$ (591)	**$ 41**	$ 520

[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] For 2017, there is no significant ineffectiveness.

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

[d] Based on year-end foreign exchange rates that are subject to change, we expect to reclassify a pre-tax gain of $156 million within the next 12 months into *Cost of sales.* 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.

[e] Short-term borrowings include foreign currency short-term borrowings with carrying values of $1.4 billion as of December 31, 2018 , which are used as hedging instruments in net investment hedges. Long-term debt includes foreign currency long-term borrowings with carrying values of $3.2 billion as of December 31, 2018 , which are used as hedging instruments in net investment hedges.

The following table provides the total amount of each income and expense line in which the results of fair value or cash flow hedges are recorded:

(MILLIONS OF DOLLARS)	December 31, 2018
Cost of sales	**$ 11,248**
Other (income)/deductions—net	**2,116**

The following table provides the amounts recorded in our consolidated balance sheet related to cumulative basis adjustments for fair value hedges:

	Carrying Amount of Hedged Assets/Liabilities	Cumulative Amount of Fair Value Hedging Adjustment Gains/(Losses) Included in the Carrying Amount of the Hedged Assets/Liabilities
(MILLIONS OF DOLLARS)	December 31, 2018	December 31, 2018
Long-term investments	**$ 45**	**$ (1)**
Short-term borrowings, including current portion of long-term debt	**1,499**	**5**
Long-term debt	**9,952**	**45**

Certain of our derivative instruments are covered by associated credit-support agreements that have credit-risk-related contingent features designed to reduce both counterparties' exposure to risk of defaulting on amounts owed by the other party. As of December 31, 2018 , the aggregate fair value of these derivative instruments that are in a net liability position was $472 million , for which we have posted collateral of $544 million in the normal course of business. If there had been a downgrade to below an A rating by S&P or the equivalent rating by Moody's, we would not have been required to post any additional collateral to our counterparties.

As of December 31, 2018 , we received cash collateral of $881 million from various counterparties. The collateral primarily supports the approximate fair value of our derivative contracts. With respect to the collateral received, the obligations are reported in *Short-term borrowings, including current portion of long-term debt.*

G. Credit Risk

On an ongoing basis, we review the creditworthiness of counterparties to our foreign exchange and interest rate agreements and do not expect to incur a significant loss from failure of any counterparties to perform under the agreements. There are no significant concentrations of credit risk related to our financial instruments with any individual counterparty, except for certain significant customers. For additional information, see *Note 18C* . As of December 31, 2018 , we had amounts due from a well-diversified, high quality group of banks ($4.4 billion) from around the world. For details about our investments, see *Note 7B* above .

In general, there is no requirement for collateral from customers. However, derivative financial instruments are executed under credit-support agreements that provide for the ability to request to receive cash collateral, depending on levels of exposure, our credit rating and the credit rating of the counterparty, see *Note 7F* above.

Note 8. Inventories

The following table provides the components of *Inventories* :

	As of December 31,	
(MILLIONS OF DOLLARS)	**2018**	2017
Finished goods	**$ 2,262**	$ 2,883
Work in process	**4,701**	3,908
Raw materials and supplies	**546**	788
Inventories [(a)]	**$ 7,508**	$ 7,578
Noncurrent inventories not included above [(b)]	**$ 618**	$ 683

[(a)] The change from December 31, 2017 primarily reflects the reclassification of $538 million to *Assets held for sale* during the fourth quarter of 2018 (see *Note 2C)* and a decrease due to foreign exchange, partially offset by increases for certain products to meet targeted levels in the normal course of business, primarily for inventory build for supply recovery, new product launches and the movement of products within our manufacturing network.

[(b)] Included in *Other noncurrent assets* . There are no recoverability issues associated with these amounts.

Note 9 . Property, Plant and Equipment

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

(MILLIONS OF DOLLARS)	Useful Lives (Years)	As of December 31, 2018	2017
Land	-	**$ 500**	$ 540
Buildings	33-50	**9,920**	10,254
Machinery and equipment	8-20	**11,871**	11,902
Furniture, fixtures and other	3-12 1/2	**4,693**	4,661
Construction in progress	-	**2,992**	2,680
		29,977	30,037
Less: Accumulated depreciation		**16,591**	16,172
Property, plant and equipment [a]		**$ 13,385**	$ 13,865

[a] The decrease in total property, plant and equipment is primarily due to depreciation, the reclassification of $675 million to *Assets held for sale* during the fourth quarter of 2018 (see *Note 2C*), reductions due to asset impairments largely associated with cost reduction initiatives not associated with acquisitions (see *Note 3*), and the impact of foreign exchange, partially offset by capital additions.

Note 10. Identifiable Intangible Assets and Goodwill

A. Identifiable Intangible Assets

Balance Sheet Information

The following table provides the components of *Identifiable intangible assets* :

(MILLIONS OF DOLLARS)	December 31, 2018 Gross Carrying Amount	December 31, 2018 Accumulated Amortization	December 31, 2018 Identifiable Intangible Assets, less Accumulated Amortization	December 31, 2017 Gross Carrying Amount	December 31, 2017 Accumulated Amortization	December 31, 2017 Identifiable Intangible Assets, less Accumulated Amortization
Finite-lived intangible assets						
Developed technology rights [a]	**$ 89,430**	**$ (58,895)**	**$ 30,535**	$ 89,550	$ (54,785)	$ 34,765
Brands [a]	**923**	**(708)**	**215**	2,134	(1,152)	982
Licensing agreements and other	**1,436**	**(1,140)**	**296**	1,911	(1,096)	815
	91,788	**(60,743)**	**31,045**	93,595	(57,033)	36,562
Indefinite-lived intangible assets						
Brands and other [a]	**1,994**		**1,994**	6,929		6,929
IPR&D [a]	**2,171**		**2,171**	5,249		5,249
	4,165		**4,165**	12,179		12,179
Identifiable intangible assets [b]	**$ 95,954**	**$ (60,743)**	**$ 35,211**	$ 105,774	$ (57,033)	$ 48,741

[a] The changes in the gross carrying amount of *Developed technology rights, Brands, Brands and other* and *IPR&D* primarily reflect (i) the reclassification of $6.1 billion of *Brands* and *Brands and other* to *Assets held for sale* during the fourth quarter of 2018 (see *Note 2C*), (ii) the transfer of $2.7 billion from *IPR&D* to *Developed technology rights* to reflect the approval of Xtandi in the U.S. for the treatment of men with non-metastatic castration-resistant prostate cancer, which is being developed through a collaboration with Astellas (see *Note 2A*), (iii) $240 million of *Developed technology rights* recorded in connection with the EU approval of Mylotarg (see *Note 7E*), as well as impairments of $ 2.9 billion of *Developed technology rights* (*see Note 4)* .

[b] The decrease in *I dentifiable intangible assets, less accumulated amortization* , is primarily due to the reclassification of $5.8 billion of intangible assets, net, ($6.3 billion total gross carrying amount) to *Assets held for sale* during the fourth quarter of 2018 (see *Note 2C*) and amortization and impairments, partially offset by additions, mainly consisting of $240 million of *Developed technology rights* recorded in connection with the EU approval of Mylotarg (see *Note 7E*).

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

	December 31, 2018 IH	EH	WRD
Developed technology rights	**76%**	**24%**	**—**
Brands, finite-lived	**—**	**100%**	**—**
Brands, indefinite-lived	**—**	**100%**	**—**
IPR&D	**65%**	**18%**	**17%**

Developed Technology Rights

Developed technology rights represent the amortized cost associated with developed technology, which has been acquired from third parties and which 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 the commercialized products included in our biopharmaceutical businesses. The more significant components of developed technology rights are the following (in order of significance): Xtandi, Prevnar 13/Prevenar 13 Infant, Eucrisa, Premarin, Prevnar 13/Prevenar 13 Adult, Enbrel and, to a lesser extent Tygacil, Pristiq, Refacto AF 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 amortized or unamortized cost associated with tradenames and know-how, as the products themselves do not receive patent protection. The more significant components of indefinite-lived brands are the following (in order of significance): Xanax, Medrol and Depo-Medrol. The more significant components of finite-lived brands are the following (in order of significance): Depo-Provera and Zavedos.

IPR&D

IPR&D assets represent R&D assets that have not yet received regulatory approval in a major market. A significant component of IPR&D at December 31, 2018 is the program for the oral PARP inhibitor for the treatment of patients with germline BRCA-mutated advanced breast cancer acquired as part of the Medivation 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 will not be 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 the asset 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.

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

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 $5.0 billion in 2018 , $4.8 billion in 2017 and $4.1 billion in 2016 .

The following table provides the annual amortization expense expected for the years 2019 through 2023:

(MILLIONS OF DOLLARS)	2019	2020	2021	2022	2023
Amortization expense	$ 4,581	$ 3,552	$ 3,467	$ 3,217	$ 2,920

B. Goodwill

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

(MILLIONS OF DOLLARS)	IH	EH	Total
Balance, January 1, 2017	$ 30,134	$ 24,315	$ 54,449
Additions [a]	572	92	664
Other [b]	435	404	840
Balance, December 31, 2017	31,141	24,811	55,952
Other [c]	**(2,264)**	**(277)**	**(2,541)**
Balance, December 31, 2018	**$ 28,877**	**$ 24,534**	**$ 53,411**

[a] IH additions primarily represent measurement period adjustments related to our Medivation acquisition, and EH additions relate to our acquisition of AstraZeneca's small molecule anti-infectives business (see *Note 2A*).
[b] Primarily reflects the impact of foreign exchange and an adjustment of our estimate of goodwill associated with the HIS net assets sold.
[c] Primarily reflects the impact of the reclassification of $ 2.0 billion to *Assets held for sale* during the fourth quarter of 2018 (see *Note 2C),* foreign exchange and the contribution of the allogeneic CAR T developmental program assets and operations to Allogene that constituted a business for accounting purposes (see *Note 2B*).

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 Loss

The following table provides the annual (income)/cost and changes in *Other comprehensive income/(loss)* for our benefit plans:

	Year Ended December 31,											
	Pension Plans									Postretirement Plans		
	U.S. Qualified [a]			U.S. Supplemental (Non-Qualified)			International					
(MILLIONS OF DOLLARS)	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Service cost [b]	**$ —**	$ 269	$ 257	**$ —**	$ 24	$ 18	**$ 136**	$ 171	$ 165	**$ 39**	$ 42	$ 41
Interest cost	**598**	634	646	**55**	54	53	**212**	204	233	**72**	90	101
Expected return on plan assets	**(1,040)**	(1,005)	(958)	**—**	—	—	**(360)**	(345)	(381)	**(37)**	(36)	(34)
Amortization of:												
Actuarial losses [b]	**120**	393	395	**13**	50	37	**101**	116	93	**7**	31	32
Prior service cost/(credits)	**2**	3	5	**(1)**	(1)	(1)	**(4)**	(4)	(3)	**(178)**	(182)	(174)
Curtailments	**12**	13	10	**1**	1	1	**(4)**	—	(2)	**(17)**	(19)	(26)
Settlements	**113**	75	90	**26**	39	28	**4**	4	9	**—**	—	—
Special termination benefits	**6**	—	—	**10**	—	—	**—**	1	1	**2**	—	—
Net periodic benefit costs/(income) reported in *Income* [c]	**(189)**	382	444	**103**	166	137	**84**	147	115	**(111)**	(75)	(59)
(Income)/cost reported in *Other comprehensive income/(loss)* [d]	**361**	141	253	**(189)**	23	121	**84**	(301)	640	**105**	(8)	3
(Income)/cost recognized in *Comprehensive income*	**$ 171**	$ 523	$ 697	**$ (86)**	$ 189	$ 258	**$ 168**	$ (154)	$ 755	**$ (6)**	$ (83)	$ (56)

[a] In the second quarter of 2017, we settled the remaining obligation associated with the Hospira U.S. qualified defined benefit pension plan. We purchased a group annuity contract on behalf of the remaining plan participants with a third-party insurance provider. As a result, we were relieved of the $156 million net pension benefit obligation and recorded a pretax settlement gain of $41 million , partially offset by the recognition of actuarial losses and prior service costs upon plan settlement of approximately $30 million in *Other (income)/deductions — net* (see *Note 3*).

[b] Effective January 1, 2018, we froze two significant defined benefit pension plans to future benefit accruals in the U.S. and U.K. and as a result, service costs for those plans are eliminated. In addition, due to the plan freeze, the average amortization period for the U.S. qualified plans and U.S. supplemental (non-qualified) plans was extended to the expected life expectancy of the plan participants, whereas the average amortization period in prior years utilized the expected future service period of plan participants.

[c] We adopted a new accounting standard on January 1, 2018 that requires the net periodic pension and postretirement benefit costs other than service costs be presented in *Other (income)/deductions—net* on the consolidated statements of income. For additional information, see *Note 1B* and *Note 4* .

[d] In 2017 and 2016, the changes to *Other comprehensive (income)/loss* for the international plans was impacted by foreign currency movements. For details of the changes in *Other comprehensive (income)/loss,* see the benefit plan activity in the consolidated statements of comprehensive income.

The following table provides the amounts in *Accumulated other comprehensive loss* expected to be amortized into 2019 net periodic benefit costs:

	Pension Plans			
(MILLIONS OF DOLLARS)	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Actuarial losses [a]	$ (148)	$ (9)	$ (81)	$ (4)
Prior service credits and other	3	1	3	178
Total	$ (145)	$ (9)	$ (78)	$ 175

[a] Due to the U.S. Pfizer Consolidated Pension Plan freeze effective for January 1, 2018, the average amortization period for the U.S. qualified plans and U.S. supplemental (non-qualified) plans reflect the expected life expectancy of the plan participants, whereas prior years utilized the expected future service period of plan participants. The average amortization periods to be utilized for 2019 are 24.2 years for our U.S. qualified plans, 25.3 years for our U.S. supplemental (non-qualified) plans, 20 years for our international plans, and 9.3 years for our postretirement plans.

B. Actuarial Assumptions

The following table provides the weighted-average actuarial assumptions of our benefit plans:

(PERCENTAGES)	**2018**	2017	2016
Weighted-average assumptions used to determine benefit obligations			
Discount rate:			
U.S. qualified pension plans	**4.4%**	3.8%	4.3%
U.S. non-qualified pension plans	**4.3%**	3.7%	4.2%
International pension plans	**2.5%**	2.3%	2.4%
Postretirement plans	**4.3%**	3.7%	4.2%
Rate of compensation increase:			
U.S. qualified pension plans [(a)]	**—**	2.8%	2.8%
U.S. non-qualified pension plans [(a)]	**—**	2.8%	2.8%
International pension plans	**1.4%**	2.5%	2.6%
Weighted-average assumptions used to determine net periodic benefit cost			
Discount rate:			
U.S. qualified pension plans	**3.8%**	4.3%	4.5%
U.S. non-qualified pension plans	**3.7%**	4.2%	4.5%
International pension plans interest cost [(b)]	**2.0%**	2.1%	2.7%
International pension plans service cost [(b)]	**2.3%**	2.3%	3.0%
Postretirement plans	**3.7%**	4.2%	4.5%
Expected return on plan assets:			
U.S. qualified pension plans	**7.5%**	8.0%	8.0%
International pension plans	**4.4%**	4.7%	5.2%
Postretirement plans	**7.5%**	8.0%	8.0%
Rate of compensation increase:			
U.S. qualified pension plans	**2.8%**	2.8%	2.8%
U.S. non-qualified pension plans	**2.8%**	2.8%	2.8%
International pension plans	**2.5%**	2.6%	2.6%

[(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.
[(b)] Effective January 1, 2016, the Company changed the approach used to measure service cost and interest costs for certain international pension plans and other postretirement benefits. In accordance with this change, the effective rate for interest on the benefit obligations and effective rate for service cost, respectively, are reported for international pension plans.

The assumptions above are used to develop the benefit obligations at fiscal year-end and to develop the net periodic benefit cost for the subsequent fiscal year. Therefore, the assumptions used to determine net periodic benefit cost for each year are established at the end of each previous fiscal year, while the assumptions used to determine benefit obligations are established at each fiscal year-end.

The net periodic benefit cost and the benefit obligations are based on actuarial assumptions that 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 2018 resulted in higher discount rates as compared to the prior year.

The following table provides the healthcare cost trend rate assumptions for our U.S. postretirement benefit plans:

	2018	2017
Healthcare cost trend rate assumed for next year (up to age 65)	**5.8%**	6.1%
Healthcare cost trend rate assumed for next year (age 65 and older)	**6.5%**	7.0%
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

The following table provides the effects as of December 31, 2018 of a one-percentage-point increase or decrease in the healthcare cost trend rate assumed for postretirement benefits:

(MILLIONS OF DOLLARS)	Increase	Decrease
Effect on total service and interest cost components	**$ 3**	**$ (2)**
Effect on postretirement benefit obligation	**35**	**(27)**

Actuarial and other assumptions for pension and postretirement plans can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For a description of the risks associated with estimates and assumptions, see *Note 1C* .

C. Obligations and Funded Status

The following table provides an analysis of the changes in our benefit obligations, plan assets and funded status of our benefit plans:

	Year Ended December 31,							
	Pension Plans							
	U.S. Qualified [a]		U.S. Supplemental (Non-Qualified)		International [b]		Postretirement Plans [c]	
(MILLIONS OF DOLLARS)	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Change in benefit obligation [d]								
Benefit obligation, beginning	**$ 16,702**	$ 15,547	**$ 1,495**	$ 1,450	**$ 10,607**	$ 9,691	**$ 2,028**	$ 2,254
Service cost	**—**	269	**—**	24	**136**	171	**39**	42
Interest cost	**598**	634	**55**	54	**212**	204	**72**	90
Employee contributions	**—**	—	**—**	—	**7**	6	**102**	94
Plan amendments	**(22)**	—	**—**	—	**29**	2	**2**	—
Changes in actuarial assumptions and other	**(1,219)**	1,614	**(152)**	110	**(169)**	135	**(122)**	(177)
Foreign exchange impact	**—**	—	**—**	—	**(457)**	760	**(4)**	5
Acquisitions/divestitures/other, net	**—**	—	**—**	—	**(2)**	26	**—**	1
Curtailments	**11**	11	**1**	—	**(3)**	—	**(1)**	1
Settlements	**(391)**	(842)	**(72)**	(98)	**(34)**	(31)	**—**	—
Special termination benefits	**6**	—	**10**	—	**—**	1	**2**	—
Benefits paid	**(546)**	(530)	**(58)**	(45)	**(373)**	(357)	**(249)**	(280)
Benefit obligation, ending [d]	**15,141**	16,702	**1,280**	1,495	**9,952**	10,607	**1,870**	2,028
Change in plan assets								
Fair value of plan assets, beginning	**14,284**	12,556	**—**	—	**8,863**	7,683	**494**	458
Actual gain/(loss) on plan assets	**(796)**	2,005	**—**	—	**(77)**	811	**(22)**	39
Company contributions	**500**	1,095	**129**	143	**209**	160	**145**	183
Employee contributions	**—**	—	**—**	—	**7**	6	**102**	94
Foreign exchange impact	**—**	—	**—**	—	**(380)**	561	**—**	—
Acquisitions/divestitures, net	**—**	—	**—**	—	**—**	30	**—**	—
Settlements	**(391)**	(842)	**(72)**	(98)	**(34)**	(31)	**—**	—
Benefits paid	**(546)**	(530)	**(58)**	(45)	**(373)**	(357)	**(249)**	(280)
Fair value of plan assets, ending	**13,051**	14,284	**—**	—	**8,215**	8,863	**469**	494
Funded status—Plan assets less than benefit obligation	**$ (2,089)**	$ (2,418)	**$ (1,280)**	$ (1,495)	**$ (1,738)**	$ (1,745)	**$ (1,401)**	$ (1,534)

[a] The favorable change in the funded status of our U.S. qualified plans was primarily due to an increase in the discount rate at the end of 2018, partially offset by a decrease in actual return on plan assets.
[b] The favorable change in the international plans' funded status was primarily due to favorable currency movements, partially offset by a decrease in the actual return on plan assets.
[c] The favorable change in the funded status of our postretirement plans was primarily due to an increase in the discount rate at the end of 2018, partially offset by a decrease in actual return on plan assets.
[d] For the U.S. and international pension plans, the benefit obligation is the PBO. For the postretirement plans, the benefit obligation is the ABO. The ABO for all of our U.S. qualified pension plans was $15.1 billion in 2018 and $16.7 billion in 2017 . The ABO for our U.S. supplemental (non-qualified) pension plans was $1.3 billion in 2018 and $1.5 billion in 2017 . The ABO for our international pension plans was $9.5 billion in 2018 and $10.1 billion in 2017 .

The following table provides information as to how the funded status is recognized in our consolidated balance sheets:

	As of December 31,							
	Pension Plans							
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
(MILLIONS OF DOLLARS)	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Noncurrent assets [a]	**$ —**	$ —	**$ —**	$ —	**$ 401**	$ 454	**$ —**	$ —
Current liabilities [b]	**(1)**	—	**(167)**	(160)	**(28)**	(26)	**(29)**	(31)
Noncurrent liabilities [c]	**(2,088)**	(2,418)	**(1,113)**	(1,336)	**(2,111)**	(2,172)	**(1,371)**	(1,504)
Funded status	**$ (2,089)**	$ (2,418)	**$ (1,280)**	$ (1,495)	**$ (1,738)**	$ (1,745)	**$ (1,401)**	$ (1,534)

[a] Included primarily in *Other noncurrent assets* .
[b] Included in *Accrued compensation and related items* .
[c] Included in *Pension benefit obligations, net* and *Postretirement benefit obligations* , *net,* as appropriate.

The following table provides the pre-tax components of cumulative amounts recognized in *Accumulated other comprehensive loss* :

	As of December 31,							
	Pension Plans							
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
(MILLIONS OF DOLLARS)	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Actuarial losses [a]	**$ (5,061)**	$ (4,677)	**$ (370)**	$ (561)	**$ (2,372)**	$ (2,322)	**$ (202)**	$ (293)
Prior service (costs)/credits	**1**	(23)	**1**	1	**—**	34	**994**	1,190
Total	**$ (5,060)**	$ (4,699)	**$ (370)**	$ (559)	**$ (2,372)**	$ (2,288)	**$ 792**	$ 897

[a] The accumulated actuarial losses 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 expected life expectancy of plan participants for frozen plans, using the corridor approach.

The following table provides information related to the funded status of selected benefit plans:

	As of December 31,					
	Pension Plans					
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International	
(MILLIONS OF DOLLARS)	**2018**	2017	**2018**	2017	**2018**	2017
Pension plans with an ABO in excess of plan assets:						
Fair value of plan assets	**$ 13,051**	$ 14,284	**$ —**	$ —	**$ 4,514**	$ 882
ABO	**15,141**	16,702	**1,280**	1,495	**6,286**	2,724
Pension plans with a PBO in excess of plan assets:						
Fair value of plan assets	**13,051**	14,284	**—**	—	**5,432**	1,626
PBO	**15,141**	16,702	**1,280**	1,495	**7,571**	3,825

All of our U.S. plans and many of our international plans were underfunded as of December 31, 2018 .

D. Plan Assets

The following table provides the components of plan assets:

(MILLIONS OF DOLLARS)	As of December 31, 2018	Fair Value [a] Level 1	Fair Value [a] Level 2	Fair Value [a] Level 3	Assets Measured at NAV [b]	As of December 31, 2017	Fair Value [a] Level 1	Fair Value [a] Level 2	Fair Value [a] Level 3	Assets Measured at NAV [b]
U.S. qualified pension plans										
Cash and cash equivalents	$ 443	$ 53	$ 390	$ —	$ —	$ 655	$ 115	$ 540	$ —	$ —
Equity securities:										
Global equity securities	3,156	3,119	37	—	—	4,157	4,118	38	1	—
Equity commingled funds	933	—	634	—	299	1,194	—	802	—	392
Fixed income securities:										
Corporate debt securities	4,654	1	4,650	3	—	4,250	5	4,242	3	—
Government and agency obligations	1,391	—	1,391	—	—	1,316	—	1,316	—	—
Fixed income commingled funds	96	—	—	—	96	94	—	—	—	94
Other investments:										
Partnership investments [c]	1,165	—	—	—	1,165	1,197	—	—	—	1,197
Insurance contracts	192	—	192	—	—	215	—	215	—	—
Other commingled funds [d]	1,021	—	—	—	1,021	1,206	—	—	—	1,206
Total	$ 13,051	$ 3,173	$ 7,294	$ 3	$ 2,581	$ 14,284	$ 4,238	$ 7,153	$ 4	$ 2,889
International pension plans										
Cash and cash equivalents	$ 246	$ 39	$ 208	$ —	$ —	$ 385	$ 48	$ 337	$ —	$ —
Equity securities:										
Global equity securities	2	2	—	—	—	154	146	8	—	—
Equity commingled funds	1,876	—	1,413	—	463	2,897	—	1,594	—	1,303
Fixed income securities:										
Corporate debt securities	727	—	727	—	—	588	—	588	—	—
Government and agency obligations [e]	1,305	—	1,305	—	—	716	—	716	—	—
Fixed income commingled funds	1,770	—	1,007	—	762	2,181	—	1,340	—	841
Other investments:										
Partnership investments [c]	57	—	4	—	53	42	—	7	—	35
Insurance contracts [f]	759	—	74	684	1	496	—	75	420	1
Other [d], [f]	1,473	—	71	382	1,020	1,404	—	408	468	528
Total	$ 8,215	$ 40	$ 4,809	$ 1,065	$ 2,300	$ 8,863	$ 194	$ 5,073	$ 887	$ 2,709
U.S. postretirement plans [g]										
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Equity securities:										
Global equity securities	—	—	—	—	—	—	—	—	—	—
Equity commingled funds	—	—	—	—	—	—	—	—	—	—
Fixed income securities:										
Corporate debt securities	—	—	—	—	—	—	—	—	—	—
Government and agency obligations	—	—	—	—	—	—	—	—	—	—
Fixed income commingled funds	—	—	—	—	—	—	—	—	—	—
Other investments:										
Partnership investments [c]	—	—	—	—	—	—	—	—	—	—
Insurance contracts	469	—	469	—	—	494	—	494	—	—
Other commingled funds [d]	—	—	—	—	—	—	—	—	—	—
Total	$ 469	$ —	$ 469	$ —	$ —	$ 494	$ —	$ 494	$ —	$ —

[a] Fair values are determined based on valuation inputs categorized as Level 1, 2 or 3 (see *Note 1* E).
[b] 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.
[c] Primarily includes investments in private equity, private debt, public equity limited partnerships, and, to a lesser extent, real estate and venture capital.
[d] Primarily includes, for U.S. plan assets, investments in hedge funds and, to a lesser extent, real estate and, for international plan assets, investments in real estate and hedge funds.
[e] Government and agency obligations are inclusive of repurchase agreements.

(f) See below for a tabular analysis of the changes in Level 3 investments valued using significant unobservable inputs.
(g) Reflects postretirement plan assets, which support a portion of our U.S. retiree medical plans.

The following table provides an analysis of the changes in our more significant investments valued using significant unobservable inputs:

	Year Ended December 31,			
	International Pension Plans			
	Insurance contracts		Other	
(MILLIONS OF DOLLARS)	**2018**	2017	**2018**	2017
Fair value, beginning	**$ 420**	$ 254	**$ 468**	$ 324
Actual return on plan assets:				
Assets held, ending	**1**	1	**15**	18
Assets sold during the period	**—**	—	**—**	1
Purchases, sales, and settlements, net	**188**	138	**(31)**	94
Transfer into/(out of) Level 3	**107**	—	**(51)**	—
Exchange rate changes	**(31)**	27	**(20)**	30
Fair value, ending	**$ 684**	$ 420	**$ 382**	$ 468

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For a description of our general accounting policies associated with developing fair value estimates, see *Note 1E.* For a description of the risks associated with estimates and assumptions, see *Note 1C.*

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 table provides the long-term target asset allocations ranges and the percentage of the fair value of plan assets for benefit plans:

	As of December 31,		
	Target Allocation Percentage	Percentage of Plan Assets	
(PERCENTAGES)	**2018**	**2018**	2017
U.S. qualified pension plans			
Cash and cash equivalents	**0-10%**	**3.4%**	4.6%
Equity securities	**35-55%**	**31.3%**	37.5%
Fixed income securities	**28-53%**	**47.1%**	39.6%
Other investments [(a)]	**5-20%**	**18.2%**	18.3%
Total	**100%**	**100%**	100%
International pension plans			
Cash and cash equivalents	**0-10%**	**3.0%**	4.3%
Equity securities	**20-40%**	**22.9%**	34.4%
Fixed income securities	**35-60%**	**46.3%**	39.3%
Other investments	**10-35%**	**27.9%**	21.9%
Total	**100%**	**100%**	100%
U.S. postretirement plans			
Cash and cash equivalents	**0-5%**	**—**	—
Equity securities	**—**	**—**	—
Fixed income securities	**—**	**—**	—
Other investments	**95-100%**	**100%**	100%
Total	**100%**	**100%**	100%

[(a)] Actual percentage of plan assets in Other investments for 2018 includes $192 million , as compared to $215 million in 2017 , related to a group fixed annuity insurance contract that was executed by legacy Wyeth for certain members of its defined benefit plans prior to Pfizer acquiring the company in 2009, and $177 million in 2018 , as compared to $253 million in 2017 , related to an investment in a partnership whose primary holdings are public equity securities.

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 table provides the expected future cash flow information related to our benefit plans:

(MILLIONS OF DOLLARS)	Pension Plans			
	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Expected employer contributions:				
2019	$ 11	$ 167	$ 177	$ 160
Expected benefit payments:				
2019	$ 1,387	$ 167	$ 354	$ 166
2020	1,089	121	372	171
2021	1,058	114	380	171
2022	1,020	113	385	168
2023	1,018	103	387	165
2024–2028	4,837	445	2,068	777

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 $622 million in 2018 , $380 million in 2017 and $317 million in 2016 .

Note 12 . Equity

A. Common Stock

We purchase our common stock through privately negotiated transactions or in open market purchases as circumstances and prices warrant. Purchased shares under each of the share-purchase plans, which are authorized by our Board of Directors, are available for general corporate purposes. On October 23, 2014, we announced that the Board of Directors had authorized an $11 billion share repurchase program, which was exhausted in the first quarter of 2017. In December 2015, the Board of Directors authorized a new $11 billion share repurchase program (the December 2015 Stock Purchase Plan), which was exhausted in the third quarter of 2018. In December 2017, the Board of Directors authorized an additional $10 billion share repurchase program, to be utilized over time, and share repurchases commenced thereunder in the third quarter of 2018 (the 2017 program). In December 2018, the Board of Directors authorized a new $10.0 billion share repurchase program to be utilized over time. This new program is in addition to the $4.2 billion remaining under the company's 2017 program authorization as of December, 31 2018.

On March 8, 2016, we entered into an accelerated share repurchase agreement with GS&Co. to repurchase $5 billion of our common stock. Pursuant to the terms of the agreement, on March 10, 2016, we paid $5 billion to GS&Co. and received an initial delivery of approximately 136 million shares of our common stock from GS&Co. based on a price of $29.36 per share, which represented, based on the closing share price of our common stock on the NYSE on March 8, 2016, approximately 80% of the notional amount of the accelerated share repurchase agreement. On June 20, 2016, the accelerated share repurchase agreement with GS&Co. was completed, which, per the terms of the agreement, resulted in GS&Co. owing us a certain number of shares of Pfizer common stock. Pursuant to the agreement's settlement terms, we received an additional 18 million shares of our common stock from GS&Co. on June 20, 2016. The average price paid for all of the shares delivered under the accelerated share repurchase agreement was $32.38 per share. The common stock received is included in *Treasury stock* . This agreement was entered into pursuant to our previously announced share repurchase authorization.

On February 2, 2017, we entered into an accelerated share repurchase agreement with Citibank to repurchase $5 billion of our common stock. Pursuant to the terms of the agreement, on February 6, 2017, we paid $5 billion to Citibank and received an initial delivery of approximately 126 million shares of our common stock from Citibank at a price of $31.73 per share, which represented, based on the closing price of our common stock on the NYSE on February 2, 2017, approximately 80% of the notional amount of the accelerated share repurchase agreement. On May 16, 2017, the accelerated share repurchase agreement with Citibank was completed, which, per the terms of the agreement, resulted in Citibank owing us a certain number of shares of Pfizer common stock. Pursuant to the agreement's settlement terms, we received an additional 24 million shares of our common stock from Citibank on May 19, 2017. The average price paid for all of the shares delivered under the accelerated share repurchase agreement was $33.31 per share. The common stock received is included in *Treasury Stock* . This agreement was entered into pursuant to our previously announced share repurchase authorization.

On March 12, 2018 , we entered into an accelerated share repurchase agreement with Citibank to repurchase $4.0 billion of our common stock. Pursuant to the terms of the agreement, on March 14, 2018 , we paid $4.0 billion to Citibank and received an initial delivery of approximately 87 million shares of our common stock from Citibank at a price of $36.61 per share, which represented, based on the closing

price of our common stock on the NYSE on March 12, 2018 , approximately 80% of the notional amount of the accelerated share repurchase agreement. On September 5, 2018, the accelerated share repurchase agreement with Citibank was completed, which, per the terms of the agreement, resulted in Citibank owing us a certain number of shares of Pfizer common stock. Pursuant to the agreement's settlement terms, we received an additional 21 million shares of our common stock from Citibank on September 7, 2018. The average price paid for all of the shares delivered under the accelerated share repurchase agreement was $36.86 per share. The common stock received is included in *Treasury stock* . This agreement was entered into pursuant to our previously announced share repurchase authorization.

Open market purchases totaled $8.2 billion in 2018 under our publicly announced share-purchase plans.

The following table provides the number of shares of our common stock purchased and the cost of purchases under our publicly announced share-purchase plans, including our accelerated share repurchase agreements:

(SHARES IN MILLIONS, DOLLARS IN BILLIONS)	**2018** [a]	2017 [b]	2016 [c]
Shares of common stock purchased	**307**	150	154
Cost of purchase	**$ 12.2**	$ 5.0	$ 5.0

[a] Represents shares purchased pursuant to the accelerated share repurchase agreement with Citibank entered into on March 12, 2018, as well as other share repurchases. See above for additional information.
[b] Represents shares purchased pursuant to the accelerated share repurchase agreement with Citibank entered into on February 2, 2017. See above for additional information.
[c] Represents shares purchased pursuant to the accelerated share repurchase agreement entered into on March 8, 2016. See above for additional information.

After giving effect to the accelerated share repurchase agreement, as well as other share repurchases through December 31, 2018 , our remaining share-purchase authorization was approximately $14.2 billion at December 31, 2018 .

On February 7, 2019 , we entered into an accelerated share repurchase agreement with GS&Co. to repurchase approximately $6.8 billion of our common stock. This agreement was entered into pursuant to our previously announced share repurchase authorization. For additional information, see *Note 19* .

B. Preferred Stock

The Series A convertible perpetual preferred stock is held by an employee stock ownership plan (Preferred ESOP) Trust and provides dividends at the rate of 6.25% , which are accumulated and paid quarterly. The per-share stated value is $40,300 and the preferred stock ranks senior to our common stock as to dividends and liquidation rights. Each share is convertible, at the holder's option, into 2,574.87 shares of our common stock with equal voting rights. The conversion option is indexed to our common stock and requires share settlement, and, therefore, is reported at the fair value at the date of issuance. We may redeem the preferred stock at any time or upon termination of the Preferred ESOP, at our option, in cash, in shares of common stock, or a combination of both at a price of $40,300 per share.

C. Employee Stock Ownership Plans

We have two employee stock ownership plans (collectively, the ESOPs), the Preferred ESOP and another that holds common stock of the Company (Common ESOP).

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 are assumed in the diluted EPS calculation. As of December 31, 2018 , the Preferred ESOP held preferred shares convertible into approximately 1 million shares of our common stock, and the Common ESOP held approximately 49 million shares of our common stock. As of December 31, 2018 , all shares of preferred and common stock held by the ESOPs have been allocated to the Pfizer U.S. defined contribution plan participants. The compensation cost related to the Common ESOP was $19 million in 2018 , $11 million in 2017 and $9 million in 2016 .

Note 13. Share-Based Payments

Our compensation programs can include share-based payments. The award value is determined by reference to the fair value of share-based awards to similar employees in competitive survey data or industry peer groups used for compensation purposes; and is allocated between different long-term incentive vehicles, in the form of RSUs, PPSs, TSRUs, stock options, PSAs, PTSRUs and PTUs, as determined by the Compensation Committee.

The 2014 Stock Plan (2014 Plan) replaced and superseded the 2004 Plan, as amended and restated. The 2014 Plan provides for 520 million shares to be authorized for grants, plus any shares remaining available for grant under the 2004 Plan as of April 24, 2014 (the carryforward shares). In addition, the 2014 Plan provides that the number of stock options, Stock Appreciation Rights (known as TSRUs and PTSRUs), RSUs, or other 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, PTSRUs and stock options count as one share, toward the maximum shares available under the 2014 plan. The 2004 Plan provided that the number of stock options, TSRUs or other performance-based awards granted to any one individual during any 36-month period was limited to 8 million shares. As of December 31, 2018 , 195 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. Impact on Net Income

The following table provides the components of share-based compensation expense and the associated tax benefit:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
TSRUs [a]	**$ 302**	$ 221	$ 134
RSUs	**286**	301	299
PPSs	**276**	209	135
PSAs	**62**	47	13
Stock options	**12**	55	106
Directors' compensation	**10**	7	4
Share-based payment expense	**949**	840	691
Tax benefit for share-based compensation expense [b]	**(180)**	(163)	(205)
Share-based payment expense, net of tax	**$ 769**	$ 677	$ 486

[a] Includes $7.0 million of expense for PTSRUs.
[b] 2018 and 2017 include the impact of the TCJA on income taxes.

Amounts capitalized as part of inventory cost were not significant for any period presented.

B. Total Shareholder Return Units

TSRUs are awarded to senior and other key management, and, beginning in 2016, to certain other employees. TSRUs entitle the holders to receive a number of 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 -year or seven -year term, if and to the extent the total value is positive. The 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. The TSRUs are 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 risk of forfeiture.

On October 26, 2016, the Compensation Committee approved the modification of current outstanding grants of TSRU awards, effective November 1, 2016, to permit a holder who is "retiree eligible" (at least age 55 with at least 10 years of service), to elect to exercise and convert his/her TSRUs when vested, into PTUs. The value received upon the election and conversion is calculated by taking the change in stock price (20 trading day average ending on the exercise date (Election Price) less the grant price) plus accumulated dividends from the grant date, times the number of TSRUs exercised. This value is divided by the Election Price to determine the number of PTUs. The PTUs will be 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 (i.e., the fifth or seventh anniversary of grant), and will be subject to all of the terms and conditions of the original grant including forfeiture provisions. This modification applied to approximately 2,900 employees, including members of senior management. There was no incremental compensation cost resulting from the modification. Beginning in 2017, TSRUs were granted with the right for retirement-eligible employees to elect to exercise and convert their TSRUs, when vested, into PTUs. We measure the value of TSRU grants as of the grant date using a Monte Carlo simulation model. The values determined through this fair value methodology generally are 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.

The following table provides the weighted-average assumptions used in the valuation of TSRUs:

	Year Ended December 31,		
	2018	2017	2016
Expected dividend yield [a]	**3.73%**	3.69%	3.85%
Risk-free interest rate [b]	**2.60%**	1.98%	1.31%
Expected stock price volatility [c]	**20.00%**	18.39%	21.64%
Contractual term (years)	**5.12**	5.11	5.12

[a] Determined using a constant dividend yield during the expected term of the TSRU.
[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
[c] Determined using implied volatility, after consideration of historical volatility.

The following table summarizes all TSRU activity during 2018:

	TSRUs (Thousands)	Weighted-Average Grant-Date Fair Value Per TSRU	Weighted-Average Grant Price Per TSRU
Nonvested, December 31, 2017	103,906	$ 6.07	$ 32.47
Granted	**47,755**	**7.42**	**35.75**
Vested [(a)]	**(7,203)**	**6.67**	**34.49**
Forfeited	**(5,512)**	**6.55**	**33.88**
Nonvested, December 31, 2018	**138,945**	**$ 6.48**	**$ 33.44**

(a) Includes the modification of approximately 1.7 million TSRUs to approximately 260 employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit the vesting upon termination. The impact to compensation expense was immaterial.

The following table summarizes TSRU and PTU information as of December 31, 2018 [(a), (b)]:

	TSRUs (Thousands)	PTUs (Thousands)	Weighted-Average Grant Price Per TSRU	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions)
TSRUs Outstanding	**156,534**	**—**	**$ 33.09**	**3.1**	**$ 2,073**
TSRUs Vested [(c)]	**17,588**	**—**	**30.30**	**1.5**	**332**
TSRUs Expected to vest [(d)]	**133,878**	**—**	**33.38**	**3.2**	**1,688**
TSRUs exercised and converted to PTUs	**—**	**1,385**	**$ —**	**0.5**	**$ 60**

(a) In 2018 , we settled 7,643,846 TSRUs with a weighted-average grant price of $23.13 per unit.
(b) In 2018 , 2,809,652 TSRUs with a weighted-average grant price of $27.86 per unit were converted into 1,408,622 PTUs.
(c) Includes the modification of approximately 1.7 million TSRUs to approximately 260 employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit the vesting upon termination. The impact to compensation expense was immaterial.
(d) The number of TSRUs expected to vest takes into account an estimate of expected forfeitures.

The following table provides data related to all TSRU activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS, EXCEPT PER TSRU AMOUNTS)	**2018**	2017	2016
Weighted-average grant-date fair value per TSRU	**$ 7.42**	$ 6.23	$ 5.83
Total compensation cost related to nonvested TSRU grants not yet recognized, pre-tax	**$ 246**	$ 232	$ 164
Weighted-average period over which TSRU cost is expected to be recognized (years)	**1.6**	1.7	1.9

C. Performance Total Shareholder Return Units

In December 2017, PTSRUs were awarded to the then Chairman and Chief Executive Officer and the then Group President, Pfizer Essential Health. These awards were granted in connection with our Board's succession planning for the Chairman and Chief Executive Officer and our announcement on November 13, 2017 that our then Group President, Pfizer Innovative Health had been appointed Chief Operating Officer of Pfizer effective January 1, 2018. We also announced that effective January 1, 2018, the then Group President, Pfizer Essential Health, had been appointed Group President, Pfizer Innovative Health. In addition to having the same characteristics of TSRUs, PTSRUs require special service and performance conditions. On December 29, 2017, 1,372,213 PTSRUs were granted to the Chairman and Chief Executive Officer and 343,053 PTSRUs were granted to the new head of Innovative Health at a grant price of $36.22 and a grant-date fair value of $5.83 .

We measure the value of PTSRU grants as of the grant date using a Monte Carlo simulation model. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Selling, informational and administrative expenses* as appropriate.

D. Restricted Stock Units

RSUs are awarded to select employees and, when vested, 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.

We measure the value of RSU grants as of the grant date using the closing price of our common stock. The values determined through this fair value methodology generally are 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.

The following table summarizes all RSU activity during 2018:

	Shares (Thousands)	Weighted-Average Grant-Date Fair Value Per Share
Nonvested, December 31, 2017	22,241	$ 32.64
Granted	**9,083**	**35.90**
Vested [a]	**(3,701)**	**34.02**
Reinvested dividend equivalents	**974**	**38.96**
Forfeited	**(1,321)**	**33.85**
Nonvested, December 31, 2018	**27,276**	**$ 33.70**

[a] Includes the modification of approximately 150 thousand RSUs to approximately 140 employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit vesting upon termination. The impact to the compensation expense was immaterial.

The following table provides data related to all RSU activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Total fair value of shares vested [a]	**$ 146**	$ 584	$ 293
Total compensation cost related to nonvested RSU awards not yet recognized, pre-tax	**$ 256**	$ 254	$ 262
Weighted-average period over which RSU cost is expected to be recognized (years)	**1.7**	1.7	1.7

[a] 2018 includes modification of approximately 150 thousand RSUs to approximately 140 employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit vesting upon termination. The impact to the compensation expense was immaterial. 2017 includes the modification for a commitment to pay approximately 6.4 million RSUs to approximately 9,900 employees, including senior and key management employees, for 6.6 million RSUs. These shares were paid in the first quarter of 2018.

E. Portfolio Performance Shares

PPSs are awards granted to select employees which, when vested, entitle the holder to receive, at the end of the performance period, a number of shares within a possible range of shares of our common stock, 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 over the performance period ranges from 0% to 200% of the initial award.

We measure the value of PPS grants as of the grant date using the intrinsic value method, for which we use the closing price of our common stock. The values are 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 Pfizer's 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.

The following table summarizes all PPS activity during 2018, with the shares representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted-Average Intrinsic Value Per Share
Nonvested, December 31, 2017	20,973	$ 36.22
Granted	**6,769**	**35.74**
Vested [a]	**(7,483)**	**37.31**
Forfeited	**(998)**	**38.23**
Nonvested, December 31, 2018 [b]	**19,261**	**$ 43.65**

[a] Includes the modification of approximately 200 thousand PPSs to approximately 140 employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit the vesting upon termination. The impact to compensation expense was immaterial.
[b] Vested and non-vested shares outstanding, but not paid as of December 31, 2018 were 33.9 million .

The following table provides data related to all PPS activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Total fair value of shares vested [a]	**$ 169**	$ 131	$ 118
Total compensation cost related to nonvested PPS awards not yet recognized, pre-tax	**$ 102**	$ 94	$ 93
Weighted-average period over which PPS cost is expected to be recognized (years)	**1.8**	1.7	1.8

[a] Includes the modification of approximately 200 thousand PPSs to approximately 140 employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit the vesting upon termination. The impact to compensation expense was immaterial.

F. Performance Share Awards

PSAs are awarded to senior and other key management. PSAs vest after three years of continuous service from the grant date. The number of shares paid, if any, including shares resulting from dividend equivalents, for awards granted in 2015 and later, depends upon the achievement of predetermined goals related to two measures: (i) operating income (for performance years through 2018) or net income (for 2019 and later years) over three one -year periods; and (ii) TSR as compared to the NYSE ARCA Pharmaceutical Index (DRG Index) over the three -year performance period. The number of shares paid from awards granted in 2014 depends upon the achievement of predetermined goals related to Pfizer's TSR as compared to an industry peer group, for the three-year performance period from the year of the grant date. The number of shares that are earned over the performance period ranges from 0% to 200% of the initial award.

We measure the value of PSA grants as of the grant date using the intrinsic value method, for which we use the closing price of our common stock. The values are 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 Pfizer's 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.

The following table summarizes all PSA activity during 2018, with the shares granted representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted-Average Intrinsic Value Per Share
Nonvested, December 31, 2017	4,024	$ 36.22
Granted	**1,833**	**35.74**
Vested [a]	**(112)**	**39.58**
Forfeited	**(463)**	**37.12**
Nonvested, December 31, 2018	**5,282**	**$ 43.65**

[a] Includes the modification of a few PSAs to a few employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit the vesting upon termination. The impact to compensation expense was immaterial.

The following table provides data related to all PSA activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Total fair value of shares vested [a]	**$ 4**	$ 58	$ 9
Total compensation cost related to nonvested PSA grants not yet recognized, pre-tax	**$ 41**	$ 34	$ 30
Weighted-average period over which PSA cost is expected to be recognized (years)	**1.8**	1.8	1.8

[a] Includes the 2018 modification of a few PSAs to a few employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit the vesting upon termination. The impact to compensation expense was immaterial. Includes the 2017 modification for a commitment to pay 1.1 million PSAs to approximately 90 employees, including senior and key management employees, for 1.1 million PSAs. These shares were paid in the first quarter of 2018.

G. Stock Options

Stock options are awarded to select employees and, when vested, 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.

Beginning in 2016, only a limited set of overseas employees received stock option grants. No stock options were awarded to senior and other key management in any period presented; however, stock options were awarded to certain other employees. In virtually all instances, stock options granted vest after three years of continuous service from the grant date and have a contractual term of 10 years. In most cases, stock options must be held for at least one year from the grant date before any vesting may occur. In the event of a sale of business or plant closing or restructuring, options held by employees are immediately vested and are exercisable for a period of three months following the date employment is terminated or through their remaining term, depending on various conditions.

We measure the value of stock option grants as of the grant date using the Black-Scholes-Merton option-pricing model. The values determined through this fair value methodology generally are 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.

The following table provides the weighted-average assumptions used in the valuation of stock options:

	Year Ended December 31,		
	2018	2017	2016
Expected dividend yield [a]	**3.73%**	3.69%	3.85%
Risk-free interest rate [b]	**2.85%**	2.23%	1.55%
Expected stock price volatility [c]	**20.02%**	18.39%	21.64%
Expected term (years) [d]	**6.75**	6.75	6.75

[a] Determined using a constant dividend yield during the expected term of the option.
[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
[c] Determined using implied volatility, after consideration of historical volatility.
[d] Determined using historical exercise and post-vesting termination patterns.

The following table summarizes all stock option activity during 2018:

	Shares (Thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value [a] (Millions)
Outstanding, December 31, 2017	150,757	$ 27.27		
Granted	**1,372**	**35.74**		
Exercised	**(47,740)**	**26.59**		
Forfeited	**(219)**	**33.96**		
Expired	**(379)**	**24.69**		
Outstanding, December 31, 2018 [b]	**103,791**	**27.69**	**4.4**	**$ 1,657**
Vested and expected to vest, December 31, 2018 [c]	**103,621**	**27.68**	**4.4**	**1,655**
Exercisable, December 31, 2018	**100,078**	**$ 27.47**	**4.2**	**$ 1,619**

[a] Market price of our underlying common stock less exercise price.
[b] Includes the modification of approximately 190 thousand stock options to a few employees, including management employees, in connection with our Organizing for Growth initiative. The terms were modified to permit a longer exercise term after termination.
[c] The number of options expected to vest takes into account an estimate of expected forfeitures.

The following table summarizes data related to all stock option activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS, EXCEPT PER STOCK OPTION AMOUNTS)	**2018**	2017	2016
Weighted-average grant-date fair value per stock option	**$ 5.06**	$ 4.01	$ 3.89
Aggregate intrinsic value on exercise	**$ 625**	$ 331	$ 389
Cash received upon exercise	**$ 1,259**	$ 862	$ 1,019
Tax benefits realized related to exercise	**$ 115**	$ 95	$ 112
Total compensation cost related to nonvested stock options not yet recognized, pre-tax	**$ 5**	$ 10	$ 58
Weighted-average period over which stock option compensation cost is expected to be recognized (years)	**1.7**	0.8	1.1

Note 14. Earnings Per Common Share Attributable to Pfizer Inc. Common Shareholders

The following table provides the detailed calculation of *Earnings per common share* (EPS) *:*

	Year Ended December 31,		
(IN MILLIONS)	**2018**	2017	2016
EPS Numerator—Basic			
Income from continuing operations	**$ 11,179**	$ 21,353	$ 7,229
Less: Net income attributable to noncontrolling interests	**36**	47	31
Income from continuing operations attributable to Pfizer Inc.	**11,143**	21,306	7,198
Less: Preferred stock dividends—net of tax	**1**	1	1
Income from continuing operations attributable to Pfizer Inc. common shareholders	**11,142**	21,305	7,197
Discontinued operations—net of tax	**10**	2	17
Less: Discontinued operations—net of tax, attributable to noncontrolling interests	**—**	—	—
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders	**10**	2	17
Net income attributable to Pfizer Inc. common shareholders	**$ 11,152**	$ 21,307	$ 7,214
EPS Numerator—Diluted			
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 11,143**	$ 21,306	$ 7,197
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders and assumed conversions	**10**	2	17
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 11,153**	$ 21,308	$ 7,214
EPS Denominator			
Weighted-average number of common shares outstanding—Basic [a]	**5,872**	5,970	6,089
Common-share equivalents: stock options, stock issuable under employee compensation plans, convertible preferred stock and accelerated share repurchase agreements [a]	**105**	89	70
Weighted-average number of common shares outstanding—Diluted	**5,977**	6,058	6,159
Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans [b]	**2**	36	63
Cash dividends declared per share	**$ 1.38**	$ 1.30	$ 1.22

(a) 2017 includes the effect of the modification for a commitment to pay 15.2 million common-share equivalents that were scheduled for near-term settlement. These common share equivalents were paid in the first quarter of 2018.
(b) 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.

Note 15 . Lease Commitments

We lease properties and equipment for use in our operations. In addition to rent, the leases may require us to pay directly for taxes, insurance, maintenance and other operating expenses or to pay higher rent when operating expenses increase. Rental expense, net of sublease income, was $301 million in 2018 , $314 million in 2017 and $292 million in 2016 .

The future minimum rental commitments under non-cancelable operating leases follow:

(MILLIONS OF DOLLARS)	2019	2020	2021	2022	2023	After 2023
Lease commitments	$ 300	$ 252	$ 210	$ 267	$ 248	$ 2,040

Note 16. 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 (see *Note 17*).

Note 17 . 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. For a discussion of our tax contingencies, see *Note 5D.* For a discussion of our legal contingencies, see below.

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 merger-related and product-pricing claims and environmental claims and proceedings, can involve complexities that will vary from matter to matter.
- Government investigations, which often are related to the extensive regulation of pharmaceutical companies by national, state and local government agencies in the U.S. and in other 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 certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of our contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

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

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

principal matters, there are some matters discussed below with respect to which management believes that the likelihood of possible loss in excess of amounts accrued is remote.

A1 . Legal Proceedings—Patent Litigation

Like other pharmaceutical companies, we are involved in numerous suits relating to our patents, including but not limited to, those discussed below. Most of the suits involve claims by generic drug manufacturers that patents covering our products, processes or dosage forms are invalid and/or do not cover the product of the generic drug manufacturer. Also, counterclaims, as well as various independent actions, have been filed 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 on a number of our products 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 United States. In June 2018, the Patent Trial and Appeal Board ruled on one patent, holding that one claim was valid and that all other claims were invalid. The party challenging that patent has appealed the decision. Challenges to other patents remain pending before the U.S. Patent and Trademark Office. The invalidation of these patents could potentially allow a competitor pneumococcal vaccine into the marketplace. We are also subject to patent litigation pursuant to which 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. 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 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.

Actions In Which We Are The Plaintiff

Bosulif (bosutinib)
In December 2016, Wyeth LLC, Wyeth Pharmaceuticals Inc., and PF Prism C.V. (collectively, Wyeth) brought a patent-infringement action against Alembic Pharmaceuticals, Ltd, Alembic Pharmaceuticals, Inc. (collectively, Alembic), Sun Pharmaceutical Industries, Inc., and Sun Pharmaceutical Industries Limited (collectively, Sun), in the U.S. District Court for the District of Delaware in connection with abbreviated new drug applications respectively filed with the FDA by Alembic and Sun, each seeking approval to market generic versions of bosutinib. Alembic is challenging patents, which expire in 2026, covering polymorphic forms of bosutinib and methods of treating chronic myelogenous leukemia. Sun is challenging the patent covering polymorphic forms of bosutinib that expires in 2026. In March 2017, Wyeth brought a patent-infringement action against MSN Laboratories Private Limited and MSN Pharmaceuticals, Inc. (collectively, MSN), in the U.S. District Court for the District of Delaware in connection with an abbreviated new drug application filed with the FDA by MSN, seeking approval to market a generic version of bosutinib, and challenging a patent expiring in 2026 covering polymorphic forms of bosutinib. In September 2017, the case against MSN was dismissed. Also, in September 2017, Wyeth brought an additional patent-infringement action against Sun in the U.S. District Court for the District of Delaware asserting the infringement and validity of two other patents challenged by Sun, which expire in 2025 and 2026, respectively, covering compositions of bosutinib and methods of treating chronic myelogenous leukemia.

EpiPen
In July 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 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.

Precedex Premix
In June 2014, Ben Venue Laboratories, Inc. (Ben Venue) notified our subsidiary, Hospira, that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that a patent relating to the use of Precedex in an intensive care unit setting, which expires in March 2019, was invalid or not infringed. In August 2014, Hospira and Orion Corporation (co-owner of the patent that is the subject of the lawsuit) filed suit against Ben Venue, Hikma Pharmaceuticals PLC (Hikma), and West-Ward Pharmaceutical Corp. in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patent. In October 2014, Eurohealth International Sarl was substituted for Ben Venue and Hikma. In June 2016, this case was settled on terms not material to Pfizer.

In June 2015, Amneal Pharmaceuticals LLC (Amneal) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that four patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In August 2015, Hospira filed suit against Amneal in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patents that are the subject of the lawsuit. In January 2018, the District Court ruled that one of the four patents was valid and infringed, and that the other three patents were invalid. In February and March 2018, respectively, each of Amneal and Hospira appealed the District Court decision to the U.S. Court of Appeals for the Federal Circuit.

In December 2015, Fresenius Kabi USA LLC (Fresenius) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that certain patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In January 2016, Hospira filed suit against Fresenius in the U.S. District Court for the Northern District of Illinois, asserting the validity and infringement of those patents. In

December 2018, the District Court ruled that the asserted patents were invalid. Hospira has appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit.

In August 2016, Par Sterile Products, LLC (Par) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that four patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In September 2016, Hospira filed suit against Par in the U.S. District Court for the District of Delaware asserting the validity and infringement of the patents that are the subject of the lawsuit. In December 2016, the case was stayed pending the outcome of Hospira's suit against Amneal (including all appeals).

In December 2017, Gland Pharma Limited (Gland) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that six patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In February 2018, Hospira filed suit against Gland in the U.S. District Court for the District of Delaware asserting the validity and infringement of four patents that are the subject of the lawsuit.

In December 2017, Jiangsu Hengrui Medicine Co., Ltd. (Hengrui) notified Hospira that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Hospira's premix version of Precedex and containing allegations that six patents relating to the Precedex premix formulations and their use, all of which expire in 2032, were invalid or not infringed. In February 2018, Hospira filed suit against Hengrui in the U.S. District Court for the District of Delaware asserting the validity and infringement of four patents that are the subject of the lawsuit.

In February 2018, Baxter Healthcare Corporation (Baxter) filed a declaratory judgment action against Hospira in the U.S. District Court for the District of Delaware seeking a declaration of non-infringement of four patents relating to the Precedex premix formulations and their use. One of the patents included in the action expires in 2019 and the other three patents expire in 2032. In March 2018, Hospira filed a counterclaim for infringement of the patent expiring in 2019. In November 2018, the case was dismissed by mutual agreement of the parties.

Xeljanz (tofacitinib)
In February 2017, we brought a patent-infringement action against MicroLabs USA Inc. and MicroLabs Ltd. (collectively, MicroLabs) in the U.S. District Court for the District of Delaware asserting the infringement and validity of three patents challenged by MicroLabs in its abbreviated new drug application seeking approval to market a generic version of tofacitinib 5 mg tablets. In November 2018, we settled all of our claims against MicroLabs on terms not material to Pfizer.

Separately, also in February 2017, we brought a patent-infringement action against Sun Pharmaceutical Industries Ltd. in the U.S. District Court for the District of Delaware asserting the infringement and validity of our patent covering a polymorphic form of tofacitinib, expiring in 2023, that was challenged by Sun Pharmaceutical Industries Ltd. in its abbreviated new drug application seeking approval to market a generic version of tofacitinib 11 mg extended release tablets. In November 2017, we brought an additional patent-infringement action against Sun Pharmaceutical Industries Ltd. in the U.S. District Court for the District of Delaware asserting the infringement and validity of another patent challenged by Sun Pharmaceutical Industries Ltd, which covers the active ingredient and expires in December 2025. In October 2018, we brought a third patent infringement action against Sun Pharmaceutical Industries Ltd. in the U.S. District Court for the District of Delaware asserting the infringement and validity of our patent covering the extended release formulation of tofacitinib, which expires in 2034.

In March 2017, we brought a patent-infringement action against Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Ltd. (collectively, Zydus) in the U.S. District Court for the District of Delaware asserting the infringement and validity of three patents: the patent covering the active ingredient expiring in December 2025, the patent covering an entiomer of tofacitinib expiring in 2022, and the patent covering a polymorphic form of tofacitinib expiring in 2023, which Zydus challenged in its abbreviated new drug application seeking approval to market a generic version of tofacitinib 5 mg tablets.

Also, in March 2017, we brought separate actions in the U.S. District Court for the District of Delaware against Prinston Pharmaceutical Inc., Zhejiang Huahai Pharmaceutical Co., Ltd., Huahai US Inc. and Solco Healthcare US, LLC (collectively, Prinston) and against Breckenridge Pharmaceutical Inc., Pensa Pharma S.A. and Laboratorios Del Dr. Esteve, S.A. (collectively, Breckenridge) on the two patents expiring in 2022 and 2023, respectively, that were challenged by Prinston and Breckenridge in their respective abbreviated new drug applications seeking approval to market generic versions of tofacitinib 5 mg tablets. In October 2017, we brought an additional patent-infringement action against Breckenridge in the U.S. District Court for the District of Delaware asserting the infringement and validity of four additional patents challenged by Breckenridge, three of which expire in December 2020 and one of which expires in December 2025. In March 2018, we brought another patent infringement action against Prinston in the U.S. District Court for the District of Delaware asserting the infringement and validity of an additional patent, which had been subsequently challenged by Prinston and which expires in December 2025. In May 2018, we settled all of our claims against Breckenridge on terms not material to Pfizer. In January 2019, we settled all of our claims against Prinston on terms not material to Pfizer.

In December 2018, we brought a separate patent infringement action against Teva Pharmaceuticals USA, Inc. (Teva) in the U.S. District Court for the District of Delaware asserting the infringement and validity of our patent covering extended release formulations of tofacitinib that was challenged by Teva in its abbreviated new drug application seeking approval to market a generic version of tofacitinib 11 mg extended release tablets.

Inlyta (axitinib)
In April 2018, Apotex Inc. notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Inlyta. Apotex Inc. asserts the invalidity and non-infringement of the crystalline form patent for Inlyta that expires in 2030. In May 2018, we filed suit against Apotex Inc. in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the crystalline form patent for Inlyta.

Kerydin (tavaborole)
In September 2018, several generic companies notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Kerydin. The generic companies assert the invalidity and non-infringement of methods of use and

formulation patents for tavaborole that expire in 2026 and 2027, including pediatric exclusivity. In October 2018, Anacor, our wholly-owned subsidiary , filed infringement lawsuits against each of the 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.

Matters Involving Our Collaboration/Licensing Partners

Toviaz (fesoterodine)—Inter-Partes Reviews
In January 2016, Mylan Pharmaceuticals and Mylan Laboratories (collectively, Mylan) filed petitions with the U.S. Patent and Trademark Office requesting inter partes reviews of five of the patents covering fesoterodine, the active ingredient in Toviaz: three composition-of-matter patents and a method-of-use patent that expire in 2019 and a patent covering salts of fesoterodine that expires in 2022. The patents are owned by UCB Pharma GmbH, and we have an exclusive, worldwide license to market Toviaz from UCB Pharma GmbH. In July 2016, the Patent Trial and Appeal Board agreed to institute inter partes reviews of all five patents. Amerigen Pharmaceuticals Limited (Amerigen), Alembic Pharmaceuticals Limited and Torrent Pharmaceuticals Limited joined the inter partes reviews. In July 2017, the U.S. Patent and Trademark Office issued decisions upholding all five patents. In September 2017, Mylan and Amerigen appealed the U.S. Patent and Trademark Office decisions to the U.S. Court of Appeals for the Federal Circuit . In January 2018, Mylan withdrew its appeal. Amerigen's appeal of the decision upholding the patent covering salts of fesoterodine that expires in 2022 was the only pending appeal. In January 2019, the U.S. Court of Appeals for the Federal Circuit affirmed the U.S. Patent and Trademark Office's decision upholding the validity of the patent covering salts of fesoterodine that expires in 2022.

Xtandi (enzalutamide)
In December 2016, Medivation and Medivation Prostate Therapeutics, Inc. (collectively, the Medivation Group); Astellas Pharma Inc., Astellas US LLC and Astellas Pharma US, Inc. (collectively, Astellas); and The Regents of the University of California filed patent-infringement suits in the U.S. District Court for the District of Delaware against Actavis Laboratories FL, Inc. and Actavis LLC (collectively, Actavis); Zydus; and Apotex Inc. and Apotex Corp. (collectively, Apotex) in connection with those companies' respective abbreviated new drug applications filed with the FDA for approval to market generic versions of enzalutamide. The generic manufacturers are challenging patents, which expire as early as 2026, covering enzalutamide and treatments for prostate cancer. In May 2017, the Medivation Group filed a patent-infringement suit against Roxane Laboratories Inc. (Roxane) in the same court in connection with Roxane's abbreviated new drug application with the FDA for approval to market a generic version of enzalutamide. In June and July 2018, we settled all of our claims against Actavis and Apotex, respectively, on terms not material to Pfizer.

Eliquis
In February, March, and April 2017, twenty-five generic companies sent BMS Paragraph-IV certification letters informing BMS that they had filed abbreviated new drug applications 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. The patents currently are set to expire in 2019, 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. We and BMS have 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.

Actions In Which We Are The Defendant

Inflectra (infliximab-dyyb)
In March 2015, Janssen and New York University, together, brought a patent-infringement action in the U.S. District Court for the District of Massachusetts against Hospira, Celltrion Healthcare Co. Ltd. and Celltrion Inc. alleging that infliximab-dyyb, to be marketed by Hospira in the U.S. under the brand name Inflectra, would infringe six patents relating to infliximab, its manufacture and use. Claims with respect to four of the patents were dismissed by the plaintiffs, leaving two patents at issue: the infliximab antibody patent and a patent relating to cell culture media. In January 2018, the antibody patent was declared invalid by the Court of Appeals for the Federal Circuit. In July 2018, the U.S. District Court for the District of Massachusetts granted defendants' motion for summary judgment and ruled that the patent relating to cell culture media was not infringed. Janssen has appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit.

Bavencio (avelumab)
In July 2017, BMS, E.R. Squibb & Sons LLC, Ono Pharmaceutical Co. Ltd., and Tasuku Honjo brought a patent-infringement action in the U.S. District Court for the District of Delaware against Pfizer, Merck KGaA, and EMD Serono, Inc., alleging that Bavencio (avelumab) infringes one patent relating to methods for treating tumors with anti-PD-L1 antibodies, which expires in 2023. In February 2019, we settled this matter on terms not material to Pfizer.

A2. Legal Proceedings—Product Litigation

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

Asbestos
Between 1967 and 1982, Warner-Lambert owned American Optical Corporation (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. As of December 31, 2018 , approximately 46,400 claims naming American Optical and numerous other defendants were pending in various federal and state courts seeking damages for alleged personal injury from exposure to asbestos and other allegedly hazardous materials. Warner-Lambert was acquired by Pfizer in 2000

and is a wholly-owned subsidiary of Pfizer. Warner-Lambert is actively engaged in the defense of, and will continue to explore various means of resolving, these claims.

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

In September 2013 and 2014, the District Court dismissed with prejudice the claims by direct purchasers. In October and November 2014, the District Court dismissed with prejudice the claims of all other 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 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.

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

- *Personal Injury Actions*

A number of individual and multi-plaintiff lawsuits have been filed against us in various federal and state courts alleging that the plaintiffs developed type 2 diabetes 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 U.S. Court of Appeals for the Fourth Circuit affirmed the District Court's decision.

Viagra
A number of individual and multi-plaintiff lawsuits have been filed against us in various federal and state courts alleging that the plaintiffs developed melanoma and/or the exacerbation of melanoma purportedly as a result of the ingestion of Viagra. Plaintiffs seek compensatory and punitive damages.

In April 2016, the federal actions were transferred for coordinated pre-trial proceedings to a Multi-District Litigation (*In Re: Viagra (Sildenafil Citrate) Products Liability Litigation, MDL-2691*) in the U.S. District Court for the Northern District of California. In December 2016, federal actions filed against Lilly and filed against both us and Lilly, were transferred for coordinated pre-trial proceedings to the Multi-District Litigation (*In re: Viagra (Sildenafil Citrate) and Cialis (Tadalafil) Products Liability Litigation, MDL-2691*).

Intravenous Solutions
Beginning in November 2016, purported class actions were filed in the U.S. District Court for the Northern District of Illinois against Hospira, Hospira Worldwide, Inc. and certain other defendants relating to intravenous saline solution. Plaintiffs seek to represent a class consisting of all persons and entities in the U.S. who directly purchased intravenous saline solution sold by any of the defendants from January 1, 2013 until the time the defendants' allegedly unlawful conduct ceases. Plaintiffs allege that the defendants' conduct restricts output and artificially fixes, raises, maintains and/or stabilizes the prices of intravenous saline solution sold throughout the U.S. in violation of federal antitrust laws. Plaintiffs seek treble damages (for themselves and on behalf of the putative classes) and an injunction against defendants for alleged price overcharges for intravenous saline solution in the U.S. since January 1, 2013. All of these actions have been consolidated in the U.S. District Court for the Northern District of Illinois. In July 2018, the District Court granted defendants' motions to dismiss the consolidated amended complaint without prejudice. Plaintiffs filed a second amended complaint in September 2018. On February 3, 2017, we completed the sale of our global infusion systems net assets, HIS, which includes intravenous saline solution, to ICU Medical. The litigation is the subject of cross-claims for indemnification by both Pfizer and ICU Medical under the purchase agreement.

Hormone Therapy Consumer Class Action
A certified consumer class action is 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 consists of California consumers who purchased Wyeth's hormone-replacement products between January 1995 and January 2003 and who do not seek personal injury damages therefrom. The class seeks compensatory and punitive damages, including a full refund of the purchase price.

Eliquis
A number of individual and multi-plaintiff lawsuits have been filed against us and BMS in various federal and state courts pursuant to which plaintiffs seek to recover for personal injuries, including wrongful death, due to bleeding allegedly as a result of the ingestion of Eliquis. Plaintiffs seek compensatory and punitive damages.

In February 2017, the federal actions were transferred for coordinated pre-trial proceedings to a Multi-District Litigation (*In Re: Eliquis (Apixaban) Products Liability Litigation MDL-2754*) in the U.S. District Court for the Southern District of New York. In July 2017, the District Court dismissed substantially all of the actions that were pending in the Multi-District Litigation. In August 2017, certain plaintiffs appealed the District Court's dismissal to the U.S. Court of Appeals for the Second Circuit.

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 N.V., and Mylan N.V. 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 August 2017, a similar lawsuit brought in the U.S. District Court for the District of New Jersey on behalf of a purported class of direct purchaser plaintiffs against Pfizer, King, Meridian and Mylan was voluntarily dismissed without prejudice. Against Pfizer and/or its affiliates, plaintiffs 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 or consumer protection laws. At least one lawsuit also alleges that Pfizer and/or Mylan N.V. violated the federal Racketeer Influenced and Corrupt Organizations Act. Plaintiffs also filed various consumer protection and unjust enrichment claims against, and relating to conduct attributable solely to, Mylan Pharmaceuticals regarding EpiPen. Plaintiffs seek treble damages for alleged overcharges for EpiPen since 2009. In August 2017, the actions 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 N.V. and/or its affiliates to which Pfizer, King and Meridian are not parties.

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 us involve Nexium 24HR and/or Protonix 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.

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 Investigation*

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.

A3 . Legal Proceedings—Commercial and Other Matters

Average Wholesale Price Litigation
Pfizer, certain of its subsidiaries and other pharmaceutical manufacturers were sued in various state courts by a number of states alleging that the defendants provided average wholesale price (AWP) information for certain of their products that was higher than the actual average prices at which those products were sold. The AWP is used to determine reimbursement levels under Medicare Part B and Medicaid and in many private-sector insurance policies and medical plans. All but one of those actions have been resolved through settlement, dismissal or final judgment. The plaintiff state, Illinois, in the one remaining action, claims that the alleged spread between the AWPs at which purchasers were reimbursed and the actual sale prices was promoted by the defendants as an incentive to purchase certain of their products. The action alleges, among other things, fraud and violation of the state's unfair trade practices and consumer protection statutes and seeks monetary and other relief, including civil penalties and treble damages.

Monsanto-Related Matters
In 1997, Monsanto Company (Former Monsanto) contributed certain chemical manufacturing operations and facilities to a newly formed corporation, Solutia Inc. (Solutia), and spun off the shares of Solutia. In 2000, Former Monsanto merged with Pharmacia & Upjohn Company to form Pharmacia. 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 spinoff that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities primarily related to Former Monsanto's chemical businesses, including, but not limited to, any such liabilities that Solutia assumed. Solutia's and New Monsanto's assumption of, and agreement to indemnify Pharmacia for, these liabilities apply to pending actions and any future actions related to Former Monsanto's chemical businesses in which Pharmacia is named as a defendant, including, without limitation, actions asserting environmental claims, including alleged exposure to polychlorinated biphenyls. Solutia and/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.

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 finalized an Administrative Settlement Agreement with the EPA and Order on Consent for Removal Action (the 2011 Administrative Settlement Agreement) with the EPA with regard to the Bound Brook facility. In May 2012, we completed construction of an interim remedy to address the discharge of impacted groundwater from that facility to the Raritan River. In September 2012, the EPA issued a final remediation plan for the Bound Brook facility's main plant area, which is generally in accordance with one of the remedies evaluated in our revised site-wide feasibility study. In March 2013, Wyeth Holdings Corporation (now Wyeth Holdings LLC) entered into an Administrative Settlement Agreement and Order on Consent with the EPA to allow us to undertake detailed engineering design of the remedy for the main plant area and to perform a focused feasibility study for two adjacent lagoons. In September 2015, the U.S., on behalf of the EPA, 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. In December 2015, the consent decree (which supersedes the 2011 Administrative Settlement Agreement) was entered by the District Court. We have accrued for the estimated costs of the site remedies for the North Haven and Bound Brook facilities. 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.

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 United States service members, civilians, and their families brought a complaint in the Federal 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 United States 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 2018, the U.S. Department of Justice requested documents related to this matter, which are being provided.

Allergan Complaint for Indemnity
In August 2018, Pfizer was named as a defendant in a third-party complaint for indemnity, along with King, a Pfizer subsidiary, 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 asserts 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.

A4. Legal Proceedings—Government Investigations

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. As a result, we have interactions with government agencies on an ongoing basis. 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 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.

Phenytoin Sodium Capsules
In 2012, Pfizer sold the U.K. Marketing Authorisation for phenytoin sodium capsules to a third party, but retained the right to supply the finished product to that third party. In May 2013, the U.K. Competition & Markets Authority (CMA) informed us that it had launched an investigation into the supply of phenytoin sodium capsules in the U.K. market. In August 2015, the CMA issued a Statement of Objections alleging that Pfizer and Pfizer Limited, a U.K. subsidiary, engaged in conduct that violates U.K. and EU antitrust laws. In December 2016, the CMA imposed a £84.2 million fine on Pfizer and Pfizer Limited. Pfizer appealed the CMA decision to The Competition Appeal Tribunal in February 2017 . On June 7, 2018, the Competition Appeal Tribunal overturned the CMA decision as well as the associated fine. The CMA has appealed the judgment to the Court of Appeal.

Greenstone Investigations
Since July 2017, the U.S. Department of Justice's Antitrust Division has been investigating our Greenstone generics business. We believe this is related to an ongoing antitrust investigation of the generic pharmaceutical industry. The government has been obtaining information from Greenstone. In April 2018, Greenstone received requests for information from the Antitrust Department of the Connecticut Office of the Attorney General. We have been providing information pursuant to these requests.

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 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 are producing records pursuant to the subpoena.

Civil Investigative Demand relating to Meridian Medical Technologies
In February 2019, we received a civil investigative demand from the U.S. Attorney's Office for the Southern District of New York (SDNY). The civil investigative demand seeks records and information related to alleged quality issues involving the manufacture of auto-injectors at our Meridian site. We will be producing records in response to this civil investigative demand.

Intravenous Solutions

See *Note 17A5. Contingencies and Certain Commitments Legal Proceedings — Matters Resolved During 2018 — Intravenous Solutions Government Investigation* below for information regarding government investigations related to sales of intravenous solution products.

Contracts with Iraqi Ministry of Health
See *Note 17A3. Contingencies and Certain Commitments : Legal Proceedings—Commercial and Other Matters—Contracts with Iraqi Ministry of Health* above for information regarding U.S. government investigations related to contracts with the Iraqi Ministry of Health.

Docetaxel — Mississippi Attorney General Government Investigation
See *Note 17A2. 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.

A5. Legal Proceedings—Matters Resolved During 2018

During 2018, certain matters, including the matters discussed below, were resolved or were the subject of definitive settlement agreements or settlement agreements-in-principle.

Celebrex
Beginning in July 2014, purported class actions were filed in the U.S. District Court for the Eastern District of Virginia against Pfizer and certain subsidiaries of Pfizer relating to Celebrex. The plaintiffs sought to represent U.S. nationwide or multi-state classes consisting of persons or entities who directly purchased from the defendants, or indirectly purchased or reimbursed patients for some or all of the purchase price of, Celebrex or generic Celebrex from May 31, 2014 until the cessation of the defendants' allegedly unlawful conduct. The plaintiffs alleged delay in the launch of generic Celebrex in violation of federal antitrust laws or certain state antitrust, consumer protection and various other laws as a result of Pfizer fraudulently obtaining and improperly listing a patent on Celebrex, engaging in sham litigation and prolonging the impact of sham litigation through settlement activity that further delayed generic entry. Each of the actions sought treble damages on behalf of the putative class for alleged price overcharges for Celebrex since May 31, 2014. In December 2014, the District Court granted the parties' joint motions to consolidate the direct purchaser and end-payer cases, and all such cases were consolidated as of March 2015. In October 2014 and March 2015, we filed motions to dismiss the direct purchasers' and end-payers' amended complaints, respectively. In November 2015, the District Court denied in part and granted in part our motion to dismiss the direct purchasers' amended complaint. In February 2016, the District Court denied in part and granted in part our motion to dismiss the end-payers' amended complaint, and in August 2016, the District Court dismissed substantially all of the end-payers' remaining claims. In February 2017, the District Court dismissed with prejudice all of the end-payers' claims. In March 2017, the end-payers appealed the District Court's order dismissing their claims with prejudice to the U.S. Court of Appeals for the Fourth Circuit. In August 2017, the District Court granted the direct purchasers' motion for class certification. In November 2017, Pfizer and the direct purchasers entered into an agreement to resolve the direct purchasers' class action for $94 million . In April 2018, the court approved the agreement. In November 2017, Pfizer and the end-payers entered into an agreement to resolve the claims of the end-payer plaintiffs on terms not material to Pfizer.

Subpoenas relating to Copayment Assistance Organizations
In December 2015 and July 2016, Pfizer received subpoenas from the U.S. Attorney's Office for the District of Massachusetts requesting documents related to the Patient Access Network Foundation and other IRC 501(c)(3) organizations that provide financial assistance to Medicare patients. In May 2018, Pfizer entered into a civil settlement to resolve the matter. Pfizer paid $23.85 million to the United States, and entered into a five -year Corporate Integrity Agreement with the Office of the Inspector General of the Department of Health and Human Services.

Civil Investigative Demand relating to Pharmacy Benefit Managers
In March 2016, Pfizer received a civil investigative demand from the U.S. Attorney's Office for the SDNY related to Pfizer's contractual relationships with pharmacy benefit managers with respect to certain pharmaceutical products over the period from January 1, 2006 to the present. We have provided information to the government in response to this civil investigative demand. In July 2018, Pfizer was served with a qui tam complaint that appears to be related to the SDNY investigation. The complaint was unsealed following the government's decision not to intervene in the case.

Intravenous Solutions Government Investigation
In April 2017, Pfizer, Hospira and two employees of Pfizer received grand jury subpoenas issued by the United States District Court for the Eastern District of Pennsylvania, in connection with an investigation by the U.S. Department of Justice, Antitrust Division. The subpoenas seek documents related to the sale, manufacture, pricing and shortages of intravenous solutions, including saline, as well as communications among industry participants regarding these issues. The Department of Justice investigation is also the subject of cross-claims for indemnification by both Pfizer and ICU Medical under the purchase agreement. In addition, in August 2015, the New York Attorney General issued a subpoena to Hospira for similar information. Hospira has produced records to the New York Attorney General and coordinated with ICU Medical to produce records to the U.S. Department of Justice. In December 2018, the U.S. Department of Justice informed Pfizer that it had closed its investigation.

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, 2018 , the estimated fair value of these indemnification obligations was not significant.

In addition, in connection with our entry into certain agreements, our counterparties 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.

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

C. Certain Commitments

- As of December 31, 2018 , we had agreements totaling $3.7 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.
- As of December 31, 2018 , we have obligations to make guaranteed fixed annual payments over an eight -year period in connection with the U.S. and EU approvals for Besponsa ($422 million) and an obligation to make guaranteed fixed annual payments over a nine -year period for Bosulif ($240 million), both associated with R&D arrangements.
- As of December 31, 2018 , in connection with the TCJA, we have an estimated $15 billion repatriation tax liability on accumulated post-1986 earnings of foreign subsidiaries for which we plan to elect, with the filing of our 2018 U.S. Federal Consolidated Income Tax Return, payment over eight years through 2026. The first installment, due in April 2019, is reported in *Income taxes payable* and the remaining installments are reported in *Other taxes payable* in our consolidated balance sheet as of December 31, 2018. 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. See *Note 5A* for additional information.

Note 18. Segment, Geographic and Other Revenue Information

A. Segment Information

We regularly review our segments and the approach used by management to evaluate performance and allocate resources. At the beginning of our fiscal year 2019, we reorganized our commercial operations. Prior to the reorganization effective January 1, 2019, we managed our commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). The IH and EH operating segments were each led by a single manager. Each operating segment had responsibility for its commercial activities and for certain IPR&D projects for new investigational products and additional indications for in-line products that generally have achieved proof-of-concept. Each business had a geographic footprint across developed and emerging markets. Our chief operating decision maker used the revenues and earnings of the two operating segments, among other factors, for performance evaluation and resource allocation. As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2018 , 2017 and 2016 .

Some additional information about our business segments and other costs and business activities as of December 31, 2018 (prior to our new 2019 commercial organizational re-alignment) follows:

Operating Segments

	
IH focused on developing and commercializing novel, value-creating medicines and vaccines that significantly improve patients' lives, as well as products for consumer healthcare. Key therapeutic areas included internal medicine, vaccines, oncology, inflammation & immunology, rare disease and consumer healthcare.	EH included legacy brands that have lost or will soon lose market exclusivity in both developed and emerging markets, branded generics, generic sterile injectable products, biosimilars and select branded products including anti-infectives. EH also included an R&D organization, as well as our contract manufacturing business. Through February 2, 2017, EH also included HIS.
Leading brands included: - *Prevnar 13/Prevenar 13* - *Xeljanz* - *Eliquis* - *Lyrica* (U.S., Japan and certain other markets) - *Enbrel* (outside the U.S. and Canada) - *Ibrance* - *Xtandi* - *Chantix/Champix* - Several OTC consumer healthcare products (e.g., *Centrum* and *Advil*)	**Leading brands included:** - *Lipitor* - *Norvasc* - *Lyrica* (Europe, Russia, Turkey, Israel and Central Asia countries) - *Celebrex* - *Viagra** - *Inflectra/Remsima* - *Sulperazon* - Several other sterile injectable products

* Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, were reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra worldwide revenues were reported in EH.

The following organizational change impacted our operating segments in 2018:

- Effective in the first quarter of 2018, certain costs for Pfizer's StratCO group, which were previously reported in the operating results of our operating segments and Corporate, are reported in Other Unallocated. StratCO costs primarily include headcount costs, vendor costs and data costs largely in support of Pfizer's commercial operations. The majority of the StratCO costs reflect additional amounts that our operating segments would have incurred had each segment operated as a standalone company during the periods presented. The reporting change was made to streamline accountability and speed decision making. In 2017, we reclassified approximately $468 million of costs from IH, approximately $176 million of costs from EH and approximately $70 million of costs from Corporate to Other unallocated costs to conform to the current period presentation, and in 2016, we reclassified approximately $312 million of costs from IH, approximately $167 million of costs from EH and approximately $43 million of costs from Corporate to Other unallocated costs to conform to the current period presentation.

Other Costs and Business Activities

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

- WRD, which is generally responsible for research projects for our IH business until proof-of-concept is achieved and then for transitioning those projects to the IH segment via the GPD organization for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. The WRD organization also has responsibility for certain science-based and other platform-services organizations, which provide technical expertise and other services to the various R&D projects, including EH R&D projects. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.
- GPD, which is generally responsible for the operational execution of clinical trials for both early-stage assets in the WRD portfolio as well as late-stage assets in the Innovative portfolio. GPD also provides technical support and other services to Pfizer R&D projects.
- Corporate, representing platform functions (such as worldwide technology, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance and worldwide procurement), the provision of medical information to healthcare providers, patients and other parties, transparency and disclosure activities, clinical trial results publication, grants for healthcare quality improvement and medical education, and partnerships with global public health and medical associations, as well as certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments. Effective in the first quarter of 2018, certain costs for StratCO, which were previously reported in the operating results of our operating segments and Corporate, are reported in Other Unallocated. For additional information, see note below on Other unallocated costs.
- Other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations that are not directly assessed to an operating segment, as business unit (segment) management does not manage these costs (which include manufacturing variances associated with production). In connection with the StratCO reporting change, in 2017, we reclassified approximately $468 million of costs from IH, approximately $176 million of costs from EH and approximately $70 million of costs from Corporate to Other unallocated costs to conform to the current period presentation, and in 2016, we reclassified approximately $312 million of costs from IH, approximately $167 million of costs from EH and approximately $43 million of costs from Corporate to Other unallocated costs to conform to the current period presentation.
- 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 costs, 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 restructuring or legal charges) 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.

Segment Assets

We manage our assets on a total company basis, not by operating segment, as many of our operating assets are shared (such as our plant network assets) or commingled (such as accounts receivable, as many of our customers are served by both operating segments). Therefore, our chief operating decision maker does not regularly review any asset information by operating segment and, accordingly, we do not report asset information by operating segment. Total assets were approximately $159 billion as of December 31, 2018 and approximately $172 billion as of December 31, 2017 .

Selected Income Statement Information

As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2018 , 2017 and 2016 .

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)	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Reportable Segments:									
IH [c]	**$ 33,426**	$ 31,422	$ 29,197	**$ 20,258**	$ 18,809	$ 16,166	**$ 629**	$ 534	$ 583
EH [c]	**20,221**	21,124	23,627	**10,712**	11,460	13,065	**547**	579	600
Total reportable segments	**53,647**	52,546	52,824	**30,970**	30,269	29,231	**1,175**	1,113	1,183
Other business activities [d], [e]	**—**	—	—	**(2,977)**	(3,137)	(3,020)	**93**	90	85
Reconciling Items:									
Corporate [c], [e]	**—**	—	—	**(5,096)**	(5,452)	(5,448)	**363**	337	356
Purchase accounting adjustments [e]	**—**	—	—	**(4,786)**	(4,758)	(4,185)	**4,620**	4,565	3,890
Acquisition-related costs [e]	**—**	—	—	**(318)**	(456)	(785)	**12**	39	7
Certain significant items [f]	**—**	—	—	**(4,305)**	(2,647)	(5,888)	**38**	52	200
Other unallocated [c] , [e]	**—**	—	—	**(1,603)**	(1,514)	(1,554)	**82**	72	35
	$ 53,647	$ 52,546	$ 52,824	**$ 11,885**	$ 12,305	$ 8,351	**$ 6,384**	$ 6,269	$ 5,757

[a] *Income from continuing operations before provision/(benefit) for taxes on income* . IH's earnings include d ividend income from our investment in ViiV of $253 million in 2018 and $266 million in 2017 . For additional information, see *Note 4.*

[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] In connection with the StratCO reporting change, in 2017, we reclassified approximately $468 million of costs from IH, approximately $176 million of costs from EH and approximately $70 million of costs from Corporate to Other unallocated costs, and in 2016, we reclassified approximately $312 million of costs from IH, approximately $167 million of costs from EH and approximately $43 million of costs from Corporate to Other unallocated costs to conform to the current period presentation.

[d] Other business activities includes the costs managed by our WRD and GPD organizations.

[e] For a description, see the "Other Costs and Business Activities" section above.

[f] Certain significant items are substantive and/or unusual, and in some cases recurring, items (such as restructuring or legal charges) 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 2018 , certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $977 million , (ii) net charges for certain legal matters of $157 million , (iii) income of $1 million , representing an adjustment to amounts previously recorded to write down the HIS net assets to fair value less costs to sell, (iv) certain asset impairment charges of $3.1 billion , (v) charges for business and legal entity alignment of $4 million , (vi) net losses on early retirement of debt of $3 million and (vii) other charges of $65 million , which includes, among other things, 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, a $119 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 legislation commonly referred to as the TCJA, $59 million of incremental costs associated with the design, planning and implementation of the new organizational structure, effective in the beginning of 2019, and primarily including consulting, legal, tax, and advisory services and a non-cash $50 million pre-tax gain in *Other (income)/deductions—net* as a result of the contribution of our allogeneic CAR T cell therapy development program assets in connection with our contribution agreement entered into with Allogene. For additional information, see *Note 2B* , *Note 3* and *Note 4* .

For Earnings in 2017 , certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $204 million , (ii) charges for certain legal matters of $237 million , (iii) charges of $55 million , representing adjustments to amounts previously recorded to write-down the HIS net assets to fair value less costs to sell, (iv) certain asset impairment charges of $379 million , (v) charges for business and legal entity alignment of $71 million , (vi) net losses on early retirement of debt of $999 million and (vii) other charges of $700 million . For additional information, see *Note 2B , Note 3* and *Note 4.*

For Earnings in 2016 , certain significant items includes: (i) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $1.4 billion , (ii) charges for certain legal matters of $494 million , (iii) an impairment charge related to the write-down of the HIS net assets to fair value less estimated costs to sell of $1.7 billion , (iv) certain asset impairment charges of $1.4 billion , (v) charges for business and legal entity alignment of $261 million , (vi) net losses on early retirement of debt of $312 million and (vii) other charges of $294 million . For additional information, see *Note 3* and *Note 4* .

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

The operating segment information does not purport to represent the revenues, costs and *Income from continuing operations before provision/(benefit) for taxes on income* that each of our operating segments would have recorded had each segment operated as a standalone company during the periods presented.

B. Geographic Information

As described in *Note 1A* , the February 3, 2017 sale of HIS impacted our results of operations in 2018 , 2017 and 2016 .

The following table provides revenues by geographic area:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
United States	**$ 25,329**	$ 26,026	$ 26,369
Developed Europe [a]	**9,116**	8,508	9,306
Developed Rest of World [b]	**6,551**	6,612	6,729
Emerging Markets [c]	**12,651**	11,399	10,420
Revenues	**$ 53,647**	$ 52,546	$ 52,824

[a] Developed Europe region includes the following markets: Western Europe, Scandinavian countries and Finland. Revenues denominated in euros were $7.3 billion in 2018 , $6.8 billion in 2017 and $7.2 billion in 2016 .
[b] Developed Rest of World region includes the following markets: Japan, Canada, South Korea, Australia and New Zealand.
[c] Emerging Markets region 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.

Revenues exceeded $500 million in each of 11 countries outside the U.S. in 2018 , 2017 and 2016 . The U.S. is the only country to contribute more than 10% of total revenue in 2018 , 2017 and 2016 . As a percentage of revenues, our two largest national markets outside the U.S. were Japan, which contributed 8% of total revenue in each of 2018, 2017 and 2016, and China, which contributed 8% of total revenue in 2018, 7% of total revenue in 2017 and 6% of total revenues in 2016.

The following table provides long-lived assets by geographic area:

	As of December 31,		
(MILLIONS OF DOLLARS)	**2018**	2017	2016
Property, plant and equipment, net			
United States	**$ 7,089**	$ 6,971	$ 6,649
Developed Europe [a]	**4,204**	4,345	4,228
Developed Rest of World [b]	**490**	632	643
Emerging Markets [c]	**1,602**	1,917	1,797
Property, plant and equipment, net	**$ 13,385**	$ 13,865	$ 13,318

[a] Developed Europe region includes the following markets: Western Europe, Scandinavian countries and Finland.
[b] Developed Rest of World region includes the following markets: Japan, Canada, South Korea, Australia and New Zealand.
[c] Emerging Markets region 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.

C. Other Revenue Information

Significant Customers

We sell our biopharmaceutical products primarily to customers in the wholesale sector. In 2018 , sales to our three largest U.S. wholesaler customers represented approximately 15% , 11% and 10% of total revenues, respectively, and, collectively, represented approximately 34% of total trade accounts receivable as of December 31, 2018 . In 2017 , sales to our three largest U.S. wholesaler customers represented approximately 16% , 12% and 10% of total revenues, respectively, and, collectively, represented approximately 36% of total trade accounts receivable as of December 31, 2017 . In 2016 , sales to our three largest U.S. wholesaler customers represented approximately 16% , 12% and 10% of total revenues, respectively, and, collectively, represented approximately 29% of total trade accounts receivable as of December 31, 2016 . For all years presented, these sales and related trade accounts receivable were concentrated in our biopharmaceutical businesses.

Significant Product Revenues

As described in *Note 1A* , acquisitions and divestitures have impacted our results of operations in 2018 , 2017 and 2016 .

The following table provides detailed revenue information for several of our major products:

(MILLIONS OF DOLLARS)		Year Ended December 31,		
PRODUCT	**PRIMARY INDICATION OR CLASS**	**2018**	2017	2016
TOTAL REVENUES		**$ 53,647**	$ 52,546	$ 52,824
PFIZER INNOVATIVE HEALTH (IH) [a]		**$ 33,426**	$ 31,422	$ 29,197
Internal Medicine		**$ 9,996**	$ 9,684	$ 8,858
Lyrica IH [b]	Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia, neuropathic pain due to spinal cord injury	**4,622**	4,511	4,165
Eliquis alliance revenues and direct sales	Atrial fibrillation, deep vein thrombosis, pulmonary embolism	**3,434**	2,523	1,713
Chantix/Champix	An aid to smoking cessation treatment in adults 18 years of age or older	**1,085**	997	842
BMP2	Development of bone and cartilage	**279**	261	251
Toviaz	Overactive bladder	**271**	257	258
Viagra IH [c]	Erectile dysfunction	**—**	823	1,181
All other Internal Medicine	Various	**306**	312	447
Vaccines		**$ 6,332**	$ 6,001	$ 6,071
Prevnar 13/Prevenar 13	Vaccines for prevention of pneumococcal disease	**5,802**	5,601	5,718
FSME/IMMUN-TicoVac	Tick-borne encephalitis vaccine	**184**	134	114
Trumenba	Meningococcal Group B vaccine	**116**	88	84
All other Vaccines	Various	**230**	177	155
Oncology		**$ 7,202**	$ 6,056	$ 4,563
Ibrance	Advanced breast cancer	**4,118**	3,126	2,135
Sutent	Advanced and/or metastatic RCC, adjuvant RCC, refractory GIST (after disease progression on, or intolerance to, imatinib mesylate) and advanced pancreatic neuroendocrine tumor	**1,049**	1,081	1,095
Xtandi alliance revenues	Castration-resistant prostate cancer	**699**	590	140
Xalkori	ALK-positive and ROS1-positive advanced NSCLC	**524**	594	561
Inlyta	Advanced RCC	**298**	339	401
Bosulif	Philadelphia chromosome–positive chronic myelogenous leukemia	**296**	233	167
All other Oncology	Various	**219**	93	63
Inflammation & Immunology (I&I)		**$ 4,080**	$ 3,968	$ 3,928
Enbrel (Outside the U.S. and Canada)	RA, juvenile idiopathic arthritis, PsA, plaque psoriasis, pediatric plaque psoriasis, ankylosing spondylitis and nonradiographic axial spondyloarthritis	**2,112**	2,452	2,909
Xeljanz	RA, PsA, ulcerative colitis	**1,774**	1,345	927
Eucrisa	Mild-to-moderate atopic dermatitis (eczema)	**147**	67	—
All other I&I	Various	**46**	103	93
Rare Disease		**$ 2,211**	$ 2,240	$ 2,369
Genotropin	Replacement of human growth hormone	**558**	532	579
BeneFIX	Hemophilia	**554**	604	712
Refacto AF/Xyntha	Hemophilia	**514**	551	554
Somavert	Acromegaly	**267**	254	232
All other Rare Disease	Various	**318**	300	292
Consumer Healthcare		**$ 3,605**	$ 3,472	$ 3,407
PFIZER ESSENTIAL HEALTH (EH) [d]		**$ 20,221**	$ 21,124	$ 23,627
Legacy Established Products (LEP) [e]		**$ 10,540**	$ 10,894	$ 11,197
Lipitor	Reduction of LDL cholesterol	**2,062**	1,915	1,758
Norvasc	Hypertension	**1,024**	926	962
Premarin family	Symptoms of menopause	**832**	977	1,017
Xalatan/Xalacom	Glaucoma and ocular hypertension	**318**	335	363
Effexor	Depression and certain anxiety disorders	**311**	297	278
EpiPen	Epinephrine injection used in treatment of life-threatening allergic reactions	**303**	290	386
Zoloft	Depression and certain anxiety disorders	**298**	291	304

Zithromax	Bacterial infections	**290**	270	272
Xanax	Anxiety disorders	**223**	225	222
Sildenafil Citrate	Erectile dysfunction	**56**	56	—
All other LEP	Various	**4,822**	5,313	5,636

(MILLIONS OF DOLLARS)		Year Ended December 31,		
PRODUCT	**PRIMARY INDICATION OR CLASS**	**2018**	2017	2016
Sterile Injectable Pharmaceuticals (SIP) [f]		**$ 5,214**	$ 5,673	$ 6,014
Sulperazon	Treatment of infections	**613**	471	396
Medrol	Steroid anti-inflammatory	**427**	483	450
Fragmin	Slows blood clotting	**293**	306	318
Tygacil	Tetracycline class antibiotic	**249**	260	274
Zosyn/Tazocin	Antibiotic	**229**	194	146
Precedex	Sedation agent in surgery or intensive care	**213**	243	264
All other SIP	Various	**3,191**	3,715	4,166
Peri-LOE Products [g]		**$ 2,944**	$ 3,223	$ 4,220
Celebrex	Arthritis pain and inflammation, acute pain	**686**	775	733
Viagra EH [c]	Erectile dysfunction	**636**	382	383
Vfend	Fungal infections	**392**	421	590
Lyrica EH [b]	Epilepsy, neuropathic pain and generalized anxiety disorder	**347**	553	801
Zyvox	Bacterial infections	**236**	281	421
Revatio	Pulmonary arterial hypertension	**227**	252	285
Pristiq	Depression	**206**	303	732
All other Peri-LOE Products	Various	**213**	257	276
Biosimilars [h]	Various	**$ 769**	$ 531	$ 319
Inflectra/Remsima	Inflammatory diseases	**642**	419	192
All other Biosimilars	Various	**127**	112	127
Pfizer CentreOne [i]		**$ 755**	$ 706	$ 718
Hospira Infusion Systems (HIS) [j]	Various	**$ —**	$ 97	$ 1,158
Total Lyrica [b]	Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia, neuropathic pain due to spinal cord injury	**$ 4,970**	$ 5,065	$ 4,966
Total Viagra [c]	Erectile dysfunction	**$ 636**	$ 1,204	$ 1,564
Total Alliance revenues	Various	**$ 3,838**	$ 2,927	$ 1,746

[a] The IH business encompasses Internal Medicine, Vaccines, Oncology, Inflammation & Immunology, Rare Disease and Consumer Healthcare. Through December 31, 2016, includes Duavive/Duavee and Viviant (recorded in All other Internal Medicine in 2016), which were transferred from Innovative Health to Essential Health effective January 1, 2017 (recorded in All other LEP (EH) beginning January 1, 2017), in order to align these products with our management of the women's health portfolio within EH.

[b] Lyrica revenues from all of Europe, Russia, Turkey, Israel and Central Asia countries are included in Lyrica EH. All other Lyrica revenues are included in Lyrica IH. Total Lyrica revenues represent the aggregate of worldwide revenues from Lyrica IH and Lyrica EH.

[c] Viagra lost exclusivity in the U.S. in December 2017. In 2018, revenues for Viagra in the U.S. and Canada, which were reported in IH through 2017, were reported in EH (which reported all other Viagra revenues excluding the U.S. and Canada through 2017). Therefore, in 2018, total Viagra worldwide revenues were reported in EH. Total Viagra revenues in 2017 and 2016 represented the aggregate of worldwide revenues from Viagra IH and Viagra EH.

[d] The EH business encompasses Legacy Established Products, Sterile Injectable Pharmaceuticals, Peri-LOE Products, Biosimilars, Pfizer CentreOne and HIS (through February 2, 2017).

[e] Legacy Established Products primarily include products that have lost patent protection (excluding Sterile Injectable Pharmaceuticals and Peri-LOE Products). In the fourth quarter of 2017, we sold our equity share in Hisun Pfizer. As a result, effective in the first quarter of 2018, Hisun Pfizer-related revenues, previously reported in emerging markets within All Other LEP and All Other SIP, are reported in emerging markets within Pfizer CentreOne.
Effective January 1, 2017, All other LEP includes Duavive/Duavee and Viviant, which were transferred from Innovative Health (recorded in All other Internal Medicine (IH) in 2016), in order to align these products with our management of the women's health portfolio within EH. See note (a) above.

[f] Sterile Injectable Pharmaceuticals includes branded and generic injectables (excluding Peri-LOE Products). In the fourth quarter of 2017, we sold our equity share in Hisun Pfizer. As a result, effective in the first quarter of 2018, Hisun Pfizer-related revenues, previously reported in emerging markets within All Other LEP and All Other SIP, are reported in emerging markets within Pfizer CentreOne.

[g] Peri-LOE Products include products that have recently lost or are anticipated to soon lose patent protection. These products primarily include: Lyrica in Europe, Russia, Turkey, Israel and Central Asia; and worldwide revenues for Celebrex, Pristiq, Zyvox, Vfend, Revatio and Inspra; and in 2018, Viagra revenues for all countries (and Viagra revenues for all countries other than the U.S. and Canada in 2017 and 2016), see note (c) above.

[h] Biosimilars include Inflectra/Remsima (biosimilar infliximab) in the U.S. and certain international markets, Nivestim (biosimilar filgrastim) in certain European, Asian and Africa/Middle Eastern markets and in the U.S. and Retacrit (biosimilar epoetin zeta) in the U.S. and certain European and Africa/Middle Eastern markets.

[i] 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, including with Zoetis Inc. In the fourth quarter of 2017, we sold our equity share in Hisun Pfizer. As a result, effective in the first quarter of 2018, Hisun Pfizer-related revenues, previously reported in emerging markets within All Other LEP and All Other SIP, are reported in emerging markets within Pfizer CentreOne.

[j] HIS (through February 2, 2017) includes Medication Management Systems products composed of infusion pumps and related software and services, as well as IV Infusion Products, including large volume IV solutions and their associated administration sets.

Note 19. Subsequent Event

A. Accelerated Share Repurchase Agreement

On February 7, 2019 , we entered into an accelerated share repurchase agreement with GS&Co. to repurchase approximately $6.8 billion of our common stock. Pursuant to the terms of the agreement, on February 12, 2019 , we paid approximately $6.8 billion to GS&Co. and received an initial delivery of approximately 130 million shares of our common stock from GS&Co. , which represented, based on the closing price of our common stock on the NYSE on February 7, 2019 , approximately 80% of the notional amount of the accelerated share repurchase agreement. As of February 28, 2019, the common stock received is included in *Treasury Stock* . At settlement of the agreement, which is expected to occur during or prior to the third quarter of 2019, GS&Co. may be required to deliver additional shares of common stock to us, or, under certain circumstances, we may be required to deliver shares of our common stock or may elect to make a cash payment to GS&Co. , with the number of shares to be delivered or the amount of such payment, as well as the final price per share, based on the volume-weighted average price, less a discount, of Pfizer's common stock during the term of the transaction. This agreement was entered into pursuant to our previously announced share repurchase authorization. After giving effect to the accelerated share repurchase agreement and other share repurchases through February 28, 2019, our remaining share-purchase authorization was approximately $5.3 billion on February 28, 2019.

Selected Quarterly Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	Quarter			
	First	Second	Third	Fourth
2018				
Revenues	$ 12,906	$ 13,466	$ 13,298	$ 13,976
Costs and expenses [a]	8,736	8,895	9,035	14,051
Restructuring charges and certain acquisition-related costs [b]	43	44	85	872
Income/(loss) from continuing operations before provision for taxes on income/(loss)	4,127	4,527	4,177	(946)
Provision/(benefit) for taxes on income/(loss) [c]	556	648	66	(563)
Income/(loss) from continuing operations	3,571	3,879	4,111	(383)
Discontinued operations—net of tax	(1)	—	11	—
Net income/(loss) before allocation to noncontrolling interests	3,570	3,879	4,122	(383)
Less: Net income attributable to noncontrolling interests	9	7	8	11
Net income/(loss) attributable to Pfizer Inc.	$ 3,561	$ 3,872	$ 4,114	$ (394)
Earnings/(loss) per common share—basic:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.60	$ 0.66	$ 0.70	$ (0.07)
Discontinued operations—net of tax	—	—	—	—
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.60	$ 0.66	$ 0.70	$ (0.07)
Earnings/(loss) per common share—diluted:				
Income/(loss) from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.59	$ 0.65	$ 0.69	$ (0.07)
Discontinued operations—net of tax	—	—	—	—
Net income/(loss) attributable to Pfizer Inc. common shareholders	$ 0.59	$ 0.65	$ 0.69	$ (0.07)

[a] The fourth quarter of 2018 historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses*. The fourth quarter of 2018 includes $3.1 billion in certain asset impairments recorded in *Other (income)/deductions—net* . For additional information, see Notes to Consolidated Financial Statements— *Note 4* . *Other (Income)/Deductions—Net* .

[b] In the fourth quarter of 2018, includes restructuring charges that were primarily related to employee termination costs and asset write downs. The employee termination costs are associated with our improvements to operational effectiveness as part of the realignment of our organizational structure effective at the beginning of 2019. For additional information, see Notes to Consolidated Financial Statements— *Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives* .

[c] The third and fourth quarters of 2018 reflect the impact of t he TCJA on the *Provision/(benefit) for taxes on income* . For additional information, see Notes to Consolidated Financial Statements— *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* .

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

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	Quarter			
	First [a]	Second	Third	Fourth
2017				
Revenues	$ 12,779	$ 12,896	$ 13,168	$ 13,703
Costs and expenses [b]	8,744	9,011	9,469	12,665
Restructuring charges and certain acquisition-related costs	84	70	114	84
Income from continuing operations before provision/(benefit) for taxes on income	3,951	3,815	3,585	953
Provision/(benefit) for taxes on income [c]	821	739	727	(11,335)
Income from continuing operations	3,130	3,077	2,858	12,289
Discontinued operations—net of tax	—	2	—	1
Net income before allocation to noncontrolling interests	3,130	3,078	2,858	12,290
Less: Net income attributable to noncontrolling interests	9	5	18	15
Net income attributable to Pfizer Inc.	$ 3,121	$ 3,073	$ 2,840	$ 12,274
Earnings per common share—basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.52	$ 0.52	$ 0.48	$ 2.06
Discontinued operations—net of tax	—	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.52	$ 0.52	$ 0.48	$ 2.06
Earnings per common share—diluted:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.51	$ 0.51	$ 0.47	$ 2.02
Discontinued operations—net of tax	—	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.51	$ 0.51	$ 0.47	$ 2.02

[a] In accordance with our international reporting period, our consolidated statement of income for the first quarter of 2017 reflects approximately two months of the small molecule anti-infectives business acquired from Astra Zeneca.

[b] The fourth quarter of 2017 historically reflects higher costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses*. The fourth quarter of 2017 includes a net loss on early retirement of debt of $999 million , inclusive of the related termination of cross currency swaps.

[c] The fourth quarter of 2017 reflects the impact of the TCJA. For additional information, see Notes to Consolidated Financial Statements — *Note 5A. Tax Matters: Taxes on Income from Continuing Operations* .

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.

Financial Summary

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Year Ended/As of December 31, [a]				
	2018	2017	2016	2015	2014
Revenues	**$ 53,647**	$ 52,546	$ 52,824	$ 48,851	$ 49,605
Income from continuing operations	**11,179**	21,353	7,229	6,975	9,119
Total assets	**159,422**	171,797	171,615	167,381	167,473
Long-term obligations [b]	**63,807**	69,714	80,660	72,985	74,265
Earnings per common share—basic					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.90**	$ 3.57	$ 1.18	$ 1.13	$ 1.43
Discontinued operations—net of tax	**—**	—	—	—	0.01
Net income attributable to Pfizer Inc. common shareholders [c]	**$ 1.90**	$ 3.57	$ 1.18	$ 1.13	$ 1.44
Earnings per common share—diluted					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.86**	$ 3.52	$ 1.17	$ 1.11	$ 1.41
Discontinued operations—net of tax	**—**	—	—	—	0.01
Net income attributable to Pfizer Inc. common shareholders	**$ 1.87**	$ 3.52	$ 1.17	$ 1.11	$ 1.42
Cash dividends declared per common share	**$ 1.38**	$ 1.30	$ 1.22	$ 1.14	$ 1.06

[a] 2017 reflects the February 3, 2017 sale of HIS to ICU Medical. 2017 and 2018 reflect the acquisition of the development and commercialization rights to AstraZeneca's small molecule anti-infectives business, primarily outside of the U.S. on December 22, 2016. 2016, 2017 and 2018 reflect the acquisition of Medivation on September 28, 2016 and the acquisition of Anacor on June 24, 2016, and 2015, 2016, 2017 and 2018 reflect the acquisition of Hospira on September 3, 2015.

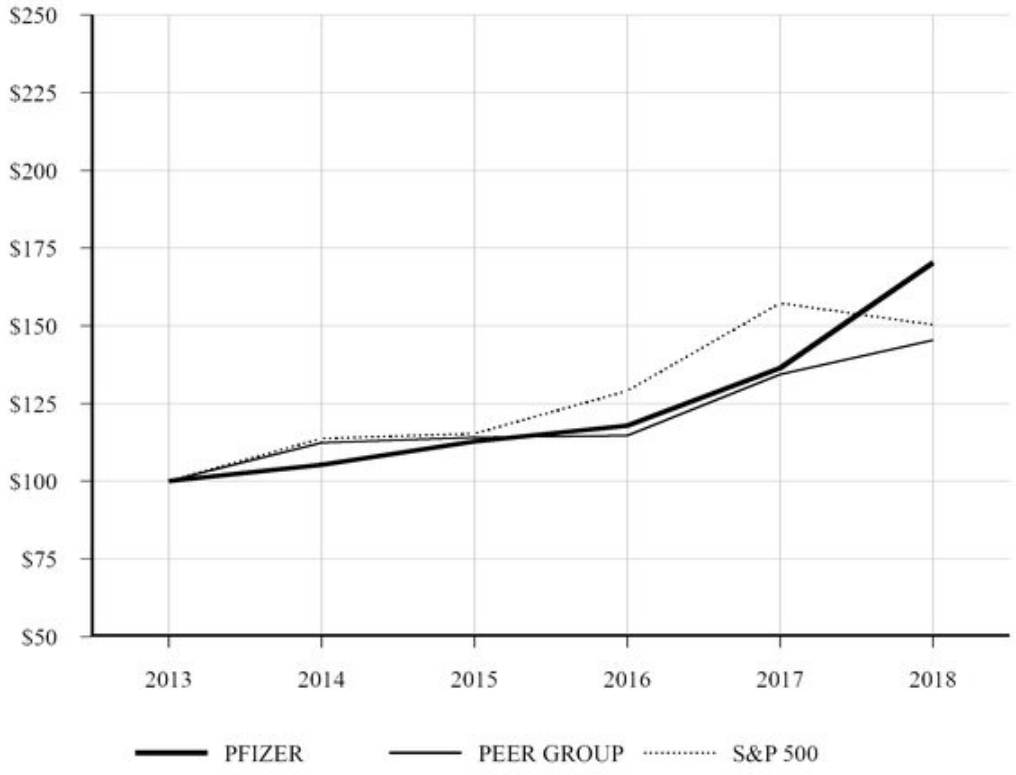
[b] Defined as *Long-term debt, Pension benefit obligations, net, Postretirement benefit obligations, net, Noncurrent deferred tax liabilities, Other taxes payable* and *Other noncurrent liabilities.*

[c] 2018 and 2017 reflect the impact of the TCJA on the *Provision/(benefit) for taxes on income* . For additional information, see Notes to Consolidated Financial Statements — *Note 5A. Tax Matters: Taxes on Income from Continuing Operations.*

Peer Group Performance Graph

Pfizer Inc. and Subsidiary Companies

The following graph assumes a $100 investment on December 31, 2013, 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: Abbott Laboratories (for 2012 only), AbbVie Inc. (beginning in 2013), Amgen, Inc., AstraZeneca plc, Bristol-Myers Squibb Company, Eli Lilly & Co., GlaxoSmithKline plc, Johnson & Johnson, Merck and Co., Inc., Novartis AG, Roche Holding AG and Sanofi SA.



Five Year Performance

	2013	2014	2015	2016	2017	2018
PFIZER	$100.0	$105.3	$112.8	$117.8	$136.4	**$170.3**
PEER GROUP	$100.0	$112.4	$114.1	$114.7	$134.3	**$145.4**
S&P 500	$100.0	$113.7	$115.2	$129.0	$157.2	**$150.3**

EXHIBIT 21

The following is a list of subsidiaries of the Company as of December 31, 2018, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

Company Name	Where Incorporated or Organized
Agouron Pharmaceuticals, LLC	California
AH Robins LLC	Delaware
AHP Holdings B.V.	Netherlands
AHP Manufacturing B.V.	Netherlands
Alacer Corp.	California
Alpharma Pharmaceuticals LLC	Delaware
American Food Industries LLC	Delaware
Anacor Pharmaceuticals, Inc.	Delaware
Ayerst-Wyeth Pharmaceuticals LLC	Delaware
Bamboo Therapeutics, Inc.	Delaware
Bioren, LLC	Delaware
Blue Whale Re Ltd.	Vermont
C.P. Pharmaceuticals International C.V.	Netherlands
CICL Corporation	Delaware
COC I Corporation	Delaware
Coley Pharmaceutical GmbH	Germany
Coley Pharmaceutical Group, Inc.	Delaware
Continental Pharma, Inc.	Belgium
Covx Technologies Ireland Limited	Ireland
Cyanamid de Argentina S.A.	Delaware
Cyanamid de Colombia, S.A.	Delaware
Distribuidora Mercantil Centro Americana, S.A.	Delaware
Encysive Pharmaceuticals Inc.	Delaware
Excaliard Pharmaceuticals, Inc.	Delaware
Farminova Produtos Farmaceuticos de Inovacao, Lda.	Portugal
Ferrosan A/S	Denmark
Ferrosan International A/S	Denmark
Ferrosan S.R.L.	Romania
FoldRx Pharmaceuticals, Inc.	Delaware
Fort Dodge Manufatura Ltda.	Brazil
G. D. Searle & Co. Limited	United Kingdom
G. D. Searle International Capital LLC	Delaware
G. D. Searle LLC	Delaware
Genetics Institute, LLC	Delaware
GenTrac, Inc.	Wisconsin
GI Europe, Inc.	Delaware
GI Japan, Inc.	Delaware
Greenstone LLC	Delaware
HBAF Ltd.	Bahamas

Hospira (China) Enterprise Management Co. Ltd.	People’s Republic of China
Hospira Adelaide Pty Ltd	Australia
Hospira Australia Pty Ltd	Australia
Hospira Benelux BVBA	Belgium
Hospira Enterprises B.V.	Netherlands
Hospira France SAS	France
Hospira Holdings (S.A.) Pty Ltd	Australia
Hospira Ireland Holdings Unlimited Company	Ireland
Hospira Ireland Sales Limited	Ireland
Hospira Limited	Hong Kong
Hospira NZ Limited	New Zealand
Hospira Philippines, Inc.	Philippines
Hospira Pte. Ltd.	Singapore
Hospira Pty Limited	Australia
Hospira Puerto Rico, LLC	Delaware
Hospira Singapore Pte Ltd	Singapore
Hospira UK Limited	United Kingdom
Hospira Worldwide, LLC	Delaware
Hospira Zagreb d.o.o.	Croatia
Hospira, Inc.	Delaware
InnoPharma, Inc.	Delaware
International Affiliated Corporation LLC	Delaware
JMI-Daniels Pharmaceuticals, Inc.	Florida
John Wyeth & Brother Limited	United Kingdom
Kiinteistö oy Espoon Pellavaniementie 14	Finland
King Pharmaceuticals Holdings LLC	Delaware
King Pharmaceuticals LLC	Delaware
King Pharmaceuticals Research and Development, LLC	Delaware
Korea Pharma Holding Company Limited	Hong Kong
Laboratoires Pfizer, S.A.	Morocco
Laboratorios Parke Davis, S.L.	Spain
Laboratorios Pfizer Ltda.	Brazil
Laboratórios Pfizer, Lda.	Portugal
Laboratorios Wyeth LLC	Pennsylvania
Laboratorios Wyeth S.A.	Venezuela
Mayne Pharma IP Holdings (Euro) Pty Ltd	Australia
Medivation Field Solutions LLC	Delaware
Medivation LLC	Delaware
Medivation Neurology LLC	Delaware
Medivation Prostate Therapeutics LLC	Delaware
Medivation Services LLC	Delaware
Medivation Technologies LLC	Delaware
Meridian Medical Technologies, Inc.	Delaware
Monarch Pharmaceuticals, LLC	Tennessee
MTG Divestitures LLC	Delaware
Neusentis Limited	United Kingdom

PAH USA IN8 LLC	Delaware
Parke Davis Limited	Hong Kong
Parke, Davis & Company LLC	Michigan
Parkedale Pharmaceuticals, Inc.	Michigan
P-D Co., LLC	Delaware
Peak Enterprises LLC	Delaware
PF Asia Manufacturing B.V.	Netherlands
PF Consumer Healthcare 1 LLC	Delaware
PF Consumer Healthcare B.V.	Netherlands
PF Consumer Healthcare Canada ULC	Canada
PF Consumer Healthcare New Zealand Limited	New Zealand
PF Healthcare Australia Pty Ltd	Australia
PF OFG (Thailand) Limited	Thailand
PF OFG Australia Pty Ltd	Australia
PF OFG HELLAS L.T.D.	Greece
PF OFG Hong Kong Limited	Hong Kong
PF OFG New Zealand ULC	New Zealand
PF OFG South Korea 1 B.V.	Netherlands
PF PR Holdings C.V.	Netherlands
PF PRISM C.V.	Netherlands
PF PRISM Holdings S.a.r.l.	Luxembourg
PF Prism S.á.r.l.	Luxembourg
PFE Holdings G.K.	Japan
PFE Pfizer Holdings 1 LLC	Delaware
PFE PHAC Holdings 1 LLC	Delaware
PFE Wyeth Holdings LLC	Delaware
PFE Wyeth-Ayerst (Asia) LLC	Delaware
Pfizer	France
Pfizer (China) Research and Development Co. Ltd.	People’s Republic of China
Pfizer (Malaysia) Sdn Bhd	Malaysia
Pfizer (Perth) Pty Ltd	Australia
Pfizer (Thailand) Limited	Thailand
Pfizer (Wuhan) Research and Development Co. Ltd.	People’s Republic of China
Pfizer AB	Sweden
Pfizer Africa & Middle East for Pharmaceuticals, Veterinarian Products & Chemicals S.A.E.	Egypt
Pfizer Afrique de L'Ouest	Senegal
Pfizer AG	Switzerland
Pfizer Anti-Infectives AB	Sweden
Pfizer ApS	Denmark
Pfizer AS	Norway
Pfizer Asia Manufacturing Pte. Ltd.	Singapore
Pfizer Asia Pacific Pte Ltd.	Singapore
Pfizer Atlantic Holdings S.a.r.l.	Luxembourg
Pfizer Australia Holdings B.V.	Netherlands
Pfizer Australia Holdings Pty Limited	Australia

Pfizer Australia Investments Pty Ltd	Australia
Pfizer Australia Pty Ltd	Australia
Pfizer B.V.	Netherlands
Pfizer Baltic Holdings B.V.	Netherlands
Pfizer Biofarmacêutica, Sociedade Unipessoal Lda	Portugal
Pfizer Biologics (Hangzhou) Co. Ltd	People's Republic of China
Pfizer Biologics Ireland Holdings Limited	Ireland
Pfizer Biotech Corporation	Taiwan
Pfizer Bolivia S.A.	Bolivia
Pfizer Brazil Holding SARL	Luxembourg
Pfizer Canada ULC	Canada
Pfizer CentreSource Asia Pacific Pte. Ltd.	Singapore
Pfizer Chile S.A.	Chile
Pfizer Cia. Ltda.	Ecuador
Pfizer Colombia Spinco I LLC	Pennsylvania
Pfizer Commercial Holdings Coöperatief U.A.	Netherlands
Pfizer Commercial Holdings TRAE Kft.	Hungary
Pfizer Commercial TRAE Trading Kft.	Hungary
Pfizer Consumer Healthcare AB	Sweden
Pfizer Consumer Healthcare GmbH	Germany
Pfizer Consumer Healthcare Limited	United Kingdom
Pfizer Consumer Manufacturing Italy S.r.l.	Italy
Pfizer Corporation Austria Gesellschaft m.b.H.	Austria
Pfizer Corporation Hong Kong Limited	Hong Kong
Pfizer Corporation S. de R.L.	Panama
Pfizer Croatia d.o.o.	Croatia
Pfizer Deutschland GmbH	Germany
Pfizer Development LP	United Kingdom
Pfizer Development Services (UK) Limited	United Kingdom
Pfizer Domestic Ventures Limited	Jersey
Pfizer Dominicana, S.R.L	Dominican Republic
Pfizer East India B.V.	Netherlands
Pfizer Eastern Investments B.V.	Netherlands
Pfizer Egypt S.A.E.	Egypt
Pfizer Enterprise Holdings B.V.	Netherlands
Pfizer Enterprises LLC	Delaware
Pfizer Enterprises SARL	Luxembourg
Pfizer ESP Pty. Ltd.	Australia
Pfizer Europe Finance B.V.	Netherlands
Pfizer Export B.V.	Netherlands
Pfizer Export Company	Ireland
Pfizer Export Holding Company B.V	Netherlands
Pfizer Finance Share Service (Dalian) Co., Ltd.	People's Republic of China
Pfizer Financial Services	Belgium
Pfizer France International Investments	France
Pfizer Free Zone Panama, S. de R.L.	Panama

Pfizer GEP, S.L.	Spain
Pfizer Global Holdings B.V.	Netherlands
Pfizer Global Supply Japan Inc.	Japan
Pfizer Global Trading	Ireland
Pfizer Group Luxembourg SARL	Luxembourg
Pfizer Gulf FZ-LLC	United Arab Emirates
Pfizer H.C.P. Corporation	New York
Pfizer Health AB	Sweden
Pfizer Health Solutions Inc.	Delaware
Pfizer Healthcare India Private Limited	India
Pfizer Healthcare Ireland	Ireland
Pfizer Hellas, A.E.	Greece
Pfizer Himalaya Holdings Coöperatief U.A.	Netherlands
Pfizer Holding France	France
Pfizer Holding Ventures	Ireland
Pfizer Holdings Corporation	Delaware
Pfizer Holdings Europe Unlimited Company	Ireland
Pfizer Holdings G.K.	Japan
Pfizer Holdings International Corporation	Delaware
Pfizer Holdings International Luxembourg (PHIL) SARL	Luxembourg
Pfizer Hungary Holdings TRAE Kft.	Hungary
Pfizer Ilaclari Limited Sirketi	Turkey
Pfizer Innovations AB	Sweden
Pfizer Innovations LLC	Russia
Pfizer Innovative Supply Point International BVBA	Belgium
Pfizer International LLC	New York
Pfizer International Markets B.V.	Netherlands
Pfizer International Operations	France
Pfizer International S. de R.L.	Panama
Pfizer International Trading (Shanghai) Limited	People’s Republic of China
Pfizer Investment Capital Unlimited Company	Ireland
Pfizer Investment Co. Ltd.	People’s Republic of China
Pfizer Investment Holdings S.a.r.l.	Luxembourg
Pfizer Ireland Investments Limited	Ireland
Pfizer Ireland PFE Holding 1 LLC	Delaware
Pfizer Ireland Pharmaceuticals	Ireland
Pfizer Ireland Ventures Unlimited Company	Ireland
Pfizer Italia S.r.l.	Italy
Pfizer Italy Group Holding S.r.l.	Italy
Pfizer Japan Inc.	Japan
Pfizer Laboratories (Pty) Limited	South Africa
Pfizer Laboratories Limited	Kenya
Pfizer Laboratories PFE (Pty) Ltd	South Africa
Pfizer Leasing Ireland Limited	Ireland
Pfizer Leasing UK Limited	United Kingdom

Pfizer Limited	India
Pfizer Limited	Taiwan
Pfizer Limited	United Kingdom
Pfizer LLC	Russia
Pfizer Luxco Holdings SARL	Luxembourg
Pfizer Luxembourg Global Holdings S.à r.l.	Luxembourg
Pfizer Luxembourg SARL	Luxembourg
Pfizer Manufacturing Austria G.m.b.H.	Austria
Pfizer Manufacturing Belgium N.V.	Belgium
Pfizer Manufacturing Deutschland GmbH	Germany
Pfizer Manufacturing Deutschland Grundbesitz GmbH & Co. KG	Germany
Pfizer Manufacturing Holdings LLC	Delaware
Pfizer Manufacturing Ireland Unlimited Company	Ireland
Pfizer Manufacturing LLC	Delaware
Pfizer Manufacturing Services	Ireland
Pfizer MAP Holding, Inc.	Delaware
Pfizer Medical Technology Group (Belgium) N.V.	Belgium
Pfizer Medicamentos Genericos e Participacoes Ltda.	Brazil
Pfizer Mexico Luxco SARL	Luxembourg
Pfizer Mexico, S.A. de C.V.	Mexico
Pfizer Middle East for Pharmaceuticals, Animal Health and Chemicals S.A.E.	Egypt
Pfizer New Zealand Limited	New Zealand
Pfizer Norge AS	Norway
Pfizer North American Holdings Inc.	Delaware
Pfizer OFG Germany GmbH	Germany
Pfizer OTC B.V.	Netherlands
Pfizer Overseas LLC	Delaware
Pfizer Oy	Finland
Pfizer Pakistan Limited	Pakistan
Pfizer Parke Davis (Thailand) Ltd.	Thailand
Pfizer Parke Davis Sdn. Bhd.	Malaysia
Pfizer PFE ApS	Denmark
Pfizer PFE AsiaPac Holding B.V.	Netherlands
Pfizer PFE Australia Holding B.V.	Netherlands
Pfizer PFE Australia Pty Ltd	Australia
Pfizer PFE B.V.	Netherlands
Pfizer PFE Baltic Holdings B.V.	Netherlands
Pfizer PFE Belgium SPRL	Belgium
Pfizer PFE Brazil Holding S.à r.l.	Luxembourg
Pfizer PFE CIA. Ltda.	Ecuador
Pfizer PFE Colombia Holding LLC	Delaware
Pfizer PFE Colombia S.A.S	Colombia
Pfizer PFE Croatia Holding B.V.	Netherlands
Pfizer PFE Eastern Investments B.V.	Netherlands

Pfizer PFE Finland Oy	Finland
Pfizer PFE France	France
Pfizer PFE Global Holdings B.V.	Netherlands
Pfizer PFE İlaçları Anonim Şirketi	Turkey
Pfizer PFE Ireland Pharmaceuticals Holding 1 B.V.	Netherlands
Pfizer PFE Limited	Taiwan
Pfizer PFE Luxembourg S.à r.l.	Luxembourg
Pfizer PFE Mexico Holding 3 LLC	Delaware
Pfizer PFE New Zealand Holding B.V.	Netherlands
Pfizer PFE Norway Holding S.à r.l.	Luxembourg
Pfizer PFE Peru Holding LLC	Delaware
Pfizer PFE Peru S.R.L.	Peru
Pfizer PFE Pharmaceuticals Israel Holding LLC	Delaware
Pfizer PFE Pharmaceuticals Israel Ltd.	Israel
Pfizer PFE PILSA Holdco S.à r.l.	Luxembourg
Pfizer PFE Private Limited	Singapore
Pfizer PFE Service Company Holding B.V.	Netherlands
Pfizer PFE Singapore Holding B.V.	Netherlands
Pfizer PFE Singapore Pte. Ltd.	Singapore
Pfizer PFE Spain B.V.	Netherlands
Pfizer PFE Spain Holding, S.L.	Spain
Pfizer PFE Switzerland GmbH	Switzerland
Pfizer PFE Turkey Holding 1 B.V.	Netherlands
Pfizer PFE Turkey Holding 2 B.V.	Netherlands
Pfizer PFE UK Holding 4 LP	United Kingdom
Pfizer PFE US Holdings 4 LLC	Delaware
Pfizer PFE US Holdings 5 LLC	Delaware
Pfizer PFE, spol. s r.o.	Czech Republic
Pfizer Pharm Algerie	Algeria
Pfizer Pharma GmbH	Germany
Pfizer Pharma PFE GmbH	Germany
Pfizer Pharmaceutical (Wuxi) Co., Ltd.	People’s Republic of China
Pfizer Pharmaceutical Enterprises Global Management Co.,Ltd.	People’s Republic of China
Pfizer Pharmaceutical Trading Limited Liability Company (a/k/a Pfizer Kft. or Pfizer LLC)	Hungary
Pfizer Pharmaceuticals Global B.V.	Netherlands
Pfizer Pharmaceuticals Israel Ltd.	Israel
Pfizer Pharmaceuticals Korea Limited	Republic of Korea
Pfizer Pharmaceuticals LLC	Delaware
Pfizer Pharmaceuticals Ltd.	People’s Republic of China
Pfizer Pharmaceuticals Tunisie Sarl	Tunisia
Pfizer Pigments Inc.	Delaware
Pfizer Polska Sp. z.o.o.	Poland
Pfizer Private Limited	Singapore
Pfizer Production LLC	Delaware

Pfizer Products Inc.	Connecticut
Pfizer Products India Private Limited	India
Pfizer R&D Holding B.V.	Netherlands
Pfizer R&D Japan G.K.	Japan
Pfizer R&D UK Limited	United Kingdom
Pfizer Research (NC), Inc.	Delaware
Pfizer Romania SRL	Romania
Pfizer S.A.	Peru
Pfizer S.A. (Belgium)	Belgium
Pfizer S.A.S.	Colombia
Pfizer S.G.P.S. Lda.	Portugal
Pfizer S.R.L.	Argentina
Pfizer S.r.l.	Italy
Pfizer Saidal Manufacturing	Algeria
Pfizer Santé Familiale	France
Pfizer Saudi Limited	Saudi Arabia
Pfizer Seiyaku K.K.	Japan
Pfizer Service Company BVBA	Belgium
Pfizer Service Company Ireland Unlimited Company	Ireland
Pfizer Services 1	France
Pfizer Services LLC	Delaware
Pfizer Shared Services Unlimited Company	Ireland
Pfizer Shareholdings Intermediate SARL	Luxembourg
Pfizer Spain Holdings B.V.	Netherlands
Pfizer Specialties Limited	Nigeria
Pfizer SRB d.o.o.	Serbia
Pfizer Strategic Investment Holdings LLC	Delaware
Pfizer Trading Polska sp.z.o.o.	Poland
Pfizer TRAE Holdings Kft.	Hungary
Pfizer Transactions LLC	Delaware
Pfizer Tunisie SA	Tunisia
Pfizer Vaccines LLC	Delaware
Pfizer Venezuela, S.A.	Venezuela
Pfizer Venture Investments LLC	Delaware
Pfizer Ventures (US) LLC	Delaware
Pfizer Ventures LLC	Delaware
Pfizer Worldwide Services Unlimited Company	Ireland
Pfizer Zona Franca, S.A.	Costa Rica
Pfizer, Inc.	Philippines
Pfizer, S.A.	Costa Rica
Pfizer, S.A. de C.V.	Mexico
Pfizer, S.L.	Spain
Pfizer, spol. s r.o.	Czech Republic
Pharmacia & Upjohn Company LLC	Delaware
Pharmacia & Upjohn LLC	Delaware
Pharmacia & Upjohn, S.A. de C.V.	Mexico

Pharmacia Brasil Ltda.	Brazil
Pharmacia Hepar LLC	Delaware
Pharmacia Holding AB	Sweden
Pharmacia Inter-American LLC	Pennsylvania
Pharmacia International B.V.	Netherlands
Pharmacia Limited	United Kingdom
Pharmacia LLC	Delaware
PHILCO Holdings S.à r.l.	Luxembourg
PHIVCO Corp.	Delaware
PHIVCO Holdco S.à r.l.	Luxembourg
PHIVCO Luxembourg S.à r.l.	Luxembourg
PIMB OFG Spain Holding, S.L.	Spain
PT. Pfizer Indonesia	Indonesia
Renrall LLC	Wyoming
Rinat Neuroscience Corp.	Delaware
Roerig S.A.	Chile
Searle Laboratorios, Lda.	Portugal
Servicios P&U, S. de R.L. de C.V.	Mexico
Shiley LLC	California
Sinergis Farma-Produtos Farmaceuticos, Lda.	Portugal
Solinor LLC	Delaware
Sugen LLC	Delaware
Tabor LLC	Delaware
Treerly Health Co., Ltd	People’s Republic of China
Upjohn Global Holdings B.V.	Netherlands
Upjohn Laboratorios Lda.	Portugal
Upjohn South Africa (Pty) Ltd.	South Africa
Upjohn US 1 LLC	Delaware
Upjohn US 2 LLC	Delaware
Vesterålens Naturprodukter A/S	Denmark
Vesterålens Naturprodukter AB	Sweden
Vesterålens Naturprodukter AS	Norway
Vesterålens Naturprodukter OY	Finland
Vicuron Holdings LLC	Delaware
Warner Lambert del Uruguay S.A.	Uruguay
Warner-Lambert Company AG	Switzerland
Warner-Lambert Company LLC	Delaware
Whitehall International Inc.	New York
W-L LLC	Delaware
Wyeth (Asia) Limited	Delaware
Wyeth (Thailand) Ltd.	Thailand
Wyeth AB	Sweden
Wyeth Australia Pty Limited	Australia
Wyeth Ayerst Inc.	Delaware
Wyeth Ayerst S.à r.l.	Luxembourg

Wyeth Consumer Healthcare LLC	Pennsylvania
Wyeth Europa Limited	United Kingdom
Wyeth Farma, S.A.	Spain
Wyeth Holdings LLC	Maine
Wyeth Industria Farmaceutica Ltda.	Brazil
Wyeth KFT.	Hungary
Wyeth Lederle S.r.l.	Italy
Wyeth LLC	Delaware
Wyeth Pakistan Limited	Pakistan
Wyeth Pharmaceutical Co., Ltd.	People’s Republic of China
Wyeth Pharmaceuticals Company	Puerto Rico
Wyeth Pharmaceuticals FZ-LLC	United Arab Emirates
Wyeth Pharmaceuticals India Private Limited	India
Wyeth Pharmaceuticals LLC	Delaware
Wyeth Puerto Rico, Inc.	Puerto Rico
Wyeth Subsidiary Illinois Corporation	Illinois
Wyeth Whitehall Export GmbH	Austria
Wyeth-Ayerst (Asia) Limited	Delaware
Wyeth-Ayerst International LLC	Delaware
Wyeth-Ayerst Promotions Limited	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in this 2018 Annual Report on Form 10-K of Pfizer Inc. of our reports dated February 28, 2019 , with respect to the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2018 and 2017 , 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, 2018 , and the effectiveness of internal control over financial reporting as of December 31, 2018 , which reports appear in the 2018 Annual Report on Form 10-K of Pfizer Inc.

We also consent to the incorporation by reference of our reports in the following Registration Statements:

-Form S-8 dated October 27, 1983 (File No. 2-87473),
-Form S-8 dated March 22, 1990 (File No. 33-34139),
-Form S-8 dated January 24, 1991 (File No. 33-38708),
-Form S-8 dated November 18, 1991 (File No. 33-44053),
-Form S-8 dated May 27, 1993 (File No. 33-49631),
-Form S-8 dated May 19, 1994 (File No. 33-53713),
-Form S-8 dated October 5, 1994 (File No. 33-55771),
-Form S-8 dated December 20, 1994 (File No. 33-56979),
-Form S-8 dated March 29, 1996 (File No. 333-02061),
-Form S-8 dated September 25, 1997 (File No. 333-36371),
-Form S-8 dated June 19, 2000 (File No. 333-39606),
-Form S-8 dated April 27, 2001 (File No. 333-59660),
-Form S-8 dated April 16, 2003 (File No. 333-104582),
-Form S-8 dated November 18, 2003 (File No. 333-110571),
-Form S-8 dated December 18, 2003 (File No. 333-111333),
-Form S-8 dated April 26, 2004 (File No. 333-114852),
-Form S-8 dated March 1, 2007 (File No. 333-140987),
-Form S-4 dated March 27, 2009 (File No. 333-158237),
-Form S-8 dated October 16, 2009 (File No. 333-162519),
-Form S-8 dated October 16, 2009 (File No. 333-162520),
-Form S-8 dated October 16, 2009 (File No. 333-162521),
-Form S-8 dated March 1, 2010 (File No. 333-165121),
-Form S-8 dated March 2, 2015 (File No. 333-202437),
-Form S-4 dated September 3, 2015 (File No. 333-206758), and
-Form S-3 ASR dated February 26, 2018 (File No. 333-223221).

/s/ KPMG LLP

New York, New York February 28, 2019

EXHIBIT 31.1

Certification by the Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Albert Bourla, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/s/ ALBERT BOURLA

Albert Bourla

Chief Executive Officer

EXHIBIT 31.2

Certification by the Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank A. D'Amelio, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/s/ FRANK A. D'AMELIO

Frank A. D'Amelio

Chief Financial Officer, Executive Vice President,
Business Operations and Global Supply

EXHIBIT 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

Pursuant to 18 U.S.C. Section 1350, I, Albert Bourla, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ ALBERT BOURLA

Albert Bourla

Chief Executive Officer

February 28, 2019

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

EXHIBIT 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

Pursuant to 18 U.S.C. Section 1350, I, Frank A. D'Amelio, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ FRANK A. D'AMELIO

Frank A. D'Amelio

Chief Financial Officer, Executive Vice President, Business Operations and Global Supply

February 28, 2019

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.