

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

(1) The financial statements present the three and six months ended June 30, 2013 and July 1, 2012. Subsidiaries operating outside the United States are included for the three and six months ended May 26, 2013 and May 27, 2012.

On June 24, 2013, we completed the full disposition of our Animal Health business (Zoetis) and recognized a gain of approximately \$10.5 billion (pre-tax) related to this disposal in *Discontinued operations—net of tax*. The operating results of this business are reported as *Discontinued operations—net of tax* for all periods presented.

On November 30, 2012, we completed the sale of our Nutrition business. The operating results of this business are reported as *Discontinued operations—net of tax* for the three and six months ended July 1, 2012.

The financial results for the three and six months ended June 30, 2013 are not necessarily indicative of the results which could ultimately be achieved for the full year.

(2) Exclusive of amortization of intangible assets, except as discussed in footnote (3) below.

(3) Amortization expense related to finite-lived acquired intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property is included in *Amortization of intangible assets* as these intangible assets benefit multiple business functions. Amortization expense related to intangible assets that are associated with a single function is included in *Cost of sales*, *Selling, informational and administrative expenses* or *Research and development expenses*, as appropriate.

(4) *Other (income)/deductions—net* include the following:

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

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

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

(c) In the first six months of 2013, primarily includes an \$80 million insurance recovery related to a certain litigation matter. In the second quarter and first six months of 2012, primarily includes charges related to hormone-replacement therapy litigation. **The first six months of 2012 also includes a \$450 million settlement of a lawsuit by Brigham Young University related to Celebrex.**

(d) In the first six months of 2013, represents the gain associated with the transfer of certain product rights to Pfizer's 49%-owned equity-method investment in China.

(e) In the first six months of 2013, primarily relates to developed technology (for use in the development of bone and cartilage) acquired in connection with our acquisition of Wyeth, and, to a lesser extent, two in-process research and development (IPR&D) compounds and certain investments. In the first six months of 2012, primarily relates to an IPR&D compound (targeting autoimmune diseases) acquired in connection with our acquisition of Wyeth and, to a lesser extent, developed technology rights and certain investments.

(f) Costs incurred in connection with the initial public offering (IPO) of an approximate 19.8% ownership interest in Zoetis. Includes expenditures for banking, legal, accounting and similar services.