

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, 2013

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-3619

**PFIZER INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
  
235 East 42nd Street  
New York, New York  
(Address of principal executive offices)

13-5315170  
(I.R.S. Employer  
Identification Number)  
  
10017-5755  
(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  
Common Stock, \$.05 par value

Name of each exchange  
on which registered  
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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 28, 2013, was approximately \$186 billion. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 21, 2014 was 6,382,925,343 shares of common stock, all of one class.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the 2013 Annual Report to Shareholders  
Portions of the Proxy Statement for the 2014 Annual Meeting of Shareholders

Parts I, II and IV  
Part III

## Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements

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### The Board of Directors and Shareholders of Pfizer Inc.:

We have audited the accompanying consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2013 and 2012, 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, 2013. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, 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), the effectiveness of Pfizer Inc. and Subsidiary Companies' internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2014 expressed an unqualified opinion on the effective operation of the Company's internal control over financial reporting.

**KPMG LLP**

**KPMG LLP**  
New York, New York

February 28, 2014

## Notes to Consolidated Financial Statements

Pfizer Inc. and Subsidiary Companies

In 2013,

- We purchased approximately 563 million shares of our common stock for approximately \$16.3 billion under our publicly announced share-purchase plans. In 2012, we purchased approximately 349 million shares of our common stock for approximately \$8.2 billion under our publicly announced share-purchase plans. In 2011, we purchased approximately 459 million shares of our common stock for approximately \$9.0 billion under our publicly announced share-purchase plans. After giving effect to share purchases through year-end 2013, our remaining share-purchase authorization is approximately \$5.5 billion at December 31, 2013.
- We exchanged all of our remaining interest in Zoetis for approximately 405.117 million shares of our common stock, valued at \$11.4 billion. The common stock received in the exchange transaction was recorded in *Treasury stock*. For additional information, see *Note 2B. Acquisitions, Divestitures, Collaborative Arrangements and Equity-Method Investments: Divestitures*.

### **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 are considered outstanding for the earnings per share (EPS) calculations and the eventual conversion of allocated preferred shares held by the Preferred ESOP is assumed in the diluted EPS calculation. As of December 31, 2013, the Preferred ESOP held preferred shares with a stated value of approximately \$33 million, convertible into approximately 2 million shares of our common stock. As of December 31, 2013, the Common ESOP held approximately 3 million shares of our common stock. As of December 31, 2013, all preferred and common shares held by the ESOPs have been allocated to the Pharmacia U.S. and certain Puerto Rico savings plan participants.

### **Note 13. Share-Based Payments**

Our compensation programs can include share-based payments, in the form of Restricted Stock Units (RSUs), stock options, Portfolio Performance Shares (PPSs), Total Shareholder Return Units (TSRUs) and Performance Share Awards (PSAs).

The Company's shareholders approved the amendment and restatement of the 2004 Stock Plan at the Annual Meeting of Shareholders held on April 23, 2009. The primary purpose of the amendment was to increase the number of shares of common stock available for grants by 425 million shares. In addition, the amendment provided other changes, including that the number of stock options, Stock Appreciation Rights (SARs) (known as TSRUs) or other performance-based awards that may be granted to any one individual during any 36-month period is limited to 8 million shares, and that RSUs, PPSs, PSAs and restricted stock grants count as 2 shares, while stock options and TSRUs count as 1 share, toward the maximums for the incremental 425 million shares. As of December 31, 2013, 156 million shares were available for award. The 2004 Stock Plan, as amended, (2004 Stock Plan) is the only Pfizer plan under which equity-based compensation may currently be awarded to executives and other employees.

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 (including those reported as part of discontinued operations):

(MILLIONS OF DOLLARS)	Year Ended December 31,		
	2013	2012	2011
Restricted Stock Units	\$ 249	\$ 235	\$ 228
Stock Options	140	157	166
Portfolio Performance Shares	56	14	—
Total Shareholder Return Units	37	35	17
Performance Share Awards	34	35	3
Directors' compensation	7	5	5
Share-based payment expense	523	481	419
Tax benefit for share-based compensation expense	(173)	(149)	(139)
Share-based payment expense, net of tax	\$ 350	\$ 332	\$ 280

## Notes to Consolidated Financial Statements

Pfizer Inc. and Subsidiary Companies

Amounts capitalized as part of inventory cost and the impact of modifications under our cost-reduction and productivity initiatives to share-based awards were not significant for any period presented. Generally, the modifications resulted in an acceleration of vesting, either in accordance with plan terms or at management's discretion.

### B. Restricted Stock Units (RSUs)

RSUs are awarded to select employees and, when vested, entitle the holder to receive a specified number of shares of Pfizer 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 Pfizer 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 *Research and development expenses*, as appropriate.

The following table summarizes all RSU activity during 2013:

	Shares (Thousands)		Weighted- Average Grant Date Fair Value Per Share
Nonvested, December 31, 2012	37,860	\$	19.34
<b>Granted</b>	<b>10,253</b>		<b>27.39</b>
<b>Vested</b>	<b>(13,943)</b>		<b>18.16</b>
<b>Reinvested dividend equivalents</b>	<b>1,139</b>		<b>29.14</b>
<b>Forfeited</b>	<b>(2,558)</b>		<b>21.98</b>
<b>Nonvested, December 31, 2013</b>	<b>32,751</b>	<b>\$</b>	<b>22.50</b>

The following table provides data related to all RSU activity:

(MILLIONS OF DOLLARS)	Year Ended December 31,		
	2013	2012	2011
Total fair value of shares vested	\$ 379	\$ 348	\$ 256
Total compensation cost related to nonvested RSU awards not yet recognized, pre-tax	\$ 239	\$ 258	\$ 264
Weighted-average period over which RSU cost is expected to be recognized (years)	1.8	1.8	1.8

### C. Stock Options

Stock options are awarded to select employees and, when vested, entitle the holder to purchase a specified number of shares of Pfizer common stock at a price per share equal to the closing market price of Pfizer common stock on the date of grant.

All eligible employees may receive 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 since 2005 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 1 year from the grant date before any vesting may occur. In the event of a sale or restructuring, options held by employees are immediately vested and are exercisable for a period from three months to their remaining term, depending on various conditions.

We measure the value of stock option grants as of the grant date using, for virtually all grants, 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 *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,		
	2013	2012	2011
Expected dividend yield <sup>(a)</sup>	3.45%	4.10%	4.14%
Risk-free interest rate <sup>(b)</sup>	1.16%	1.28%	2.59%
Expected stock price volatility <sup>(c)</sup>	19.68%	23.78%	25.55%
Expected term <sup>(d)</sup> (years)	6.50	6.50	6.25

<sup>(a)</sup> Determined using a constant dividend yield during the expected term of the option.

<sup>(b)</sup> Determined using the interpolated yield on U.S. Treasury zero-coupon issues.

<sup>(c)</sup> Determined using implied volatility, after consideration of historical volatility.

<sup>(d)</sup> Determined using historical exercise and post-vesting termination patterns.

## Notes to Consolidated Financial Statements

Pfizer Inc. and Subsidiary Companies

The following table summarizes all stock option activity during 2013:

	Shares (Thousands)	Weighted- Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value <sup>(a)</sup> (Millions)
Outstanding, December 31, 2012	382,955	\$ 24.00		
<b>Granted</b>	<b>45,013</b>	<b>27.37</b>		
<b>Exercised</b>	<b>(80,132)</b>	<b>21.86</b>		
<b>Forfeited</b>	<b>(5,904)</b>	<b>21.93</b>		
<b>Expired</b>	<b>(42,279)</b>	<b>29.62</b>		
<b>Outstanding, December 31, 2013<sup>(b)</sup></b>	<b>299,653</b>	<b>\$ 24.33</b>	<b>5.3</b>	<b>\$ 2,166</b>
<b>Vested and expected to vest<sup>(c)</sup>, December 31, 2013</b>	<b>293,371</b>	<b>24.32</b>	<b>5.2</b>	<b>2,129</b>
<b>Exercisable, December 31, 2013</b>	<b>163,061</b>	<b>\$ 26.06</b>	<b>2.9</b>	<b>\$ 1,023</b>

<sup>(a)</sup> Market price of underlying Pfizer common stock less exercise price.

<sup>(b)</sup> Includes approximately 42 million stock options which expired on February 25, 2014 at a grant price of \$37.15, which were granted under the 2001 Stock Plan. These options will not be added back into the amount available for grants under the 2004 Stock Plan. However, expired or forfeited share-based payments under the 2004 Stock Plan will be added back to the amount available for grants.

<sup>(c)</sup> 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:

(MILLIONS OF DOLLARS, EXCEPT PER STOCK OPTION AMOUNTS)	Year Ended December 31,		
	2013	2012	2011
Weighted-average grant date fair value per stock option	\$ 3.13	\$ 2.79	\$ 3.15
Aggregate intrinsic value on exercise	\$ 578	\$ 263	\$ 32
Cash received upon exercise	\$ 1,750	\$ 568	\$ 153
Tax benefits realized related to exercise	\$ 160	\$ 81	\$ 10
Total compensation cost related to nonvested stock options not yet recognized, pre-tax	\$ 120	\$ 148	\$ 177
Weighted-average period over which stock option compensation cost is expected to be recognized (years)	1.7	1.7	1.8

### D. Portfolio Performance Shares (PPSs)

Beginning in 2012, we have awarded PPSs 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 Pfizer 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 target number of shares is determined by reference to competitive survey data. 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 PPS grants as of the grant date using the intrinsic value method, for which we use the closing price of Pfizer 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 *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 2013, with the shares representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted- Average Intrinsic Value Per Share
Nonvested, December 31, 2012	3,742	\$ 25.08
<b>Granted</b>	<b>8,138</b>	<b>27.37</b>
<b>Vested<sup>(a)</sup></b>	<b>(13)</b>	<b>28.75</b>
<b>Forfeited</b>	<b>(543)</b>	<b>28.91</b>
<b>Nonvested, December 31, 2013<sup>(a)</sup></b>	<b>11,324</b>	<b>\$ 30.63</b>

<sup>(a)</sup> Vested and non-vested shares outstanding, but not paid as of December 31, 2013 are 11,324.

## Notes to Consolidated Financial Statements

Pfizer Inc. and Subsidiary Companies

The following table provides data related to all PPS activity:

(MILLIONS OF DOLLARS)	Year Ended December 31,	
	2013	2012
Total fair value of shares vested	\$ —	\$ —
Total compensation cost related to nonvested PPS awards not yet recognized, pre-tax	\$ 107	\$ 33
Weighted-average period over which PPS cost is expected to be recognized (years)	2.0	2.2

### E. Total Shareholder Return Units (TSRUs)

TSRUs are awarded to senior and other key management. 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 Pfizer 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 Pfizer 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 risk of forfeiture. The target number of shares is determined by reference to the fair value of share-based awards to similar employees in the industry peer group.

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 *Research and development expenses*, as appropriate.

The following table provides the weighted average assumptions used in the valuation of TSRUs:

	Year Ended December 31,		
	2013	2012	2011
Expected dividend yield <sup>(a)</sup>	3.45%	4.10%	4.15%
Risk-free interest rate <sup>(b)</sup>	1.03%	1.15%	2.51%
Expected stock price volatility <sup>(c)</sup>	19.68%	23.80%	25.55%
Contractual term (years)	5.98	5.97	5.95

<sup>(a)</sup> Determined using a constant dividend yield during the expected term of the TSRU.

<sup>(b)</sup> Determined using the interpolated yield on U.S. Treasury zero-coupon issues.

<sup>(c)</sup> Determined using implied volatility, after consideration of historical volatility.

The following table summarizes all TSRU activity during 2013:

	Shares (Thousands)	Weighted- Average Grant Date Fair Value Per Share	Weighted- Average Grant Price Per Share
Nonvested, December 31, 2012	20,876	\$ 4.55	\$ 19.64
<b>Granted</b>	7,979	5.14	27.37
<b>Vested<sup>(a)</sup></b>	(3,819)	4.31	18.13
<b>Forfeited</b>	(841)	4.80	23.46
<b>Nonvested, December 31, 2013<sup>(a)</sup></b>	<b>24,195</b>	<b>\$ 4.77</b>	<b>\$ 22.30</b>

<sup>(a)</sup> Vested and non-vested shares outstanding, but not paid as of December 31, 2013 are 34,499 with a weighted-average grant price of \$20.54. The weighted-average contractual term to settlement is 3.2 years.

The following table provides data related to all TSRU activity:

(MILLIONS OF DOLLARS, EXCEPT PER TSRU AMOUNTS)	Year Ended December 31,		
	2013	2012	2011
Weighted-average grant date fair value per TSRU	\$ 5.14	\$ 4.48	\$ 4.75
Total compensation cost related to nonvested TSRU grants not yet recognized, pre-tax	\$ 31	\$ 31	\$ 32
Weighted-average period over which TSRU cost is expected to be recognized (years)	1.6	1.7	1.7

## Notes to Consolidated Financial Statements

Pfizer Inc. and Subsidiary Companies

### F. Performance Share Awards (PSAs)

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, depends upon the achievement of predetermined goals related to Pfizer's total share return as compared to an industry peer group, for the three-year performance period from the year of the grant date. The target number of shares is determined by reference to the value of share-based awards to similar employees in the industry peer group. 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 Pfizer 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 *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 2013, with the shares granted representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted-Average Intrinsic Value Per Share
Nonvested, December 31, 2012	5,749	\$ 25.08
<b>Granted</b>	<b>1,377</b>	<b>27.37</b>
<b>Vested</b>	<b>(1,463)</b>	<b>27.37</b>
<b>Forfeited</b>	<b>(624)</b>	<b>28.21</b>
<b>Nonvested, December 31, 2013</b>	<b>5,039</b>	<b>\$ 30.63</b>

The following table provides data related to all PSA activity:

(MILLIONS OF DOLLARS)	Year Ended December 31,		
	2013	2012	2011
Total fair value of shares vested	\$ 40	\$ 13	\$ 4
Total compensation cost related to nonvested PSA grants not yet recognized, pre-tax	\$ 25	\$ 27	\$ 25
Weighted-average period over which PSA cost is expected to be recognized (years)	1.7	1.7	1.9

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant Filed by a Party Other Than the Registrant 

Check the Appropriate Box:

 Preliminary Proxy Statement **Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))** Definitive Proxy Statement Definitive Additional Materials Soliciting Material Pursuant to §240.14a-12

**Pfizer Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

 No fee required Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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 Fee paid previously with preliminary materials. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:



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# Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis section of the Company's 2014 Proxy Statement. Based on our review and discussions, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Pfizer's 2014 Proxy Statement.

The Compensation Committee



James M. Kilts, Chair



W. Don Cornwell



Frances D. Fergusson



Suzanne Nora Johnson

