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PRESENTATION

Burt Hasting - BMO Capital Markets - Analyst

This presentation is from Pfizer. Presenting from Pfizer, we have Frank D'Amelio, the Chief Financial Officer, and Chuck Triano, the Senior Vice President of Investor Relations. Not only are they extremely busy these days with their acquisition of Wyeth, they're extremely talented, because Frank is going to be making some cursory comments with one slide and we'll be hitting him with Q&A to follow-up.

Frank, here you go.

Frank D'Amelio - Pfizer - CFO

Good morning, everybody. So I have no slides. I actually thought that that might be a novel idea relative to the conference.

So, let me do this. I'm just going to make a couple of opening remarks. I'll talk a little bit about Q2 results, very little -- a little bit about where we are in the Wyeth acquisition. And then we'll do Q&A, and you all can ask me anything you'd like.

So maybe just quickly on Q2 results. From my perspective, Q2 was a solid quarter. If you look at our revenues, operationally, revenues on a year-over-year basis were flat, at about $11 billion. On a reported basis, they were down about 9%, but that was entirely driven by foreign exchange. Foreign exchange hurt us on a year-over-year basis by $1.1 billion.

If you look at our business unit revenues, every business unit, with the exception of established products, was operationally up on a year-over-year basis. And I'll come back to that and give you a little bit of detail on what these numbers were there and what the percentages were.

Our EPS for the quarter, adjusted diluted EPS was $0.48. That was $0.01 better than the Street. The Street was at $0.47. And I'll give you a little bit of color commentary on that.

On our cost reduction initiatives, this past quarter, operationally -- so if you remove foreign exchange, we reduced costs by about $410 million. That's in addition to $330 million in Q1. So, on a year-to-date basis, cost reductions year-over-year of $740 million.

We updated guidance this past quarter -- we either improved or tightened the ranges on our guidance. And I'll come back to that and give you some details on what we specifically did on guidance. And then our Wyeth integration planning remains on track. Those are the headlines, I think, from Q2.

Let me just touch base on three of those headlines. So I'll come back and touch base on BU revenues, on the guidance changes, and then on an update on Wyeth, and then we'll get into Q&A.
So on BU revenues -- I mentioned that every one of our operating units, our business units, with the exception of established products, revenues were up on a year-over-year basis operationally. So, if you strip out foreign exchange. Let me just run through the numbers real quick.

So, primary care was $5.1 billion for the quarter; was up 1% operationally. Specialty was $1.4 billion; it was up 2% operationally. Oncology was $350 million. It was up 4% operationally. Established products was $1.6 billion; it was down 13% operationally. That was the one unit that was down operationally.

And we expect established products, at least in this phase of the business, to be declining on a year-over-year basis. And I've talked publicly about -- we expect the rhythm of that business to basically -- we want to decelerate the decline, then stabilize that business, and then ultimately, then grow that business. So, established products was down.

Emerging markets was up 9% -- by the way, with strength there in Turkey and China. And then animal health was up 2%. And once again, some good performance in emerging markets with a couple of new products.

And just -- maybe to just touch on a couple of the other units again. Primary care was really driven by some strong international sales in Lyrica; specialty, with some strong -- some solid performance in the US, including Geodon and Revatio. And then oncology was strong Sutent sales outside of the US. So that's just a kind of a quick overview on the business unit revenues.

On guidance, I mentioned that we improved or tightened our ranges on guidance. Let me just quickly run through the numbers on that. So we -- at the bottom line, we increased our adjusted diluted EPS from $1.85 to $1.95, which was the previous range, to $1.90 to $2.00, which is the new range. So we increased our range on EPS, adjusted diluted EPS, by $0.05.

We tightened our range on revenue. It was $44 billion to $46 billion. We increased it to $45 billion to $46 billion; so tightened the range but increased the bottom part of the range.

And then things like R&D, SI&A -- R&D was 7.1 to 7.5; we took that to 7.0 to 7.4 -- took it down a little bit. SI&A was 13.5 to 14.0. We shaved that to 13.4 to 13.8. And then other income was $500 million to $700 million; we made that $600 million, $700 million. So we tightened or improved our various elements of guidance.

And then lastly, the other thing I said I'd mention just quickly was how we were doing on the Wyeth acquisition. So let me just spend a minute or two on that.

So, in terms of what I viewed as the major accomplishments on the Wyeth acquisition for our Q2, there were three, from my perspective. So first, we put in place the permanent financing for the transaction. And we've actually done two offerings there -- one in the US for $13.5 billion; one in Europe for $10.5 billion -- so call it $24 billion in total.

And that takes care of the bridge financing that we had in place. So we've terminated the other bridge financing. And I can answer any questions you all have on this in the Q&A. And so that -- I'd say that was major accomplishment number one.

Second, clearly, was the Wyeth shareholders approving the deal. That officially took place on July 20. So that was obviously another big accomplishment in the quarter.

And then the third accomplishment in the quarter was the European Commission giving us their approval for the transaction as well. Obviously, with that having a commitment by our Company to divest of certain animal health assets in Europe, which we expected. So I'd say that those were the three major accomplishments in the quarter.

And then in terms of what's remaining, there's really, in my mind, three or four things that are remaining. So first and foremost, is continue to execute on our '09 commitments. So let's not let the deal distract us operationally from continuing to execute and run the business.
Second are the regulatory approvals that are still required. So, the FTC in the US, Canada, Australia and China. Third is continuing to build our detailed synergy plans. And I think we're making very good progress in that area. Now, I'm actually -- I'm in charge of the integration of the two companies. My counterpart on the Wyeth side is Greg Norden, who is the CFO at Wyeth. And then we've got -- obviously, got some wonderful people working with us to move this along.

And then lastly, just to get the deal closed. And we reiterated on the last earnings call that the timeframe for close was still end of Q3 -- Q4.

So, those are my opening remarks, real quick. A little bit of an update on Q2; a little bit of [solid] detail; a little bit of an update on Wyeth and how we're doing with the integration planning. And at this point, I'll take any questions anybody has.

Q U E S T I O N S  A N D  A N S W E R S

**Burt Hasting** - BMO Capital Markets - Analyst

That's great. If you could please wait for the microphone and I'll kick things off.

Frank, if you could discuss a little bit about some of the -- on the cost side, you've been performing a little bit better relative to expectations over the past quarter or two. Could you talk about -- as you project forward, some of the flexibility you've built into the manufacturing and the cost side of the equation, that you might be able to continue to outperform, even as you get through some of the patent expirations that are coming up?

**Frank D'Amelio** - Pfizer - CFO

Sure. So, let me -- if I may, what I'm going to do on this, I'm going to kind of step back a little bit and kind of mention a couple of numbers; bring it forward to what we've announced, and then I'll talk about where we're going. And as I do that, I'll use -- once again, I'll use some numbers to drive home my answer.

So, if you look, this is now Pfizer's standalone. At the beginning of 2007, we talked about reducing our '06 cost base on absolute basis; so constant currency by $1.5 billion to $2 billion. If you looked at the end of last year -- that was by 12/31/'08 -- if you looked at what we did relative to the $1.5 billion to $2 billion, we actually reduced it by $2.8 billion.

It was, I think, $600 million in 2007 and $2.170 billion in 2008. So call it $2.8 billion versus that $1.5 billion to $2 billion. So I always like to say start with that, because that was a whole bunch of work that needed to get done.

Then if you look at what we've announced since then, we've announced two things. One was an additional $2 billion from standalone Pfizer. And then we announced the Wyeth transaction, in addition to the $2 billion, was another $4 billion in synergy savings for Wyeth.

Now let me just run some details and then I'll get to -- I'll answer the question as I do this. If you look at how we've been reducing costs, if you look at some of the major areas -- and this will get at your question, Burt. Let me maybe go through four metrics that we look at. We look at lots of metrics, but these are four of the metrics that we look at.

So one is manufacturing facilities. If you look back to 12/30 -- the way I'm going to do this, by the way, is 12/31/’04, 12/31/’08, and then where we were at the end of last quarter. So ’04, ’08, Q2 ’09. And in that rhythm, that trend will show you what we've been doing.
So if you look at Pfizer standalone manufacturing facilities, 12/31/04 -- 78. At the end of '08, 46. At the end of last quarter, 45. And we've said publicly we think we can get that down to around 40.

In terms of flexibility, by the way, getting rid of bricks and mortars and doing stuff with that is clearly one of the things -- and I'll demonstrate that with the next metric, which is how much manufacturing we outsource. 12/31/04, 9%; 12/31/08, 17%; the end of last quarter, 24%. And we think we can get that to 30% and then once we get there, see what else we can do.

A couple of other metrics. If you look at a gross square footage of our real estate, 12/31/04, 80 million gross square feet; 12/31/08, 51 million gross square feet; at the end of this past quarter, about 49 million -- 49.2 million. We think we can take that down further.

Now, if you look at workforce -- 12/31/04, 110,000 people; 12/31/08, 81,900 people; at the end of this past quarter, 76,500. In 2009 alone, from the beginning of the year to the end of last quarter, we reduced our workforce by 5,400 people, 3,750 people this past quarter.

So -- the reason I like running all those numbers is it very much answers your question in terms of how we're flexing the cost base. It's really with all those kinds of things that we're doing. It's a combination of outsourcing, reducing bricks and mortar, and flexing our workforce.

And you all understand that those workforce numbers -- those are net reduction numbers. We're actually adding workforce in many places. So for example, if we were to quote headcount in China, we're growing in China. We're adding field force significantly in China. At this point -- and Chuck will keep me honest -- we've probably got 2,300 -- 2,400 field force reps.

In China, we're in 170 cities and that number continues -- both of those numbers will continue to grow on a going-forward basis. We see China in emerging markets -- and I've said this before -- as a significant opportunity for the Company.

So, those are the kinds of things we're doing. Those are the kinds of metrics we look at. Hopefully, the fact that I can quote these kind of illustrates to you all that we're all over these things like a wet blanket and we'll continue to be.

And then, I guess, one of the other things I get asked in this question -- and I'm probably taking too long on this, but it's one of the things I get really pumped up about is -- on every meeting I'm ever in with a group, they'll say, well, Frank, the $2 billion and the $4 billion, aren't you going to do more than that? So I might as well just ask the -- you know, I'll ask myself the question and save you the trouble.

The short answer is $2 billion and $4 billion is a whole lot of money. We have a whole lot of work to do. So, if you think about the $2.8 billion we've already taken out, if you think about the Wyeth cost base. The Wyeth cost base, give or take about $16 billion -- give or take -- $16.5 billion, but call it $16 billion -- $4 billion on $16 billion is 25%.

But remember, there's elements of that cost base that aren't in our cost base -- nutritionals, consumer, vaccines, biologics -- we really weren't in those in any material way or at all. So if you were to remove those from the cost base, that percentage gets actually bigger.

So the point I want to make is we've put those numbers out there, we're all about getting to those numbers. If there's more there, we'll get it, but we've got to get that money first. So we're acutely focused on doing what we said we are going to do. And if there's more there, obviously, we'll tell you about it and we'll go get it. But for the time being, we've got a lot of work to do to deliver on those numbers. Lengthy answer to your question.

Any other questions or should I take other questions from the audience? Okay, sure.
On the regulatory front, on the Wyeth merger, do you have any sense as to which of the remaining approvals will be the gating item?

So when you say which of the remaining ones will be the gating items, I mean, from my perspective right now we have four. The four items are all open items that we've got to get our -- we've got to work our way through.

In terms of -- maybe the way I'll answer this is, in terms of the one where we and I are spending a lot of time working our way through the process, it's with the FTC and the US. And I think the -- we're very much in the midst of those conversations now, so I have to be deliberate in what I say.

But I think the way I'll frame this is, the conversations we're having and the areas that we're talking about are the conversations and areas that we expected to be talking about and working on. I mean, I think that's the best way I can explain this.

And then when you factor in -- and we're out in the hallway and somebody asked me about China, for example -- when you factor in what we've got to do, and I framed this in my opening comments, we've factored all that in and still believe end of Q3 and Q4 is the timeframe, when we'll get done with all these remaining items.

So you said gating -- just from my perspective, they're open items we've got to knock down. But we've been knocking all the other items down. One item at a time, and we'll knock these down too. But it's really, at this point, regulatory is the open item. No surprises there; the areas we're talking about are the areas we expected to talk about it. And I think we're making good headway.

Any sense that the Commissioners will be in sync with the staff, so that you're so far only working with the staff?

Yes. So, I never like to talk for other folks. That's never a good thing to do. So I absolutely -- what I would say is this -- I'm pleased with the work that's going on. I'm pleased with the conversations we're having. They're very interactive. They're very proactive. We're being very responsive in terms of what we need to do and what we're being asked for.

And like I said, when we factor all that in, factor in everything that needs to be done, factor in who we're talking to and who needs to approve what, we're still at end of Q3, Q4.
Unidentified Audience Member

As you know, Wyeth is currently involved in litigation with respect to Prempro. And I guess, there's a New York Times article relating to some of the information that's come out in the litigation.

Has anything that's come out in that litigation been a surprise or changed your view with respect to the Wyeth acquisition?

Frank D'Amelio - Pfizer - CFO

Yes, so, commenting on -- I'll call it, pending litigation is always one of those things that we refrain from doing. But I'll answer the question as best I can, and hopefully, it will satisfy your question, which is -- whenever you do any transaction, particularly a transaction of this size, which is very large. there's lots of due diligence that gets done.

And so when you do the diligence -- and a whole bunch of us were involved in diligence and there was a team of us that led to diligence -- you set up a bunch of work streams, right? I mean, it's literally how you do diligence, right? You set up work streams and there's operational work streams; there's corporate function work streams. And one of the work streams is always legal.

And so you literally go through the legal docket, you know, kind of -- I'll call it case by case, issue by issue, and work your way through what the legal docket is. And then you've got to make assumptions about that from a diligence perspective, and then you've got to present them to the Board. Right? I mean, just in terms of how these things get done.

We obviously went through that process. We think we went through a thorough process. In terms of the legal issues that have -- I'll call it -- you all have read about between when we announced the deal, which was on January 26 until today, there's been no negative surprises from my perspective. I think that answers your question, right? Yes. Okay.

Unidentified Audience Member

You mentioned Geodon in your earlier discussion. I was wondering what lifecycle management priorities you have for Geodon? And also what additional indications are being pursued.

Frank D'Amelio - Pfizer - CFO

So -- actually, we've got folks on my team that could do a better job of this than me, but I want to answer this question directly, so I'll tell you that upfront.

But maybe the why I'll answer this is just in terms of the overall product portfolio, maybe a little bit about what I see happening and do the best I can with this. Ian Read would do a better job on this question than I would, so.

I think if you look at the product performance this past quarter, I mentioned a couple -- let me reiterate those and then maybe I'll touch on each of those.

So, if you look at primary care, I mentioned that Lyrica was strong outside the US. If you look at Lyrica inside the US, that's kind of tapered off and then you see outside the US, it continues to be strong.

I think the opportunity there in the US is with fibromyalgia. These are bigger products. So if you look at fibromyalgia, at least based on our numbers, we think there's 5 million people in the US that have fibromyalgia; 1 million have been diagnosed; 800,000 have been treated -- are being treated. So we think there's a big opportunity with Lyrica in the States.
If you look at Sutent, once again, if you look at Sutent, it's an interesting product -- about one-third of that product, one-quarter to one-third is in the US; two-thirds to three-quarters is outside the US.

If you look at the rhythm of the numbers on Sutent, it's really kind of flattened out in the US, although we've got big share in the US, and it continues to grow very nicely outside the US. Part of the reason for that is the country launches that we had over the last year or two, and then kind of doing well in those countries and getting some nice crank in the year-over-year numbers.

I think the key on Sutent is the pipeline. We've got some Phase III trials going on there. And Chuck, keep me honest -- but in breast cancer, lung cancer. And so I think in terms of the next wave for Sutent, it's very much going to be how do we deal with what we've got in the pipeline, relative to Sutent.

These are key products, so hopefully, I'm getting at your question, though not specifically.

If you look at Chantix -- Chantix sales, since we had the label changes in 2008 -- we had the three label changes -- that clearly adversely affected the rhythm of that product and the revenue trending that we were getting. We still think that's a very good product. We think, as we work with doctors and patients on the benefits of quitting smoking, we think there's still opportunity there. So, once again, Chantix is another area where we think there's lots of opportunity.

And then there's things in our pipeline. We have lots of programs that, I call it, we're optimistic about. One of the things we try never to do -- if Jeff were here or myself -- is, we never try to point to a single program and create like a torcetrapib type thing; where if it doesn't happen, there's this big negative event.

But if you look at our programs, if you look at oncology, we think things like our Sutent Phase III trials; Axitinib. If you look at JAK3, over terms of potential -- and a solution for rheumatoid arthritis, our tanezumab for pain; the combined company, the Prevnar 13 vaccine; Dimebon, from an Alzheimer's perspective, which we picked up through our Medivation acquisition.

So, see, and I'm bouncing around a little bit, but those are the ways we think about it. Relative to Geodon, if you need it, we can get you more detail on Geodon. okay? Yes.

Unidentified Audience Member

I'll try another one, Frank. Pfizer's been steadily active in M&A and obviously, Wyeth is the largest example of that. But after you're through with Wyeth, there still will likely be an appetite to fill the bucket, to keep the pipeline robust.

How do you communicate -- how are you looking at that and considering M&A, as the drug development landscape continues to progress? And how are you communicating that you're still active and open for business to everyone else in the industry, while you're working on Wyeth?

Frank D'Amelio - Pfizer - CFO

Sure. So, we won't be doing another $65 billion acquisition in the near future, just to be -- just to kind of -- we're not going to be doing another one of those; trying to do this is complicated, right? It's -- in a sense, it's like trying to eat an elephant.

That said, we have, since Wyeth, and will continue to do business development. And we've already done more business development since Wyeth. So I think the short answer to the question is, we have and will continue to do business development.

The way we do that in terms of communicating is the way we always do, with the various constituents that you work with and that you approach that enable those kinds of things to happen. Right? I mean, whether it's our relationships with other companies,
through bankers -- I mean, you know all the various parties that I call it, you kind of funnel through as you do these kinds of things.

But if you think about -- since we announced Wyeth, we've announced a few business development transactions. Now, not big, but in a sense, creative, I think. I mean, we announced a joint venture with GSK for HIV. I mean I thought that was somewhat creative.

And the thing I -- my test always on a transaction, a very simple test -- does one plus one equal more than two? When you add the two together, do you get something that equals more than what the two individually would add up to. We think, for example, on that joint venture, we think they do.

So we did the HIV joint venture. Not a big transaction but one that we thought was very, very important because of just, I'll call it, the creativity and approach that you might not have seen from our Company previously. So we've announced that.

We announced a partnership with Bausch & Lomb. We've done some more in terms of expanding our relationship with [Orabendo] and Claris Health Sciences. So we've been doing business development. I think on a going forward basis, you should expect us to continue to do business development. I mean, from my perspective, it's part of what we do every day.

And I don't remember the exact numbers, but in '07, we bought or invested in a dozen or so companies. We did the same thing in 2008; some smaller bases, tens of millions, hundreds of millions. And the nature of this industry is such I think you have to do that. The key is just to do it in a really disciplined way, and deploy our capital in such a way that it gives us maximum opportunity to get returns on that capital.

So we'll continue -- we have and will continue to do this. We won't be doing another -- we've got to get this one digested. So we won't be doing another big deal but we'll clearly continue to do business development. From my perspective, that's just good prudent -- it's a good, prudent use of our capital.

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**Burt Hasting - BMO Capital Markets - Analyst**

I guess we have time for one more. On the R&D side, you used the, I guess, analogy one plus one is more than two. A lot of the major mergers that have gone on have had R&D productivity coming out -- really, one plus one has been less than two. How is Pfizer and Wyeth -- how are you together managing that so you don't hit a shortfall there?

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**Frank D'Amelio - Pfizer - CFO**

Sure. So I want you all to know, I could actually spend a half an hour probably on this question. I promise I won't. But I think if you look at what we've done in R&D, we've done so many things, from my perspective, to call it, enable improvements in our R&D productivity. But I also want to be clear and say -- but time will tell.

So I just want to say, time will tell. But I think we've done a lot of things to improve the productivity of our R&D organization. So let me just kind of rip through that very quickly and see if I answer your question.

And let me just run some numbers first. If you look at the combined companies last year, our total R&D spend was about $11 billion. We were like $7.5 billion, $7.6 billion; Wyeth was like $3.3 billion. If you do the math, it's $10.9 billion; so call it $11 billion.

Clearly, when we put these two companies together, we will spend less on R&D. And then the question I get asked is how much less an answer is? You know, we're still working on that. But it's all part of the $4 billion that we put out there, right?
But we’ve done many things on the R&D front, from my perspective. If you look at the new company, if you look at the leadership team for R&D, we’ve actually set up two R&D leads -- Martin Mackay and Mikael Dolsten.

And really, part of why we did that was to really leverage the Wyeth capabilities on vaccines, large molecules -- where quite frankly, we didn’t have the level of expertise that Wyeth had and we’re spending all this money; we want to make sure we get the skills and the talent that were part of the price that we paid for the acquisition. So, we’re very much trying to organize this in such a way that we leverage the expertise of the Company, who we’re going to be one with.

If you look at just some of the things we’ve done organizationally, we have -- we’ve declared these half a dozen or so invest-to-win areas. That very much focuses the R&D; we’re biasing our capital, our R&D investment in those areas. Doesn’t mean that’s the only place where we’ll invest, but we’re biasing our capital in those areas.

If you look at the R&D footprint of big R&D facilities, when I was running the numbers before, we had 15 at the end of ’04; we’re down to nine. And we’ve tried to create, I’ll call it, kind of almost anchor tenants -- location A is for oncology; location B is for this invest-to-win area, so there’s not a whole lot of hand-offs as you’re trying to do a development program from different locations.

We’ve taken out a lot of the bureaucracy out of R&D. I mean, if you looked at committees, and you’d sit in an R&D committee a couple of years ago -- before I got here -- but they’d be talking about new facilities. And if you go to an R&D meeting now, it’s all about programs and pipeline. We’ve changed the metrics of success. We do it now based on POCs. The research team is based on proof-of-concepts, not based on CANs and those kinds of things.

We’ve set up the business unit structure. And I’m touching every one; everyone of these I could spend five minutes on. The new business unit structure, one of the things we did is we took a bunch of the development spend and put it into the business units.

So, where before, the research folks had the entire R&D spend, a big part of that spend now is in the business units. So, think about research -- kind of having it to proof-of-concept. Then from proof-of-concept on, it’s in a business unit. And a business unit has to agree to fund it once it gets to POC.

And the reason for that is, if you start funding at post-POC, that’s where the big money spend is. That’s where the Phase III trials are, and the folks that agree to do that are agreeing to have that spend hit their income statements for the next few years. That’s a big commitment.

And so, from my perspective, it creates a nice, healthy, constructive tension relative to where are we going to spend our money? And you know you’re going to be tattooed with for the cost for that over the next couple of years.

And what’s interesting -- this isn’t a good thing, but it’s one of those things that’s happened -- a few months ago, we actually stopped a couple of Phase III trials. The reason we did that was the business unit head concluded that the return on that capital wasn’t going to be sufficient. That would have never happened, in my opinion, that would have never happened pre- the business unit structure.

And I want to also be clear -- we don’t want to be stopping a whole lot of Phase III trials. On the other hand, if we don’t think they’re going to be financially successful, we should be stopping them. And I think the new structure very much enables, facilitates that kind of behavior. Because if you’re running a P&L and you don’t think it’s going to happen, you’ve got to act on it. Where before, if you were just responsible for the whole spend, it was a different kind of scenario.

So I’m touching, Burt, I’m just touching on a bunch of things; but hopefully, I’m giving you at least a flavor for the various things that we’ve done in the R&D world. But when all that’s said and done, I want to be crystal clear -- no disagreement at all on R&D productivity for the industry or for our Company.
Two, we and I get -- we have to improve it. Three, hopefully, we've set up and taken actions that will enable improvement. And four, we'll tell over time. On the R&D program and on pipeline, the answer to this will definitely tell over time. We'll be here in a few years and we'll either have done a really good job on this or we won't. But we're trying to do all the things that give us a better opportunity to do better at this.

**Burt Hasting** - BMO Capital Markets - Analyst

(Inaudible question - microphone inaccessible).

**Frank D'Amelio** - Pfizer - CFO

Yes, of course.

**Burt Hasting** - BMO Capital Markets - Analyst

Thanks. We'll have to end it there. (multiple speakers)

**Frank D'Amelio** - Pfizer - CFO

All right. Thank you all for your time and interest, everybody. We appreciate it.