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PRESENTATION

Barbara Ryan - Deutsche Bank Securities - Managing Director

Good morning. I'm Barbara Ryan. On behalf of every one of my colleagues at Deutsche Bank I want to thank you all for being here and we’re particularly pleased this morning given the busy week that the company has had to have Pfizer here presenting and directly to my left is Frank D’Amelio, the Senior Vice President and Chief Financial Officer of Pfizer and has been since he joined the company in September of 2007.

As you know, 2010 is a big year for Pfizer, integrating the Wyeth merger and with the first quarter results reported yesterday off to a very strong start, I know Frank is going to give us a few specific comments and I think he has a few slides to share with you and then we’re going to turn the meeting over to the audience for questions.

So with that, I would welcome Frank to the podium. Thanks Frank.

Frank D’Amelio - Pfizer - Senior VP and CFO

Thank you. Good morning everybody. Alright, I have just three of four slides. I'll blast through those pretty quickly, just hit on some of the highlights and then I'll take Q&A and do my best to answer everybody’s questions.

So this is the, I call it the cautionary language that basically says any forward statement can be changed.

Alright, let’s go through some key takeaways from the earnings call yesterday and then just a couple of slides to punctuate some of the things that we said and then we’ll get into the Q&A. So first, we had a solid quarter. Quarterly results reflect solid operational performance and clearly we were positively impacted by the Wyeth legacy operations. We’re on track to achieve our operational cost reduction targets and that was for year one and for the full cost reduction so remember what I’ve said is year one, approximately 50%, year two, approximately 75% and year three, 2012, approximately 100%. So we’re on track to achieve year one and total cost reduction targets.

We reaffirmed our 2010 guidance yesterday and by the way, all elements of guidance despite the impact of healthcare reform and the strengthening of the U.S. dollar, for 2012, we updated our 2012 targets. We reduced the revenue target for 2012 by $800 million. The previous range was $66 billion to $68.5 billion. We reduced that by $800 million. However, we have reaffirmed all other elements of guidance for 2012, all the other targets including the adjusted diluted EPS target, and we talked about being able to achieve that through a combination of spending reductions and other means.

Given prevailing market conditions, we view share buybacks as an attractive investment opportunity and a good use of capital. We talked about that yesterday on the phone call and then finally I just wanted to mention that we do have some phase III clinical readouts scheduled for the year and so kind of an important year relative to the pipeline and some of the phase III programs that we have currently underway.

This chart just summarizes the 2010 financial guidance. No changes here relative to the guidance we provided on our February earnings call. All elements of the guidance remain the same so I won’t run through all the numbers. They're all in there for you to see but as I mentioned, the key part to the chart is the bottom, the window that talks about we reaffirmed 2010 guidance.
despite some headwinds relative to healthcare reform and to the strengthening of the U.S. dollar. In terms of the healthcare reform number for 2010 -- I quantified all this yesterday -- we took a $56 million revenue charge in the first quarter and we estimated the 2010 full year revenue impact to be $300 million and that was in addition to a deferred tax asset charge that we recorded in the first quarter as well.

Next chart are the 2012 financial targets. We updated these on the call yesterday and as I mentioned, the one number that changed was the revenue number and you can see there we show what the previous number was and what the new number is. As you can see, the previous number was the $66 billion to $68.5 billion that I just alluded to. We reduced that by $800 million. That $800 million by the way, is the impact of healthcare reform in 2012. In terms of just the rhythm of the numbers on revenue for healthcare reform, it reduces our revenues by $300 million in 2010, $900 million in 2011 -- these are all approximations -- and $800 million in 2012 and it’s the $800 million that reduced the targets for 2012. And then we reaffirmed all other elements of the targets and as I mentioned, the adjusted diluted EPS number, through spending reductions and other actions.

Okay, and then just my last chart, in terms of just the various meetings I've been in and some of the conversations that I get involved with, these are some of the major discussion areas that I'm typically asked questions about. I thought I'd summarize them and then we'll go into anything you all would like.

Capital allocation typically comes up in my investor meetings. We spent a lot of time on this on the call yesterday, talked about the different buckets of capital allocation and how we think about each. I could spend time on this if you'd all like. I could spend the whole meeting on this but just kind of give you top of the layers on each one of these.

Our view towards business development, once again this is another area we spent time on yesterday when we were working our way through and of quarter call. The integration progress and process, just kind of at the high level, the integration is going well. We continue to make steady progress and that’s part of why I talk about we’re on track to achieve our year one savings targets and our total cost reduction targets and I can get into some detail on that if you all would like.

Healthcare reform, I actually used a chart on this yesterday on the call to just get into some of the detail surrounding healthcare reform, whether it be Medicaid rebates, hospital pricing, the doughnut hole, the annual fee, and once again, I can get into whatever level of detail you’d like me to get into on that during the Q&A.

And then I talked about 2010 guidance and 2012 targets and obviously you can ask me anything you want that’s not on that chart as well.

So that’s kind of just a quick forward through the charts. Barbara and everyone else, what questions can I answer?

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**Questions and Answers**

**Barbara Ryan - Deutsche Bank Securities - Managing Director**

I wonder Frank, I know probably a lot of people did hear the detail that you gave us yesterday on healthcare reform and we appreciate that but if we look at the impact in 2010 that you’re talking about, the $300 million, other companies, the impact that they’re describing in 2011 is roughly double so for you it’s about triple so I'm just wondering if you can sort of give a little more granularity. I'm wondering to what extent is a piece of that related to something specifically like an Enbrel in the doughnut hole.
Frank D’Amelio - Pfizer - Senior VP and CFO

Sure, so I hadn’t noticed that trend. I’m just kidding. It was a little bit of humor, obviously very little with this group so I’m sorry. I wanted to lighten it up a little bit.

I think at a macro level, the short answer is it’s really based on the different mixes of businesses in the different companies. So what do I mean? To your point, we roughly tripled. Other companies, I’ll call it on the whole, doubled. It really has to do with, I’ll call it the amount of Medicaid business that we have and hospital business versus the amount of Medicare business that we have relative to competitors.

So if you look at our charge for 2010, the $300 million, the majority of that charge is really driven by Medicaid but the doughnut hole doesn’t really kick in until 2011. We took a small Q4, we assumed a Q4 charge for that in 2010 but the bulk of that doesn’t kick in until 2011 as well as the annual fee. That has much more of an impact on us where Medicaid has much less of an impact on us. So when you put the mix together and then you look at our mix of business versus our competitors’ mix of business, that’s why you see the change in the increment on a year over year basis.

Barbara Ryan - Deutsche Bank Securities - Managing Director

And then in 2012, the reduction, is that just Lipitor?

Frank D’Amelio - Pfizer - Senior VP and CFO

It’s just, it’s basically, without calling out individual products, you see some reductions due to individual products so that’s what’s driving it, but it doesn’t change a whole lot.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Right.

Frank D’Amelio - Pfizer - Senior VP and CFO

You go three to nine, nine to eight, you see a little bit of a tail as you go out a couple years based on product volumes.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Right, okay, thank you. Maybe just one other question I have.

Frank D’Amelio - Pfizer - Senior VP and CFO

Sure.

Barbara Ryan - Deutsche Bank Securities - Managing Director

You obviously talked a little bit about the tax rate and I guess there is sort of good news in every maybe negative event and that is that your tax rate now is very high and so that gives you as you discussed yesterday, a lot of flexibility with using your cash outside the United States and you’ve also emphasized that share repurchase at this particular time is attractive to the
company so should we just be thinking that in order to maintain that flexibility that the company is probably going to, over the long haul, just stay at something like that 30% rate?

Frank D’Amelio - Pfizer - Senior VP and CFO

So the way I’ve laid this out is for 2010 and I heard you say over the long haul, I’ll do this in bites to answer your question and I’ll run some other numbers just to give you a feel for the rhythm of the numbers but in 2010, on an adjusted rate basis, I guided to 30% and we also said through 2012 that the targeted rate would also be about 30% so my short answer to your question is through 2012, the number is going to be approximately 30%.

And then if you just look at kind of quarter to quarter, this quarter our adjusted rate was 30.1%. If you look at that over last year, in Q1 it was 29.7%. If you look at the average rate for 2009 for the year, it was 29.5% and if you look at any volatility, we had one quarter last year where it approached 32%. I think it was 31.8% so we’ll get some volatility from quarter to quarter but over the year, on an annual basis, I think that roughly 30% over the next couple years is clearly what we’re targeting and kind of to the other point you mentioned, that 30% does give me and the company some good flexibility relative to capital and what we can do with our capital.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Okay, thanks. So I want to open it up to the audience for questions so those of you who have got any, raise your hands.

That’s unusual. So maybe you can talk to us about how you do answer those questions that you get, particularly as it relates to business development. Obviously the company and the industry is very active in that regard. You just did a huge transaction but what’s your appetite for other transactions and if you care to give us some sort of range as to where the sweet spot of those kinds of deals might be?

Frank D’Amelio - Pfizer - Senior VP and CFO

Okay, so I think the way I’ll start is why don’t I talk about what our priorities are in business development and then I’ll try to answer the other part of the question that you asked me?

In terms of priorities for business development, we think about the priority areas as established products, emerging markets, and you know they kind of go in tandem because if you do an established products deal, a lot of that business is in emerging markets. If you do an emerging markets deal, a lot of that business is established products so they kind of go in tandem, and then what we call our “invest to win areas” and our invest to win areas are areas like pain, inflammation, Alzheimer’s, oncology, psychoses, and diabetes. So those are what I’ll call our priorities relative to business development, literally with those being, I’ll call it our top priorities.

But please also know that doesn’t mean that if we see an opportunity, I’ll call it a specific opportunity to do something in another area, that it would prevent us from doing that but in terms of prioritizing, those are where the priorities are.

In terms of ranging, I’m not going to give you a specific dollar range but what I would say is we clearly have the capability to do bolt-on transactions. You won’t see us doing another $68 billion transaction but we clearly have the ability to do bolt-on transactions, obviously focused in those areas of priority that I just alluded to.
Barbara Ryan - Deutsche Bank Securities - Managing Director

We had a panel presentation on Monday here and the discussion was on biosimilars and there was pretty detailed discussion by the former Chief Counsel of FDA on the legislation that has been passed and the bottom line was that it’s going to be very, very difficult what one would characterize as a biosimilar or generic of a biologic onto the market and therefore, the biologics market may look more like it has historically in the future and that the strategy seemingly that maybe a Pfizer or a Merck are pursuing would be one more focused on the traditional BLA route of follow on biologics, biobetters. Companies have different names for it. Obviously Pfizer is building significant capability to attack that opportunity which has been enhanced with the acquisition of Wyeth so maybe if you could talk to us a little bit about how you see that market opportunity playing out and what strategy you’re going to employ.

Frank D’Amelio - Pfizer - Senior VP and CFO

Sure, I think -- maybe I’ll start at a macro level and then work my way down and answer this as best I can. So I think when we were looking at, go back a year and a half or so ago and we were looking at different companies to potentially acquire and we had, I call it our list of needs in terms of where did we think the puck was moving in the industry? Where did we think the opportunities are? And then how could we best acquire those opportunities where we weren’t, I’ll call it “as strong as we wanted to be” in those areas and clearly we chose Wyeth. When you looked at the checklist of areas, one of the areas Barbara, was clearly larger molecules biologics. If you think about a Wyeth today, Enbrel, very large product, very effective, large molecule. If you think about some of the capabilities that Wyeth brought to Pfizer like Grange Castle and the manufacturing capabilities and just the technology and the skills of the people in this area, we clearly viewed this as an asset in an area we wanted to play in in a big way.

So that was at least part of our thinking on how we arrived at Wyeth. There are other reasons too but that was clearly one of them. We do see this as a future opportunity area. I think about it from a biologics, biobetters perspective with brand always being an important element of the value proposition so we do view this as not only value today but value going forward. We think the reform gives us an opportunity to create and extract value and bring value to patients as part of this and we’re all about getting after it.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Along those lines, maybe if you can describe to us where you are in that process and whether there are other pieces that you need to augment within the organization to attack that opportunity or is it just time and developing the product?

Frank D’Amelio - Pfizer - Senior VP and CFO

So one, I don’t want to just limit this to biologics but one of the nice things about Enbrel is it gives us more and more knowledge in rheumatoid arthritis and we have another phase III compound, Jack III, which obviously we’re trying to apply all those learnings through as we work our way through, I’ll call it “the process,” right? So we’re already doing a lot of what I’ll call kind of parallel processing relative to we’ve got a commercial market in a specific area, treating a specific indication and then using that knowledge to help us with the development of a new product.

So that’s all going on as we speak. We’ll continue to do all those kinds of cross learnings relative to manufacturing, development and the like. So all of that’s going on.

In terms of supplementing it, what I always say is to the extent that things makes sense to add or supplement to, we will and when I laid out my priority areas, we talked about inflammation as a priority area. We talked about pain. So clearly it’s an area
where if we saw something that was prudent, we'd consider it at the right price and being prudent and disciplined with our capital. But we have a lot going on already that we just need to work our way through to take advantage of the opportunity.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Maybe if we can talk a little bit about emerging markets where obviously I have to give Pfizer credit because when Jeff Kindler first started talking about emerging markets as a big new opportunity for pharma, there were more than a few people who chuckled and obviously it is the top priority for every pharma company and the focus of a tremendous amount of attention so you were there early and I guess have picked up significant share. Recently there was an asset that traded, Ratiopharm, obviously it's broadly known that you participated in that process but decided that you had a price at which you would walk away. Can you talk to us about whether there are other kinds of assets out there that I guess I would characterize as sort of provide a step function change to your emerging markets strategy or whether it's going to be a slower evolving opportunity?

Frank D’Amelio - Pfizer - Senior VP and CFO

I’m going to run some numbers first and then I’ll answer your question, okay? So first, if you think about emerging markets, this past quarter when we reported earnings, emerging market revenues for the quarter were $2 billion and the reason I say that is it’s already a big business for us and when we report out our numbers, and that’s only for biopharmaceuticals. We don’t take diversified and put them in emerging markets. Think about that. $2 billion is biopharmaceuticals only.

When you look at our BU structure and you look at how we report out, one of the ways I always describe it is all of our business units are what we sell with the exception of emerging markets which is where we sell. So emerging market is really a geographically reported number. It’s the only number where we do that in our business unit reporting. That’s kind of point one.

Point two, if you look at the number this past quarter, it was, I’m going to call it “relatively low.” The number in terms of growth on a quarter over quarter basis -- bless you -- was 1%. Now what happened is South Korea, which was in last year’s first quarter emerging markets number, was moved. We reclassified that to the developed markets. That caused a 5% year over year negative impact on the trend. So if you did an apples to apples comparison, that 1% would have been 6%.

Now last quarter when we reported out for Q4, that number was 10% and quite frankly, we want to be in the double digit zone in that area. We just keep peeling the onion a little bit on growth.

If you look at individual countries, without giving specific numbers, this quarter we had very strong growth in places like India, places like China, and Brazil and some nice growth in Turkey. The growth in Turkey was less than it could have been because of some pricing pressure in Turkey and we had a decline in Mexico because of just the timing of certain government tenders. So there is a lot going on in these markets but he underlying operational performance, if you look at countries like China, Brazil, India was still very good.

I’m getting to your question. A lot of numbers in this area, I want to get to it. In terms of organic growth, there is big organic growth taking place in these markets. INS estimates China growth at 25% so clearly our job is to be growing at or better than the market growth rate. So the way I’ll answer your question is in two ways, Barbara. One, there is significant opportunity to grow in this business and I’m going to punctuate it with a few more numbers, organically.

And then two, to the extent that we see opportunities to supplement that we will and remember, I did say in our priorities for business development that one of the priorities was emerging markets and let me just -- one more set of numbers to just kind of drive home the first point about how much organic opportunity there is in emerging markets.

If you look at Asia Pacific and if you take out your Pan Australia and New Zealand, that addressable market a year or two ago was about $50 billion. Our share of that market in that year was about 4%. That market is expected to grow to about $80 billion
by 2012 so $50 billion to call it $80 billion. If we simply held our 4% share, that's over a billion dollars in incremental revenue. Everybody follow? Just 4% times 80 is 3.2, 4% of 50 is $2 billion, so $1.2 billion of incremental revenue. If we could take a point of share, that's another $800 million of incremental revenue just in that region.

So the only reason I like to use those numbers is it demonstrates the incremental revenue opportunity for companies like ourselves and the other point I just drive home is we talked about these emerging markets, Pfizer has been in these emerging markets for decades. We've been in these places for 25, 30, 40 years. In places like China we added over 1,000 reps last year. We're in close to 200 cities and continuing to add lots of field force to keep increasing our capabilities in these cities.

With the Wyeth basket of products now, we could be going to pediatricians and not only selling Prevnar but pulling through nutritional products and we also see lots of revenue synergy opportunities in these emerging markets as well. So we view obviously emerging markets as a big opportunity organically. To the extent that we can supplement it with, I'll call it business development opportunities that make sense, we will.

One other point on this and then I'll stop, which is the other thing I typically get asked about emerging markets is Frank, yes but aren't the gross margins in emerging markets not the same level as kind of, I'll call it your traditional branded pharma gross markets? And my short answer is yes, they are lower. However, the cost, the expenses are lower and so you still get a very good operating margin and we have factored all of that into our 2010 guidance and our 2012 targets.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Thank you.

Frank D'Amelio - Pfizer - Senior VP and CFO

I know it was a long answer.

Barbara Ryan - Deutsche Bank Securities - Managing Director

No, that's alright. It's a big topic.

Frank D'Amelio - Pfizer - Senior VP and CFO

Big topic, lots of numbers.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Maybe I can ask you one last question because we don't have a lot of time and I certainly wouldn't want you to comment on anything that is non-public but there was some speculation that Pfizer and Teva were having some discussions.

Frank D'Amelio - Pfizer - Senior VP and CFO

I hadn't heard.
Barbara Ryan - Deutsche Bank Securities - Managing Director

Yes, I figured you didn't. I read different things than you might but -- and my question is, obviously Pfizer has talked about generics and is in the generics business so maybe if you could discuss potentially what opportunities you see in generics in the U.S. or globally that the company, you know, ways to attack that business that maybe you aren't attacking it today, things that you can do that would provide value to shareholders in generics.

Frank D'Amelio - Pfizer - Senior VP and CFO

Sure, so once again I want to run some numbers just to drive home my point and then I'll answer your question.

Barbara Ryan - Deutsche Bank Securities - Managing Director

Right, CFO.

Frank D'Amelio - Pfizer - Senior VP and CFO

Yes, okay so once again, if you look at our established product revenues this past quarter, they were $2.8 billion and once again, the reason I say that is it's a big business. It was $2.8 billion this past quarter just based on, I'll call it everything we have in the portfolio today. Let me just talk a little bit about the portfolio, some of the things that we've done, and then I'll talk about kind of where we see some of the potential opportunity.

So last year we did do business development in established products, just nothing real big. We in-licensed since we started that business unit, 200 products. We in-licensed from companies like Aurobindo, Claris and Strides. If you look at the total portfolio of our established products business today it has more than 600 products with more than 100 sterile injectibles. So we've been doing a lot in terms of bolstering up the portfolio of that business and one of the reasons you want to do that is you want to be able to get dossiers of products and then bring them into other markets so we can sell them in other markets over our channel and leverage the size and scope and scale of our channel capability. So that's a lot of what we've doing over the last year or two and that we will continue to do, kind of point one.

In terms of conversations with various companies, when you're in an industry, you're always talking. You're always talking to other companies. It's just the nature of what we do for a living. We see each other at conferences. Everybody is always talking to each other whether it's just how's it going? What are you seeing in the industry, without telling each other anything we can't tell each other. It's the nature of the industry.

In terms of opportunities, once again from a business development perspective we talk about established products, emerging markets in (inaudible) areas. If we see something in this space that we think would be prudent, with the right, where the numbers work, then clearly it's something that we would consider.

So there was, you mentioned in the previous question rumors about Pfizer and a certain company. I won't comment on that. We never comment on rumors. We don't comment on individual companies but our having, I'll call it 'potential discussions' in areas involving emerging market and established product assets is very consistent with our priorities from a business development perspective. Does that answer your question?

Barbara Ryan - Deutsche Bank Securities - Managing Director

It does, thank you. And thank you very much for your time, really appreciate it.
Thank you. Thank you all everybody. Thanks for your time.

Barbara Ryan - Deutsche Bank Securities - Managing Director
Thanks for being here.