Good day, everyone, and welcome to Pfizer's first quarter 2012 earnings conference call. Today's call is being recorded. At this time I would like to turn the call over to Mr. Chuck Triano, Senior Vice President of Investor Relations. Please go ahead, sir.

Chuck Triano - Pfizer Inc. - SVP - IR

Good morning and thank you for joining us today to review Pfizer's first quarter 2012 performance. I'm joined today by our Chairman and CEO, Ian Read; Frank D’Amelio, our CFO; Olivier Brandicourt, President and General Manager of Primary Care; Mikael Dolsten, President of Worldwide R&D; Geno Germano, President and General Manager of Specialty Care and Oncology; Amy Schulman, General Counsel and President and General Manager of Pfizer Nutrition; and David Simmons, President and General Manager of Emerging Markets and Established Products.

The slides that will be presented on this call can be viewed on our homepage, www.pfizer.com by clicking on the link for Pfizer's quarterly corporate performance first quarter 2012, which is located in the Investor Presentations section in the lower right hand corner of this page. Before we start, I would like to remind you that our discussions during the conference call will include forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ are discussed in Pfizer's 2011 Annual Report on Form 10-K and in our reports on Forms 10-Q and 8-K.
Also, the discussions during this conference call will include certain financial measures that were not prepared in accordance with generally accepted accounting principles. Reconciliation of those non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in Pfizer's current report on Form 8-K dated today, May 1, 2012. With that, I'll now turn the call over to Ian Read. Ian.

**Ian Read - Pfizer Inc. - Chairman of the Board and CEO**

Thank you, Chuck. During my remarks this morning I will briefly discuss the quarter and how I see the Company evolving over time as we continue to stay focused on getting our innovative core more productive and sustainable and keeping our capital allocation priorities aligned with the best interests of shareholders. Regarding the quarter, we started the year on a solid footing. Some noteworthy highlights include good performance in Emerging Markets with 9% operational growth in revenues quarter-over-quarter. In particular, we had strong growth in three key markets; China, Mexico, and Russia.

While I'm pleased with this quarter's performance in Emerging Markets as we have said before, we still expect there will be some volatility from quarter to quarter due to ongoing pricing and macroeconomic issues. Several parts of our branded portfolio performed well. Globally, we grew revenues of Celebrex, Lyrica and ENBREL. The work we did in planning for the Lipitor LOE has proved to be successful. Five months after LOE in the US, our market share is over 2.5 times compared to other LOE analogs at the same point in time. Branded Lipitor sales in the US for the quarter were $383 million.

The Animal Health and Nutritional business turned in another quarter of strong operational growth. Animal Health grew 6% and Nutrition grew 8% over the same quarter in 2011. As you know, last week we announced an agreement to sell the Nutritional business to Nestle. We are pleased with the interest there was in this business and believe that Nestle with its presence, resources, and focus is a very good strategic fit for the Nutrition business. We expect the divestiture of Nutritional will be complete by the first half of 2013, assuming the receipt of the required regulatory clearances and satisfaction of other closing conditions.

As we have said in the past, we will use the proceeds in a way that creates the best after-tax value for our shareholders and we expect to allocate the after-tax proceeds to further share repurchases while also considering other value creating opportunities. With the return on share repurchases remaining the case to beat and a high hurdle. Our expense discipline and process improvement efforts continue to yield savings. Adjusted total costs were down 7% operationally from the first quarter of 2011 and we returned over $3.3 billion to shareholders through dividends and share repurchases in the first quarter.

Despite pricing pressures and global market uncertainty, the fundamentals of the business are strong and our strategy is positioning us well for the future. With the pending sale of the Nutrition business and after the potential separation of Animal Health, which at this time we expect would most likely be a public market transaction, our strategic imperatives remain the same. We are focused on building a sustainable research engine and allocating our capital in ways that create a competitive and flexible operating model that maximizes value for Pfizer and our shareholders.

I'm frequently asked, how do I see the Company's strategy evolving and what are the markets that will indicate if we are on track. As I've shared with you on prior calls, through our strategic imperatives we are building two strong cores, an innovative core and a value core. I see each of these as having distinct cost structures and operating drivers, and our consumer business can support the evolution and growth of either of these cores through its portfolio of strong brands.

A few words about the innovative core. It is intended to be a growth engine sustained by R&D investments that enable us to continue to build a robust late stage, mid stage, and pre-proof of concept pipeline, a pipeline of highly differentiated products that are focused on areas of unmet medical need that payers are willing to pay for. While we still have several products that will either lose exclusivity or will be approaching the end of their co-promotion periods over the next two to three years, I'm already seeing signs of positive momentum within the innovative core.

Our late stage pipeline has progressed well across multiple therapeutic areas as evidenced by the recent launches of INLYTA, XALKORI, Prevnar 13 for adults and the regulatory reviews that are underway for Eliquis, tofacitinib and Bosutinib. Over the next few years, we expect that these assets will likely form a foundation upon which we build and grow. And by prioritizing our investments and advancing the most promising new drug candidates, we now have a compliment of early to mid stage compounds that we hope will achieve proof of concept over the next two years and that will form the necessary late stage substrate of the future.

Turning to the value core. Its objective is to generate strong cash flow albeit with less growth. It includes post LOE products, certain products that are approaching LOE, and other established products targeted to broad populations. The value core requires a strong presence in high opportunity geographies, low costs go to market and manufacturing capabilities, and a broad base of product offerings. These are all capabilities we are building from our Emerging Markets footprint and other business development activities, such as the JVs and contract manufacturing agreements we have entered into. To support and evolve each of these cores, we will continue to work on our cost structure inclusive of everything from research and development, manufacturing, and going to market strategies while allocating capital in ways that maximize value for shareholders.
To sum up, I believe we have the right strategies for Pfizer that will guide us over the next several years. It will take a few years to fully determine our success in building the innovative and value cores. That said, as they each develop over time, I see them generating consistent and steady growth in earnings per share. Now we’ll turn it over to Frank for additional details on the quarter.

Frank D’Amelio - Pfizer Inc. - EVP, CFO and Business Operations

Thanks, Ian. Good day, everyone. As always the charts I'm reviewing today are included in our webcast. Please note that starting in the second quarter of 2012, the Nutrition business will be presented as a discontinued operation and the consolidated statements of income for all periods presented on a retroactive basis. And as you know, discontinued operations are excluded from adjusted financial results. This means that for the full year of 2012, the results of the Nutritional business will be excluded from adjusted results. Now let's move on to the numbers.

First quarter 2012 revenues of $15.4 billion decreased 7% year-over-year, reflecting an operational decline of approximately 6% driven primarily by the loss of exclusivity of several key products in certain geographies including primarily Lipitor in the US. Adjusted diluted EPS of $0.58 decreased approximately 3%, which primarily reflects the favorable impact of lower total adjusted costs resulting from cost reduction and productivity initiatives, to a lesser extent the impact of foreign exchange, which was more than offset by the loss of exclusivity of certain products.

Foreign exchange negatively impacted first quarter revenues by less than 1%, or $57 million, and favorably impacted adjusted total cost by $163 million, or 2%. As a result, foreign exchange favorably impacted first quarter adjusted diluted EPS by approximately $0.01. We've included the next chart for the first time to better clarify the composition of biopharmaceutical revenues in Emerging Markets. In the first quarter of 2012, Emerging Market Biopharmaceutical revenue increased 6% to approximately $2.3 billion, reflecting operational growth of 9% and the negative impact of foreign exchange of 3%. Volume growth of 13% in Emerging Markets was partially offset by price reductions of 4%, resulting in the 9% operational growth.

Of the first quarter Emerging Markets Biopharmaceutical revenues approximately 42% was generated by Established Products, 32% by Specialty and Oncology products, and 26% by Primary Care products. Established product revenues generated by sales in Emerging Markets increased 9% operationally year-over-year, Specialty Care and Oncology revenues in Emerging Markets increased 12% operationally, and Primary Care revenues in Emerging Markets increased 7% operationally. With respect to the brick MT markets, first quarter biopharmaceutical revenues of almost $1.1 billion increased 10% operationally year-over-year and of these revenues approximately 44% was generated by Established Products, 29% by Specialty and Oncology products, and 27% by Primary Care products. Revenues for Established Products sold in brick MT markets increased 14% operationally year-over-year. Specialty Care and Oncology revenues in brick MT Markets grew 9% operationally and Primary Care revenues in brick MT markets grew 4% operationally.

We've also provided the next chart for the first time to better clarify the composition of biopharmaceutical revenues generated in the brick MT markets. During the first quarter volume growth of 15% in the brick MT markets was partially offset by price reductions of 5% resulting in operational growth of 10%. These markets contributed about 50% of the Emerging Market Biopharmaceutical operational growth versus the first quarter of 2011. We're updating our 2012 revenue guidance in certain elements of our 2012 adjusted financial guidance solely to reflect our agreement to sell the Nutritional business. Again starting in the second quarter of 2012, the Nutrition business will be presented as a discontinued operation and the consolidated statements of income for all periods presented on a retroactive basis, which means that for full year 2012, results of the Nutrition business will be excluded from adjusted results.

Now, most notably, we are decreasing revenue guidance to a range of $58 billion to $60 billion from a range of $60.5 billion to $62.5 billion, decreasing the adjusted cost of sales as a percentage of revenue guidance to a range of 19.5% to 20.5% from a previous range of 20.5% to 21.5%, decreasing the adjusted S&A expense range to $16.3 billion to $17.3 billion, and decreasing our adjusted diluted EPS guidance to a range of $2.14 to $2.24 from a range of $2.20 to $2.30. In addition, we are decreasing our reported diluted EPS guidance to a range of $1.23 to $1.38 (corrected by company after the call) from a range of $1.37 to $1.52 primarily reflecting additional expenses related to certain legal matters and certain asset impairment charges.

Our first quarter results reflect our continued solid operational performance, despite the negative impact of the loss of exclusivity of certain products in various geographies, mainly Lipitor in the US. Again, we are updating our 2012 revenue guidance and adjusted financial guidance solely to reflect our agreement to sell our Nutrition business to Nestle. Following the completion of the transaction, and after we receive the proceeds, which we believe will be in the first half of 2013, we expect to make additional repurchases of our common stock with the after-tax proceeds with share repurchases continuing to remain the case to beat. We expect this to be accretive to our net results in 2013 and beyond. We remain on track to announce a strategic alternative for our Animal Health business in 2012 and continue to expect any separation of this business to occur between July of 2012 and July of 2013. As always, our decision will be based on the option that generates the greatest after-tax return for our shareholders.

We remain committed to delivering attractive shareholder returns in 2012 and beyond with approximately $2.3 billion, or $104.6 million shares repurchased to date in 2012. And we continue to expect to repurchase $5 billion of our common stock in 2012. With that, I'll turn it back to Chuck.
Thank you, Frank, and Operator, please if we can now poll for questions.

QUESTION AND ANSWER

Catherine Arnold - Credit Suisse - Analyst

Actually I have two questions. I wanted to ask you about your comments on share repurchase. I know you guys always talk about share repurchase is the case to beat and I think that we obviously have a lot of subjectivity in thinking about that in terms of what your stock price is now and where it will be and when that changes. But is it fair to think about it from an earnings yield perspective when you think about consensus numbers divided by your share price, you're yielding 10%. And that seems like a pretty high number to beat and actually even $1 or $2 up from here same deal, so is that a fair way of thinking about it and then my more granular question is on tofa.

Could you just comment on where the ORAL Start study is in regards to interim analysis reading this out year, if FDA has that in terms of its review and the same thing with ORAL scan? Thanks.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, Catherine. Yes. I'll ask Frank to comment on the way you look at share repurchases, but I'd just like to once again emphasize that we remain committed to discipline and capital allocation and we do see our shares as being a good investment and a high hurdle to beat. And we remain committed to looking for opportunities, sort of bolt on acquisitions that would produce growth, but they always have to be what we believe is the high hurdle of our share repurchase.

Frank D'Amelio - Pfizer Inc. - EVP, CFO and Business Operations

So Catherine, I think the way I'd answer the question is we don't look at any individual metric. We look at several metrics. At a macro level we always start with at prevailing market conditions and therefore our prevailing market stock prices. Do we believe that buying back our shares represents an attractive investment opportunity and a prudent use of capital? And the short answer is we do, so we start there. Then we look at a few other metrics, one of which is the one you mentioned in terms of an EPS number on top of the stock price and the return you get. And then by the way, that's an after-tax return that needs to be traced up to a pre-tax number, which gets you to the high hurdle comment that Ian made earlier on the phone call. So that is one of the other metrics that we do look at when we analyze the return on share buybacks.

And Geno, if you want thank you and will you answer the tofa question?

Geno Germano - Pfizer Inc. - President & GM, Specialty Care and Oncology

Yes, Catherine, for the tofa trials, the ORAL Scan trial, the one-year read out was included in the dossier that went to the FDA so they have the data, the one-year data. The two-year data will read out a little bit later this year, and whether we submit that data to the FDA or not prior to an action will depend on ongoing discussions with
the agency. In terms of the monotherapy trial, that also, the one-year data will read out around middle of this year as well and that has not obviously been submitted as part of the dossier, since it hasn't read out yet. And so those data will be available as we progress through the rest of the year.

**Chuck Triano - Pfizer Inc. - SVP - IR**

All right. Thanks, Geno. Operator, next question, please?

**Operator**

Jami Rubin, Goldman Sachs.

**Jami Rubin - Goldman Sachs - Analyst**

Just to follow-up on Catherine's questions, Ian I don't mean to put words in your mouth but do you see any other acquisition out there that is more attractive right now than buying back your stock? And then Frank, maybe if you can talk about the proceeds from the Nutrionals business, as I understand are mostly outside the US, and what can you do to minimize the tax burden when you take that cash back from overseas to the US? And then lastly, Geno, if you could just frame for us the issues going into the panel on Wednesday for tofacitinib and just generally, how you're feeling about the potential outcome? Thanks.

**Ian Read - Pfizer Inc. - Chairman of the Board and CEO**

Thank you, Jami. So I think we've said many times that as we look at opportunities, especially in smaller bolt on opportunities where we could acquire an asset that we could organically grow, we would be interested in that because we do want to look at growth assets. I certainly don't -- I look at them as bolt on, and I don't as I sit here today don't see any of those type of activities. And certainly, I would say well never saying never, I certainly don't see any opportunity in larger scale acquisitions that would be a prudent use of our capital. Frank, do you want to add to that?

**Frank D’Amelio - Pfizer Inc. - EVP, CFO and Business Operations**

Yes, so let me hit the question on the Nutri proceeds, Jami. Let me just start at a high level and then I'll drill down a little bit. So first we're pleased with our recent announcement to sell the Nutri business to Nestle and we look forward to working with Nestle to get that transaction completed by about the first half of 2013. In terms of the proceeds, in my mind, nothing has changed. We are all about working to continue to minimize, to maximize the after-tax return to our shareholders.

In terms of the use of the proceeds, nothing has changed. Share buybacks remain the case to beat. And then specifically now to your question, when we do receive those proceeds initially, most of those proceeds will be domiciled outside the US because our Nutri business was a non-US business. And then in terms of what is our objective, our objective is to minimize the tax burden involved in those proceeds as we maximize the share repurchases from those proceeds. And that's literally what we're working our way through as we go.

**Ian Read - Pfizer Inc. - Chairman of the Board and CEO**

Thank you, Frank. Geno.

**Geno Germano - Pfizer Inc. - President & GM, Specialty Care and Oncology**

Okay. Jami, this is Geno. So let me make some comments about tofa. I think with regard to our expectations for the advisory committee and the issues, it's basically all about benefit risk. And I think there will be a thorough discussion of both and we feel that our data package is strong with regard to characterizing both the benefits and the risks associated with this medicine. On the efficacy side, we've done five large pivotal trials. We have a database of over 4800 patients. We've shown consistent efficacy in signs and symptoms and function and remission.

We have structure data in the ORAL Scan study and importantly, we have strong patient reported outcomes data that showed patients actually function better and they feel better actually on the therapy. So on the benefit side, we think the benefits are really well characterized. On the risk side, you know this is a new mechanism of
action so there will be lots of interest and understanding the profile thoroughly. The good news is that what we've seen in our clinical trials with regard to adverse events and safety issues are predictable based on the mechanism of action. You can almost anticipate what might be the case.

What we've seen in the safety profile is that it is predictable, the safety events are familiar to rheumatologists, they are manageable in most cases and we think that after a thorough and robust discussion, the advisory committee will have the data to conclude that the benefit risk is positive at both the 5 milligram and 10 milligram dose, which is what we've concluded. We think the fact that this is the first oral DMARD in over 10 years and given the high unmet medical need for patients with RA that the committee will be favorable and the discussions will be robust.

Chuck Triano - Pfizer Inc. - SVP - IR

All right. Thanks, Geno. Next question please, Operator?

Operator

Tim Anderson, Sanford Bernstein.

Tim Anderson - Sanford C. Bernstein & Company, Inc. - Analyst

A couple of questions. The first question is a longer term question on your restructuring. While selling off Nutritional and spinning out Animal Health may benefit shareholders, it's not apparent exactly how it really benefits the Parent Company, because these are growth year assets that you're getting rid of, so it's clear how shareholders would benefit in the short-term. But I'm hoping you can describe in what ways the Parent Company benefits over the longer run if growth in the pharma business ends up being lower as a result of the restructuring.

And then the second question is again on tofacitinib. Once FDA makes its final decision on the application, will you be disappointed if you don't get both doses of the drug approved? And if you don't get a DMARD failure label versus only getting a third-line TNF failure-only label?

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Okay. Thanks, Tim. So look, I'm not quite sure I totally agree with your hypothesis there with the disposition or the monetization of Nutrient and Animal Health. I think you were unlocking value for shareholders and hence when unlocking value for Pfizer, it's a good use of capital. It's an appropriate use of capital allocation And in the end, the business rests on our ability to have an innovative core and a value core. That's where the vast majority of our business is. That's where our growth will come from. So unlocking the value of these two businesses to me seems to be in the shareholders interest and in Pfizer's interest. With that, I'd pass it over to Geno.

Geno Germano - Pfizer Inc. - President & GM, Specialty Care and Oncology

Okay. So with regard to potential outcomes, on the doses, we believe that we've demonstrated that both the 5 milligram and the 10 milligram dose independently have a positive benefit risk and should be approved and should be made available to practicing physicians. We know that rheumatologists would like to have the ability to tailor therapy to meet the individual needs of their patients and their preference would be to have both doses available. And so we will support the registration of both doses and hopefully that will occur.

If not, we really don't see it as a major deterrent to the use of the medicine or the potential for tofacitinib to help patients in need of a different alternative to what's available today. With regard to the positioning of post DMARD or post TNF, it's likely that the initial utilization of the medicine will be in a post TNF patient population. That's where the greatest unmet need exists today, so it's almost regardless of what the labeling is. We think that the evolution of the use of the medicine will start in the post TNF space and as experience accumulates and as additional data are generated, we would see the labeling and the use of the medicine evolve to a pre TNF and possibly a pre methotrexate position in the long run.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, Geno.
Chuck Triano - Pfizer Inc. - SVP - IR

Thanks, Geno. Operator next question, please?

Operator

Chris Schott, JPMorgan.

Chris Schott - JPMorgan Chase & Co. - Analyst

First question is how you're thinking about the longer term dividend here. You've commented a goal getting back to an industry payout by the end of ’13, but given the highly diversified business you're going to have, particularly post-Lipitor, why not think about even a higher payout over time? And I guess, how are you thinking over time about again a higher dividend versus share repo?

And then my second question was on the bapineuzumab. What should we just be expecting here? Is it something that we are going to wait for a conference to get data or should we anticipate a press release from Pfizer when top line results are available? Thank you.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Okay. So I think Chris, we've been recently aggressive in increasing the dividend over the last three years. We're aware of how important it is in total shareholder return. We constantly monitor that. We've said up to this date that a 40% payout ratio would be appropriate, but you know, we will look at that every year. And the tax right now, the tax is equivalent tax treatment between buyback and dividends, so there's no arbitrage there for shareholders. So we will look at it on a regular basis. We'll look at what the fiscal situation is and I think we'll make the most prudent decisions for our shareholders. Frank, do you want to add anything?

Frank D'Amelio - Pfizer Inc. - EVP, CFO and Business Operations

I think I'd just add to it that the way we think about this Chris is the word I'll use is an and, and not a or. What I mean by that is if you look at what we've been doing the last couple years, we've been doing buybacks and a dividend. So last year for example, we returned to shareholders over $15 billion, $9 billion in buybacks, over $6 billion in dividends. This year with our goal of approximately $5 billion in buybacks, we'll return over $11 billion directly to our shareholders. So in the last two years, between what we've done and what we plan on doing, that will be over $26 billion in capital returned directly to our shareholders.

So that's why I say an and, not an or. And over time, clearly our objective is to generate steady consistent earnings growth with our approximately 40% target in terms of payout. As earnings would grow, the dividend would continue to grow, so that's what we're all about doing.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, Frank. Olivier, would you like to take the question on bapineuzumab?

Olivier Brandicourt - Pfizer Inc. - President & GM, Primary Care

Yes, Chris. So Study 302 as you know is ApoE4 carriers is now completed and the database is being locked down and the other studies of 301 for the APOE4 non-carrier will be actually completed later during the summer. So currently, we plan to issue a press release to include the top line results of both studies, carriers and non-carriers, because as an alliance we believe that we will best understand the results in the context of both populations.

So, we plan to issue the release as soon as possible after the availability of the top line results of the 301, and we anticipate that to be during the third quarter of this year. And after that, in line with the standard practices we have within the alliance, we intend to present the full results at scientific medical conference during the second half of the year.
Thank you, Olivier. And if we can move to the next question, please?

Marc Goodman, UBS.

First, on crizotinib, can you give us an update, maybe how many patients are on therapy and what's happening behind the scenes there? Second, any major inventory changes for the products just from the end of the year to the end of the quarter? And then third on tofa, in the panel the big concern is not what does the data look like and the adverse events, we've all seen the data. It's much more of a concern of how the FDA sometimes can re-cut data and look at things a little differently and I was curious if you can give us any sense of if they've done any of that in your conversations with them so far, if it looks like the data is pretty straightforward as we've all seen it.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, Marc. So could we, Geno, could you answer the crizotinib and tofa question and then we'll pass it over to Frank to do the inventories.

Geno Germano - Pfizer Inc. - President & GM, Specialty Care and Oncology

So with crizotinib, I think the best way to characterize it is that continued progress, we have about 1000 patients that have been prescribed XALKORI so far. Again, we're making really good progress. We're seeing a consistent accumulation of new patients, and as you know, the molecular testing is really the key. We've see molecular testing increase from about 10% when we launched to about 45%. It's actually a little bit ahead of where our projections were. There are some issues with the length of time it takes for those tests to complete and information get back to physicians so we continue to work with the oncology community and hospitals to improve the efficiency of the testing process. But at this point, I'd say we're encouraged by what we see and we think that with the duration of therapy starting to accumulate for new patients, we'll see the business continue to build.

And with regard to tofa and the FDA's views, I mean as you say, they often run their own analyses and look at the data in various ways and at the end of the week, they will be making public their briefing documents for the advisory committee and you'll see how they've looked at things. There's nothing they've done that's been shocking or concerning to us. We've had some dialogue with them about a number of items, but I really can't think of anything to highlight at this point.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, Geno. Frank.

Frank D'Amelio - Pfizer Inc. - EVP, CFO and Business Operations

And then on the inventory, Marc, I think the short answer would be really no changes. If you look at the weeks on hand for Q1 of 2012, 2.7 weeks on hand. For Q1 of 2011, 2.7 weeks on hand. And then you ask me about the end of the year. The end of the year was 2.8 weeks on hand, so really not any real change at all if you look over the various periods.

Chuck Triano - Pfizer Inc. - SVP - IR

Thank you, Frank. Operator, next question, please.
Gregg Gilbert, Bank of America.

**Gregg Gilbert - BofA Merrill Lynch - Analyst**

I have two for Ian. First, a strategic one. Despite some observers predictions or suggestions that you spin or sell the generic division, I can see why you'd keep that business as different parts of pharma converge rather than diverge over time, but my question is what can you do to enhance that business and treat it more as an offensive and defensive business? Or, do you think you already have the right assets and culture in place there? And my second question, Ian, is that you sounded pretty excited at the annual shareholder meeting last week about the CDK4/6 Inhibitor, so if you or one of your colleagues could comment on that with a little more color and some timeliness that would be great. Thanks.

**Ian Read - Pfizer Inc. - Chairman of the Board and CEO**

Thank you, Gregg. Well look, I try to be clear in the opening remarks that I do see the business, the totality of the business in two cores; one being an innovative core and the other being a value core, which is where your question is going to on the spinoff sale. I think they are both great businesses.

I do think both of them have different drivers for their success, so I think certainly we want to move as we get through the Nutrition and Animal Health situation, we want to move to more distinct business cultures for those two businesses, so the managers have a clearer focus on what they're expected to do and how they are expected to do it and how we structure. And as we do that, I think it will allow us to view those businesses and make the appropriate capital allocation decisions on those businesses. So I hope that answers your question and with that I'll hand it over to Mikael to talk about CDK4/6.

**Mikael Dolsten - Pfizer Inc. - President, Worldwide Research & Development**

Thank you for the interest in our next wave of pipeline assets, and I think the CDK4/6 drug which we are in the lead in the industry as we were with the XALKORI, it's another statement to our strength in designing highly targeted treatment for kinases in oncology. We have the CDK4/6 tested in breast cancer, ER-positive breast cancer, and we have been very encouraged of the data we have seen. And you will see May in a breast cancer conference in Brussels, investigators sharing the data. We also see CDK4/6 as an opportunity as we have learned more about the molecular changes in tumors that may predict response going into additional solid tumors. Although we see breast cancer currently as the main near term opportunity and we will share Ian's enthusiasm about that drug and for an opportunity for patients suffering from breast cancer.

**Ian Read - Pfizer Inc. - Chairman of the Board and CEO**

Thank you. Just, Gregg, just a follow-up a little on my comments. On the value core, you asked a question about acquisitions. You know, we see acquisitions and joint ventures and agreements on supplies being vital to that business and we're very focused on that. We had done a deal in Brazil to secure supply there, which we did last year, and we have just signed a joint venture, or a memorandum of understanding for joint venture, in China with Hisun, which will be important to us. We continue to look at ways of adding substrate through partnerships and supply agreements, and I think that's a typical example of activities that that core business will be looking at that is distinct from how an innovative core would be looking at what type of activities they do.

We see the in that that emerging market business as being far more susceptible to local acquisitions and local deals. We don't, I don't see it as being a global solution. These markets are very separate and very different, whereas perhaps in the innovative core you'd look more for a global type deal to meet those needs. So that's really how we're looking at that area and in certain countries, we find the bar too high. Like if you look at India, it's a very expensive market right now and we're unlikely to be interested acquiring assets of that value, so hope that gives you enough color.

**Chuck Triano - Pfizer Inc. - SVP - IR**

Thanks, Ian, and we'll move to the next question please, Operator.
Mark Schoenebaum - ISI Group - Analyst

Maybe a capital allocation question and then a couple general ones. On the capital allocation, if you guys know that you are going to get the proceeds from Nutritionals next year, has there been any thought putting -- why not bring forward an increased authorization and perhaps accelerate some of the repurchases now? I mean it looks like you guys could probably borrow for one to two years at very low rates. So just curious if you're thinking about that.

Number two on the Emerging Markets, how as analysts and investors should we be thinking about pricing in the Emerging Markets over the long term? Should we be modeling 4% or 5% price erosion year on year kind of forever, or should we be thinking about something different? And if you could give any color specifically on what is happening in China that would be very helpful, because I know it's a big part of your business. Thanks a lot.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you. I'll ask Frank to account to the uses of cash and then I'll ask David to comment on the secular trend in the Emerging Markets, both on volume and pricing and wealth.

Frank D'Amelio - Pfizer Inc. - EVP, CFO and Business Operations

So on the share repurchases and accelerating the purchases by leveraging up, I'll give you a couple answers to this. I think first as I mentioned before, without leveraging up, I think we've been very aggressive. You know, $15 billion last year as I mentioned before, $11 billion planned for this year, so quite frankly I think we get the benefits of being aggressive in this area without leveraging up the balance sheet, and so from my perspective we'll continue down that path. We said $5 billion or so this year, approximately $5 billion. That's the path we're on. We talked about another $5 billion with the remaining $10 billion authorization. Remember, Animal Health and Nutrition are separate and distinct from that $5 billion this year and that $5 billion in 2013 and beyond. Quite frankly we think that is aggressive and we're doing that without having to lever up the balance sheet.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Olivier. I'm sorry. David.

David Simmons - Pfizer Inc. - President & GM, Emerging Markets and Established Products

Before tackling your specific pricing question, let me give you a frame on this for Emerging Markets and the reason we're optimistic for potential growth in the future. There's three large trends going on in Emerging Markets, the population masses are expanding at a pretty significant rate. The per capita wealth is increasing at a pretty significant rate and country by country, healthcare spending as a percentage of GDP is low when compared to OECD averages, much less what we see in Western Europe or the US. So all this mean that there should be more healthcare spending going on. Now against that is specifically to your pricing question, there -- we do expect that there will be price pressure in the future and a continual basis. Now the issue with your question on how to model it.

There's kind of a wild card in this is in that you don't have a steady rhythm of price erosion. You tend to have these step function events where you can have a market turn into a pretty significant price decrease that could be in excess of 10%, but that's against a backdrop of other countries that aren't doing much price cutting at all. Last year if you'll remember, we had a price erosion of 5% against volume growth of 10%, so we netted out at 5% growth. That was a pretty large price erosion impact for us from a historic basis. We expect a little bit more moderate price erosion this year and moving forward as we target high single-digit growth.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, David.

Chuck Triano - Pfizer Inc. - SVP - IR

Next question please, Operator.
Dr. Dolsten, you commented on CDK4/6, but I'd love for you to spend just a minute if you could on other assets that we should look forward to at ASCO given you do have an analyst meeting there. Thanks very much.

You refer particularly to the oncology area, so the next wave of oncology drugs, on the antibody targeted conjugates we are very encouraged by Inotuzumab. We are in phase three for lymphoma and also we'll share more data on leukemia, on B-cell leukemia. We are making progress with that crizotinib for non-small cell lung cancer, a drug that has shown very encouraging data in phase two versus Tarceva. In addition to CDK4/6 that I commented on breast cancer, I could add there that CDK4/6 has shown a very nice tolerability profile, which I think also is something that can open up a very large opportunity in women with estrogen-receptive breast cancer adding on a combination on top of hormone blockade.

Beyond that, we have two very interesting [PS3K]-mTor drugs that we have in several phase one B studies and are now entering phase two studies for solid tumors. And we also have a small hedgehog drug for particular hematological malignancies. So I think you can see that beyond assets, the three assets that we have been in registration alone, XALKORI, INLYTA and also Bosutinib, there is now a next wave of oncology drugs and you'll hear more of them as we share data at scientific conferences.

Thank you, Mikael.

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Thank you, Mikael.

John Boris, Citi.

Thanks for taking the questions and congratulations on the results. First question for Frank on optimization of the supply chain. Can you just remind us how many facilities you had when you merged with Wyeth, where you've taken that to, and how much more improvement there is on that side and how that might shape gross margins going forward? Question on Eliquis, second question has to do with Coumadin and the stickiness of Coumadin, if you take what you anticipate would be your mock label with some of the claims that you have, how much less sticky do you think Coumadin becomes from the profile of Eliquis? And then third question on your IV generics business, that on a global basis is about a $12 billion market. You have about a 7% share or close to $1 billion dollars, a lot of companies have had manufacturing issues there. How's that business performing and is that an important area for growth going forward? Thanks.
Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, John. So we'll ask Frank to give you a reply on the rationalization of the supply chain, Olivier will do Eliquis, and then David can do the sterile injectable question.

Frank D’Amelio - Pfizer Inc. - EVP, CFO and Business Operations

So John, on the supply chain question. When we announced our plan network strategy, when we finished up with that after the King acquisition, we said we would cease operations in 10 manufacturing facilities over the next several years with those facilities being in the UK, Ireland, and Puerto Rico. So from where we are, we have plans to reduce by another 10 facilities. That would be point one. In terms of what we're doing to manage the cost structure, I think the way I think about it from a supply chain perspective is there's really four big buckets that we go after.

The first one is I'll call it the overall network, which is the plan network strategy that I just alluded to in terms of the number of plants, where they are, that would be one. Second bucket would be optimizing each individual plant. So getting each individual plant to run as efficiently as optimally as possible and we use lean manufacturing processes, multiple continuous improvement projects to get after that. The third one is procurement. Procurement is a major element of manufacturing costs, so what we can do to continue to do better and better in the area of procurement. And the last area would be what I call center cost, kind of the center cost that's needed to manage all of the supply chain. So those are the four buckets that we aggressively manage to continue to drive cost and manage that cost in our margins as best as we can.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, Frank. Olivier.

Olivier Brandicourt - Pfizer Inc. - President & GM, Primary Care

John, about the stickiness, we are, let me start by saying that we are planning for launching Eliquis during the summer and we are fully prepared to do that. The first thing I believe is the fact that Eliquis is very strongly differentiated from Warfarin. That's number one. And you know why, because it has demonstrated superior efficacy, superior bleeding outcomes, and overall mortality advantage compared to Warfarin. So that positions us very strongly against Warfarin, and positions us also well to compete in the NOAC class. So we expect that to be very compelling for cardiologists and primary care physician, and then in the first four to six weeks after the approval, we will be focusing on establishing access and reimbursement, which is so critical.

We believe there we have a very strong value proposition for payers and we will also be preparing our sales force and medical teams in the field. We also believe leveraging the very strong expertise of both Companies. As you know, the bulk of prescription initially will be driven by cardiologists and mainly in hospital, about 50% of the initiations are made in hospital and there we will leverage the MS expertise and relationship with cardiologists before PCPs will take over. And then and there as you know, we have considerable expertise and experience with PCP and integrated health system.

So we think we are going to compete initially for new patient starts. That's how we are planning the beginning of the launch and patients were no longer well controlled on Warfarin. And then over time, subgroups will actually be targeted and especially the one on aspirin or switches from patient who are well controlled on Warfarin. So just talking about the stickiness, if you look at data and market data, about 20% of newly diagnosed patients are placed on a new oral anticoagulant, or were in the past three months, and I think physicians are estimating to put 30% of their new patients on those medicines. So we are very optimistic for the beginning of the launch.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you.

Frank D’Amelio - Pfizer Inc. - EVP, CFO and Business Operations

And then John, I just want to -- even though you didn't ask me this, I thought I'd add one thing to my supply chain answer, which is we're acutely and very much focused on cost management. But please know, we are equally focused and just as acutely focused on quality and service performance. All three of those are equally important. They are critical and we focus on all three in a critical way.
Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, David.

David Simmons - Pfizer Inc. - President & GM, Emerging Markets and Established Products

John, related to your question on hospital-based sterile injectables, since 2008 we've been interested in this area and making efforts against our strategy in this area. The reason of interest is primarily because the competitive intensity is lower in this segment of the generics market and that's driven by the precision and technical difficulty of manufacturing quality standards and holding those standards. If anything in the last three years that competitive intensity has even gotten less, because we've had more and more competitors fail to rise to the level of scrutiny that the FDA is rightly applying.

Now our strategy against this area is to broaden the portfolio and introduce a few new technology platforms like refill syringes and bag technologies. The portfolio expansion that we're doing comes from two areas, one, well three areas. One, we have a pretty significant basket of legacy products from Pfizer and its acquired Companies, pharmacy in particular, Wyeth and Warner-Lambert. Adding to that, we are developing non-Pfizer legacy products in two manufacturing facilities that have specific technical capabilities. It's Kalamazoo, Michigan and Perth, Australia.

Beyond that we have a partnership with Strides in India, who is providing us with oncology and anti-infective products. In fact we've been launching products, we have a large format, vancomycin entry, that's taking significant share in the US. So everything you're seeing in the market is valid and then it's an area that Pfizer is poised to compete well and be a leader in due to our manufacturing quality standards.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, David.

Chuck Triano - Pfizer Inc. - SVP - IR

Thanks, David. Next question, please.

Operator

David Risinger, Morgan Stanley.

David Risinger - Morgan Stanley - Analyst

I have one question on tofa and then a few on bapineuzumab. So on tofa, you're expecting a favorable committee. Can you just talk a little bit about the REMS that you're proposing including monthly blood testing requirements? And then changing gears to bapineuzumab. In the press release, it indicated data mid-year and you're expecting to issue a press release in the third quarter. My first question on bap is should we assume that the data will thus not be at the Alzheimer's Conference in Vancouver in the third week of July?

And then second, with respect to the data, there has been some discussion by your partners about adding and pre-specifying additional endpoints, but I'm hoping that Pfizer can clarify that since Pfizer owns half of bapineuzumab so that we understand the analyses that you're going to be running when you look at the phase three data. And then finally, your partners have also discussed a new phase three trial that's being started and once again there I thought it would be best for Pfizer to discuss it since Pfizer owns half of the compound.

Could you just walk us through this new subcutaneous trial in early stage Alzheimer's patients? And with respect to that trial that you're running the new phase three trial, some bulls would interpret that to mean that Pfizer has seen positive data. A bear would say what Company starts phase three months before phase three is supposed to report out. So if you could provide some color on the new phase three trial that would be helpful. Thank you.
Ian Read - Pfizer Inc. - Chairman of the Board and CEO

David, thank you for those questions. So we need to get to tofa first, I believe.

Geno Germano - Pfizer Inc. - President & GM, Specialty Care and Oncology

Yes. That's an easy one. So David, the -- our expectation and our recommendation in the REMS for patient monitoring is actually very consistent with the monitoring that you would -- that's currently proposed and in place -- in practice for patients that are on biologic DMARD methotrexate combinations. So it will be very similar to what's in practice today.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

And then Olivier, I think the bapi was into three parts. One, do we expect to be at a conference in the third week of July, the -- some commentary on adding additional endpoints, and the third question was why we started a new phase thee trial.

Olivier Brandicourt - Pfizer Inc. - President & GM, Primary Care

Right. So on the first one, the answer is no; however, as I mentioned earlier during the call, we are planning to present the data at one other conference, but it's still not determined during the second half, and there are a couple which will be available during the second half of the year. So that's the first question. The second question to be honest, I'm not entirely sure what are those additional endpoints you are referring to.

The endpoints are very, very clear in all phase three programs, both in terms of efficacy and safety, so I'm not entirely sure what again you are referring to there, and I can get back to you on that one when it's clarified. And the third one, yes we are discussing within the alliance the possibility of a sub Q study in prodromal AD; however, the decision is not made, and as you rightfully suggested, the decision will be made on the basis of the strength of the data of the current phase three program and the two first studies.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, Olivier.

Chuck Triano - Pfizer Inc. - SVP - IR

Thanks, Olivier. Helpful. Next question, please.

Operator

Steve Scala, Cowen.

Steve Scala - Cowen and Company - Analyst

I have three questions. First on Eliquis, do you believe 3% to 5% share of the oral anti-coagulant market exiting 2012 is completely unattainable? Secondly, the decline in alliance revenue ex-US is a bit puzzling because at least to my knowledge, Pfizer's SPIRIVA participation has ended in only a few small markets with participation in larger markets ending in June. So what is the reason for the decline? And then thirdly, what was the rationale for exiting the Biocon deal for generic Lantus back in March. Thank you.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

So Olivier, if you could deal with the expectations on exit market shares at the end of 2012. I don't believe we predict or give out projected market shares.
Olivier Brandicourt - Pfizer Inc. - President & GM, Primary Care

No. No, we don't.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

But if you could make some qualitative comments about how we expect to go to market. And then the declines for Spiriva ex-US, I think that question was on that. And then Biocon if David could talk to that.

Olivier Brandicourt - Pfizer Inc. - President & GM, Primary Care

So on the first one, Steve, as Ian has mentioned, we're not giving out forecasts as you know, but we are planning again to be very successful and aggressive during the second half of this year. So that would probably be a good target. And again, we are going after cardiologists first who are responsible for a large piece of the prescriptions, a large volume of the prescriptions initially, and we have terrific access and relationship with cardiologists in hospitals thanks to BMS. And again, the renewal of those prescription would be made through the dialogue with our Primary Care sales force.

So that's number one. Number two, Spiriva has a contract for Spiriva in the US. It is reaching year 10, only in 2014, by mid-2014, so is that -- I think answers your question. And the third one, Ian?

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Biocon, regarding on David.

David Simmons - Pfizer Inc. - President & GM, Emerging Markets and Established Products

Yes. Related to Biocon, and then the framework of capital allocation. When we made the deal, we made a set of assumptions that primarily revolved around the US market, which was the most attractive part of the estimates for that market opportunity. As we progressed the partnership, looking at the competitive landscape, looking at progress and understanding regulatory requirements on these types of products, we took an assessment that the amount of investment on a go forward basis and the use of that investment versus other potential uses of that capital that we made the decision to go with other uses of the capital rather than continue with the partnership.

Ian Read - Pfizer Inc. - Chairman of the Board and CEO

Thank you, David.

Chuck Triano - Pfizer Inc. - SVP - IR

Today, I think we have time for one last question please, Operator.

Operator

Seamus Fernandez, Leerink Swann.

Seamus Fernandez - Leerink Swann & Company - Analyst

Just quickly, maybe strategically you guys can help us think about, and again I guess it's more strategic pricing and marketing, as we think about access for tofacitinib, global pricing, should we be thinking about this as kind of a globally priced product? Should we be thinking about it as having differentials in different markets? And do you see value in coming in with a reduced price potentially to potentially gain market share despite Geno, your comments that the use will probably be in the anti-
TNF refractory space? And then similarly on Eliquis, even though you guys have demonstrated superiority over Warfarin, how will price versus access in the context of again the uptake and really breaking through this barrier of inertia, how much does that weigh into your views versus marketing and the data itself? Thanks.

Ian Read  - Pfizer Inc. - Chairman of the Board and CEO

You know, these are very good questions and go centrally to competitive situations that we don't really want to get into before launching, Seamus. I would say that we clearly need to position the price based on the value we see of the product and where its positioned. And pricing is an important part of the launch platform and we will do that with research and we will do it carefully. I really don't want to say anymore around pricing until those final decisions are taken and until we understand where the label is and then where the positioning is and the same with Eliquis. I don't really want to get into pricing at this stage just before the launch, but thank you for the question.

Chuck Triano  - Pfizer Inc. - SVP - IR

Thank you, Ian, and thank you everybody for joining us this morning.

Frank D'Amelio  - Pfizer Inc. - EVP, CFO and Business Operations

Thanks for your time, everybody.

Operator

Ladies and gentlemen, this concludes the Pfizer's first quarter 2012 earnings conference call. Thank you for participating. You may now disconnect.