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PRESENTATION

Operator

Good day everyone, and welcome to Pfizer’s first-quarter 2010 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

Thank you. Good morning everyone, thanks for joining us today to review our first-quarter 2010 performance, 2010 financial guidance, and 2012 long-range targets. I’m here with Jeff Kindler, Frank D’Amelio, Ian Read, and other members of our leadership team.

The financial charts that will be presented on this call can be viewed on our home page at Pfizer.com in the investor presentation tab by clicking on the link -- quarterly corporate performance, first quarter 2010.

Before we start, I would like to remind you that our discussion during this 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 2009 annual report on Form 10-K and in our report on Form 10-Q and Form 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. These reports are available at our website at Pfizer.com in the investors’ SEC filing section.

With that I’ll now turn the call over to Jeff Kindler.

Jeff Kindler - Pfizer Inc. - CEO and Chairman

Good morning everyone. Today’s report covers our first full quarter since closing the Wyeth acquisition. Just seven months after putting these two companies together, we are creating value for shareholders in four ways. First, by maximizing the earnings for each business unit through operational performance, cost discipline, and targeted investment and growth opportunities. Second, by allocating investment dollars across the entire enterprise so that we create the most value for shareholders. Third, by exercising discipline and applying appropriate hurdle rates on every investment we make. And fourth, by returning capital to shareholders.

I’d like to comment on three aspects of capital allocation. First, investing in the business; second, business development; and third, returning cash to shareholders.

Let me start by emphasizing some fundamental principles and objectives. As stewards of your capital, our job is of course to allocate that capital responsibly in order to enhance shareholder value.

As we look beyond Lipitor’s loss of US exclusivity, we aim to generate modest but consistent topline growth to continue managing expenses effectively and as a result to generate steady bottom-line growth at a rate higher than revenue growth. Supported by the investments we have made and will be making, our sources of revenue are more diverse, both in terms of opportunities and risks.

While we continue to pursue innovative treatments for significant unmet medical needs, the combined portfolio of Pfizer and Wyeth, together with disciplined investments, mean that we will no longer be overly dependent on a few blockbusters either in the market or in the pipeline. As a result, we expect to generate steady and consistent cash flow and earnings growth over time.

Now to the three specific topics I mentioned. With regard to the first, investments in the business, it’s important to emphasize that our anticipated investments do not affect our plans regarding cost savings, which have not changed. We remain on track to generate $4 billion to $5 billion in cost savings by the end of 2012. These savings will flow to the bottom line.
While achieving these bottom-line savings, we will continue to make disciplined, targeted investments in the business to produce solid returns. These expected investments flow into three general categories. In-line products, where the investments produce solid returns. Our R&D pipeline, including early-stage research, but particularly clinical trials and market development for our late-stage assets. And investments in those businesses and countries where we see substantial opportunities for profitable growth, such as in emerging markets and in established products.

Let me give you a few examples. We are currently investing in support of Prevnar 13 for infants and toddlers, an indication which is now approved in more than 40 countries and for adults, for which we anticipate submitting a registration in the US and Europe later this year. This important innovation is of enormous value to public health, and it presents a significant opportunity for Pfizer shareholders.

In addition we are providing focused commercial support for other important products like Lyrica, Chantix, Sutent, Enbrel and Pristiq. Our approach is geographically targeted, product-specific and highly flexible, which allows us continuously to manage our investments and monitor our returns.

For example, in the United States our DTC campaigns in support of Chantix have recently generated improved prescription trends and sales.

Now, with regard to the pipeline, we have made and will continue to make targeted investments in support of clinical and pre-market development for important Phase III assets. Later this year we expect late-stage clinical data for a number of agents that have shown encouraging efficacy and safety profiles to date.

For instance, Phase III data for Tanezumab, our innovative antibody for pain, will be presented at EULAR, the European League Against Rheumatism conference in June. And we are targeting further Phase III data on that agent at the American College of Rheumatology meeting in November.

At that same conference we anticipate presenting Phase III data for tasocitinib, our JAK inhibitor for rheumatoid arthritis.

In addition, at the American Society of Clinical Oncology in June we expect to see important clinical data on a number of our oncology compounds. Clinical data from a trial of our ALK inhibitor, [prisotinad], has been selected for presentation at ASCO's Plenary Session. This very promising compound targets a specific genetic mutation that occurs in a subset of lung cancer patients, a mutation that is most often found in people with a history of smoking very little or not at all.

In neuroscience our collaboration with Janssen on Bapineuzumab, a potential treatment for Alzheimer’s disease, continues with four Phase III studies continuing to enroll. As you know, Janssen is conducting the two primarily North American carrier and non-carrier studies, which are expected to be completed in mid-2012, and Pfizer is conducting the two similar studies focused primarily outside North America. We currently expect that the last patients will have completed those 18-month trials outside North America, including associated biomarker studies, in 2014.

Back to this year, we are also looking forward to receiving later this year Phase III data for Prevnar 13 in adults, for Bosutinib for chronic myeloid leukemia, for Axitinib for renal cell carcinoma, and for Sutent for non-small cell lung cancer.

For all of our Phase III projects, subject to meeting development and regulatory requirements, we intend to fully maximize their potential with the appropriate level of premarket development and support at launch.

Another area for investment in the business beyond our in-line products and the pipeline is in our emerging markets and established products business unit, where we have significant opportunities to diversify our risks and to create substantial new opportunities for profitable growth.
It's important to note that these two business units operate with competitive operating margins. While selling prices are generally lower, these businesses also have a lower overall cost structure. As a result, we do not expect that growth in these business units will impose significant pressure on our overall operating margins, which we continue to target in the high 30s to low 40s percentage range in 2012.

In addition, while investments in these two business units do of course carry some country risks in some markets, they also present substantially fewer regulatory uncertainties and depend less on the outcomes of new clinical trials.

In the emerging markets we will of course experience varying performance in different markets during any given period. But in general, the trends in most of the key countries remain very encouraging.

This quarter our emerging markets unit would've recorded approximately 6% operational growth on a legacy Pfizer basis, excluding the impact from our having moved the revenues from South Korea, which we now consider to be a developed market.

The BRIC countries and other major countries are the key markets that we expect to drive growth over the next few years in this business.

This quarter we saw strong double-digit revenue growth in Brazil, China and India. Mexico, on the other hand, was adversely affected by a delayed government tender, and Turkey faced new pricing regulations.

We also continue to make targeted, disciplined investments in our established products business unit. We launched several sterile injectable products in the US, and we continued to improve the overall cost profile of those products and our top solid oral medications.

Let me turn then to the second area of capital allocation, business development. As I have said before, business development is an enabler of our strategies, not a strategy in and of itself. As we previously stated, our 2012 target revenue range contemplates modest business development.

We continuously review opportunities to enhance shareholder value through various forms of business development, which can include appliances, licenses, joint ventures, dispositions, and acquisitions. On a small scale, deals of this nature are part of the normal course of business across our company in R&D and all nine of our business units.

We reject far more ideas than we pursue as we apply a disciplined strategic and financial approach to our evaluations. When the price exceeds what makes sense for our shareholders, we walk away from opportunities that might otherwise be attractive.

That said, we will continue to look for opportunities to extend our ability to meet our customers’ needs, always with the objective of generating profitable revenue growth and enhancing shareholder value.

We are especially interested in opportunities in emerging markets in established products and in what we've called invest to win therapeutic areas such as oncology, pain, inflammation, Alzheimer's disease, psychoses, diabetes, and vaccines.

Let me turn then to the third and final topic in this area of capital allocation, returning cash directly to shareholders. With regard to dividends, as we've previously stated, we currently intend to increase the dividend annually, barring significant unforeseen events.

Another way of returning cash to shareholders is by repurchasing shares. We currently have authority from our Board to repurchase shares, and we believe that under the right circumstances this can be an attractive use of our capital to benefit shareholders. So we intend to repurchase our shares opportunistically as market conditions warrant.
While we have significant one-time cash needs during 2010 for Wyeth restructuring costs and for the payment of taxes on our repatriated funds, we do not view these cash needs as precluding share repurchases during 2010.

Let me conclude with a brief comment on our 2012 targets. We have today reduced our target revenue range for that year by $800 million to reflect the anticipated impact of US healthcare legislation. But we have otherwise reaffirmed our targets for 2012, including our target ranges for earnings per share.

I want to emphasize once again that we are aligning our cost structure as appropriate to our revenues, and we will continue to do so. We have flexibility in our balance sheet, in our spending, and in our investments. And we continuously look for ways to enhance that flexibility. That is why, should revenues fall short of our target range, we believe that we have the ability within reason to achieve the 2012 EPS targets that we have reaffirmed today, and we intend to do so.

We also intend to continue to deploy your capital in a disciplined, focused way on appropriate investments in the business, in the right business development opportunities, and in returning cash to our shareholders, all with the objective of increasing shareholder value.

With that, I'll turn it over to Frank.

Frank D’Amelio - Pfizer Inc. - SVP and CFO

Good morning everyone. As always, the charts I am reviewing today are included in our webcast.

Now let's move on to the first quarter financial results.

The 54% year-over-year increase in first-quarter 2010 revenues was primarily attributable to the addition of Wyeth products, mainly the Prevnar franchise, Premarin, Enbrel, Zosyn and Tazosyn, and Effexor.

Also, foreign exchange favorably impacted the quarter's revenues by $733 million or 7%.

These favorable impacts were slightly offset by $137 million, or a 1% decrease in revenues from legacy Pfizer products.

First quarter 2010 revenues reflect a reduction of $56 million due to the recently enacted US healthcare legislation.

Adjusted income and adjusted diluted EPS increased, primarily due to increased revenues resulting from the addition of legacy Wyeth products, which were partially offset by expenses associated with Wyeth operations and higher net interest expense.

Also, it's important to remember that reported and adjusted diluted EPS were affected by the increased number of shares outstanding compared with the year-ago quarter as a result of shared issues to partially fund the Wyeth acquisition.

First quarter adjusted total costs were negatively impacted, primarily by the addition of Wyeth operations and foreign exchange. The negative impact of foreign exchange increased adjusted total cost (technical difficulty) or 8%.

The increase in adjusted cost of sales as a percentage of revenue was primarily due to the addition of Wyeth operations and the resulting change in mix of products and businesses, as well as the negative impact of foreign exchange.

The increases in adjusted SI&A and R&D were also driven by the addition of Wyeth operations, as well as the unfavorable impact of foreign exchange.

In addition, our continued investment in our late-stage development portfolio contributed to the increase in R&D expenses.
Given that our spending will vary from quarter to quarter, we are reaffirming our 2010 guidance ranges for all elements of adjusted total cost. For example, in 2010 we expect to increase spending in support of the launch of Prevnar 13 for infants and toddlers, certain product initiatives, including the resumption of the previously successful Chantix PPC campaign, and the expansion of our field force in certain emerging markets.

Foreign exchange continued to have a positive impact on revenues and a negative impact on adjusted total cost this quarter, versus the prior year quarter. The net effect of foreign exchange favorably impacted adjusted diluted EPS by $0.02 in the first quarter.

Revenues from our biopharmaceutical business increased 44% in the first quarter, with operational growth of 38%. I'd like to point out that within the biopharmaceutical units, legacy Pfizer operational performance was impacted year over year by both the loss of exclusivity of certain products and the reclassification of certain revenues among the various units.

Legacy Pfizer oncology unit revenues in first-quarter 2010 no longer include Camptosar's European revenues due to its loss of exclusivity in July of 2009. Camptosar's European revenues are now included in the established products unit beginning in first-quarter 2010. This reclassification of revenues negatively impacted the oncology unit's performance by 24%, first quarter of 2010, compared to the prior-year quarter.

Also revenues from South Korea were included in the emerging markets unit in '09 but are now included in the developed market units, as appropriate, beginning the first quarter of 2010. This negatively impacted legacy Pfizer's emerging-market unit's revenues by 5%.

Finally, legacy Pfizer established product unit revenues were adversely impacted by 5% in the first quarter due to loss of exclusivity of Norvasc in Canada in July of '09. This was offset by the favorable impact resulting from the addition of Camptosar's European revenues, as well as the reclassification of revenues from South Korea.

In the first quarter, revenues from our diversified business increased year-over-year, mainly due to the addition of Wyeth products and the favorable impact of foreign exchange. The strong operational performance of legacy Pfizer animal health grew 17%, and Capsugel's 8% operational growth both contributed to the increase in diversified revenues.

We continue to make steady progress on the integration of Pfizer and Wyeth. In the first quarter of 2010 our workforce level decreased by 2,700. Since the closing of the Wyeth acquisition in October of '09, our workforce level has decreased by 6900 people.

In addition, we expect to announce our plant network strategy during the second quarter 2010. We are on-track to deliver on our 2012 cost reduction target of $4 billion to $5 billion, with approximately 50% expected to be achieved in 2010, 75% in 2011, and 100% by the end of 2012.

As I mentioned earlier, Q1 2010 revenues reflect a reduction of $56 million due to the recently enacted healthcare legislation. We expect the impact of this legislation to unfavorably impact full-year 2010 revenues by approximately $300 million, primarily as a result of an increase in the base Medicaid rebate rate and the extension of the Medicaid rebates to certain managed care organizations, effective January 1 and March 23, respectively, and the expansion of the Public Health Service 340B program to include additional institutions, effective January 1, 2010.

In addition, we expect these factors, plus the discount on branded pharmaceuticals for Medicare Part D participants in the doughnut hole, as well as the annual fee on branded pharmaceutical sales to government programs to unfavorably impact 2011 revenues by approximately $900 million, and 2012 revenues by approximately $800 million.

We are reaffirming our full-year 2010 financial guidance. I'd like to point out that in reaffirming this guidance we are absorbing the anticipated impact of healthcare legislation in the US and the strengthening of the US dollar.
While we are reaffirming our 2012 EPS target ranges, we are however decreasing the 2012 target revenue range by approximately $800 million to reflect the anticipated impact of US healthcare legislation.

We are not -- we are now targeting 2012 reported revenue to be in the range of $65.2 billion to $67.7 billion.

That said, we are reaffirming all remaining elements of our 2012 financial targets.

We expect to offset the impact of the anticipated revenue decrease on earnings through spending reductions and, as necessary, by other means that are available to us.

So moving on to the key takeaways, as expected, legacy Wyeth operations had a favorable impact on our operational performance this quarter. We are making steady progress on our integration, and we remain on-track to deliver our 2012 cost reduction target of $4 billion to $5 billion, with approximately 50% expected to be achieved in 2010, 75% in 2011, and 100% by the end of 2012.

We are reaffirming our 2010 financial guidance, despite the anticipated impact of US healthcare legislation and the strengthening of the US dollar.

We've updated our 2012 target revenue range to reflect the anticipated unfavorable impact of revenue -- on revenue of the US healthcare legislation, while reaffirming all other elements of our 2012 financial targets, including EPS.

And finally, given the prevailing market conditions, we believe that share buybacks represent an attractive investment opportunity for the company and a prudent use of our capital. And to punctuate what Jeff mentioned earlier, we intend to buy back shares opportunistically as market conditions warrant.

Now I’ll turn it back to Chuck.

Chuck Triano - Pfizer Inc. - SVP, IR
Operator, please poll for questions now. Thank you.

QUESTIONS AND ANSWERS

Operator
(Operator Instructions). Chris Schott, JPMorgan.

Chris Schott - JPMorgan - Analyst

I appreciate some of the color on the kind of focus for capital over the next few years. But can you talk a little bit about the size of potential transactions you would look at at this point? I know a lot has been focused on financial resources you could allocate to deals, but can you talk about the operational constraints or organizational constraints we should think about here? I know Pfizer’s been through a lot, whether it’s the move to the business units, restructuring the Wyeth deal. Is there kind of a ceiling in terms of deal size we should at least consider when we think about the next 12 to 24 months? (multiple speakers) And I just have one more follow-up from there.
Jeff Kindler - Pfizer Inc. - CEO and Chairman

Let me give you my perspective on that. First -- and it sounds like you're asking about managerial capacity as opposed to financial capacity. But I'll let Frank address the second, in case that's also part of your question.

I think it's important to recognize that different parts of our business are at different stages of the integration. And some of them are quite far along. So you take our established products business for example under Dave Simmons' leadership. They are very far along in terms of the integration of their business, and I think have a great deal of capacity to both honor -- integrate additional activities.

Other parts of our business possibly less so. We are certainly mindful of the distraction and disruption that large deals can cause. I think you could say in many ways we are quite expert in that from a historical basis, and I think we've learned a lot over the years on how to deal with that.

I think one of the benefits of our business unit model is that different businesses have the capability at different points in their planning and execution to take on different levels of integration of different sized businesses.

So I wouldn't want to give a generalized answer to that. It depends on the business and where they are, and I can assure you though, that as we look at different business development opportunities, that's one of the most important considerations we take into effect.

Sometimes we even look at opportunities that might involve a reverse integration, because sometimes there's an opportunity to take on skills and capabilities that the target might provide to us that would be beneficial.

So I think we are very careful to take that sort of thing into account. And it's very relevant to our consideration.

To the extent that you're asking about financial capacity, maybe I'll let Frank address that.

Frank D'Amelio - Pfizer Inc. - SVP and CFO

Yes, I -- the way I think about that is it's one of our priorities from a capital allocation perspective. We've said business development is one of those priorities, it continues to be one of those priorities, and we have the capability, we have the capacity -- continue to have that to do both on transactions.

Jeff Kindler - Pfizer Inc. - CEO and Chairman

Chris, you said you had a follow-up. No? Okay.

Jami Rubin is next, I think? (multiple speakers)

Operator

Jami Rubin, Goldman Sachs.

Jami Rubin - Goldman Sachs - Analyst

So Jeff, if I heard you right, are you prepared to back your 2012 earnings guidance of 225 to 235 even if we see further operational revenue misses? I think we appreciate your bringing down the numbers a bit, but I think that the street's expectations for topline
growth in 2012 are still several billion at least below your guidance. So I'm wondering if you could -- give you an opportunity to draw a line in the sand on that.

And secondly, are you also prepared to commit to a specific dividend payout over time?

Jeff Kindler - Pfizer Inc. - CEO and Chairman

What I said was that we have flexibility in our balance sheet, our spending, and our investments. In fact I think the fact that we have reaffirmed our 2010 guidance in the face of absorbing healthcare reform costs and the foreign-exchange headwind that we are facing is a reflection of that. The fact that we have reaffirmed our 2012 EPS targets in the face of lowering the revenue guidance for that year is a further reflection of that, and so what I said was that should revenues in 2012 fall short of our target range, we believe that we do have the ability, within reason, to achieve the 2012 EPS targets we have reaffirmed today, and we intend to achieve them.

With respect to your second question, we are not providing specific guidance about the amount of any dividend increase. But we have said, and we did say when we made the last dividend increase, that it is our intention to increase the dividend annually, barring significant unforeseen events. That continues to be our intention.

Operator

Catherine Arnold, Credit Suisse.

Catherine Arnold - Credit Suisse - Analyst

I wanted to ask you in terms of the -- as I step back and I think about last quarter's 2010 guidance and expectations on -- that synergies were below what folks thought, and now 2012 is reaffirmed, despite the revenue drop, should we be looking at that as -- it's as simple as net synergies are back-end loaded? Or is there any indication here that the more you know about the integration, the more you can count on dropping those synergies to the bottom line in later years?

And then my second question is a follow-up -- is related to the Protonix court decision. I was wondering if you've seen any change in the generic inventory in the channel and when you expect to hear back from the judge on this decision. And if you could just comment on the generics remove inventory, what might you do with your authorized generic before the July patent expiry.

Jeff Kindler - Pfizer Inc. - CEO and Chairman

Thanks for the question. I'll let Frank talk about the cost question that you first asked. I'll ask Amy to give you a status report on the timing of the Protonix decision, and if Ian has any comments on the inventory part of the Protonix question, I'll ask him to address that.

Frank D'Amelio - Pfizer Inc. - SVP and CFO

So on the first part of the question, on the synergies, we are still at the $4 billion to $5 billion in total synergies and on the spread that I talked about in my comments, roughly half this year, 75% -- three quarters -- next year, and then 100% by 2012. Obviously as we proceed through the integration, we get more comfortable with our ability to achieve operational improvements and reinforce those numbers as we need to.
And the one thing I'll just add to what Jeff said is in terms of those 2012 targets, within reason we do have some more ability to flex our cost structure if necessary. But this is about not just cost reduction but also about profitable growth, topline and bottom-line, as well.

**Amy Schulman** - Pfizer Inc. - SVP & General Counsel

Thank you. So as you now, on April 23 the jury returned the favorable finding that you referenced. We really can't comment on the expected timetable for the judge's ruling, but we look forward to it, and we'll update you as soon as we have further information from the court.

**Ian Read** - Pfizer Inc. - SVP & Group President, Pfizer Biopharmaceutical Businesses

Yes, and we've seen no material changes in distributor inventory.

**Tim Anderson** - Sanford Bernstein - Analyst

On the emerging market growth figures you gave for a handful of the Pfizer products, I was surprised that the underlying growth rates were as modest as they were, even when you'd corrected for South Korea. Should the presumption be that the products that you listed, some of those products like Lipitor, Celebrex, Viagra, Norvasc were actually fairly mature, even in the emerging markets? And what about some of the bigger Wyeth products like Prevnar and Enbrel?

Second question is, my understanding is that at least in the not so distant past Pfizer was exploring breaking itself up into truly separate independent entities that would've gone beyond the current business, the structure you currently have. Is that still a consideration? Or has this idea moved squarely into the past?

**Jeff Kindler** - Pfizer Inc. - CEO and Chairman

I'll let Ian address the first question, and I'll address the second.

**Ian Read** - Pfizer Inc. - SVP & Group President, Pfizer Biopharmaceutical Businesses

I don’t -- the products in the emerging markets, like a Brazil or an India or even a Turkey are not mature in any way. We’re seeing very, very accelerated growth in markets like China. So I think when you look at the emerging markets for the quarter, from 1 to 6, because of the reclassification, it’s clearly not where we project to be, which is in double-digit growth.

We saw very strong growth in China, strong double-digit. We saw the same in Brazil, same in India, and we had a poorer performance in Turkey this quarter due to the price performance they’ve put in, and we expect to see some sort of volatility in emerging markets, market by market. And Mexico was lower than we expected given the phasing and timing of government purchases.
Jeff Kindler - Pfizer Inc. - CEO and Chairman

Let me address your second question. I'm not sure specifically what you're referring to in terms of a prior review of the question, but let me say my view of this as I've expressed it before. We are about a year and a half, two years, into the business unit model that we have and seven months into the Wyeth closing. That has provided us with a portfolio of nine business units which, as I said, are seven months into now.

Our obligation for our shareholders is to maximize the value of these business units, whether inside of Pfizer, or if their value can be maximized in some other way, so be it.

We are allocating capital across the portfolio as we believe most appropriate to maximize their value, both within each business unit and to the extent that they can create value with each other and create more value by being inside of Pfizer, that needs to be demonstrated.

We look all the time at opportunities to do that, we believe there are opportunities to do that. But I also have told everybody here, and they know that, that we need to justify to ourselves and our shareholders that that's the best way to create value.

It is early in the game here in terms of having this portfolio. I personally believe there are lots of opportunities for the combination of these assets and businesses to create greater value together. And we are exploring that. Over time we will continue to look for that, and we need to demonstrate that to ourselves and to our shareholders.

As we sit here today, we are very excited about the opportunities and promise that these businesses have, but it is our obligation to continue to look at that question. And we will continue to do so.

Operator

David Risinger, Morgan Stanley.

David Risinger - Morgan Stanley - Analyst

I have three questions. I guess I'll start with the two short ones first, and then I'll add the third.

So could you just provide some color, Frank, on the sequential outlook for revenue and earnings following the strong first quarter, just any color as you can provide, even though you don't provide guidance.

And then second, with respect to the lung cancer data at ASCO and the Plenary Session, can you just remind us what percentage of lung cancer patients the ALK inhibitor will target.

And then finally, and I guess this is really a high-level question, but given Novartis's historical challenges rolling up the generics market, investors are concerned about Pfizer's generic strategy. And that's despite the fact that generics can't possibly be a meaningful contributor to the bottom-line EPS, it wouldn't seem. But can you just discuss your generic vision and acquisition plan, and could you separate your commentary -- I think it's pretty clear what you're doing in emerging markets, but if you could separate your commentary and discuss the US markets, that would be helpful. Thank you.

Jeff Kindler - Pfizer Inc. - CEO and Chairman

Just for clarification, that last part, the US market as it pertains to generics? Okay. All right. Frank, why don't you start, and then we'll go to Ian.
Frank D’Amelio - Pfizer Inc. - SVP and CFO

Sure. So to your point, we don’t provide quarterly guidance. So I think the way I'll answer this is, the numbers will move around from quarter to quarter. Maybe the best way to demonstrate that is if you think about last year, our earnings for the year were $2.02, and by quarter -- and I'll go Q1, Q2, Q3, Q4 -- was $0.54, $0.48, $0.51 and $0.49. To add that all up, $2.02. So it just kind of makes my point about as we go through the year, as we move through each quarter, the numbers will move quarter to quarter.

So in terms of what's going to happen for the rest of the year, think about there will be some movement from quarter to quarter, but most importantly, all of that has been factored into and assumed in our 2010 guidance with the revenue range of $67 billion to $69 billion and the adjusted EPS range of $2.10 to $2.20.

Ian Read - Pfizer Inc. - SVP & Group President, Pfizer Biopharmaceutical Businesses

So to talk about your -- the generics business, our generics business, we actually don’t call it a generics business, we call it established products business, because we in the main attempt to sell -- certainly in the international arena -- branded generics. Then we sell them based either on the history of our brands or we sell them on the quality of Pfizer’s name as a branded product, and we sell on a prescription basis, physician basis. And that's in the international markets, and that's really the basis of our strategy there to acquire dossiers and to launch them with our name and our reputation behind them, with physician preference.

In the United States, I would say we look at the market as being twofold. One, we'll participate in the generics business in the United States around niche products that are either hard to manufacture or sterile injectables, and we'll also participate in what you would call the vanilla generics business for where security of supply and quality is becoming a more important factor in that business. And while, as you say, it is lower margin, it is still part of that overall business mix, and we continue to do well in that business as our ability to supply and our quality becomes a factor.

Jeff Kindler - Pfizer Inc. - CEO and Chairman

Yes. I would just like to add a couple of things to this, because there’re a couple of things, Dave, you said that I don’t necessarily agree with.

First of all, the branded generic business is among the most -- the fastest-growing segment in the biopharmaceutical industry. There is an overlap here in terms of emerging markets, and branded generics can be profitable. As I said in my opening comments, while the prices are lower, the cost structure is lower, the risk can be different, and in many marketplaces branded generics, because physicians and patients are making the decisions, do command brand loyalty and price opportunities.

And without commenting on other companies’ strategies, I believe that Pfizer’s scale, its -- the go-to-market strategies, its experience in building brands, its relationships with key opinion leaders, and the ability to bring a portfolio to the marketplace in many countries outside of the United States and outside of markets that have been commoditized, actually creates very strong, profitable growth opportunities for that business.

And so actually, respectfully disagree with some of the premises of the question and think that is a very strong opportunity for us.

Ian Read - Pfizer Inc. - SVP & Group President, Pfizer Biopharmaceutical Businesses

Dave, I forgot that you asked about [prisotienib]. The lung cancer, it's around about 5% to 7% of the population of lung patient candidates and -- the patients will have this genetic mutation. The key here to realize is not necessarily the number of patients, it's the duration on therapy that will make a difference.
John Boris, Citi.

John Boris - Citi - Analyst

Congratulations on the quarter. Can you possibly provide us with a bit of an overview on -- aside from Prevnar adult, what your regulatory filings might be in 2010? In addition to that, I think your removed some language out of your K that indicated you were planning on filing 15 to 20 regulatory filings in 2010 to 2012. Any update as to when we might get some visibility on that and/or when you might host the business briefing?

And then a second one for Jeff and Frank on cash that you have offshore. I really appreciated the discussion on capital allocation you provided, but can you provide any -- some of your peers provide what percent of their cash is offshore. Can you help us understand what percent of it is onshore and how that helps to shape the amount that you might have to allocate towards dividend and share repurchase going forward? Thanks.

Jeff Kindler - Pfizer Inc. - CEO and Chairman

Why don't I ask Frank to take the second question first.

Frank D'Amelio - Pfizer Inc. - SVP and CFO

As I've said before, if you look at the construct of the company, more of our operating cash flow is generated offshore than it's generated in the US. But in terms of our ability to allocate capital, which is the premise, the kind of the underlying part of the question -- and remember, our tax rate now is 30%. It is a lot easier to move cash around given that higher tax rate. It's become much more fungible given the tax rate. It gives me, gives the company lots of flexibility relative to moving cash and capital where we need to, where opportunities are, to deploy that capital. But more of it is overseas than in the US, and that's what I've said previously.

Ian Read - Pfizer Inc. - SVP & Group President, Pfizer Biopharmaceutical Businesses

So yes, we can confirm the Prevnar adult we will submit this year, and there are some others that we will file this year as well.

I would just like to go back to your sort of broader question, that the goals we outlined in 2008, we are on-track for those goals. So we met our target to deliver 10 to 12 Phase III starts by March 2009. In fact, we delivered 12. We met our targets of delivering 15 to 20 Phase III programs up and running by December 2009, and we delivered 27. And finally, which I think is your point, we said we would have 15 to 20 regulatory submissions between 2010 and 2012, and we remain on-track for that target.

Operator

Eric Lo, Bank of America Merrill Lynch.
Eric Lo - BofA Merrill Lynch - Analyst

You mentioned a continued goal to diversify revenue streams. Then for business development you talked about established products in emerging markets and strengthen key franchises as focus areas. I was wondering how important the nutritional and consumer business units are to your business strategy. And would you consider divesting those units at anytime?

And second question, to expand on something that was previously asked, in terms of your commitment to 2012 EPS guidance even if revenue targets were not achieved, I was wondering would additional R&D cuts be considered? Or will your cost flexibility come primarily from SG&A and manufacturing?

Jeff Kindler - Pfizer Inc. - CEO and Chairman

I'll take both questions, and thank you for them.

First of all, we feel that the diversified businesses, several of which, as you know, came to us through the Wyeth acquisition, nutritional and consumer business, and in the case of animal health, the Wyeth acquisition strengthened our leading animal health business, are very exciting businesses, they're very strong businesses. And we think they are good businesses that we want to see continue to get strengthened. We also believe there may be opportunities for those businesses working with each other and with our other businesses to create additional value for shareholders. It's early days.

As I said earlier, it's our job to create shareholder value through those businesses, both in and of themselves and across the Pfizer enterprise, in terms of diversifying risk and creating new opportunities, and that's what we are focused on doing, and we'll continue to do.

With regard to the 2012 targets, I want to re-emphasize what I said in response to Jami. These targets and other targets and commitments that we make to our shareholders are very important to us. And I have said many times before that this management team takes things -- these things very seriously, and we like to believe that we've had a very strong track record in that regard, and we take it very seriously, and we'll continue to take it very seriously.

And when we make those commitments and put out those targets, we will continue to take them seriously.

We have a significant amount of flexibility in our balance sheet and in our income statement, and that is why we reaffirm those targets for 2012.

I am not going to comment on exactly how or the ways in which we might achieve those earnings targets should the revenues fall short of our expectations. But again, as I said in response to Jami, it's our intention to achieve those earnings targets. And we'll go about doing that.

Marc Goodman - UBS - Analyst

A couple of questions. First one is, can you comment on Enbrel's performance overseas, just give us a little flavor for the market growth, market share changes, just some dynamics there for that key product?

And then second question is, inventory changes in the US, were there any significant in the quarter?
And then third, can you just talk about Lyrica? And obviously we see it on the television quite a bit, but it still doesn't feel like it's really responding to the DTC advertising -- and what you are thinking about there.

Jeff Kindler - Pfizer Inc. - CEO and Chairman
I'm going to start Frank, and then (multiple speakers)

Frank D’Amelio - Pfizer Inc. - SVP and CFO
So weeks on hand, in terms of inventory for the quarter, it was -- call it 2.7 weeks on hand. That was down about a full week from last year's Q1. That was really driven by the distributor model change in the US that we talked about on our last earnings call.

Ian Read - Pfizer Inc. - SVP & Group President, Pfizer Biopharmaceutical Businesses
So in Europe, Enbrel continues to perform well. We saw growth in international of 17%, and 16 in developed Europe. I would say (technical difficulty) close to peak market shares. We are now getting competition coming in from agents that are used on a second line and newer agents and agents that are beginning to take share in dermatology.

So we continue to see it grow. It's slightly below market rate, and we are focused on continuing to communicate the science and the safety and the efficacy of Enbrel. And I expect it to continue to grow positively in the European markets.

Vis-a-vis Lyrica, we are on -- doing DTC, and it is effective in the US in increasing the prescriptions for our indications that -- as labeled. If you look at Lyrica overall, it was flat for the quarter. We saw substantial growth internationally, 25% up internationally, and that is due to the fact that internationally it had to have a broader label than we have in the US.

In the US we have DPN, PHN and fibromyalgia only. And sequentially, if we look at the scripts on those indications, we are seeing growth roughly between 6% and 8% on those indications first quarter to fourth quarter. Part of the problem in the US with Lyrica is the usage by physicians that are not on the indications that we are promoting.

Operator
Manoj Garg, Soleil Securities.

Manoj Garg - Soleil Securities - Analyst
Just a couple of questions. First off, with emerging markets, given that China is of a particular focus there, can you either qualitatively or quantitatively shed some light on the impact of China to that line item? The growth there relative to the other BRIC countries, and how leveragable the lessons learned there are?

Ian Read - Pfizer Inc. - SVP & Group President, Pfizer Biopharmaceutical Businesses
China is one of the leading countries in emerging markets for growth. It's producing strong double-digit growth. And clearly we see it as a place where we can take the learnings from China and take them to India and other emerging markets.
Operator
Tony Butler, Barclays Capital.

**Tony Butler** - Barclays Capital - Analyst
You correctly predicted the Pfizer legacy products would be down due to the inventory change. You made the statement last quarter. But you also stated last quarter that that should reverse itself in Q2. Am I correct with that statement? And would you make the assumption that it should be positive by Q2?

**Frank D’Amelio** - Pfizer Inc. - SVP and CFO
The short answer is yes. In fact that’s exactly what I said last quarter. What I said was the impact that would have in Q1, which would be some downward pressure on revenue, would be offset — I’m going to call it essentially in full in the second quarter so that by the first half of the year that would’ve mitigated itself. So that’s exactly right in terms of the rhythm of the numbers and the impact of that distributor model change.

**Chuck Triano** - Pfizer Inc. - SVP, IR
We have time for one last question.

Operator
David Maris, [LSA].

**David Maris** - CLSA - Analyst
Sure. Well, CLSA, but we've been called worse I suppose.

So in the emerging markets, just to get maybe a little bit more clarity if you can provide it. But as you can see, it's a big interest. In that "all other" category where you had really good dollar growth, can you talk a little bit about whether that's unit growth, or are you expanding -- is that just more a result of expanding to the broader product offering? So how much of that's unit demand growth? And where -- if you took out China, how much of that $600 million was China?

And then separately on R&D spending, broadly speaking, thinking about external R&D collaborations, what percentage of R&D spending do you think -- or management focus are you spending on external collaborations or new collaborations that way?

**Jeff Kindler** - Pfizer Inc. - CEO and Chairman
Let me comment on the second question -- and we are not breaking out those numbers obviously, but I would say we've spent a lot of time focused on external collaborations. We've got a lot underway, as you know, and we continue to focus on that.

You look historically, and a lot of products come in that way at various stages, whether early stages or late stages. And the boundaries there have actually blurred in a lot of ways. For example, we now have world-class external advisory committees that review our pipeline. We have academic collaborations. We are doing more and more things, not just with biotechs, but with even big pharma on a lot of things.
So I think it’s a lot more of a collaborative environment than it was, and we’re going to continue aggressively to pursue that. That’s very much a big part of our future.

So I’ll turn to the first part of your question to Frank.

**Frank D’Amelio - Pfizer Inc. - SVP and CFO**

On the emerging markets part of the question, the way we think about that is, with the combination now what with the legacy Wyeth products and the legacy Pfizer products, we now have a bigger basket that we are able to put through our channels in those emerging markets. We believe over time -- and we’ve said this -- we expect to be grow that business in the double digits. That’s what we’re all about executing and getting done as we go forward in that area of our business.

**Jeff Kindler - Pfizer Inc. - CEO and Chairman**

Well, with that I thank you all. I know you have a busy day, and we appreciate your time and your interest. Thank you very much.