



# Second Quarter 2008 Earnings Teleconference

July 23, 2008



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## Introduction

Chuck Triano

Senior Vice President,  
Investor Relations

# Forward-Looking Statements and Non-GAAP Financial Information



- Our discussions 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 2007 Annual Report on Form 10-K and in our reports 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. Reconciliations 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 July 23, 2008.
- These reports are available on our website at [www.pfizer.com](http://www.pfizer.com) in the "Investors—SEC Filings" section.



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## Opening Remarks

Jeff Kindler

Chairman & Chief Executive Officer



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## Financial Review

Frank D'Amelio

Senior Vice President &  
Chief Financial Officer



# Income Statement Highlights

(\$ Millions, Except Per-Share Amounts)

	Second Quarter			Year To Date		
	2008	2007	Change	2008	2007	Change
<b>Reported Revenues</b>	\$12,129	\$11,084	9%	\$23,977	\$23,558	2%
<b>Reported Net Income</b>	2,776	1,267	119%	5,560	4,659	19%
<b>Reported Diluted EPS</b>	0.41	0.18	128%	0.82	0.66	24%
<b>Adjusted Income<sup>(1)</sup></b>	3,698	2,944	26%	7,797	7,748	1%
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	0.55	0.42	31%	1.15	1.10	5%

**Revenues, Income and Diluted EPS Increased Year Over Year on Both an Adjusted<sup>(1)</sup> and a Reported Basis**

(1) Adjusted Income and its components and Adjusted Diluted EPS are defined as Reported Net Income and its components and Reported Diluted EPS, excluding Purchase Accounting Adjustments, Acquisition-Related Costs, Discontinued Operations and Certain Significant Items.



# Certain Significant Items

(\$ Millions, on a Pre-Tax Basis)

	Second Quarter		Year to Date	
	2008	2007	2008	2007
Restructuring Charges	\$562	\$1,035	\$739	\$1,830
Implementation Costs	405	317	762	491
<b>Cost-Reduction Initiatives</b>	<b>967</b>	<b>1,352</b>	<b>1,501</b>	<b>2,321</b>
Other	77	25	84	35
<b>Total Certain Significant Items</b>	<b>\$1,044</b>	<b>\$1,377</b>	<b>\$1,585</b>	<b>\$2,356</b>

**Charges Related to Cost-Reduction Initiatives Declined, Primarily Due to Lower Workforce-Related Costs**

# Second-Quarter 2008 Quarterly Adjusted Income<sup>(1)</sup> Components



(\$ Millions, Except Per-Share Amounts)

	Second Quarter		
	2008	2007	Change
Revenues <sup>(1)</sup>	\$12,075	\$11,033	9%
Cost of Sales <sup>(1)</sup>	2,036	1,873	9%
SI & A Expenses <sup>(1)</sup>	3,696	3,737	(1%)
R&D Expenses <sup>(1)</sup>	1,869	2,026	(8%)
Provision for Income Taxes <sup>(1)</sup>	925	841	10%
<b>Adjusted Income<sup>(1)</sup></b>	<b>\$3,698</b>	<b>\$2,944</b>	<b>26%</b>
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	<b>\$0.55</b>	<b>\$0.42</b>	<b>31%</b>

**Adjusted Diluted EPS<sup>(1)</sup> Growth Primarily Related to Higher Revenues and Lower Operating Expenses;  
EPS Growth Outpacing Revenue Growth - Positive Leverage**

(1) See Slide 6 for definition.

# Second-Quarter 2008 Year-to-Date Adjusted Income<sup>(1)</sup> Components



(\$ Millions, Except Per-Share Amounts)

	Year to Date		
	2008	2007	Change
Revenues <sup>(1)</sup>	\$23,871	\$23,464	2%
Cost of Sales <sup>(1)</sup>	3,836	3,617	6%
SI & A Expenses <sup>(1)</sup>	7,105	7,050	1%
R&D Expenses <sup>(1)</sup>	3,507	3,654	(4%)
Provision for Income Taxes <sup>(1)</sup>	2,075	2,172	(4%)
<b>Adjusted Income<sup>(1)</sup></b>	<b>\$7,797</b>	<b>\$7,748</b>	<b>1%</b>
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	<b>\$1.15</b>	<b>\$1.10</b>	<b>5%</b>

**Revenues, Adjusted Income<sup>(1)</sup> and Adjusted Diluted EPS<sup>(1)</sup>  
Increased Year Over Year**

(1) See Slide 6 for definition.

Second-Quarter 2008



# Factors Impacting Adjusted Income<sup>(1)</sup> Components

Compared with the Year-Ago Quarter

(\$ Millions, Except Per-Share Amounts)

	Second Quarter						
	Adjusted	Operational Result			Fx Impact		
Revenues <sup>(1)</sup>	\$12,075	\$247		2%	\$796		7%
Cost of Sales <sup>(1)</sup>	2,036	(55)		(3%)	219		12%
SI & A Expenses <sup>(1)</sup>	3,696	(235)		(6%)	194		5%
R&D Expenses <sup>(1)</sup>	1,869	(185)		(9%)	27		1%
<b>Total</b>	<b>7,601</b>	<b>(475)</b>		<b>(6%)</b>	<b>440</b>		<b>6%</b>

**Cost-Reduction Initiatives Generating Operational Savings;  
Foreign Exchange Increased Adjusted Diluted EPS<sup>(1)</sup> by \$0.04**

<sup>(1)</sup> See Slide 6 for definition.

# Second-Quarter 2008 Cumulative Progress on Cost-Reduction Target



Period	Cost Reduction (2006 currency rates)
FY2007	\$600 million
Q108	170 million
Q208	465 million
<b>Total</b>	<b>\$1.2 billion</b>

- On-track to reduce absolute adjusted total costs<sup>(1)</sup> by at least \$1.5 to \$2.0 billion on a constant currency basis<sup>(2)</sup> for 2008 vs. 2006
- Cumulative operational cost reduction of \$1.2 billion
- Reduction even after inflation and reinvestment in the business

**Much of the Remaining Cost Reductions  
Expected to be Realized in the Fourth-Quarter 2008**

<sup>(1)</sup> Adjusted Total Costs represents the total of Adjusted Cost of Sales<sup>(3)</sup>, Adjusted SI&A<sup>(3)</sup> and Adjusted R&D<sup>(3)</sup>.

<sup>(2)</sup> At 2006 exchange rates. <sup>(3)</sup> See Slide 6 for definition.



# Quarterly Select Product Highlights

(\$ Millions)

	Worldwide		U.S.		International	
	2008	Change	2008	Change	2008	Change
<b>In-Line Products<sup>(1)</sup></b>						
Lipitor	\$2,976	9%	\$1,397	1%	\$1,579	18%
Lyrica	614	52%	335	55%	279	48%
Celebrex	589	23%	416	22%	173	27%
Viagra	463	21%	199	41%	264	9%
Xalatan/Xalacom	436	12%	119	(3%)	317	19%
Detrol/Detrol LA	290	8%	184	3%	106	18%
Geodon/Zeldox	232	30%	184	29%	48	34%
<b>New Products<sup>(2)</sup></b>						
Sutent	211	45%	60	(2%)	151	80%
Chantix/Champix	207	3%	109	(35%)	98	197%
<b>LOE Products<sup>(3)</sup></b>						
Norvasc	627	(2%)	42	132%	585	(6%)
Camptosar	137	(43%)	6	(96%)	131	19%
Zyrtec/Zyrtec D	8	(98%)	8	(98%)	–	–

**Key Products Continue to Perform Well;  
Label Changes Impacted Chantix U.S. Results**

(1) Represents revenues for major pharmaceutical products not included in (2) and (3).

(2) Represents revenues for pharmaceutical products launched since 2006.

(3) Represents revenues for pharmaceutical products that lost U.S. exclusivity in 2007 and 2008.



# 2008 Financial Guidance

	Guidance <sup>(4)</sup>
Revenues	\$47.0 to \$49.0 Billion
Adjusted Total Costs <sup>(1)</sup>	Decrease of at least \$1.5–\$2 Billion versus 2006 on a constant currency basis <sup>(3)</sup>
Adjusted Cost of Sales <sup>(2)</sup> as a Percentage of Revenue	15.0% to 15.5% <i>(previously 14.5% to 15.5%)</i>
Adjusted SI & A Expenses <sup>(2)</sup>	\$14.4 to \$14.9 Billion
Adjusted R&D Expenses <sup>(2)</sup>	\$7.3 to \$7.6 Billion
Reported Diluted EPS <sup>(6)</sup>	\$1.73 to \$1.88
Adjusted Diluted EPS <sup>(2)</sup>	\$2.35 to \$2.45
Effective Tax Rate <sup>(5)</sup>	21.5% to 22.0% <i>(previously 22.0% to 22.5%)</i>
Cash Flows from Operations	\$17.0 to \$18.0 Billion

## Reaffirming 2008 Revenue and Adjusted Diluted EPS<sup>(2)</sup> Guidance

<sup>(1)</sup>See Slide 11 for definition. <sup>(2)</sup>See Slide 6 for definition. <sup>(3)</sup>At 2006 exchange rates. <sup>(4)</sup>Except as noted, at July 2008 exchange rates. <sup>(5)</sup>On Adjusted Income<sup>(2)</sup>. <sup>(6)</sup>Excludes effects of business development transactions not completed as of June 29, 2008.



# Key Takeaways

- Reaffirmed 2008 revenue and adjusted diluted EPS<sup>(1)</sup> guidance
- Steady growth from several key products – including Lyrica, Geodon, Viagra, Celebrex and Sutent
- As anticipated, year-over-year quarterly results were negatively impacted by loss of U.S. exclusivity of Zyrtec and Camptosar
- Continuing to execute on our plan to reduce Adjusted Total Costs<sup>(2)</sup>
  - Absolute cost reduction of at least \$1.5 to \$2.0 billion vs. 2006
  - Achieved \$1.2 billion in cost reductions cumulative to date
  - Much of the remaining cost reductions expected to be realized in fourth-quarter 2008

**Solid Second Quarter Results;  
Substantial Progress with Cost-Reduction Initiatives;  
EPS Growth Outpacing Revenue Growth**



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## Q&A Session