OVERVIEW:
Co. reported 2Q14 revenues of approx. $12.8b, reported diluted EPS of $0.45 and adjusted diluted EPS of $0.58. Expects 2014 revenue to be $48.7-50.7b and reported diluted EPS to be $1.47-1.62.
GOOD DAY, EVERYONE, AND WELCOME TO PFIZER'S SECOND QUARTER 2014 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.

THANK YOU, OPERATOR. GOOD MORNING, AND THANK YOU FOR JOINING US TODAY TO REVIEW PFIZER'S SECOND QUARTER 2014 PERFORMANCE. I'M JOINED TODAY BY OUR CHAIRMAN AND CEO, IAN READ; FRANK D'AMELIO, OUR CFO; MIKAEL DOLSTEN, PRESIDENT OF WORLDWIDE RESEARCH AND DEVELOPMENT; ALBERT BOURLA, PRESIDENT OF VACCINES, ONCOLOGY AND CONSUMER; GENO GERMANO, PRESIDENT OF GLOBAL INNOVATIVE PHARMA; JOHN YOUNG, PRESIDENT OF ESTABLISHED PHARMA; AND CHUCK TRIANO, SENIOR VICE PRESIDENT OF INVESTOR RELATIONS.
Pharma; and Doug Lankler, General Counsel. Slides that will be presented on the call can be viewed at Pfizer.com by clicking on the link for Pfizer Quarterly Corporate Performance Second Quarter 2014, which is located in the investor presentation section in the lower right-hand corner of this page.

Before we start, I would like to remind you that our discussion during the call will include forward-looking statements and that actual results could differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ are discussed in Pfizer’s 2013 annual report on Form 10-K and in our reports on Forms 10-Q and 8-K. Discussion during the call will also 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.

We will now make prepared remarks and then we will move to a question and answer session. With that, I’ll now turn the call over to Ian Read. Ian?

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you, Chuck, and thank you all for joining our call this morning. I’ll begin with some brief comments from the quarter. Overall, we saw good performance and strong operational growth in a number of areas, including Lyrica, in developed markets, Prevnar, primarily in the US and emerging markets, and Celebrex worldwide.

Our recently launched brands are making solid gains. Eliquis grew sequentially 50% quarter on quarter on a global basis, while Xeljanz posted sequential quarter growth in excess of 30%, primarily in the US. With the continuation of this momentum, these products are on a trajectory to become meaningful contributors to our underlying business in the coming quarters. We also saw the continued uptake of Xalkori and Inlyta globally.

Revenues in our consumer business increased 15% operationally, primarily due to the recent launch of Nexium 24HR in the US in late May. We also saw strong Company-wide performance within the emerging markets. Revenue increased 11% operationally compared to the year-ago quarter, driven by growth in China, Venezuela, Argentina and Brazil. Despite a somewhat slower start to the year, each of our businesses is performing well in the face of ongoing product losses of exclusivity within our innovative businesses and continued pricing pressures and changing market dynamics affecting our established business. I would also point out the negative impact of LOEs and the revenue loss resulting from the expiration of some copromoted revenues was $1.7 billion for the first six months. This impact masks the Company-wide operational revenue growth from all other products during the first half of the year, which was 3% overall.

In evaluating our performance now that we’ve been operating in our new commercial model since the beginning of the year, I believe the structure is providing greater transparency into the operations of each business and on a daily basis, it enables decision-making that better optimizes the performance and portfolio of each of our segments. Furthermore, we remain encouraged by key developments that demonstrate our pipeline momentum.

Of particular note, we expect to complete the submission of the palbociclib new drug application to the FDA in August. The submission is based on the final results of Paloma 1, a randomized Phase 2 trial comparing the combination of palbociclib plus letrozole versus letrozole alone as the first line treatment for postmenopausal women with estrogen-positive HER2 negative advanced breast cancer. We will publicly communicate once we have completed our submission. Also of note, our Phase 3 palbociclib trials in advanced breast cancer, Paloma 2 and Paloma 3, are progressing and both trials have completed recruitment of new patients. In addition, a number of Phase 3 studies where we are collaborating with leading international breast cancer investigators are open and enrolling patients with both advanced and early breast cancer. And we have active exploration underway in multiple Phase 1/2 studies in non-breast indications.

Given the outbreaks of meningitis B disease on several US college campuses in 2013, we worked closely with the FDA to submit our biologics license application for accelerated approval of our meningitis B vaccine for the prevention of invasive meningococcal disease in adolescent young adults. We look forward to the meeting that has just been scheduled to take place on August 13 by the CDC’s advisory committee on immunization practices, ACIP, to discuss and vote on a potentially expanded recommendation for Prevnar 13 use in adults.
We have a comprehensive Xeljanz program that is progressing with Phase 3 studies underway in UC and psoriatic arthritis and Phase 2 studies in psoriasis for topical use, Crohn’s disease and ankylosing spondylitis. We continue to enroll patients in Phase 3 trials of bococizumab for cholesterol-lowering in high risk individuals, ertugliflozin for the treatment of diabetes, and later this year, we expect to begin enrolling patients for rivipansel for the treatment of vaso-occlusive crisis in individuals with sickle cell anemia.

As we enter the second half of this year, our strategy, focus and priorities remain unchanged, supported by the steady performance of each of our commercial segments. When it comes to business development, we will continue to evaluate all opportunities regardless of the size through the len’s of value creation for our shareholders and enhancing the competitiveness of our businesses.

Our most recent announced acquisitions and collaborations are examples of enablers of our strategy. We expect InnoPharma will meaningfully increase the size of our sterile injectables business through their existing and outlicensed portfolio of sterile injectables, as well as in the medium and longer term for the potential of their pipeline. And if we see promising results as we move forward with the Cellectis collaboration to develop immuno therapies against select targets in oncology, we believe it has the potential for changing the way cancer is treated.

In summary, for the remainder of this year, we’ll be focused on executing our plans and taking the actions that will further strengthen and globally position us to be market-leading in each of our business segments. We remain committed to advancing innovative new therapies on behalf of new patients we serve, prudently managing and deploying capital to provide the greatest value for our shareholders and creating a culture within the organization where colleagues can think creatively, take prudent risk and operate with an entrepreneurial mindset. I will now turn it over to Frank to take you through the financial details of the quarter.

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

Thanks, Ian. Good day, everyone. As always, the charts we are reviewing today are included in our webcast. As a reminder, because of the full disposition of Zoetis on June 23, 2013, the financial results of the animal health business and the gain associated with its full disposition are reported as a discontinued operation in the consolidated statements of income for the second quarter and first six months of 2013. Now, let’s move on to the financials.

Second quarter 2014 revenues of approximately $12.8 billion decreased 2% year over year, reflecting a 1% negative impact from foreign exchange and operational decline of approximately 1%, driven mainly by the expiration on October 31, 2013 of the copromotion term for Enbrel in the US and Canada, the ongoing terminations and expirations of the Spiriva collaboration in certain countries, the loss of exclusivity and subsequent multi source generic competition for Detrol LA in the US, and other product losses of exclusivity in various markets. These are partially offset by the strong operational growth in developed markets of Lyrica, Nexium 24HR in the US, Prevnar, Eliquis, Xeljanz, Celebrex, Xalkori and Inlyta and by strong operational growth of 11% in emerging markets. In addition, reported revenues included $71 million from transitional manufacturing and supply agreements with Zoetis. I want to point out LOEs and declining alliance revenues had a negative impact of approximately $840 million during the quarter.

Adjusted diluted EPS of $0.58 increased 4%, primarily due to fewer diluted weighted average shares outstanding due to ongoing share repurchases and the impact of the Zoetis exchange offer, which were partially offset by a 4% aggregate operational increase in adjusted cost of sales, adjusted SI&A, adjusted R&D expenses resulting from an unfavorable shift in product mix and recently initiated Phase 3 programs for bococizumab, ertugliflozin, palbociclib and the meningitis B vaccine and for the studies of Xeljanz and certain other products and potential new indications. However, adjusted SI&A expenses decreased because of continued benefits from cost reduction and productivity initiatives.

Reported diluted EPS of $0.45 compared with $1.98 in the year-ago quarter was primarily due to the non-recurrence in the second quarter 2014 of income from discontinued operations in the year-ago quarter, attributable to the animal health business, including the gain associated with its disposition and the income in the year-ago quarter from a litigation settlement for patent infringement damages and to a lesser extent, the LOEs and the expiration of the copromotion term for certain products, all of which were partially offset by lower acquisition-related costs, purchase accounting adjustments and asset impairment charges, a lower effective tax rate due to the resolution in the second quarter of 2014 of certain prior year tax positions with various foreign tax authorities, a favorable change in jurisdictional mix of earnings, and the non-recurrence of the unfavorable impact of the tax rate associated with the aforementioned patent litigation settlement income, and finally, fewer shares outstanding.
Foreign exchange negatively impacted second quarter revenues by 1%, or $87 million, and had a net positive impact of $18 million on the aggregate of adjusted cost of sales, adjusted SI&A expenses and adjusted R&D expenses. Consequently, foreign exchange negatively impacted adjusted diluted EPS by approximately $0.01 compared with the year-ago quarter.

Now, moving on to the financial highlights of our businesses. The second quarter Global Innovative Pharmaceuticals revenues decreased 5% operationally year-over-year due to the previously mentioned expiration of the copromotion term for Enbrel in the US and Canada, and the loss of exclusivity for Lyrica in Canada in February of 2013. And the expiration of the copromotion term for Enbrel and the LOEs of certain products resulted in an operational decline of $459 million. However, all other GIP revenues grew 9% operationally, driven by strong growth from Lyrica, primarily in the US and Japan, as well as the performance of recently launched products, including Eliquis globally and Xeljanz primarily in the US.

Income before taxes declined 12% operationally due to the decrease in revenues, a 5% operational increase in cost of sales, or a 1.2% percentage point increase as a percentage of revenues. I want to point out here that the loss of Enbrel alliance revenues in the second quarter 2014 negatively impacted cost of sales as a percentage of revenues by 1.5 percentage points operationally. A 13% operational increase in SI&A expenses from increased investment in new products and inline brands such as Lyrica and Viagra, as well as a 41% operational increase in R&D expenses due to recently initiated Phase 3 programs for bococizumab, ertugliflozin and additional Xeljanz indications.

In the second quarter, revenues from our Vaccines, Oncology and Consumer Healthcare business grew 15% operationally year-over-year, due to the strong operational growth of Prevnar 13 in the US and in emerging markets, the launch of Nexium 24HR in the US in late May 2014, and the continued strong uptake of Xalkori and Inlyta globally. Income before taxes increased 10% operationally due to increased revenues, which were partially offset by a 23% operational increase in cost of sales, driven by increased sales volumes in unfavorable change in product mix, an 18% operational increase in SI&A expenses associated with the launch of Nexium 24HR and the pre-launch marketing expenses for the meningitis B vaccine palbociclib and the 16% increase in R&D expenses supporting the acceleration of the meningitis B vaccine and palbociclib development programs.

The second quarter Global Established Pharmaceuticals revenues decreased 5% operationally year-over-year due to the loss of exclusivity and subsequent launch of multi source generic competitor for Detrol LA in the US in January of 2014, Viagra in most European markets in June of 2013 and Aricept in Canada in December of 2013, as well as the ongoing termination of the copromotion agreement for Spiriva in most countries, including the US in April, and ongoing expiration in certain other countries. These were partially offset by the strong operational performance of Celebrex in most major markets, Lyrica in Europe and Lipitor primarily in China. The LOEs of certain products, the loss of alliance revenue for Aricept and Spiriva and Lipitor in developed markets negatively impacted gift revenues by $395 million operationally. However, all other GEP revenues grew 1% operationally. Income before taxes declined 4% operationally due to the decrease in revenues, which partially offset by the aggregate decrease, cost of sales, SI&A and R&D expenses, which included increased spending on biosimilar development programs.

Now, moving on to our 2014 financial guidance, we have updated several components of our adjusted guidance and reaffirmed our 2014 adjusted diluted EPS guidance range. Because of the anticipated negative impact from the expected multi source generic competition for Celebrex in the US in December of 2014, we now expect revenues to be in the range of $48.7 billion to $50.7 billion versus $49.2 billion to $51.2 billion. This range absorbs the negative impact of approximately $3.4 billion due to declining alliance revenues and expected product losses of exclusivity. In addition, we are decreasing our adjusted SI&A expense range due to an expected reduction in promotional spending for Celebrex in second half of 2014 and now expect adjusted SI&A to be in the range of $13.3 billion to $14.3 billion compared with $13.5 billion to $14.5 billion previously.

To reflect the planned $80 million upfront payment to Cellectis for our global strategic collaboration and anticipated increased expenses for the acceleration of certain late stage clinical programs, including palbociclib and bococizumab, among others, we now expect R&D expenses to be in the range of $6.7 billion to $7.2 billion versus $6.4 billion to $6.9 billion previously. We now expect approximately $200 million of other income versus approximately $100 million of deductions because of lower expected net income expense for the remainder of 2014 and gains realized during the first half of 2014, mainly on sales of product rights and investments and equity securities. We expect reported diluted EPS to be in the range of $1.47 to $1.62 due to charges related to certain legal matters, primarily related to Neurontin incurred during the first quarter 2014. And we are reaffirming on 2014 adjusted diluted EPS guidance range of $2.20 to $2.30, which absorbs approximately $0.05 per share for anticipated negative impact related to Celebrex and $0.01 related to the planned upfront payment for the Cellectis collaboration.
Now, moving on to key take-aways, we recorded solid second quarter 2014 results. We reaffirmed our adjusted diluted EPS range, which absorbs an approximately $0.05 anticipated negative impact related to Celebrex and $0.01 related to Cellectis. We achieved several key R&D milestones, including the initiation of a rolling submission in June 2014 of an NDA seeking approval for palbociclib, which we expect to complete this August. In June, we submitted a biologics license application to the FDA for our meningitis B vaccine candidate, and we discussed with the ACIP at its June meeting a potential expanded recommendation for Prevnar 13 use with adults. We expect the ACIP’s decision on August 13.

We announced several business development opportunities to further strengthen our position in key strategic areas, and we continue to create shareholder value through prudent capital allocation. To date, in 2014 we have repurchased $2.9 billion, or approximately 95.1 million shares, and we continue to expect to repurchase $5 billion of our common stock this year. These repurchases and planned repurchases for the remainder of the year are expected to reduce total shares outstanding year-over-year by a total of approximately 100 million shares by the end of 2014, after considering actual and projected dilution related to employee compensation programs. Finally, we remain committed to delivering attractive shareholder returns in 2014 and beyond. Now, I'll turn it back to Chuck.

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

Thank you, Frank. Operator, at this point, can we please poll for questions?

**QUESTIONS AND ANSWERS**

**Chris Schott - JPMorgan Chase & Co. - Analyst**

Just two here. The first one, and I'm sure this is the first time you've been asked this recently, but on business development, how are you thinking about BD at this point? Given the valuation resets and type line recovery that's occurred within this space, is it more challenging to find larger deals that both advance the Pfizer story and give your investors the type of returns they are looking for?

And the second question, for the past year or so, up until the Astra approach then the focus on the potential breakup of Pfizer based on your new corporate structure you're creating coupled with your pipeline recovery, can you update us your thoughts on that potential split of Pfizer over time? Has your view of a breakup making potential sense changed at all? And I guess, do you still see merits in the idea of splitting the Company into maybe two over time? Thanks very much.

**Ian Read - Pfizer Inc. - Chairman & CEO**

Thank you for the questions, Chris. On BD, BD is not a strategy, it enables strategies. We continue to aggressively look at all types of BD regardless of size that we believe would add value to shareholders. So, that's our stance on BD.

And on the -- on this much-discussed potential breakup, we -- as before, we are managing the business in two segments, broadly speaking. One being innovative and the other being established. And in the innovative, we have sub businesses like oncology and a consumer and vaccines that are very distinct from other parts of the innovative business. So, we're giving you transparency on those segments, and we're collecting both P&L and balance sheet information to give us optionality. What we do eventually will really depend upon how those businesses perform, how the -- how our shareholders value those businesses.
And we will look at that after an appropriate period of time of both collecting the data we need for optionality and the performance in the marketplace. Thank you. Frank, do you want to add anything?

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

The only thing I would add Chris, to punctuate what Ian said is, and I think for the time being and for the near future, the most important thing those businesses can do is execute with excellence. So will that operational performance and then that will create all kinds of options and choices for us in the future.

**Ian Read - Pfizer Inc. - Chairman & CEO**

So, fundamentally, I see BD as adding to what I see as a strong hand we have with our core strategies.

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

Thanks, Ian and Frank. Next question, please?

**Operator**

Your next question comes from Vamil Divan with Credit Suisse.

**Vamil Divan - Credit Suisse - Analyst**

Thanks for taking the question. Couple here. Again, I'm sure you've gotten some of these before as well. But one around the increased rhetoric in Washington around inversions. Would that impact, or is it impacting any way the way you look at doing an inversion-based deal in the future?

And then the second one, just on the pipeline around Palbo, I think there's still a lot of questions. You said obviously you're going to file next month, a lot of questions around with what the FDA is going to do and really, why would the FDA approve it on an expedited basis when you'll be getting full Phase 3 data just a few months later? And so if you can give us any updates there around discussions you've had with the FDA and why the need to, again, just maybe take a little bit more of a risk to get this out just a few months ahead of the full data session. Thanks.

**Ian Read - Pfizer Inc. - Chairman & CEO**

Thanks for the question, Vamil. In Washington, we remain committed to discussing and advocating for fundamental tax reform and that will play out with the political parties, we suspect, over the next coming years. And it's really difficult to comment more than that, other than we do believe the tax system is inherently at a -- puts American companies at a disadvantage, and we would like to see the tax system reformed. On palbo, I think there is some confusion as to when we get the final Phase 3 data, but I'll ask Albert to comment on the palbo submission.

**Albert Bourla - Pfizer Inc. - Group President of Vaccines, Oncology and Consumer**

Thank you, Ian, and thank you, Vamil, for the question. As you are aware, our submission is based on the final results for our Phase 2 trial, and this has happened after conversations with FDA. I wouldn’t – I don’t want to speculate what FDA will request as we go through the review process, but I can tell you that until now, they have not placed any conditions on us related to the Phase 3 trial results. As Ian alluded, the Phase 3 has completed recruitment, and it is expected to come to final completion at the end in December of 2015, and the final report will be available in 2016.
Chuck Triano - Pfizer Inc. - SVP of IR

Thank you, Albert. Next question, please, operator.

Operator

Your next question comes from Tim Anderson from Sanford Bernstein.

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

Thanks. Just going back to M&A, and I know you'll probably struggle to answer this question, but in your prepared remarks, you said you would continue to evaluate all opportunities regardless of size. My question is whether it's reasonable to expect that Pfizer could find strategically attractive targets that are big enough, such as tax inversion could be one of the benefits. So, the operative here for me would be strategically attractive because I can think of other theoretical inversion targets, but I'm not sure I see the strategic value on those. So, I would like to get your opinion on that. And then on palbociclib in Europe, do you expect that Paloma 1 will be adequate for submission, or will regulatory authorities likely require at least interim Phase 3 results before approving like they did with Xalkori?

Ian Read - Pfizer Inc. - Chairman & CEO

Albert, why don't you take the palbo question, and I'll come back to M&A?

Albert Bourla - Pfizer Inc. - Group President of Vaccines, Oncology and Consumer

As you can expect, we have begun discussions with the European and other regulatory health authorities, and those -- for palbociclib, and those discussions include discussions from the clinical data. Also, we have presented to them our development program and we have entered the discussions about the potential regulatory path forward. But it is too early to disclose at this stage our regulatory strategy for these regions.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you. And Tim, on M&A, we look and continue to look at a very wide spectrum of M&A transactions. We have substantial financial ability and balance sheet, and tax inversion is one part of the value equation. When we were looking at AZ, we looked at both their pipeline, their synergies and the tax inversion. So, we will continue to look very broadly at deploying our capital in a way that makes sense for shareholder return.

Chuck Triano - Pfizer Inc. - SVP of IR

Moving on to the next question please, operator.

Operator

Your next question is from Jami Rubin from Goldman Sachs.

Jami Rubin - Goldman Sachs - Analyst

Thank you. I know we're all kind of dancing around the same issue, Ian. But on the assumption that AstraZeneca does not materialize, is there actually a plan B in place? What we've seen since then is a small acquisition in old pharma. Is that the kind of deals that we should anticipate going forward? Or is there still a plan in place to achieve a lower tax rate to enhance the pipeline?
And then, I don’t know if Mikael Dolsten is on the call, but just a question on business development, analyzing, outlicensing activity. We’ve seen recently a couple of high profile outlicensing deals, tremelimumab to AstraZeneca, neratinib to Puma and regretfully, those look like very unfortunate decisions. And just Ian, are you looking internally? Are you pleased with the team that you have in place who are charged with making these critical decisions? Thanks very much.

**Ian Read - Pfizer Inc. - Chairman & CEO**

Thank you. So, on the BD, we looked at both those assets you mentioned early on in their lifecycle, and we looked at the opportunities with inside our portfolio and took the decision, given that they were lower -- we believe lower value assets with what we knew about those assets at the time to outlicense them. In the case of the Puma asset that they acquired, neratinib, we have -- we outlicensed this -- or we looked at almost 10 companies, most of them major pharmaceutical companies, and the only company that was interested in its development was Puma. And as such, we were pleased with the outlicensing agreement we struck with them and the royalty rate. I have not seen the data, nor has Pfizer seen the data, that may or may not indicate that the product has value. And we will be in discussions with Puma with our legal rights as to that data and the consequences of that data.

On the tremelimumab, it was a decision to outlicense to AZ, and I’m not aware of any data that would make me believe that we made a mistake, given the fact we had other products that we were developing of higher productivity value. Now, as we go to your plan B, my comment would be our plan A is our plan to continue to develop our innovative pipeline to restore the vigor in our pipeline. We’re making progress with mid and late stage pipelines, including Prevnar adult, palbociclib, bococizumab, ertugliflozin, mening B and Xeljanz following indications. We’re continuing to grow on newly launched brands, such as Eliquis, Xeljanz, Xalkori, Inlyta, Lyrica and Enbrel, and we are focusing on the emerging markets.

So, plan A is to continue with the strategy that we’ve always articulated, which is to reinvigorate our innovative core, make our R&D productive and make smart and shareholder-friendly capital allocation decisions. Any BD that we do will be looked at for the view of accelerating those strategies and improving returns to shareholders. And the deals like InnoPharma and Cellectis are deals that are opportunistic and add on and we think build and help the underlying BUs, but certainly are not representative of the total fire power of corporate strategy of Pfizer. Frank, do you want to add anything on that?

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

No.

**Jami Rubin - Goldman Sachs - Analyst**

Okay. Thank you.

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

Next question, please.

**Operator**

Your next question is from John Boris from SunTrust Robinson.
Thanks for taking the questions. First question for Frank, in 2013 and for the front half of 2014, you returned a significant amount of cash through share repurchases and through dividends in both of those years. Can you just remind us what the total amount that you returned and how much cash did you have to bring back offshore to be able to fund your share repurchase and your dividend from offshore?

Second question for Ian, on large scale versus tuck-in-type acquisitions, if you look at your US operation, which is traditionally the most profitable operation as a major pharma, it seems with ongoing losses of exclusivity and losses of alliance revenue, that that operation seems to be under a fair amount of pressure. Do you have some pipeline assets that you’re successfully launching through there. But is the scale of what you’re launching large enough to be able to offset some of those pressures that you have from continued losses of exclusivity, losses of alliance revenue? And then on your established products business, traditionally you’ve had a lot of success bringing in injectable assets into that business. But on a global basis, is it of scale where you have the regulatory capabilities needed to be able to successfully launch other types of assets on a global basis through that strategically? Thanks.

Thank you, John. Frank, do you want to take the first question?

Sure. So, John, just in terms of running the numbers, last year, we returned $23 billion to our shareholders between share buybacks and dividends. The buyback piece of that was $16.3 billion. This year, the buyback piece year to date is $2.9 billion. If you look at our dividend on an annual basis, we’ve got on average, call it 6.4 billion, 6.5 billion shares at $1.04 dividend. Call that 6.5 to 7 billion. For midyear, a piece of that is another $3 billion, $3.5 billion.

In terms of -- and then if you look -- by the way, just in terms of numbers, if you look over the last three years, 2011, 2012 and 2013, we returned about $53 billion to our shareholders in terms of buybacks and dividends. In terms of a major way we have funded that has been through some of our unlocking value activity. So, sale of Capsugel, the sale of Nutrition and the exchange for Zoetis. Those are three of the ways we’ve done that, and obviously through very effective and efficient tax planning.

Thank you, Frank. On your question about scale of the innovative business, obviously your question goes to the strategic issue we’ve been dealing with as we try and take care of the LOEs while trying to minimize revenue decreases while growing our EPS. And I think we’ve been doing a good job of doing that while we manage the sort of onslaught of LOEs with EPS growth. It comes down to the question of the growth of Lyrica, the growth of Eliquis, the growth of Xeljans, the adult vaccine, the mening B, the Xeljanz follow-ons. What is the extent of growth we can get from that while we continue and, of course, the palbociclib and when it launches. That, compared to the LOEs, plus the growth we can get out of emerging markets.

So, it’s a very good question, we feel, that our strategy is the right one. We will continue to be challenged on revenue growth but we see that we can manage through this cycle through those products I’ve just mentioned, and behind that we see a wave of very exciting products coming as we get through the LOEs. On EP, I would ask John to comment.

Okay. So, thanks for the question, John, about sterile injectables. I think maybe the first point to make is we actually have a very strong sterile injectable business globally, not only in the US. But one of the features of the market overall is actually, it’s pretty concentrated. And there are about...
five markets globally that probably represent about 80% of the total profit pool in sterile injectables. The US is obviously one of those markets. The other markets would include China, Japan, France and Italy. So, it’s actually more concentrated than you would think.

And I think the answer to your question is, we actually feel very confident about the underlying capabilities that we have, particularly in regulatory affairs, to be able to bring to market products in that portfolio, either products that we’re developing organically or hopefully in the future, pending completion of the acquisition of InnoPharma, products that will come out of the pipeline of that company.

Ian Read - Pfizer Inc. - Chairman & CEO

I would add, John, our established products, our international presence is probably the strongest of any American company and certainly on par with any of the Europeans. We have great strength broadly speaking in emerging markets with a number one multinational in China. I’m very confident we have the talent, the distribution, and the know-how to fully leverage our products globally. Thank you for the question.

Chuck Triano - Pfizer Inc. - SVP of IR

Thanks, Ian. Next question, please, operator.

Operator

Your next question is from David Risinger from Morgan Stanley.

David Risinger - Morgan Stanley - Analyst

Yes, thanks very much. I have two strategic questions and then one cost question. So, on the first two, number one, I was just wondering if you could provide feedback that you received on the final offer of GBP55 for AstraZeneca that you received from major investors? And second, are you considering other major tax redomiciling transactions? And then with respect to net costs, obviously, Pfizer continues to cut costs, but also needs to reinvest. So, beyond 2014, Frank, should we think about Pfizer being able to reduce net costs in terms of selling and general and administrative and R&D? Or at the end of this year will you be at the point of essentially looking at flattish costs or rising costs going forward? Thank you.

Ian Read - Pfizer Inc. - Chairman & CEO

So, on AZ, you understand I can’t make any forward-looking statements on AZ. I would like to put in context of, I believe information that’s already been reported. We were faced with the AZ management with an indication that they would not engage with us in any meaningful way unless we had an opening offer of approximately GBP59. Faced with that, we made what we thought was a full and final offer of GBP55 that fully valued the company and gave appropriate sharing of synergies to the appropriate shareholders. We have, in general, received good feedback from our shareholders that we demonstrated appropriate capital discipline.

Are we looking at additional or other BD deals? Absolutely. And would a tax inversion be part of that value? Just as it was with AZ, it will be part of the value that we look at. But we also look for a strengthening parts of our businesses as well as we do that. Fundamentally, what we look for is, will any BD create long-term value for our shareholders, and that’s the lens we look at it through, not necessarily through financial or strategic. But overall, is it value creating against our cost of capital? Frank, on our net cost?

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

Sure. Dave, in terms of timing, when we close out the year, we’re on the end of January, early February call of 2015, we’ll close out Q4, and then I’ll give specific guidance by line item for 2015, so you’ll get the specific numbers then. But I’ll comment -- I’ll answer your question now in maybe
macro context. What I've said this year, last few quarters is, I think we've entered the late innings on cost reduction. We've got some pressure on R&D as we've initiated some late stage development programs that we've alluded to on the call. We've had some pressure on SI&A and due to launch costs for new products. It's a good problem to have.

That said, in terms of managing our cost and expense structure, our expectation is that we will continuously improve as we go forward. And there are still opportunities to improve our cost structure, and we'll capitalize on those opportunities, and we'll drop as much of that to the bottom line as we can. It will be a balance between cost/benefit analysis in how we deploy our capital.

Chuck Triano - Pfizer Inc. - SVP of IR
Thanks, Frank. Next question, please?

Operator
Your next question is from Colin Bristow from Bank of America.

Colin Bristow - BofA Merrill Lynch - Analyst
Thanks. A few product questions, if I may. On Xeljanz, can you just give us a little more color on the performance in the quarter? And then looking forward, where are you in terms of getting the 10-milligram dose approved in RA? Given you intend to follow the 5-milligram and 10-milligram doses in psoriasis, what gives you confidence the FDA will feel comfortable with a 10-milligram dose in this setting? And then on the once-daily formulation, what are the timelines associated with this? And then finally on etruliflozin, how do you see yourself competing, given it looks like you'll be fourth to market and historically, third or fourth entrants in these types of commoditized markets have struggled to gain meaningful share? Thanks.

Ian Read - Pfizer Inc. - Chairman & CEO
Geno, would you like to answer those questions, please?

Geno Germano - Pfizer Inc. - President, Global Innovative Pharma
Sure. So, let me start out with Xeljanz. So, we had a good quarter with Xeljanz, we grew by over 30% from the first quarter of this year. We think we've really hit an inflection point with the launch of the structured data that came out during the first quarter this year. So, we have some momentum and we're feeling good about the performance in the US. With regard to the 10-milligram in RA, we think that's going to take a while, it's going to take accumulation of additional safety data to satisfy the FDA, although we have 10-milligram registrations in other countries. So, we'll just see how that plays out.

With regard to psoriasis, we have a fairly large, comprehensive database, over 3,600 patients and four significant trials in psoriasis. The results that we saw across the 5-milligram and 10-milligram doses were consistent in those trials. It is obviously a different patient population with a different safety and efficacy profile overall. So, we're in the process now of assembling our dossier, and we'll file the dossier and have discussions with the agency on the appropriate benefit risk and the appropriate dosages for that indication.

With regard to the once a day, we're continuing to make really good progress with the once a day program. As you may know, we're not needing to do any additional clinical work. We're doing some pharmacology and PK work. So, we expect to be filing in the first half of 2015. And with regard to etruliflozin, we have, again, a comprehensive program and partnership with Merck developing etruliflozin as a single entity molecule or product and also in combination with Januvia and metformin. And we will have an overall strategy that involves both the single entity and combination products to make our way into that marketplace.
Ian Read - Pfizer Inc. - Chairman & CEO

Thank you, Geno. Of course, as you say, fourth in, but it depends upon the quality of the clinical trial and the results we get, and we believe that it is potentially a best in class molecule. Thank you.

Chuck Triano - Pfizer Inc. - SVP of IR

Thank you. Next question, please, operator.

Operator

Your next question is from Marc Goodman from UBS.

Marc Goodman - UBS - Analyst

Geno, I was wondering if you could also give us an update on Xalkori and Inlyta, how those products are doing in the trends and how much more you think we can get from those. Second question is an update on tanezumab and third, China, maybe you could talk about some of the trends in China. Are we still gaining market share over there? Are we adding sales reps, are we moving into new cities and how the Hisun JV has worked out. Thanks.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you, Mark. Great questions. So, Albert in fact will, has Oncology under his responsibility. He will answer the Xalkori and Inlyta questions, and then we'll go to Mikael for tanezumab. And then perhaps in general, perhaps John could answer the China question.

Albert Bourla - Pfizer Inc. - Group President of Vaccines, Oncology and Consumer

Mark, Inlyta, overall, very pleased with the performance of Inlyta that was driven by very strong uptake in key new regions. In the quarter, we've had $101 million of sales, that was up 44% operationally from last year. Very similar sentiment for Xalkori. We reported revenues of $108 million for the quarter, that was up 59.

Overall, the growth is driven as a result of -- we have increased testing for the ALK 78%. I remind you that when we launched the product, 11%, so very strong update. And second reason is because we have extended duration of therapy. More patients are treated for longer, so very strong performance for both. We expect to see this growth continue. Geno?

Geno Germano - Pfizer Inc. - President, Global Innovative Pharma

No, Mikael on tanezumab.

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

Yes, so on tanezumab, and thank you for your interest in that asset. And as you may remember, tanezumab delivered some very strong efficacy seen early in the previous studies and represent potentially one of the few classes of new mechanisms that are recently proving substantial clinical benefit. And we have been working with FDA in some very good constructive dialogues on what needs to be demonstrated in preclinical toxicology in order to submit a new package that could open up the potential for reinitiating large studies. This has been focused on preclinical studies on...
the peripheral nervous system. And we have done some in-depth studies that continue to accumulate. But so far, I'm encouraged about what we have learned about the drug and the mechanics, and we have stated that we will plan potentially to resubmit the data if we will continue to come together in a positive way no later than first part of 2015.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you. John, China? Overall, perhaps Frank, who’s also got some number. We'll see if we do a tag team there.

John Young - Pfizer Inc. - President, Global Established Pharma

All right. Thanks for the question, Mark. So, I think we're obviously very pleased with the performance of China this quarter. Overall, the total by a pharmaceutical business in China showed operational growth of 27%.

The GEP business within that group, 37% in the quarter. And you can see the product performances when you go to the schedules in the earnings release. Pretty much across the board, what we've seen is strong volume growth, driven by good operational performance in the marketplace. I think maybe just a comment on, overall, the strategy in China for our business, which clearly is very important to us. Overall, our strategy has a number of areas of focus. We're very focused on driving their legacy brands in China. Lipitor is probably a standout product for us, and we see a great fit with the priorities of the Chinese government to really better treat and manage patients with cardiovascular disease on a portfolio of Lipitor and Norvasc is a great fit in that regard.

You mentioned Hisun, and certainly we've had a strategy in China for a number of years to really find ways of participating in the profitable segments of the fast-growing generic market. And our partnership with Hisun is really a great example of that. Overall, generic products account for around about 75% of the domestic market in China. And really, our partnership with Hisun places us extremely well to be able to maximize our contribution there with products that are a great fit with, again, the needs of the healthcare system.

Thirdly, clearly, we are looking to bring innovative products to market in the GIP and VOC businesses in China are looking to maximize the performance of innovative products in the market, as well as bring new products to market. And overarching all of that, the last thing I would say is we are clearly looking to find ways of collaborating very constructively with the Chinese government and with their goals for the development of the pharmaceutical industry capability in China. We've had domestic manufacturing capacity in China for many years. And we're also very engaged with working with the Ministry of Health to partner with them to better screen patients for cardiovascular disease in China as well. All of those things together really can be hopefully a flavor of what is driving the performance in China this quarter.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you, John.

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

And then Mark, I'll just run a few other numbers in and then I'll answer your question about reps. John mentioned 27% operational growth for the biopharmaceutical business. Total Company for the quarter grew 24% operationally. And then John mentioned Lipitor and Norvasc. Lipitor in China grew 55% operationally quarter over quarter, Norvasc grew 30% quarter over quarter. Just some really, really strong performance. And we have added a significant amount of reps in China in the first half of the year.

Chuck Triano - Pfizer Inc. - SVP of IR

Thank you. Next question, please, operator.
Operator
Next question from Seamus Fernandez from Leerink.

Seamus Fernandez  - Leerink Partners  - Analyst

Thanks very much. I have three questions. The first one on palbociclib, can you update us on the potential interim look in Paloma 2? The second question is really for Frank. Frank, maybe you can confirm for us, as we look at the year-over-year comparisons, we do see the 2013 numbers broken out. But can you just confirm that this is not fully audited information that would include the balance sheet? Basically, my question is, is historically you've said that there won't be a look back at 2013 that would basically facilitate a split occurring sooner. But as I look at that data, if it were fully audited, it would seem like that might be a possibility.

Then my last question for Ian, would you ever consider a sale of the innovative businesses, should you be approached by another company? Basically a willingness, if it made sense for shareholders in terms of the value, that might be provided to Pfizer in an eventual split? Thanks so much.

Ian Read  - Pfizer Inc.  - Chairman & CEO

Thank you, Seamus. Palbociclib interim?

Albert Bourla  - Pfizer Inc.  - Group President of Vaccines, Oncology and Consumer

Yes, there is an interim review built into the design of our Phase 3 trial, the Paloma 2. But the timing of that review is event driven. We cannot speculate when that review will exactly take place. As I said before, the primary completion of the study is expected at the end of 2015, so the final report is expected in 2016. Again, it's event driven, so the actual dates may vary a bit.

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

Seamus, the way I think about this is no change from what I've said previously, which is it's a public transaction. If we were to decide to do something from a separation perspective in the future, it would be three years of audited financials and that -- with year one being 2014. So, it would be prospectively three years of audited financials. No change from what I've said previously.

John Young  - Pfizer Inc.  - President, Global Established Pharma

On your last question, Seamus, I see myself and the management team, and I'm sure the board sees themselves as custodians of shareholder value. And so we would have to evaluate any proposal under its merit and whether we believe it produces long-term superior returns to shareholders.

Chuck Triano  - Pfizer Inc.  - SVP of IR

Thanks, Ian. Next question, please, operator.
Jeff Holford - Jefferies & Company - Analyst

Hi. Thanks for taking my question. I've got three for you. First off on Prevnar 13, would you like to frame the opportunity for us again, if you would, to receive a positive recommendation from the ACIP in August, and is that contained within your guidance for this year? Secondly, could you just comment around your strategic thoughts on your consumer business? Given some of the recent consolidations in the industry, does this asset still make most sense within the Pfizer structure? And then lastly, I wonder if you could give us an up-to-date overview of your biosimilar programs and potential timelines for any key assets? Thank you.

Ian Read - Pfizer Inc. - Chairman & CEO

Okay, on the consumer business, we see a great store of value. We have an active, both with quiet assets in that business. We've just launched Nexium 24HR. We have an active rx-to-OTC strategy, so we see it as a business that we want to be in. On Prevnar 13 adult, I'll ask Albert to give you some idea of the opportunity. The early approval is included in this year's overall guidance.

Frank D'Amelio

No major change.

Ian Read - Pfizer Inc. - Chairman & CEO

No major change. Albert?

Albert Bourla - Pfizer Inc. - Group President of Vaccines, Oncology and Consumer

Yes, I will tell you, this is a great opportunity, of course, globally, not only in US. Because there is a very large adult target population and there is a significant unmet need over there. There are 300 million adults are greater than 65 years in the world and half of that, it is in US and Japan. 3.6 million, 3.7 million only US adults are turning 65 each year. And also depending upon ACIP recommendation, we do believe that there could be an additional catch-up opportunity for adults greater than 65 that have already received the old generation vaccine. So, we expect Prevnar 13 to be a leading adult vaccination, given the strength of our data.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you. And biosimilars, John?

John Young - Pfizer Inc. - President, Global Established Pharma

Okay. Thanks again for the question, Jeff. So, essentially we have five monoclonals in development. All of those products we expect to come to market in the 2017, 2018 timeframe after the loss of exclusivity of the basic patents of those molecules.

Just to give you a rundown, we have trastuzumab, which is a biosimilar for Herceptin, that is already in Phase 3, that a Phase 3 was initiated earlier on this year. We have a biosimilar rituximab. That achieved our proof of concept in the first half of this year, and we expect to initiate Phase 3 in the second half of 2014. We have biosimilar infliximab. Phase 1 was completed -- we expect to complete at the end of this year and the next milestone there would, again, be the initiation of Phase 3 in the second half of this year. We have biosimilar adalimumab. Phase 1 has been initiated,
and the next milestone would be proof of concept readout from those Phase 1 studies in mid this year. And then we have biosimilar bevacizumab. That is in preclinical, and the next milestone for that program would be the initiation of Phase 1 studies again this year.

Ian Read - Pfizer Inc. - Chairman & CEO
Thank you, John.

Chuck Triano - Pfizer Inc. - SVP of IR
Next question, please?

Operator
Your next question is from Alex Arfaei from BMO Capital Markets.

Alex Arfaei - BMO Capital Markets - Analyst
Good morning. Thank you for taking the question. On palbo, when can we expect updated survival data from Paloma 1? And a higher level R&D question, is there an opportunity for additional cost savings in your R&D structure? We've seen some of your peers simplify their structure and achieve significant savings without seemingly compromising productivity. Is that option for Pfizer? Thank you.

Ian Read - Pfizer Inc. - Chairman & CEO
Would you like to do palbo please, Albert?

Albert Bourla - Pfizer Inc. - Group President of Vaccines, Oncology and Consumer
Yes, on the overall survival data, we had an initial assessment, but it was done when we had only 37% of the total events. There is a follow-up analysis, but it is the scheduled following the accrual of additional events. But the time can take really long because the average -- the medium overall survival of this population, it is approximately four years. I really think that the final analysis likely will take long. Just a reminder though here, that the primary end point of the study was the progression-free survival. The overall survival was one of the secondary end points. And also, historically, agents from the market for (inaudible) have been approved, all with PFF data as the primary end point.

Ian Read - Pfizer Inc. - Chairman & CEO
Thank you, Albert. So, on our R&D question, we feel that post the acquisition of Wyeth, we were very prudent in the way we dimensioned our R&D spend, I believe taking the combined spend of some is 11 --

Frank D'Amelio - Pfizer Inc. - EVP & CFO, Business Operations
$11 billion total.
$11 billion down to $6.5 billion, $6.7 billion. I really can’t comment on what our competitors have been doing, but certainly for a few years now, we have accelerated the refining of how much we spend in research, where we spend it. We have really good tools internally to look at the productivity by asset, and we invest behind strong signals with lots of quality gates. And we have separated out the decision between proof of concept and a decision to move forward into Phase 3 between the research and the commercial business. So, we’ve got strong internal drivers for a return on capital.

Will we continue to look at the best ways to invest in research? Of course. We’ve got a CTI initiative where we have major relationships with some 20 universities in the US and I believe outside of the US, at least one where we attempt to look to be efficient in the way we discover mechanisms of action. And of course, this is a major expense which we are constantly monitoring to make sure it’s efficient. When you have great products like we do and we’re bringing them forward into the development of Phase 3, clearly there is pressure on the development costs for large trial such as with bococizumab or with palbociclib or with mening B or with the staph aureus vaccine. Clearly, there are pressures on our Phase 3 spend, but we will continue to manage our overall R&D spend within our overall guidance and overall drive to continue to grow EPS. Thank you.

Chuck Triano - Pfizer Inc. - SVP of IR

Thanks, Ian. Next question, please.

Operator

Your next question is from Andrew Baum from Citi.

Andrew Baum - Citigroup - Analyst

Hi. Couple of questions, please. First, we’ve obviously seen increased pressure by PBMs together with lesser price disciplines from the pharma industry translating into negative pricing dynamics (inaudible) spaces. I would be interested in your view on the evolution of that into the specialty pharma segment. And then leading on from it, and I appreciate it’s a different situation, but GSK recently announced the pricing for their GLP 1 at a 65% discount for the first in class. To what extent do you think aggressive pricing strategies like that may work for products where it is late to market?

I guess I’m thinking partly of Xeljanz. Maybe not now, but at one point does a pricing lever become a potential option for you? And then secondly, building an oncology company around one drug is not easy, particularly if you’ve never had a strong legacy oncology business, as I think is the case with Pfizer. To what extent do you think you can build an oncology company without the acquisition of external talents and additional products through an M&A structure? Thank you.

Ian Read - Pfizer Inc. - Chairman & CEO

Well, undoubtedly the PBMs are doing what they constructed to do, is to try and aggregate volume and achieve price discounts. This has been going on in the US market for many years now and I think will continue to occur. It really depends on the value that you bring to the marketplace. And we are focused on that, and I think specialty products certainly normally, if you define them as having close to or cures or having dramatic impact on the outcome of disease or were disease modifying have huge value. And so I believe we’ll continue to see attention in there. But value is rewarded and innovation is rewarded.

I really can’t comment on GSK pricing and on how we price Xeljanz. We think it reflects the – both the composition of the value to the patient, the value in the marketplace. And the most important thing in that market is, I think, is the efficacy and safety, and adoption is normally slow and driven by clinical data rather than pure pricing decisions. So, I would see pricing as being more for acute conditions or conditions where it’s highly genericized and it’s not so much a long-term serious disease. Geno, do you want to comment anything more on that?
Geno Germano - Pfizer Inc. - President, Global Innovative Pharma

All that I would say is, as I'm sure you're aware, Andrew, the pricing, reimbursement process, particularly in the United States, is very complex, very fragmented. And we're dealing with not only prices, but discounting, rebating, step edits, tiering of formulary status. And so it's not as simple as saying the price should be higher or lower. It's really a strategic approach to the marketplace where you first and foremost have to build value for your product and then operate within the system that exists out there for maximum benefit. So, it's a day in and day out process. We think very strategically about how to price our products, how to discount our products, how to position our products on formularies, and I think we're going to continue to need to do that.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you, Geno. On oncology, I don't quite understand your comment about building it around one product. We have Xalkori in the market. We have Inlyta in the market and Bosulif in the marketplace, we have Sutent in the marketplace. We see palbo as another product coming to market, and we have a very in-depth Phase 2 oncology portfolio. Perhaps Mikael, do you want to just mention a little bit about how you see the oncology portfolio developing?

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

Yes, thank you, Ian. On one hand, there is significant activities on expanding palbociclib into a variety of additional indications. And we have a handful of Phase 1, Phase 2 studies exploring various segments of lung cancer, including [genomic] defined with collaborators melanoma and also looking into other novel indications. We have very exciting smoothen inhibitor that we are broadly expanding into a variety of blood cancer in ongoing Phase 2 studies, including AML and myelodysplastic diseases. Our gamma secretase inhibitor shows a very interesting clinical profile distinct from what we have seen previously reported, and we're moving that into triple-negative breast cancers in immuno oncology. As you know, we are collaborating with Merck on combining 41B BB with RPD 1, and that study will soon start. And early next year, we plan to bring into clinical studies 40 antibody followed by PD1.

During the later part of 2015, we'll have a significant onco immunology portfolio. And then, of course, we have Phase 1 ongoing with a full-on to cell core that shows really interesting profile. So, these was just a brief overview of some of the more interesting compounds. Building on what Ian said, we had breadth and depth intelligence and pipeline here.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you for the question, Andrew.

Chuck Triano - Pfizer Inc. - SVP of IR

Next question, please.

Operator

Your next question comes from Mark Schoenebaum from ISI Group.

Mark Schoenebaum - ISI Group - Analyst

Hi, thanks for fitting me in. Maybe just go back to some questions in the first half of the Q&A, if you would tolerate that. Number one, maybe for Ian. Ian, speaking again about BD, could you perhaps, if possible, kind of prioritize therapeutic areas for us that you're interested in? I know -- I
remember as recently as last summer, you had mentioned a few therapeutic areas you’re most interested in. I was understanding what your priorities are now.

And then within that commentary, perhaps you could comment on strategically whether it would make sense to add, to -- whether it would make sense to add a significant generics component to your current business. And then a two-part question for Mikael, if I may. Mikael, could you update us on conversations you may have had with the regulators in the last several months around the PCSK9 class? I know Pfizer had spoken before about how you thought perhaps outcome struggles might be necessary prior to registration. I was just wondering what your current thoughts are. And then also, just summarize your CART-cell program that you recently inlicensed and how it differs from the programs that are a little bit ahead. Thanks.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you, Mark. Well, on BD, clearly, you want to BD where you have a potential for, not only organic growth, but synergy. You’d like to look at BD where you are already are strong in therapeutic areas, whether it’s pain or oncology, or vaccines, just to mention a few. Anything that would utilize a primary care field for us would also be of interest to us. And adding a significant generic component, we would look at -- as you say, we look at all alternatives if it fits, it makes sense. If we think we can leverage it in the emerging markets, if we see that there is organic growth we could produce from it, we would certainly consider it. We’re open to a wide range of business development activities that we believe that we can acquire at a good value for our shareholders. Mikael, on the question of PCSK9 and then I think the CAR technologies.

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

Mark, thank you for the interest in R&D programs. First, on PCSK9, we have a very large clinical program that, of course, includes LDL lowering and a significant outcome study involving both patients with less than 100 end patients, above 100 in cholesterol, and includes primary and secondary prevention. And we think actually it’s the broadest program available which could, of course, bring a real insight to patients, physicians and to regulators. We think it’s difficult to speculate if regulators will approve with LDL alone or wait for outcome studies. I think it depends how other studies that are reading out will deliver on the correlation between LDL lowering in a variety of CV patient groups to outcome. But I would underline that it’s our view that what would really matter for uptake in their marketplace, my dialogues with Geno is very much that [patients] will look for outcome studies. And we think we have a premier outcome program, and we think it will deliver timely to competitors.

Concerning Cellectis, it’s another Pfizer entry into the different modality of onco immunology. And I’m pleased to share with you that selective is -- the company that uses allogeneic cause which has the upside that it’s not a complex procedure. But you could actually in a more industrialized process provide defined cellular treatments for thousands of patients. Cellectis has a unique [tailing] technology that allows them to modify and optimize those cells with a precision that made it very attractive for us to make a deal. And it’s a significant collaboration, including more than 15 targets by Pfizer, and also we are supporting some targets that Cellectis will develop and we will have first rights to refusal for those few selective targets. And it includes a number of technologies such as giving the cells the best specificity, such as introducing signals that you allow it to eliminate the cells, making the cells resistant to certain standard of care that the patient may be receiving, as well as enhancing the CARs by possibly knocking out molecules such as the PD1, creating super CARs. So, I just gave you a flavor what I think we and selectives will uniquely do in the industry, and it really combines our in-depth ability in engineering of biological with selectives genome editing.

Chuck Triano - Pfizer Inc. - SVP of IR

Thank you, Mikael. And operator, if we could please take our last question now.

Operator

Your final question comes from Steve Scala from Cowen.
Steve Scala - Cowen and Company - Analyst

Thank you very much. I have three questions. What is your level of confidence around the August 13 ACIP vote on Prevnar 13 in adults? Would you say, for instance, that you're highly confident in the vote? Secondly, regarding the neratinib comment earlier in the call, were you suggesting that you believe you have some legal right to gain greater participation than just the 13% royalty? And then thirdly, I would think you have kept a close eye on developments at AstraZeneca maybe involving evolution of the pipeline, and I'm wondering if you would share any observations. Thank you.

Ian Read - Pfizer Inc. - Chairman & CEO

Okay. AstraZeneca, I really don't want to make any comments. It's a very complicated legal situation with the UK Takeover Panel. I think it's best to remain silent. Sorry for that, Steve, but I'm sure you'll understand why. Perhaps, Doug, you could comment on neratinib.

Doug Lankler - Pfizer Inc. - General Counsel

Sure. As we indicated before, we did not see the data and believe we should have been able to see that data, and we're in the process of reviewing our contractual rights.

Ian Read - Pfizer Inc. - Chairman & CEO

I think what we're basically talking about is that we were in negotiations with them, and we believe we have contractual rights to see data that we didn't see, so we're reviewing our options. And ACIP. Albert?

Albert Bourla - Pfizer Inc. - Group President of Vaccines, Oncology and Consumer

Yes, I don't want to speculate what the ACIP decisions will be, but I'm very optimistic. And I think that the policy options that they propose were both favorable, actually commercially neutral for us because either will be the only or it will be the first, a vax inverter will be administered. We think that will be a vote in this meeting, and we hope it will be positive.

Ian Read - Pfizer Inc. - Chairman & CEO

Thank you. When you all have a chance to meet Albert, he's a very optimistic personality, so we appreciate that optimism (laughter).

Chuck Triano - Pfizer Inc. - SVP of IR

Thanks, Albert. Thanks, everybody, for your attention this morning.

Ian Read - Pfizer Inc. - Chairman & CEO

Thanks for your time, everyone.

Chuck Triano - Pfizer Inc. - SVP of IR

Thank you.
Operator

Ladies and gentlemen, this does conclude Pfizer's second quarter 2014 earnings conference call. Thank you for participating. You may now disconnect.

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