



Fourth Quarter 2016 Earnings Teleconference

January 31, 2017



Introduction

Chuck Triano
Senior Vice President,
Investor Relations

Fourth Quarter 2016 Earnings

Forward-Looking Statements and Non-GAAP Financial Information

- Our discussions during this conference call will include forward-looking statements about, among other things, our anticipated future operating and financial performance, business plans and prospects, in-line products and product candidates, strategic reviews, capital allocation, business-development plans, the benefits expected from our acquisitions of Hospira, Anacor, Medivation and AstraZeneca's small molecule anti-infectives business, and the pending disposition of Hospira Infusion Systems, as well as plans relating to share repurchases and dividends that are subject to substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Additional information regarding these factors can be found in Pfizer's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and in our subsequent reports on Form 10-Q, including in the sections thereof captioned "Risk Factors" and "Forward-Looking Information and Factors That May Affect Future Results", as well as in our subsequent reports on Form 8-K, all of which are filed with the U.S. Securities and Exchange Commission and available at www.sec.gov and www.pfizer.com. The forward-looking statements in this presentation speak only as of the original date of this presentation and we undertake no obligation to update or revise any of these statements.
- Also, the discussions during this conference call will include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles (GAAP). Reconciliations of those non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures can be found in Pfizer's Current Report on Form 8-K dated January 31, 2017. Any non-U.S. GAAP financial measures presented are not, and should not be viewed as, substitutes for financial measures required by U.S. GAAP, have no standardized meaning prescribed by U.S. GAAP and may not be comparable to the calculation of similar measures of other companies.



Opening Remarks

Ian Read

Chairman and Chief Executive Officer

Fourth Quarter 2016 Earnings

CEO Perspectives

- Another year of operational revenue growth in 2016, driven by both new and mature brands
 - Pfizer Essential Health established itself as a leader in sterile injectables & biosimilars
 - Pfizer Innovative Health performed well (Eliquis, Xeljanz, Chantix, Lyrica, Ibrance)
 - Business development activities provided growth opportunities within both businesses
- Our operational revenue growth profile remains strong, with in-market and recently acquired products expected to deliver enhanced revenue growth over time
- Current pipeline highlights
 - Ibrance: pivotal studies ongoing in breast, and sponsored trials in pancreatic and SCCHN
 - Xtandi: potential to move into non-metastatic prostate cancer and other indications
 - I/O: 11 compounds now in clinic, providing us potential to differentiate with combinations
 - Biosimilars: released positive Phase 3 results for infliximab, trastuzumab and adalimumab
 - Inflammation & Immunology: 3 JAKs and 1 IRAK4 inhibitor in Phase 2 trials
 - Vaccines: *C. difficile* vaccine candidate Phase 3 start expected in 1H17; novel pneumococcal vaccine candidate now in the clinic

**We Created Significant Shareholder Value in 2016;
We Enter 2017 in a Strong Financial Position**



Financial Review

Frank D'Amelio
Executive Vice President &
Chief Financial Officer

Fourth Quarter 2016 Earnings

Income Statement Highlights

(\$ Millions, Except Per Share Amounts and Percentages)

	Fourth Quarter			Full Year		
	2016	2015	Change	2016	2015	Change
Revenues	\$13,627	\$14,047	(3%)	\$52,824	\$48,851	8%
Reported Net Income/(Loss) ⁽¹⁾	775	(172)	*	7,215	6,960	4%
Reported EPS/(LPS) ⁽¹⁾	0.13	(0.03)	*	1.17	1.11	5%
Adjusted Income ⁽²⁾	2,894	3,306	(12%)	14,761	13,755	7%
Adjusted Diluted EPS ⁽²⁾	0.47	0.53	(11%)	2.40	2.20	9%

Q4 2016 Reported Results Favorably Impacted Primarily by the Non-recurrence of Q4 2015 FX Losses Related to Venezuela, a Protonix-Related Legal Matter and Pension Settlements, as well as a Lower Effective Tax Rate in Q4 2016 Compared to Q4 2015; Unfavorably Impacted Primarily by Fewer Selling Days, FX Impacts, Higher Restructuring Costs and Losses Related to the Early Redemption of Debt and the Pending Sale of Hospira Infusion Systems

(1) Reported net income/(loss) is defined as net income/(loss) attributable to Pfizer Inc. in accordance with U.S. GAAP. Reported diluted earnings per share (EPS) and reported loss per share (LPS) are defined as reported diluted EPS or LPS attributable to Pfizer Inc. common shareholders in accordance with U.S. GAAP.

(2) Adjusted income and its components and Adjusted diluted EPS are defined as reported U.S. GAAP net income⁽¹⁾ and its components and reported diluted EPS⁽¹⁾ excluding purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items (some of which may recur, such as restructuring or legal charges, but which management does not believe are reflective of our ongoing core operations). Adjusted cost of sales, Adjusted selling, informational and administrative (SI&A) expenses, Adjusted research and development (R&D) expenses and Adjusted other (income)/deductions are income statement line items prepared on the same basis as, and therefore components of, the overall Adjusted income measure.

* Calculation is not meaningful.



Impact of Foreign Exchange on Revenues and Select Adjusted Income⁽¹⁾ Components

(\$ Millions, Except Percentages)

Favorable / (Unfavorable)

	Fourth Quarter				
	2016	2015	FX Impact		
Revenues	\$13,627	\$14,047	(\$228)		(2%)
Adjusted Cost of Sales ⁽¹⁾	3,046	2,983	(131)		(4%)
<i>COS as a Percentage of Revenues</i>	22.4%	21.2%	(1.3 pts)		(6%)
Adjusted SI&A Expenses ⁽¹⁾	4,402	4,598	69		2%
Adjusted R&D Expenses ⁽¹⁾	2,505	2,318	12		1%
Total Adjusted Costs & Expenses⁽²⁾	\$9,953	\$9,900	(\$50)		(1%)

Foreign Exchange Had a ~\$0.04 Negative Impact on Adjusted Diluted EPS⁽¹⁾ Compared to the Year-Ago Quarter, Primarily Driven by a ~\$0.03 Negative Impact Related to Venezuela

⁽¹⁾ See slide 7 for definition.

⁽²⁾ Totals may not add due to rounding.

2016 Financial Guidance⁽¹⁾⁽²⁾ vs. Actual Results

	Guidance	Results	
Revenues	\$52.0 to \$53.0 billion	\$52.8 billion	✓
Adjusted Cost of Sales ⁽³⁾ as a Percentage of Revenues	21.5% to 22.0%	22.0%	✓
Adjusted SI&A Expenses ⁽³⁾	\$14.2 to \$14.7 billion	\$14.7 billion	✓
Adjusted R&D Expenses ⁽³⁾	\$7.8 to \$8.1 billion	\$7.8 billion	✓
Adjusted Other (Income) / Deductions ⁽³⁾	Approximately (\$600 million) of income	(\$729 million) of income	✓
Effective Tax Rate on Adjusted Income ⁽³⁾	Approximately 24.0%	23.0%	✓
Adjusted Diluted EPS ⁽³⁾	\$2.38 to \$2.43	\$2.40	✓

Met or Exceeded all Components of 2016 Financial Guidance

⁽¹⁾ Exchange rates assumed are a blend of the actual exchange rates in effect through third -quarter 2016 and mid-October 2016 exchange rates for the remainder of the year. ⁽²⁾ Pfizer does not provide guidance for GAAP Reported financial measures (other than Revenues) or a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP Reported financial measures on a forward-looking basis because it is unable to predict with reasonable certainty the ultimate outcome of pending litigation, unusual gains and losses, acquisition-related expenses and potential future asset impairments without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP Reported results for the guidance period. Did not assume the completion of any business development transactions not completed as of October 2, 2016, including any one-time upfront payments associated with such transactions. Guidance for Revenues reflected the anticipated negative impact of \$1.8 billion due to products that have recently lost patent protection. Guidance for 2016 Revenues also reflected the anticipated negative impact of \$1.4 billion as a result of unfavorable changes in foreign exchange rates relative to the U.S. dollar compared to foreign exchange rates from 2015, including \$0.8 billion due to the estimated negative currency impact related to Venezuela. The anticipated negative impact on adjusted diluted EPS⁽³⁾ resulting from unfavorable changes in foreign exchange rates compared to foreign exchange rates from 2015 was anticipated to be approximately \$0.20, including \$0.08 due to the estimated negative currency impact related to Venezuela. Adjusted Diluted EPS⁽³⁾ guidance assumed diluted weighted-average shares outstanding of ~6.2 billion shares. ⁽³⁾ See slide 7 for definition.

2017 Financial Guidance⁽¹⁾⁽²⁾

Revenues	\$52.0 to \$54.0 billion
Adjusted Cost of Sales ⁽³⁾ as a Percentage of Revenues	20.0% to 21.0%
Adjusted SI&A Expenses ⁽³⁾	\$13.7 to \$14.7 billion
Adjusted R&D Expenses ⁽³⁾	\$7.5 to \$8.0 billion
Adjusted Other (Income) / Deductions ⁽³⁾	Approximately \$100 million of deductions
Effective Tax Rate on Adjusted Income ⁽³⁾	Approximately 23.0%
Adjusted Diluted EPS ⁽³⁾	\$2.50 to \$2.60

Guidance Midpoints Imply Revenues Slightly Above 2016 Results and a 6% Increase to Adjusted Diluted EPS; Excluding the Pending Disposition of Hospira Infusion Systems and Foreign Exchange, the Midpoints of our 2017 Revenue and Adjusted Diluted EPS Guidance Reflect 4% and 10% Operational Growth, Respectively

⁽¹⁾ Exchange rates assumed are as of mid-January 2017. ⁽²⁾ Pfizer does not provide guidance for GAAP Reported financial measures (other than Revenues) or a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP Reported financial measures on a forward-looking basis because it is unable to predict with reasonable certainty the ultimate outcome of pending litigation, unusual gains and losses, acquisition-related expenses and potential future asset impairments without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP Reported results for the guidance period. Does not assume the completion of any business development transactions not completed as of December 31, 2016, including any one-time upfront payments associated with such transactions, except for the pending disposition of HIS, expected in February 2017. Reflects an anticipated negative revenue impact of \$2.4 billion due to recent and expected generic and biosimilar competition for certain products that have recently lost or are anticipated to soon lose patent protection. Guidance for 2017 Revenues also reflects the anticipated negative impact of \$0.9 billion as a result of unfavorable changes in foreign exchange rates relative to the U.S. dollar compared to foreign exchange rates from 2016. The anticipated negative impact on adjusted diluted EPS⁽³⁾ resulting from unfavorable changes in foreign exchange rates compared to foreign exchange rates from 2016 is approximately \$0.05. Adjusted Diluted EPS⁽³⁾ guidance assumes diluted weighted-average shares outstanding of ~6.1 billion shares. ⁽³⁾ See slide 7 for definition.

Key Takeaways

- ✓ Finished full year 2016 with 5% operational revenue growth (excluding Hospira and Medivation), following 3% operational revenue growth in full year 2015 (excluding Hospira)
- ✓ Issued 2017 financial guidance
 - Revenue guidance midpoint implies another year of mid-single-digit operational growth (excluding impact of the anticipated sale of Hospira infusion systems and foreign exchange)
 - Adjusted Diluted EPS guidance midpoint implies 10% operational growth (excluding impact of the anticipated sale of Hospira infusion systems and foreign exchange)
- ✓ Accomplished several product and pipeline milestones since our previous quarterly update
 - The European Commission approved Ibrance for the treatment of women with HR+, HER2- locally advanced or metastatic breast cancer
 - The FDA approved Eucrisa for the treatment of mild to moderate atopic dermatitis in patients two years of age and older
 - Announced *C. difficile* vaccine candidate to move into Phase 3 after positive Phase 2 interim results
 - Announced the CHMP adopted a positive opinion recommending Xeljanz for the treatment of patients with moderate to severe active rheumatoid arthritis in the EU
 - Advanced the avelumab development program, with submitted filings in the US and EU for mMCC, as well as 30 monotherapy and combination trials ongoing, 10 of which are potentially registrational
- ✓ Returned \$12.3 billion to shareholders in 2016 through dividends and share repurchases

Remain Committed to Delivering Attractive Shareholder Returns in 2017 and Beyond



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Q&A Session
January 31, 2017



Appendix

Segment Financial Highlights January 31, 2017

Pfizer Innovative Health Selected Financial Highlights

(\$ Millions, Except Percentages)

	Fourth Quarter			
	2016	2015	% Change	
			Total	Oper.
Revenues	\$7,726	\$7,637	1%	2%
Cost of sales	1,111	1,071	4%	1%
SI&A expenses	2,301	2,261	2%	3%
R&D expenses	1,125	839	34%	34%
IBT ⁽¹⁾	3,384	3,750	(10%)	(7%)
	As a % of Revenues		Percentage Point Change	
Cost of sales	14.4%	14.0%	0.4 ppts	(0.1) ppt
SI&A expenses	29.8%	29.6%	0.2 ppts	0.2 ppts
R&D expenses	14.6%	11.0%	3.6 ppts	3.5 ppts
IBT ⁽¹⁾	43.8%	49.1%	(5.3) ppts	(4.3) ppts

⁽¹⁾ IBT represents income from continuing operations before provision for taxes on income.

- Q4 2016 revenues increased 2% operationally to \$7,726M vs. Q4 2015
 - Driven by Ibrance in the U.S., Eliquis globally, the addition of Xtandi in the U.S. as well as Xeljanz and Lyrica, both primarily in the U.S., partially offset by declines in Plevin 13, Enbrel and Rebif
- Cost of sales increased 1% operationally; Cost of sales as a % of revenues decreased 0.1 percentage point (ppt) operationally
 - Operational increase in cost of sales was primarily driven by an increase in royalty expense, partially offset by a decrease in sales volumes mostly due to a decrease in Plevin 13 sales
- SI&A expenses increased 3% operationally
 - Driven by additional investment across several of our key products
- R&D expenses increased 34% operationally
 - Driven by costs associated with the close out of our bococizumab program, the inclusion of Medivation and higher costs for our avelumab alliance, partially offset by lower costs for other late-stage programs



Pfizer Essential Health Selected Financial Highlights

(\$ Millions, Except Percentages)

	Fourth Quarter			
	2016	2015	% Change	
			Total	Oper.
Revenues	\$5,902	\$6,410	(8%)	(6%)
Cost of sales	1,596	1,688	(5%)	(4%)
SI&A expenses	1,020	1,230	(17%)	(15%)
R&D expenses	356	371	(4%)	(4%)
IBT ⁽¹⁾	2,913	3,174	(8%)	(3%)
	As a % of Revenues		Percentage Point Change	
Cost of sales	27.0%	26.3%	0.7 ppts	0.4 ppts
SI&A expenses	17.3%	19.2%	(1.9) ppts	(1.9) ppts
R&D expenses	6.0%	5.8%	0.2 ppts	0.1 ppts
IBT ⁽¹⁾	49.4%	49.5%	(0.2) ppts	1.4 ppts

⁽¹⁾ IBT represents income from continuing operations before provision for taxes on income.

- Q4 2016 revenues decreased 6% operationally to \$5,902M vs. Q4 2015
 - Driven by operational declines in the Peri-LOE and Legacy Established Products portfolios, partially offset by growth in the Biosimilars and Sterile Injectables Pharmaceuticals portfolios
- Cost of sales decreased 4% operationally; Cost of sales as a % of revenues increased 0.4 percentage points (ppts) operationally
 - Operational increase in cost of sales as a % of revenues primarily due to the impact of product LOEs, as well as an unfavorable change in product mix, partially offset by lower volumes
- SI&A expenses decreased 15% operationally
 - Due to lower general and administrative expenses, as well as lower advertising, promotional and field force expenses
- R&D expenses decreased 4% operationally
 - Due to the close-out of certain post-marketing trials and lower spending for legacy Hospira biosimilars programs, partially offset by an increase in regulatory and safety expenses