Good morning, everybody. I just need to read a quick disclaimer. Please note that all important disclosures, including personal holdings and Morgan Stanley disclosures, appear on the Morgan Stanley public website at www.MorganStanley.com/researchdisclosures.

It’s very much my pleasure this morning to welcome Frank D’Amelio, Executive Vice President and CFO of Pfizer. Frank joined Pfizer in September of 2007 from Lucent, where he was CFO and was key to the turnaround of Lucent and the integration of the Alcatel Lucent merger. Frank is overseeing Pfizer’s consistent delivery of EPS slightly ahead of expectation since he became CFO, and we’re fortunate to have him here ahead of the crucial 2012 inflection in the Company’s financial results.

So, I guess just to kick it off, Frank, it would be great for you to provide some opening remarks on the business outlook and key developments that investors should be focused on over the near term.

Frank D’Amelio
Pfizer Inc. - EVP, CFO

Sure, and good morning, everybody, and let me just start by complementing everyone on the room temperature. It’s perfect. I just thought I’d mention that. Just perfect.

I think maybe my opening remarks I’ll start this way. We continue to focus the Company on continuing to deliver shareholder value over time. I think that is the way I will start. And maybe I’ll make some comments about the past quarter, and then some events that have taken place since the last quarter.

So, our Q2 results were in line with our internal expectations, and the results continue to absorb the impact of LOEs, which are material for the business. Last quarter, the impact of LOEs on a year-over-year basis was $1.5 billion. So, you know, I call that some of the headwind we face as we continue to go forward.

Last quarter, we also reaffirmed our 2011 guidance and our 2012 targets, which is always a good thing. Last quarter, we completed our portfolio review and announced that we were pursuing strategic alternatives for the animal health and nutrient business. And please know that we are evaluating structures for those businesses, obviously with the objective of selecting the structure that will deliver the greatest after-tax return to our shareholders.

I announced on that call that we continue to expect to buy back $5 billion to $7 billion worth of our shares this year. On the last call, which was as of August 1, we had purchased back $4.3 billion worth of our shares, which translated to 214 million shares, but call it 214 million shares. And then I think, given all that, most importantly our late-stage pipeline from the earnings call since a month and a half ago, we’ve had some very positive news.

Crizotinib, now Xalkori, was approved in the U.S. for the treatment of positive non-small cell lung cancer. We’ve announced some positive results on Eliquis, which is a drug for stroke prevention. The clinical profile remains encouraging for tofacitinib.
We continue to expect to make filings for that, regulatory filings, by the end of the year, and we continue to expect to receive regulatory action on Prevnar 13 for adults 50 and over in the U.S. by January of 2012 and in the EU by the end of the year, I think. So the late-stage pipeline continues to advance, and it’s one of the areas that we are acutely focused on in terms of improving the productivity of our innovative core.

So I think, Dave, that’s probably just a quick summary relative to the past quarter, some of the key parts of that quarter, and then some of the recent developments which really have been pipeline-related, which is good. At least I believe it’s good.

I think our pipeline -- you mentioned I started in September of 2007. It’s literally four years that I’ve been at Pfizer now. The pipeline, I believe, is in the best shape it’s been in since I’ve been there, and we’ve spent a lot of time trying to really improve productivity of the pipeline. And I can get into that at some point if you or the audience would like me to, in terms of the things we’ve done.

David Risinger - Morgan Stanley - Analyst

Great. Maybe you could just comment on the Bloomberg article this morning that Pfizer may be rethinking its plans for nutritional. My understanding was that the Company hadn’t come to any decisions and was evaluating its alternatives, and was going to make a decision in 2012, but if you could provide some perspective on that, and also the animal health process as well.

Frank D’Amelio - Pfizer Inc. - EVP, CFO

Sure. So I think the short answer is, and I’ll embellish, we haven’t reached a conclusion on any structure, that we continue to evaluate all structures obviously with the goal of choosing the structures that will deliver the greatest after-tax value to our shareholders, which is what I alluded to in my opening comments.

Obviously in doing those analytics, there many variables that we look at, many, many variables that we look at. They include things like tax consequences, regulatory hurdles, who potential buyers would be, public market conditions. So those are all the kinds of things that we’re looking at it, but once again with the objective of maximizing shareholder return.

And I think the way to think about this is we announced our strategic decisions in July and said we had a window of 12 to 24 months. Our expectation, my expectation, is that we would complete any transactions between July of 2012 and July of 2013, which is those same 12 to 24 months from the time we announced our strategic decisions -- I think it was the first week of July.

So from my perspective, we’re still doing the things we said we were going to do. Everything that I just said I believe is consistent with what we have said previously, and like I said, our job, my job, with Ian and the leadership team is to get that done, and we’re working very aggressively to do that. And we’re taking all those kinds of variables that I just described into account.

David Risinger - Morgan Stanley - Analyst

That’s great. And with respect to your decision to concentrate more in pharma/bio as you divest animal and nutritional, could you just speak to those initiatives to boost R&D productivity? Obviously, the entire executive management team is focused on that. Clearly, reducing capital invested can boost return on capital, but in terms of boosting the actual R&D output, maybe you could speak to that at a high level and how finance is more involved in that process.

Frank D’Amelio - Pfizer Inc. - EVP, CFO

Sure. Let’s see, I’ll come at this in a couple of ways. So first, I mentioned some of the progress we’ve made in the late-stage pipeline, so I won’t go through that again. I won’t repeat myself.
Let me get to some of the specific things that we’ve done and see if that gets at the question. So I think, first and foremost, we focused. And I like to use that word. We focused the R&D portfolio.

So what does that mean? We have really focused the R&D spend, the capital deployment, into five therapeutic areas, and our requirements for that focus were the following. One, is there a large unmet medical need? So you know, is it an area where we can really have a positive impact on patients, a large area of unmet medical need?

Two, is it an area where we could have some -- where there’s a large commercial opportunity? And then, three, can we be successful in that space? So there may be a large unmet medical need, there may be a significant commercial opportunity, but then the third hurdle is, do we have the capabilities, do we have the assets to be successful in that space?

Based on that kind of analytic, we focused on five therapeutic areas -- inflammation and immunology, oncology, pain, CV med, and neuroscience. And by the way, by doing that focus, what that also allowed was for us to exit certain areas, so as a result of that kind of focused work, that portfolio work, for example we stopped 90 pre-POC programs.

So let me run a couple numbers and I’ll give you a couple more examples. If you look at our guidance for this year for R&D, it’s $8 billion to $8.5 billion. For next year, it’s $6.5 billion to $7 billion.

Now let me run a couple of the numbers. When we announced the Wyeth transaction in January of 2009, the combined R&D spend of the two companies was $11 billion. Pfizer was about $7.5 billion, Wyeth was about $3.5 billion. I’m rounding the numbers a little bit, but these numbers are roughly right. So call the pro forma spend of those two companies around $11 billion.

Next year, we’ve provided guidance that says the R&D spend will be about $6.5 billion to $7 billion. That spend is lower than what standalone Pfizer was when we announced the Wyeth transaction for what is now the combined company, and I believe our productivity, our output, is better because of the focus that we’ve put in place relative to therapeutic areas.

Now we’ve done, Dave, many other things to improve our R&D productivity. I’ll mention a couple of them. So what else have we done? We’ve set up a structure in the Company where once a molecule hits proof of concept, the funding for that, the decision-making, is at a committee that includes the R&D leader, so Mikael Dolsten, and the business unit leaders. And then, the subsequent funding of that is actually -- it resides in the business units where the P&L resides.

And the reason for that is once it hits POC, the big spend, the big commitment financially, is in Phase III, the clinical trials, so we’ve got that on the P&Ls of the business unit leaders. The development is there, the actuals are there, and those folks are very much making the decision obviously in partnership with the R&D team, but the BUs make the decision on whether or not to progress the molecules.

It was interesting. When we first went to this structure about two years ago, we actually had a couple of Phase III starts stop, and I don’t believe that would’ve ever happened if we didn’t put this new model in place because of, I called that, nice constructive tension relative to the BUs and the research team.

A couple of the other things that we have done, we’re increasing our use of external expertise, so you see us doing more collaborations with leading academic institutions. You see us leveraging more, I’ll call it, specific functions, so outsourcing more of our clinical development services, and that’s all part of what I’ll call the focus on what we believe we should be focusing on and then where we should be leveraging or deleveraging in other areas.
Now, the thing with R&D in this industry, you all know this, is it's a long cycle. So a lot of what we're doing today or last year, we're not going to see the benefits of for a few years to come, but that said, our late-stage portfolio right now, our late-stage pipeline, I think, is progressing quite nicely, and I always say I'm cautiously optimistic about the prospects given some of the recent announcements that we've had. So that's how I'd answer the R&D question.

David Risinger - Morgan Stanley - Analyst

And just to follow on that briefly, with respect to the Phase III decisions being on the P&L of the business unit leaders, could you just help us understand how that is implemented? Meaning, let's say that a given business unit has, I don't know, many more great Phase III opportunities to invest in, how do they not get penalized for making those appropriate investments? And another question would be, let's say that a development timeline is four years for a certain type of Phase III development versus two years. How does that get dialed into the P&L because when I think of P&L, I really think short term, and clearly drug development is long term, so could you just connect the dots there?

Frank D'Amelio - Pfizer Inc. - EVP, CFO

I'll try to. So first, I would say one of my favorite sayings is there's no long term without a short term, just to be clear.

So I always -- the way I always think about this is it's not an or; it's an and, which is it needs to be short term and long term, not short term or long term. So that's where I start.

And then, in terms of how we make decisions, the answer is in terms of what we believe will best drive shareholder value over time. One of the words we use is choice. Not everything can be funded, so we've got to make choices on what we think is best from a return on capital perspective. And to the extent that, let's say, someone's individual budget is constrained, but there's lots of really good opportunities there that we think do represent very good potential returns on capital, our job, my job, is to figure out how to allocate the capital to fund that, and that may involve and will involve choices enterprise-wide, which is one of the things that I get to do.

So you know, the nice thing about our Company is we have a very strong balance sheet. We generate lots of operating cash. It does provide us with nice capital deployment flexibility. So to the extent that those kinds of opportunities present themselves, our job is to make the right choices to allocate capital in the best way to hopefully maximize return over time, and that's what I think we've been doing. So that's how I'd answer the question.

David Risinger - Morgan Stanley - Analyst

Thank you. And then, if we could just step back to a higher level, more drug companies are starting to provide longer-term visions for where they're taking the Company. For example, Sanofi did most recently. How is your management team thinking about the longer term? Obviously, investors have gone through a little bit of a roller coaster ride in the first half of this year thinking that Pfizer was going to be -- or some investors thinking that Pfizer was going to be downsizing dramatically, maybe exiting generic. Now we've learned that that is not the case, and so, in terms of what your management team wants Pfizer to be in 2015, could you speak to that and straighten that out for us?

Frank D'Amelio - Pfizer Inc. - EVP, CFO

Sure. Let me do a couple of things to this question because you also mentioned the word downsizing, so I want to just talk a little bit about synergy achievement, and then I'll segue to the whole thing about vision.
So first, in terms of downsizing, one of the questions I typically get asked in a large group is, Frank, how are you guys doing on your synergy commitments? You know, you announced the Wyeth acquisition a couple years ago. You made some commitments on synergies. As investors, what are some of the things that we can look at to really see what kind of progress you’ve been making?

So clearly, you can look at our progress versus our 2011 and 2012 numbers, but one of the things I look at, and hopefully this is something you all find helpful, is headcount because workforce is such a key driver in everything that we do.

So let me run a couple numbers, and then I’ll answer your question about vision, Dave. If you look at the combined headcount once again, I will call it pro forma Pfizer-wide, when we announced the deal in January 2009, the combined Company had about 130,000 people. Pfizer had, give or take, about 80,000; Wyeth had, give or take, about 50,000; and I’m rounding the numbers, but they’re all roughly right. And when we closed the Wyeth transaction, so that was in October 2009, that 130,000 was 120,700.

If you look at our headcount at the end of last quarter, it was 111,800. But by the way, that 111,800 included 2,600, 2,700 for King. If you take out King to do an apples-to-apples comparison, there was about 109,000. So from that announcement in January 2009 to last quarter, we were down, apples to apples, about 21,000 people.

And remember, that’s a net number because we’re adding a lot of people in emerging markets like China and then taking out people in other markets. So I think we’ve really made nice progress, and if you remember when we announced the Wyeth transaction, Dave, one of my commitments was a 15% reduction to the workforce. So if you do the math, 21,000 on 130,000 is greater than 15%. 19,500 is 15%. So I just thought I’d -- in terms of you mentioned the word, I wanted to make sure I just gave you an example of one of the many metrics that I look at relative to the progress we are making on being more efficient, being more productive, deploying our capital as best we can.

Now let’s talk about the vision piece of the question. You know in my mind, the vision for me is simple. I’ll give you kind of the financial vision, and then I’ll give you the operational structure or the operational comments that go along with it because operational cause equals financial effect, right? So I’ll give you the financial effect, and then what the operational cause is, hopefully, that delivers that financial effect.

So the vision for me is consistent, sustainable earnings growth over time. Consistent, sustainable earnings growth over time. And then the question becomes, how do you see that operationally taking place? I think as you go out several years, I think really I see the Company having two distinct businesses. One is an innovative business, which is being driven by new products, bringing new novel medicines to market, that is empowered, that is supported by an improved R&D engine. And that’s kind of some of the things I talked about before in one of your previous questions, Dave.

And then I think the second business is a high cash-generation, established-products business that is selling generic products. I think that’s -- when you look at what’s the operational rhythm of the business going to be when you get out several years, I think we’ll have those two kinds of distinct businesses. I think our job will be to manage each business to the max and to obviously maximize the returns, and then going forward how to maximize the capital and the allocation of it to continue to keep a real positive rhythm to deliver consistent, sustainable earnings growth over time.

But that’s how I see the Company as we go forward a couple of years. I think there will be those two distinct businesses.

David Risinger - Morgan Stanley - Analyst

Great. And to that end, it's not clear to me if one should think about 2013 as a growth year. Obviously, the financials seem to be dropping in 2012, but you don’t have the full-year impact of certain patent expiries like a Detrol, for example, that occurred later in 2012. So with respect to growth, can 2013 be a growth year of should we think about that more so being 2014?
Frank D’Amelio - Pfizer Inc. - EVP, CFO

So let me frame the numbers, and then I’ll answer the question, which is we’ve only provided guidance to date through 2012. So I’ll run some numbers, and then I’ll give you where the growth will come from going forward without being specific beyond 2012 because we and I just haven’t done that yet.

So, think about it this way. Our EPS guidance for this year, so for 2011, is $2.16 to $2.26. The Lipitor LOE in the U.S. takes place at the end of November of this year, 2011, so November 30, 2011. So, we get the full-year impact of that in the U.S. in 2012.

Our EPS guidance for 2012 is $2.25 to $2.35. So despite the impact of Lipitor, our EPS is going from $2.16 to $2.26, to $2.25 to $2.35, just in terms of the rhythm of the numbers.

In terms of beyond 2012, which is what you really asked me, because you know all these numbers already, where will the growth come from? So let me go through all the areas where the growth will come from without pinpointing what the number is going to be in year X or year Y because, quite frankly, I’m just not ready to do that. There’s many areas. I think the short answer is there is no one silver bullet. I can’t say this one silver bullet is what’s going to generate the growth on a going-forward basis. But there’s a bunch of bullets that will be, I call it, the enablers for growth.

Let me just rip through those. So clearly, one will be continued growth in the in-line portfolio, so the products we have already, products like the Prevnar franchise. The second one will be bringing new products to market like crizotinib, now Xalkori, which was just recently approved.

And the third area will be continuing to grow in emerging markets, which is where we’ve been deploying a lot of capital. Last year, our annual sales in China and Brazil, in each of those countries, was over $1 billion. So from a blockbuster-drug perspective, we always say $1 billion is the hurdle in pharmaceuticals. Each of those translated to a blockbuster next year, and we expect our revenues in those countries to continue to grow.

Last quarter, our operational growth in China was 15%. So, those will be, I’ll call it, growth areas. And where else are there opportunities to enable earnings growth? Clearly, continuing to be real disciplined in our spending in identifying cost reductions and being more operationally efficient and improving our productivity, which in my mind is a never-ending task. That’s something we do to perpetuity.

And then, the other areas that I think can enable earnings growth are things like what do we do on buybacks. And I mentioned buybacks before, relative to the $5 billion to $7 billion this year, of which $4.3 billion have been completed as of August 1.

Other things are, how do we handle our debt as it matures? There’s lots of opportunities, I think, from a debt perspective these days relative to refinancing, interest rate swaps, and the like.

And then, I think the other area for us is how much cash we choose to repatriate or not repatriate, which impacts the tax rate, which clearly can impact earnings.

So I think we’ve got lots of levers relative to things we can do to generate consistent, sustainable earnings growth over time, but I don’t want to pinpoint myself yet, Dave, to a specific year.

David Risinger - Morgan Stanley - Analyst

And should we expect you to provide a 2013 outlook early next year when you report your full-year 2011 results?
Frank D’Amelio - Pfizer Inc. - EVP, CFO

So our practice is typically in the first earnings call of any given year, so -- which is typically, call it, the end of January, early February of 2012, we'll provide an update on 2012.

We don't typically go beyond that. Remember, the only reason we put out those 2012 numbers was when we acquired Wyeth, and I'll tell you what my rationale was. We were spending $68 billion of our owners' money. I felt one of the things we had to be able to answer for the owners of the company was, what was the company going to look like for the full year post the Lipitor LOE in the U.S.? So we put those targets out, which I felt we had to do because I think we had to be able to answer the question, does this acquisition very much mitigate the impact of Lipitor LOE on the Company? So we put out a longer-term target.

So our typical practice is guidance for that year at the beginning of the year. I think that is the practice we'll continue, but I do understand the need for what is the rhythm of the business look like, so you hear me making statements about consistent, sustainable earnings growth, and that's something that we'll continue to refine over time.

David Risinger - Morgan Stanley - Analyst

Great. Let me open it up to the audience for questions as well. We have microphones in the back if anybody has a question.

Just following on with that, then, so with respect to your divestitures, when should we expect you to provide more color? I guess, for example, I'm just thinking off the top of my head, would you be able to provide color early next year on the financial outlook for 2012, excluding the planned divestitures, or would that not be possible because you wouldn't have decided necessarily by that point whether they would be IPO'd or sold?

Frank D’Amelio - Pfizer Inc. - EVP, CFO

It's a good question. They're all good questions.

So let me answer the question this way, and if I don't answer the question adequately, just -- we'll stay with it until I do. I think the way to think about this is, as I alluded to before, we are evaluating all structures and we're not locked into any single structure, so we're evaluating all structures. Obviously, the objective of maximizing return to our shareholders. That's where we start. That's where we begin. That's where we end.

So we're not locked into anything, no bias on any structure, other than how do we maximize return to our shareholders as we potentially monetize these assets. That would be point one.

Point two, come our first call next year, my current guess is we would include those in our guidance, and then you all understand the way the accounting works is once we make a decision and provide more specifics on here is kind of the path we are going to go down, like we do with Capsugel, for example, then that triggers, I'll call it, discontinued ops accounting treatment, which goes retroactive to the beginning of the year, at which point we would modify our guidance. Do you follow, Dave?

David Risinger - Morgan Stanley - Analyst

Yes.

Frank D’Amelio - Pfizer Inc. - EVP, CFO

Just like we did on Capsugel. So if you all remember, when we announced Capsugel, that was subsequent to when we had put out our initial guidance, and then we simply came back and we normalized the numbers to adjust for Capsugel.
So if you were to ask me how is this going to play out, given that we're going to come back in the, let's say, end of January with an update, I'd say that's how it will play out. And then, my only qualification on that is depending on the structures that we decide to pursue. So that's how I think it will play out, and to the extent that anything accelerates, if there's more we have to say on that January call, we'll say it and we'll adjust as appropriate then or subsequent to then.

But please know we will make sure, as we go through this, we do it in a way that's communicative to the Street, to our owners, but please also know always with, how do we maximize returns, which is why I give myself and the organization, the Company, that one-year window between July 2012 and July 2013 because depending on the structure, it could take longer.

And what do I mean by that? An outright sale will be quicker than something other than an outright sale, like some sort of a spin or a split, and we're evaluating all of these structures, which is why I've given the Company with Ian and the team this one-year window because I want to make sure we do this right.

David Risinger - Morgan Stanley - Analyst

Great. And could you just educate us on the tax rate? Obviously, Pfizer took up the tax rate to 29% to 30% post-Wyeth. How much of that is permanent versus potentially temporary such that you can bring your tax rate closer to some of your U.S. peers that are in the mid-20s?

Frank D’Amelio - Pfizer Inc. - EVP, CFO

Let me run the numbers on this, and then I'll answer the question, because everything you said, Dave, is spot-on right.

So before we did the Wyeth acquisition, to punctuate your point, our tax rate was 22%. So when I first got here, our tax rate was in the low 20s.

Then we did the Wyeth acquisition. Of that $68 billion, we issued $23 billion in debt. And so what we did when we did the Wyeth acquisition was two things, right? We cut our dividend in half. At the time, it was $1.28. We cut it in half to $0.64, and then we also increased our tax rate from 22% to 30%.

Why did we do that? To prepare for the debt, right, in terms of as that debt matured, the servicing of that debt, because that tax rate allows us to repatriate more money from overseas into the U.S.

This year, we lowered our tax rate from 30% last year to 29% this year, and we've been running roughly at that 29%.

And then, I always get asked, Frank, how should we think about the tax rate going forward? And what I would say is we've guided next year to a tax rate of approximately 29%, which essentially is the same as this year. That's where I still am, Dave, that roughly 29%, and the reason I say that is with everything going on in the world today, with a lot of the fiscal challenges in certain countries, I think the guidance for now, I emphasize for now, will stay at that 29%. I mean, there's a lot of variables that could impact this number, but I think for planning purposes, I am planning for that rate to stay at 29% for now.

And there's lots of potential items that could impact us. Decisions on tax reform in certain countries like the U.S. could impact us. But I think for planning purposes, what I always do is I plan the Company assuming some of those positive -- potential positive things are not going to happen. And then, if they do, please know that we are very prepared to be very participative in those kinds of opportunities.

But I don't plan the Company that way, I think that is a mistake. So I always plan it assuming these positive things won't happen, and then if they do happen, we're ready to go, relative to how do we opportunistically leverage that?
David Risinger - Morgan Stanley - Analyst

That’s great. We are out of time. Thanks, everybody, for joining, and Frank, thanks so much for taking the time out of your busy schedule.

Frank D’Amelio - Pfizer Inc. - EVP, CFO

Thank you, Dave. Thanks, everybody, for your time and interest. We appreciate it.