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PRESENTATION

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

Good morning everybody. I am Chris Schott, pharmaceutical analyst at J.P. Morgan. It's my great pleasure this morning to introduce Ian Read, Pfizer's Chairman and Chief Executive Officer. With that, I turn it over to Ian.

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

Thank you Chris. Good morning everyone. It's great to be here today with you all.

As usual, I think, as noted on the slide, there will be forward-looking statements in this morning's presentation and actual results may differ. There will also be non-GAAP financial information presented.

So after you leave today's presentation, I'd like you to leave really with just three things -- number one, the Pfizer leadership team is uniquely focused on shareholder value and creating shareholder value. We are doing that in -- mainly in two ways -- one, capital allocation, intense focus on getting our capital allocation right. Probably over the short-term, that's an easier thing to do, and the second part, which is getting the innovative core fixed and getting it productive and sustainable.

So perhaps let's take a look at how we are doing on advancing our pipeline in the innovative core. So you can see here we are laying out the -- sustaining the pipeline engine and what we are doing through capitalizing now, advancing our development pipeline. There has been I must say this year a steady cadence of progress in our late-stage pipeline from filings to positive clinical data presentations to approvals and even to launches. We have five near-term compounds which I believe are drivers of our near-term business and can demonstrate the capabilities we do have.

We received approval for Prevnar 13 for adults late in the afternoon on December 30. I would have preferred a little bit earlier than that, but it was approved at that time. It's approved in 40 countries, including the US, and we are very excited about this product and its potential.

Tofacitinib has been filed and accepted by the FDA, and the EMA, and has been submitted in Japan. It's been extensively researched, over 5000 RA patients, for moderate to severe rheumatoid arthritis, and it has been tested in a variety of populations and patients that have been on prior DMARDs, including traditional DMARDs and TNF inhibitor failures. Once again, a premium product, extensively researched. We are excited about the opportunity to offer this product to patients.

Xalkori, our uptake on Xalkori, which is our innovative drug for non-small cell lung cancer, is on track. It was launched. We are seeing the pickup in patients. There's a small patient population we're tracking and we are on track on prescriptions.

The testing rates for ALK continue to rise significantly. Most academic centers now routinely test for ALK. Xalkori is also approved in Korea and we are awaiting outcomes of reviews in the EU and in Japan. We continue to invest in Xalkori in other malignancies.

For axitinib, we filed axitinib in Europe, Japan and the US last year. In December, the FDA Oncologic Drugs Advisory Committee voted unanimously that the benefit/risk profile was favorable for this product and we are awaiting the FDA's action on that to launch.

Then lastly on the list is Eliquis. It's being developed in partnership with BMS for stroke prevention in atrial fibrillation. It has been filed in the US, Europe and Japan. The FDA has granted priority review. We are very pleased with the strength of the clinical data package. In Aristotle, Eliquis

showed a 21% reduction in stroke, a 31% reduction in major bleeding, and 11% reduction in mortality compared to warfarin, the current standard of care. So we do believe we have an excellent clinical package with this product, and look forward to launching it.

So if you move off the near-term opportunities and look at our late-stage pipeline, we do have two Phase III oncology products -- Dacomitinib for advanced non-small cell lung cancer, and Inotuzumab for aggressive non-Hodgkin's lymphoma. We are also doing other trials of Inotuzumab in malignancies.

We have a meningitis B product, which we're starting the pivotal Phase III studies this year. Frankly, it was the result of substantial discussion with the FDA on the structure of the trials. We are now ready; we now have agreements with the FDA and the European Union, and we will advance rapidly on Phase III trials.

The North American Phase III studies for Bapineuzumab for Alzheimer's are expected to report out sometime around the middle of the year. The global Phase III studies will report around about 2014.

Finally, in Tofacitinib Phase III studies, we have a Phase III study we are going to begin in ulcerative colitis. It's scheduled to begin in the middle of this year and there are ongoing studies in psoriasis and Crohn's disease.

So behind this late-stage pipeline, we have a what we call development of the next wave, which is further back, but exciting in this is PCSK9 for hyperlipidemia, GkA for diabetes, which we think will be a very important agent and a precision management agent in the treatment of diabetes.

We have a substantial pain portfolio in anti-MadCam and NaV 1. NaV 1 was the result of a lot of genetic work done. Once again, it will be the result of the combination of chemistry and biology. It's an extensive chemistry to be able to get to that target. We have a PDE5 inhibitor for diabetic neuropathy and stroke, and we have a vaccine for Staphylococcus aureus. So that's the sort of reason to believe in the pipeline, and the reason to believe in the capital allocations we are doing to enhance shareholder value. But I have no illusions that we need to have an engine that can produce sustainable pipeline growth. So not only is it important to talk about the products we can show you, but also talk about what we are doing together. I believe my partnership Michael Dolsten who is here today who is the head of our research is probably one of the most important partnerships I can have inside my leadership team, because we need to be of one mind on how we are going to progress and go forward and allocate our resources and develop our products.

So we reduced our R&D spending in '11; we reduced it by about $1 billion. But we stopped spending where we didn't believe we had a competitive advantage, or we believe that we would be producing me too products. We did not remove resources from areas that we believe that we have a right to win in, and so where we have both the biology and the chemistry and we have the leads and the mechanisms of action. So we are focused on neuroscience, CVMED, oncology, inflammation, immunology, vaccines, pain, sensory disorders, and we are also doing some work in biosimilars.

We've prioritized our pre-POC, that's proof of concept portfolio. We terminated about 90 pre proof of concept studies that, for reasons various we didn't believe would be successful either, in the lab or successful if it got to market. We've restructured our post-proof of concept portfolio, out-licensing certain areas, the respiratory area to Mylan, licensing a couple of oncology products that we didn't believe that was the right fit for our portfolio, and all-in-all making a big effort to restructure, increase the beta and the productivity of our post-POC portfolio.

We've also taken a look at the value chain inside our research organization and have outsourced a lot of our clinical work with a strategic partnership with ICON and Parexel. I think that's a major strategy for us. We've rationalized our efforts there. Before we were dealing with 18, 19, 20 plus partners. It was very difficult to control; it was very difficult to get quality work and get savings. We now have a strategic partnership with two global players.

We took the necessary steps to shrink our footprint. It was not an easy decision to close Sandwich in the UK, but it's part of I think the revolution, if I want to call it that, that's going on inside Pfizer as post-the Wyeth merger. We see ourselves as not only a powerhouse in chemistry, but we see ourselves as also a powerhouse in large molecules and biologics. I don't think -- and vaccines. We are not missing any technology we need to develop or access the targets we see available. We are strategically moving to access the best talent in science and in biology by closing Sandwich, by moving out of Groton, our CVMED and our neurology scientists, and having hubs in La Jolla, at Cambridge, Massachusetts and Cambridge, UK. So we want to be in the places where we have access to cutting-edge science.

We are also very focused in oncology, in antibody drug conjugate. We are also focused in sensory and pain disorders.

We are not only internally focused. We are acutely aware of the need to go outside. I actually believe that over time we will see more and more of a shift of the percentage of spend that major pharma has between its internal laboratories and its external partnerships as we go out and look for those partnerships.

We signed 19 partnerships with what we call centers of innovation, therapeutic innovation, with leading academic medical institutions around the United States. These are partnerships where basically we work with them to identify mechanisms of action in areas that we are interested in. If we pick those up and go forward then, we pick up the development and there is a sharing relationship with the academic center. So I'm excited about that. It's a really good way for us to expand outside of our internal science. It's effective. It's, I believe, economically appropriate, the rewards we set up. I believe it's a way of us really accelerating our ability to get to mechanisms of action.

We are also adopting a precision mechanism, our precision medicine view. We believe that, by 2015, three to four out of five of our POCs will be precision medicine; that means we will clearly understand the biology and we'll have biomarkers to understand in which patients the medicine will work. I think that implies a huge, a high degree of efficacy and a different value equation for society.

We have a very rigorous and probably unique to the industry way of making decisions on our Phase I, Phase II, Phase III advancements. I believe it's really important that, as a company, we fail early if we are going to fail, and the reality of drug development is you do fail. And so the earlier you fail, the cheaper it is and the quicker you move onto something more important. So in fact, inside Pfizer, we have a formal -- in the value chain, we have a formal handoff -- I'll rephrase that. We have a formal acceptance by the commercial business that runs the development at proof of concept. We have set up, as a way of trying to break the value chain into two distinct parts, pre-and post-proof of concept. Researchers incentivated to get products to proof of concept but they are incentivated only if those proof of concepts are brought up by the business side. I think this adds a huge amount of discipline in the process. If the commercial side declines the proof of concept, researchers are free to offer those products outside to external developers. So I think this creates a tension inside the organization that allows us to be focused on value and value at the customer end.

We also have changed our compensation package for research so that previously their pay funding would've been funded out of the result of Pfizer Inc., out of the earnings-per-share, sales and cash flow. 50% of their long-term funding is now specifically tied to the results of POC starts, POC approvals, registration, and success in the marketplace with 30% of the total compensation tied to the value in the marketplace. So I think we've done a lot to try and strengthen the linkages between our researchers and our commercial side without taking away the ability of the researchers to follow the research by having a focused organization.

So let's talk about a little bit for a moment about enhancing shareholder value. We repurchased this year approximately $9 billion of stock. We made dividend payments of $6 billion. We increased our dividend payment in 2011 and approved an increase of 10% in December 2011, and we continue to target a payout ratio of approximately 40% by the end of 2013.

So in summary, 2011 was, for me, a year of setting a new direction, a year of really committing the Company to being a focused, innovative pharmaceutical company. We are progressing the -- our strategic options on animal health and nutritional. I believe that those businesses are great businesses, but they represent unlocked value and value with that can be better explored outside of Pfizer. So for Pfizer shareholders, I think it's better if we progress our strategic alternatives with those.

We've taken decisive actions to strengthen our innovative core. We're building a firm foundation of a sustainable innovative engine, and we've returned more than $15 billion in 2011 to shareholders through dividends and repurchases.

In 2012, you should expect to see continued progress with our pipeline, including launches, continued strength in emerging markets. I've always said emerging markets are volatile. I don't think there's a straight line on emerging markets. I think you see -- it's China, or it's Turkey and they react and you see price cuts but then volumes come back, so I think clearly it's an area we're going to be in. I continue to see growth there that's important to us.

We're going to optimize our established products business, deploying its cash flow in the best interest of the Company. If I conceptualize Pfizer, I conceptualize it as a company that has two strong parts once we've done the animal health and nutritional strategic disposals, if we do them, we would have a core pharmaceutical company that is innovative and growing. We clearly have a sustainable engine and you will be able to see that through our pipeline and then you will have an established products or post LOE business, including emerging markets, which is driving cash flow. That cash flow is being used to drive earnings per share or appropriate bolt-on acquisitions.

We'll continue to reshape purchases in '12. The Board has approved $10 billion. We said we'd do $5 billion most likely in 2012, but that's not including what we would do if we do monetize nutritional and animal health during 2012 or '13.

So I hope, from that quick run through, you can see that a lot has been done in '11. The team is focused on two critical imperatives -- fix innovative core and getting our capital allocation right. The team is focused on shareholder value.

So with that, I think I've got about nine minutes for Q&A, Chris.

QUESTIONS AND ANSWERS

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

So just a couple of points. Maybe first of all, I know you spent a lot of time talking about the new R&D model that you are implementing. When I think about Pfizer's R&D spend, it's running 12%, 13% of the Company's sales right now. There's a pretty substantial gap versus many of your peers. When I think about that gap, is this just a matter of the industry spending too much on R&D at this point, that Pfizer has kind of right-sized its R&D spend relative to the opportunities, or is this really an outcropping of this new model that allows you to be a lot more efficient with spend?

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

I really can't speak to what our competitors are spending against, and what the [beta] of their pipeline is and their opportunities are. For Pfizer, we really looked at and we sort of stepped back and said exactly what is the size of the business our innovative core has to replenish and grow? So we stripped away all of the sales that are in the emerging markets that are post LOE, and we looked at the sales we can expect to do in the emerging markets of the portfolio we are developing, which is biologics and vaccines, and the opportunities in emerging markets for those type of products. We looked at the products we would be selling in Europe and the United States, and we said "okay, so what's the size of that business?" Let's assume it was roughly between $38 billion and $45 billion. What's the spend? So how -- what do we need to spend, assuming what success ratios we have, and what we need to assume we'll have in both biologics and small molecules from Phase I through to registration? What's the size of the opportunity? What's the size of the successful product? That led us -- what's the cost of getting through that? That led us to the number we got to.

From my point of view we as a management team and shareholders expect us to be able to tell them that we have a sustainable innovation model. I believe what we are spending and what will come out of those opportunities is sustainable, self-financing, and has growth.

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

Fair enough. Business development, we didn't see a tremendous amount of activity from Pfizer in 2011, at least on a dollar value basis. I know you had a big strategic review last year. Should we think of 2011 as an anomaly in terms of the amount of activity, or going forward I guess how much capital should we be kind of thinking about is potentially going to be allocated towards bringing in products to the Company?

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

I think it's opportunity bound. We have the capital. I'm very disinclined to be looking at any possibility of another mega-acquisition. You never say never, but we have all of the science we need. We have the geographic breadth. I think that more and more too much of the value gets transferred

to the seller and not the buyer. So the mega-type things I'm not really focused on. The type of bolt-on acquisitions opportunities I really want to do. I don't think share repurchase is a strategy in itself; they are an efficient capital allocation but they are not a growth strategy. But it's opportunity bound. We are highly conscious that we are stewards of the resources of our shareholders, and we are only going to do bolt-on acquisitions or licensing deals that make financial sense.

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

Your Established Products division, can you just help me get comfortable that a business that's this diverse has very different dynamics than a typical kind of biopharma organization, that you've got the right strategy in place, the right team in place, to properly maximize that asset within Pfizer? How do you think about that you are really kind of giving that -- I don't see a lot of cash flow coming from that business but (multiple speakers).

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

I think the biggest challenge to run -- you've got to understand that our Established Products business is in the main part -- it's the post-LOE products in Western Europe and the United States, which is reasonably large. But more importantly, it's all of our products that almost never had patent protection in emerging markets. I don't really think there's any dichotomy in the strategies there of how we market those products and how we go to market in the emerging markets.

So we have two models. We do traditionally sell our Established Products in emerging markets under a field force and under the same type of capabilities you need in the pharmaceutical business, and in Europe and in the United States, we are a very thin focused almost generic type organization with very few resources. So yes, I do think the commercial side can be perfectly optimized.

I think our challenge is the manufacturing side and ensuring that we are -- we can be cost competitive. That is I think an ongoing challenge for all of us, but I am in a way heartened by the fact that you are seeing a return to a demand for quality by the FDA. There's been a lot of actions by the FDA on importations this year, and so I think that does give us breathing space to get our costs in line on those products.

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

Maybe as a follow-on to that, I know one of the comments on the slide is talking about deploying the Established Product cash flow in a way that maximizes shareholder value. Can you just elaborate a little bit on what the priorities for that cash flow, is that -- should we think about that is more repo or is that (multiple speakers)?

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

I think we said we believe stock price is undervalued even just on discounted cash flow. We don't believe that the stock price reflects the value of our portfolio, our pipeline. So just from a point of value, we believe that right now at the given -- at this level, it makes -- the returns are substantial in share repurchase.

We also understand that dividends are more expensive than debt, so that sort of sets up how we're going to use our capital. But so the bar is if there is an acquisition of a growth asset or a piece of intellectual property that we believe has huge value to us, it has to have more value than share repurchase. If it does, then we will direct the money there. It's that clinical.

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

Your emerging market business has a lot of controversy from investors at least about the kind of sustainability of that business. Can you comment on how you're thinking about the emerging markets over time of at least the part of your business that's there.

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

Yes, so, look, emerging markets has like four components in the way I look at it. It has -- and it's the transitions of each of those components you need to look at. So it has the innovative core, and the bet is, I believe without doubt, as we go through the end of this decade, the Chinas and the Indias and the Brazils, the Mexicos all have the wealth to pay for the type of products we sell today in the United States and Europe. So I'm very focused on that.

The question is what infrastructure do you need in emerging markets for the portfolio that we will be offering in that period of time? Then you look at all of the products we sell in emerging markets, which are post LOE - which never had protection and they are sold based on quality. They're sold based on the consumer's desire to know that what they buy in China, what they buy in India, what they buy in Brazil is quality and they're getting what they pay for.

There are different marketplaces. So where it is a lot of out-of-pocket, it's more robust and more sustainable. Where it is more centrally reimbursed, like Turkey, the business is more exposed. So Turkey, we've had huge price cuts over the last 2.5 years, big volume increases but large price cuts. So you need to be agile; you need to deploy your resources as the opportunities arise in that segment. There is robust growth there. We are growing Lipitor there; we're growing Norvasc there. Norvasc is a $100 million product I believe in China. It's off patent; it's never been on patent. So that is sort of the traditional market we know how to deal with.

Then you have branded generic market which is I believe you can only do market-by-market. You have to establish a presence. So that's why we bought Teuto in Brazil, local company, local brands, branded by the company name. We would look for opportunities to do that. If we could find companies we could buy in a Turkey or an India or a China at reasonable prices to get into that segment, we would purchase them.

Then you have the fourth segment, which is just basically trade generics, very low profitability generics that are sold by pharmacies. We are not really into that business anywhere other than Brazil. So, that's the way I look at that marketplace.

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

We're about out of time. Thanks very much.