FINAL TRANSCRIPT

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PRESENTATION

Operator

Mr. Amal Naj, Senior Vice President of Investor Development, you may begin your conference.

Amal Naj - *Pfizer Inc. - SVP of Investor Development*

Good afternoon and thank you for joining our third-quarter 2007 analyst conference call. I'm here with Jeff Kindler, Chairman and CEO; David Shedlarz, Vice Chairman; Frank D'Amelio, Chief Financial Officer; and other members of our senior management team.

We will first review the results of the latest quarter, presented in the earnings release issued this morning and available on our website. In a change of practice, we will present financial charts on the call, which can be viewed on our homepage at www.pfizer.com in the Investor Presentations tab by clicking on the link Quarterly Corporate Performance, Third Quarter 2007.

We will take questions after the review of our results. In order to facilitate the maximum number of questions, we would appreciate if you would limit yourself to just one question per person. And time permitting, we will come back to you for any follow-up questions you might have.

I would like to remind you that our discussions during this conference call will include forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ are discussed in Pfizer's 2006 Annual Report on Form 10-K and in our Reports on Form 10-Q and Form 8-K.

Also, the discussions during this call will include certain financial measures that were not prepared in accordance with generally accepted accounting principles. Reconciliations of those non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in Pfizer's current Report on Form 8-K dated October 18, 2007. These reports are available on our website at www.pfizer.com in the Investors -- SEC Filings section.

Now I would like to turn the call over to Jeff Kindler. Jeff?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thanks, Amal, and good afternoon, everyone. I would like to welcome Frank to his first earnings call at Pfizer. In just the few weeks that Frank has been here, he has already added tremendous value to the Company.

I would like to comment briefly on our quarterly results, as well as some of the steps that we are taking to rebuild Pfizer and put the Company on the right track for the future.

We are continuing to make the tough decisions and take the right actions that are necessary to address our challenges and seize our opportunities. Between now and 2011, we need to continue to improve all of the foundational elements of our Company, and we need to continue to optimize our current performance, even as we focus on the critical factors necessary to reset the Company strategically and rationally for when Lipitor goes off patent.

There are no quick fixes, but rather a series of actions which brick by brick are putting in place the foundation we need for a successful future. We are moving with a sense of urgency, but at the same time, we must be disciplined in how we allocate our capital in order to maximize the strategic and financial returns to our shareholders.

With that background, let me highlight a few important aspects of this quarter -- first, our operational performance; second, our decision to stop selling Exubera; third, our continuing progress in reducing our cost structure; fourth, our commitment to substantially enhance our talent pool by putting strong leaders from inside and outside the Company in key positions; and fifth, our establishment of more focused and accountable business units to drive improved performance.

First, operationally, we had a solid third quarter. We are reconfirming our revenue and adjusted diluted earnings per share guidance for 2007 and 2008. Indeed, we are raising the lower end of the ranges we previously provided for revenues and adjusted diluted EPS for 2007.

I think it's worth noting that we are on track this year to achieve roughly the same revenues as last year and better adjusted income than last year, despite the loss of exclusivity on two major drugs, Norvasc and Zoloft, and despite the intense challenges facing our largest product. This is due to the strong performance of most of our products, substantial progress in our cost reduction efforts, and the benefits of favorable foreign exchange. Our operational performance, in my view, reflects our insistence on a higher level of focus and accountability within the Company, the advantages of our broadly diversified portfolio, and the benefits of our continued actions to improve productivity. These attributes are an important part of the solid foundation that we are building for the future.

With the obvious exception of Exubera, our new products performed very well this quarter. Lyrica grew 37% to $465 million compared to the same period last year, and it has delivered $1.3 billion in revenues year to date. In June, the FDA granted accelerated approval to Lyrica for the treatment of fibromyalgia, which more than doubles the potential number of U.S. patients who could benefit from this medicine. We were in the field in record time to take advantage of that opportunity.

Chantix, our treatment to aid smoking cessation, continues its strong performance, with $241 million in revenues for the quarter and more than $600 million in revenues year to date. Since the August 2006 launch in the U.S., more than 3.5 million smokers have been prescribed Chantix, and we just launched a branded advertising campaign to build on this momentum. When you consider the many countries in Europe and Asia where smoking is still very prevalent, the global opportunities for Chantix are significant.

For the year to date, Celebrex is up 10% worldwide and 7% in a U.S. market that is basically flat. Geodon is growing at a rate of two times the market for atypical antipsychotics. And during the quarter, we launched a new Viagra advertising campaign that has generated a lot of interest and positive feedback from the field.

We are also continuing to bring strong and creative support to Lipitor, which is facing a commercial assault unprecedented in our industry's history. With new indications and data, advertising and field force support, and contracting strategies to optimize Tier 2 access, we are fighting back hard against branded and generic competition, focusing on both new patients and the switch market. In the face of these challenges, Lipitor revenues in the quarter were $3.2 billion as compared to $3.3 billion in the third quarter last year.

Now I would like to address a second key aspect of the quarter, our decision to stop further investment in Exubera. This decision reflects our strict adherence to three fundamental principles which will continue to guide us going forward -- we will be realistic; we will listen to our customers; and we will be very disciplined in how we evaluate both internal and external investments so that we can put our capital to work in support of our best opportunities to create shareholder value.

Pfizer began the development program for Exubera in collaboration with Nektar Therapeutics over a decade ago. We launched it in July 2006 and made a major effort to make it successful. But despite the best efforts of our sales, marketing and manufacturing colleagues, the product has simply not gained the acceptance of patients and physicians. Accordingly, we will over the next three months support doctors in transitioning their patients to other medicines, and we will cease further investments in the development of a second-generation device.

We will redeploy those colleagues in sales, marketing, medical and R&D who have dedicated themselves to this product to activities that are projected to generate higher returns, including important late-stage development projects, as well as stepped-up field force support for our in-line products. We will phase out those manufacturing activities that have been dedicated to Exubera. There are fewer opportunities for redeployment in manufacturing, and we will explore alternatives for sites and employees in consultation with works councils and other appropriate bodies. And we will, of course, carefully evaluate what happened here in order to ensure that we apply all the lessons learned to future product development and marketing.

We remain committed to finding and developing new treatments for diabetes, which is an area of enormous unmet medical need. Our R&D portfolio in this field spans the width of the diabetes disease continuum, from genetic susceptibility at birth to the onset of devastating complications. This is also an important focus for business development. In addition, we will continue to closely monitor developments in medical practice and technology as they relate to inhalation therapies and other innovative delivery systems both for insulin and for other medicines.

The third area I would like to highlight today is the progress we're making on reducing our cost structure. For this year, cost savings in the selling, informational and administrative expense component of adjusted income are ahead of plan. We are now projecting a decrease in these expenses of about $600 million on a constant currency basis.

And we are continuing to take the necessary steps to meet our goal of reducing our total adjusted costs by at least $1.5 billion to $2 billion by 2008 compared to 2006 on a constant currency basis. The process of closing sites like Ann Arbor in R&D, and Brooklyn, Groton and Sandwich in manufacturing is on track, as is our Company-wide plan to reduce overall headcount by 10%. We're making solid progress in putting into place a much more flexible cost base that will more easily adapt to our changing business needs.

As we do this, we are also placing a very strong emphasis on day-in, day-out productivity improvements across the entire Company. We recently announced that Nat Ricciardi, who has had significant success in this area as the leader of our manufacturing division, will lead an intensive enterprise-wide focus on continuous improvement.

The fourth area I would like to highlight today is the steps we continue to take to enhance our leadership talent. We are continuing to put the best possible people from inside and outside the Company in critical leadership positions. As you know, this quarter, in addition to bringing Frank D'Amelio to the Company, we named Martin Mackay President of Pfizer Global Research & Development.

After traveling with Martin to our R&D sites around the world last week, I can tell you that he enjoys the highest respect of our scientists. They fully understand and support his commitment to striking the right balance between stability, where that is appropriate, and change, where that is necessary. In R&D, as in all our activities, we need increased speed and focus, we need to exercise better discipline in picking the right programs to pursue, and we need to allocate our capital to disease areas with the strongest commercial potential.

Our business development group, in close collaboration with R&D, will continue to seek opportunities to bring in high-potential programs and products from outside of our labs. And our research organization will continue to pursue the best possible scientific opportunities for the future, both inside and outside the Company.

But Martin's single most important priority is taking the broad array of candidates in our late-stage pipeline and bringing them forward to the market as fast as possible. We have 47 compounds in Phase II in very promising therapeutic areas, the most in our history. We believe that we have the opportunity to have more Phase III starts next year than at any time in our history. Martin will focus in particular on advancing the most promising Phase II compounds, such as our JAK-3 inhibitor for rheumatoid arthritis and IGFR1, our monoclonal antibody for the potential treatment of common malignancies, including non-small-cell lung, breast, prostate and liver cancer.

In another important disease area, just this week, our alpha-2 delta compound for the treatment of anxiety moved into Phase III, underscoring what we see as our competitive advantage in an area of science that has produced Neurontin and Lyrica.

We have also, as you know, added an important new dimension to our research capabilities by establishing a biotherapeutics and bioinnovation center based in California and led by Dr. Corey Goodman, an enormously talented scientist who enjoys the highest respect of the worldwide scientific community. The center will pursue cutting-edge research that we expect will generate an additional cohort of drug candidates to take into the clinic, and from there to the marketplace.

The fifth and final point I'd like to make this afternoon is that in this quarter, we have continued to see evidence that the organizational changes that we're making are leading to better execution and better results. For example, by breaking our U.S. business into five distinct and manageable units led by strong general managers, we have established smaller and more focused organizations, where everyone involved has a clear line of sight to results that they can affect and be held accountable for. The new structure has only been in place for six months, but it is already showing what it can do with our new products, like Lyrica and Chantix. And our U.S. field force, after a major reorganization, is leading our industry in call volumes, calls per rep, total details and details per rep.

So, to recap, we're working with a sense of urgency and a single-minded focus to improve every aspect of our Company, from the way we work to the way we make decisions to the speed with which we operate to the way we allocate our owners' capital. These changes and others are establishing the necessary foundation for our future. They will ensure that we continue to improve the way in which we capitalize on topline opportunities, both internal and external; the way we achieve increased productivity; and the way that we will continue to improve our performance. All of this will drive the achievement of our ultimate goals -- putting Pfizer on the right track, helping patients and enhancing the returns we deliver to our shareholders.

And now, I would like to turn it over to Frank D'Amelio.

Frank D'Amelio - *Pfizer Inc. - CFO*

Thanks, Jeff. Good day, everyone. Now to the financial results. The charts that I will be reviewing with you are included in our webcast and will help facilitate the discussion of our third-quarter results.

Let me begin with the highlights of our performance. Today, we posted reported revenues for the third quarter of 2007 of $12 billion, a 2% decrease from the same quarter last year. The decline reflects the loss of U.S. exclusivity of Zoloft and Norvasc. Zoloft lost U.S. exclusivity in June 2006, but generic competition did not enter the marketplace until August of 2006, while Norvasc lost U.S. exclusivity in March of 2007, six months earlier than expected.

In addition, Lipitor revenues declined modestly as the product continues to experience intense competition from branded and generic products in the statin market. On a positive note, our third-quarter revenues were favorably impacted by the strong results of our new products, as well as foreign exchange, which added approximately $300 million to our top line.

Also from a comparison perspective, in the third quarter of 2006, we had a onetime reversal of a sales deduction accrual of approximately $170 million. This was due to a favorable development and a pricing dispute in the U.S., which we noted in the third quarter last year. Our reported net income of $761 million was down 77% from last year. Our reported diluted EPS of $0.11 was down 76% from last year's $0.46.

Adjusted income was $4 billion, up 1% from the same period last year, and adjusted diluted EPS was up 7% to $0.58 from $0.54 last year. The sharp decline in third-quarter 2007 reported net income was primarily a result of the items impacting revenue that I just described, as well as $2.8 billion of pretax charges related to the write-off of intangibles, inventory and fixed assets associated with exiting Exubera, as well as the accrual of other exit costs, which I will discuss in more detail shortly.

Also, reported net income and reported diluted EPS were negatively impacted by costs we incurred in connection with our cost reduction initiatives, including restructuring and implementation costs and creating a more efficient, effective and aligned global organization.

On an adjusted basis, which is reported net income and diluted EPS, excluding purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items, our third-quarter earnings performance improved, despite the revenue decline, given our year-over-year decrease in our total costs, higher interest income and the favorable impact of foreign exchange. Adjusted diluted EPS was also favorably impacted by our share purchase program.

Before moving on, let me point out several significant items that are included in our reported results for the third quarter. More detailed disclosures will be provided in our Form 10-Q filing with the Securities and Exchange Commission.

In the third quarter, we incurred $437 million in restructuring charges compared to $245 million last year. These costs are primarily associated with employee termination costs and asset impairments. Additionally, we incurred $373 million in implementation costs compared to $182 million last year. These costs are primarily associated with our sites that we will be closing and are reported in cost of sales, research and development, and SI&A expenses. These are more fully detailed the supplemental information that accompanies the earnings release.

Specific cost reduction initiatives are varied and span most divisions, functions, markets and sites across Pfizer. Broad categories of activity are sales force reductions, manufacturing and research site closures, and offshoring and outsourcing. We reduced our U.S. sales force by about 20% and are implementing similar reductions in most markets. Sales force restructurings have been completed in a host of other markets as well.

We have announced the closure of nine manufacturing plants this year, most recently Sandwich, England, and six research sites. To date, all transactions are proceeding according to plan. Additionally, the vast majority of research programs and development projects has been transferred and stabilized to their new locations with minimal disruption. All impacted initiatives will be transferred by year end.

Further, a wide array of offshoring and outsourcing opportunities are in various stages of implementation. Manufacturing, logistics, finance, facilities, medical, legal and IT are among the functions pursuing the financial and operational benefits of this strategy.

Now, on to the $2.8 billion of pretax charges associated with the exit of Exubera, our inhaled insulin product. Our Exubera revenue performance to date has been disappointing. Our worldwide revenues were $7 billion in the third quarter 2007 and $12 million year to date. The performance of Exubera has led us to our decision to exit Exubera, which has resulted in pretax charges of $2.8 billion. These charges are comprised of various components, including approximately $1.1 billion of intangible assets from the acquisition of the rights to Exubera, $661 million of inventory, $454 million of fixed assets and $584 million of other exit costs.

On the income statement, $2.6 billion of this charge is included in cost of sales, while the remainder is included in revenues, SI&A expenses and R&D expenses. The asset-related charges of approximately $2.2 billion represent noncash charges, while the other exit costs will results in future cash expenditures.

In the financial schedule of the Company in our earnings release, we have provided our reported financial results. We have also provided for the first time a reconciliation of reported results to our adjusted results on a line-by-line basis.

I would like to now provide further information on our adjusted results. Adjusted cost of sales as a percent of revenues was 15.1% compared to 15.4% in the same quarter of last year. However, for the full year, we expect adjusted cost of sales to rise to approximately 15.5% of revenues compared with our previous estimate of about 15%. The reason for this change is that a greater portion of our revenues and associated cost are being generated in international markets, 52% in the latest quarter versus 45% in the same quarter last year. Also, the portfolio is shifting to a mix of products with higher costs relative to the prior year.

Adjusted SI&A expenses declined 1% from last year. This reflects our efforts to streamline the organization and improve operational efficiency. The level of decrease is partially offset by the unfavorable impact of foreign exchange. For the full year, on a constant currency basis, we now expect an adjusted SI&A reduction of about $600 million relative to the prior year versus our previous guidance of greater than $500 million.

Adjusted R&D expenses for the third quarter declined 5% from last year, also due primarily to our efforts to improve operational efficiencies. We continue to project the full-year 2007 adjusted R&D expenses to be approximately $7.5 billion.

Our effective tax rate on adjusted income for the quarter was approximately 22%. We continue to project 22% for the full year 2007.

On a year-to-date basis, many of the changes in the first nine months of 2007 compared to 2006 are consistent with those previously described related to the quarter -- loss of U.S. exclusivity, strong new product growth, the benefits of our efforts to streamline the organization and improve operational efficiency, increased interest income and favorable foreign exchange. Adjusted R&D expenses, however, increased 5%, primarily as a result of our collaboration with Bristol-Myers Squibb to develop and commercialize apixaban. Adjusted cost of sales increased 6% as a result of changing geographic and product mix.

I would also like to highlight the performance of selected products. First, Lipitor -- Lipitor worldwide revenues for the quarter were down 5% compared to the same period last year. Revenues in the U.S. declined 13%, while revenues in international markets increased 9%. In the U.S., revenues declined as a result of intense competition and payer pressure. Of the 9% increase internationally, 6% is due to the favorable impact of foreign exchange and the remainder to operating growth. Overall, we do expect full-year revenues to fall within the range of a 3% to 5% decline from 2006.

As you can see, all the key in-line products posted positive results in the third quarter compared to the same period last year. I would also like to emphasize the strong growth being delivered by our key new products. Chantix, our smoking cessation treatment, posted revenues of $241 million compared with $33 million a year ago. Revenues of Lyrica, our medicine for the management of neuropathic pain and most recently fibromyalgia, increased 37% to $465 million. And revenues of Sutent, our product for advanced kidney and cancer of the digestive system were $151 million compared with $63 million last year.

Now as to Zoloft and Norvasc, you can see the sharp drop in revenues in the third quarter, a 73% drop for Zoloft and a 47% drop for Norvasc following the loss of U.S. exclusivity. Excluding Zoloft and Norvasc, worldwide pharmaceutical revenues would have increased 5%.

As you can see in our earnings release, we have made some changes in our 2007 financial guidance. I have already discussed our 2007 guidance related to Lipitor revenues, adjusted cost of sales as a percentage of revenues, SI&A expenses and R&D expenses.

We previously projected revenues of $47 billion to $48 billion for 2007. We are now improving the range to $47.5 billion to $48 billion as we move closer to year end. On reported diluted EPS for the full year, we previously said $1.30 to $1.41. Given the charges associated with exiting Exubera, we have now lowered the range to $1.01 to $1.10. On adjusted diluted EPS for the full year, we previously said $2.08 to $2.15. We are now improving the range to $2.10 to $2.15. Guidance remains unchanged for other items, effective tax rate on adjusted income and cash flows from operations.

Lastly, in the area of our stock buyback program, we previously said that we would purchase up to $10 billion of our stock in 2007, and that remains our expectation. To date, we have purchased $7.5 billion of our stock in 2007 for a total of approximately 291 million shares.

Now on to 2008 guidance -- our previously issued guidance remains unchanged except for our target to reduce our adjusted total costs. We previously projected that we would achieve an absolute cost reduction of at least $1.5 billion to $2 billion compared to 2006. We now expect to achieve this target, but at constant exchange rates. This is reflective of the extent to which our expenses have been adversely impacted by foreign exchange. The strengthening of the euro and other currencies relative to the dollar is partially offsetting savings from our cost reduction initiatives.

So to summarize the key takeaways for the quarter, we are on track to achieve our 2007 revenue and adjusted diluted EPS guidance. We have raised the lower end of the range and our guidance for both 2007 revenues and adjusted diluted EPS.

Additionally, we have reaffirmed our 2008 guidance, but have now stated that our 2008 total cost reduction of at least $1.5 billion to $2 billion as compared to 2006 is at constant exchange rates.

We recorded $2.8 billion of pretax charges associated with the exit of Exubera. These charges relate to the write-off of certain assets, as well as the accrual of other exit costs, which resulted in a $0.31 reduction in reported diluted EPS for the third quarter. Our new products, particularly Chantix, Lyrica and Sutent, are performing extremely well, and our largest product, Lipitor, continues to do well, considering the intense competition and payer pressure.

Lastly, on our cost reduction initiatives, we continue to make progress to reduce our overall cost base and improve our operational efficiency. We recognize we've made significant progress to date and that there is more to do in order to achieve our overall objectives.

With that, I'd like to turn it back to Jeff.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thank you very much, Frank, and we are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(technical difficulty) Anderson, Sanford Bernstein.

Tim Anderson - *Sanford Bernstein - Analyst*

Thank you. I have a couple questions. The first, actually, just goes back to your earlier announcement of the biotherapeutics center that you are going to establish on the West Coast. I'm wondering if this is going to be a bricks-and-mortar facility and if you'll actually go so far as to make it a research site or designate a separate pool of funds for things like acquisitions.

And then the second question, and sorry if this is too blunt, but any comments about Biogen Idec being for sale and whether this is something that Pfizer would potentially consider?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

First, with regard to biotherapeutics, we're starting with the facility that we already have in San Francisco called Rinat, which as you may know, it was the neuroscience spinoff from Genentech and has really done quite well, and we're very excited about some of the opportunities that we have there. Dr. Goodman is going to initially start with that base, and we are in the process of developing the future business plans.

But I think you can look forward to our creating, hopefully, a network of organizations without a significant investment in bricks and mortar, because I don't think that will be necessary. It will be a very integrated approach to business development that involves both what Corey Goodman is leading, as well as what Martin Mackay and Ed Harrigan in our business development group is leading. So stay tuned, and we will be talking about further plans as we go forward, but that's how we are starting.

With regard to Biogen Idec, obviously we don't comment on that kind of speculation, so I won't surprise you in that regard. But I just have to say we will always keep our eyes and ears open to any means to build our business through alliances, licensing or

acquisitions. And when the right opportunities present themselves, we will act appropriately. But we really want to be disciplined in how we allocate our capital and we want to be thoughtful about that. And so we look at all these opportunities from that perspective. We're going to focus first on product potential, especially where there are gaps in our therapeutic areas. We will focus secondly on expanding our platform potential, such as new ways to deliver therapies. And as I said, the most important consideration here is to ensure that we deploy our capital in the best possible ways to create opportunities for creating shareholder value.

Operator

John Boris, Bear Stearns.

John Boris - *Bear Stearns - Analyst*

Thanks for taking my questions. To your point, Jeff, on capital allocation, it appears that with $7.5 billion of shares repurchased, then you completing the $10 billion share repurchase, also with the dividend increases that we have seen over the last couple of years -- I think two years ago it was a 27% increase, 21% increase last year -- and then on business development, can you just take us through how you're thinking about those three elements going forward? And then I just have a follow-up on some operational questions on Lipitor and Exubera.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

John, why don't I let Frank start that, and we will see if that addresses your questions.

Frank D'Amelio - *Pfizer Inc. - CFO*

Sure. On the dividend, let me start by saying as a company, we have been committed to total shareholder value. Going forward, we will continue to be committed to total shareholder value.

In terms of the numbers, John, let me just run the numbers for you. Two years ago, the dividend was $0.76. This year, it is $1.16, so it has increased 53% over the last two years. It was 32% in '06, 21% in '07. Going forward, for the '08 dividend, we will announce that dividend in December of this year for the upcoming year, as has been our practice in the past.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Buybacks?

Frank D'Amelio - *Pfizer Inc. - CFO*

On buybacks, we announced this year repurchases of up to $10 billion. At the end of the quarter, we had repurchased $7.5 billion worth of our shares, 291 million shares. We're clearly on a path to achieve the $10 billion, up to $10 billion in repurchases. Once again, in terms of what we will do going forward, in January, we will announce our 2008 buyback program, as has been customary.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Okay, John, your second question?

John Boris - *Bear Stearns - Analyst*

Yes, just on operations, on Exubera, can you just comment on the sales reps or the detail effort that you had behind the brand and how you're going to be reallocating that important resource going forward?

And then I think I recall that there was a manufacturing facility in Germany that went along with your acquisition of the rights of -- full rights on Exubera. What are you going to be doing with that?

And then on Lipitor, just on the trends on Lipitor, it seems like the four-week average trends on PRX is, the growth is minus 15%. If you look at it by dosage form, the 10mg is declining 19%, 20mg down 14%, 40mg is down 7%, and your 80mg is up 1%. You are aggressively doing a lot of direct-to-consumer advertising, but it doesn't seem to be addressing the growth issue that you have within the U.S. Can you just talk about when you might be anticipating seeing stabilization of those trends in the United States?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Let me start with the first part of your question and then I'll ask Ian to address the Lipitor. We are going to redeploy the vast majority of the affected colleagues in commercial, medical and R&D functions, and there will be no reductions in the U.S. field force. We're going to redeploy people in those groups I mentioned to support projects and products that have, we hope, greater commercial potential.

Now, in manufacturing, the opportunities for redeployment are frankly fewer, and they depend on the ultimate role for the impacted sites, including the one you mentioned. So we will be exploring alternatives for those sites and their employees in consultation with works councils and other appropriate bodies.

Ian, do you want to address the questions about Lipitor?

John Boris - *Bear Stearns - Analyst*

But will you be shutting that facility?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Well, as I said, we have to look at that in connection with, in consultation with works councils.

Ian Read - *Pfizer Inc. - President, Worldwide Pharmaceutical Operations*

So I'd like to give a little more color to Frank's comments on Lipitor. So we were down about 13% in the U.S. on scripts. The pricing and rebates were basically a wash, given the fact that we had a favorable settlement in the third quarter of '06, which basically offset our favorable pricing impact for the quarter.

You know, if you're looking at Lipitor, I think you've got to go back and look back and discuss how we look at the market and how we see what's happening. On the switch loss, we appear to have stabilized that at about a 50% below the peak, post the advent of multigeneric simvastatin. In fact, we're now at the pre-multi-simvastatin level. New patient population is fluctuating, or new patient volume is fluctuating at around a 20% share.

I'd like to indicate I feel we're very competitive against the branded statins in this marketplace, and our access remains strong. Our access remains in the range of 65 to 70 at Tier 2 across the commercial and Medicare lives. And we see the market, while slowing up from 12-plus growth rate to about high single digits coming out of this year, and I see that being maintained in '08.

So our strategy is to continue using our commercial resources to focus on the switch, the new patients and maintaining access. And as you noted, those strategies are being applied again on the professional platform to differentiate Lipitor, on the efficacy across the dosage range on safety and outcomes, a very strong DTC platform using print and using the Jarvik ad, which is one of our best ads for Lipitor. We're also looking at using those resources and targeting those states where we see the most activity on generic switching. And we're also using things like value cards to deal with copays. And that's the environment we see going forward for Lipitor.

Operator

Jami Rubin, Morgan Stanley.

Jami Rubin - *Morgan Stanley - Analyst*

I've got a few questions. Frank, this might be unfair, since you are still new, but based on the guidance next year, which doesn't appear to have meaningfully changed at all, the expectation for cost reduction of $1.5 billion to $2 billion hasn't changed and you've given a pretty wide range of EPS and a relatively wide range in terms of the top line. But if I assume sort of a middle of the range on revenues, I've got to assume a significant decline in both SG&A and R&D just to get to the bottom end of the range next year.

So I am wondering if I -- I appreciate you can't give a lot of detail yet on 2008, but you have offered this guidance. Am I thinking directionally in the right way, that we haven't seen yet big year-over-year declines in those expense areas? And again, just get to the lower end of the range, I've got to assume big year-over-year declines. That's my first question.

Second question is, just interested in the Exubera announcement today. You're also disbanding your research on second-generation Exubera, which I thought was interesting. And I'm wondering if you could comment on why you think it was such -- why you're stopping development of the second-generation insulin device. It seems to me that one of the biggest issues was the device itself. The second-generation device was a nifty little thing that should be an easier sell. I'm just wondering if you could comment on why you have chosen to scrap the whole development plan, if you think it's more than just the device, if it has to do with just the overall acceptance of pulmonary insulin.

And my third question relates to an update on the Lipitor 993 patent, if you could tell us where that sits now with the Patent and Trade Office.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thanks, Jami. We're doing great on our one question per --

Jami Rubin - *Morgan Stanley - Analyst*

Sorry.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

-- caller here, but they're all good questions. So I'll let Frank take the first, Ian take the second, and Allen Waxman will take the third.

Frank D'Amelio - *Pfizer Inc. - CFO*

Let me address the first question. I know you were focusing in on the level of cost reduction for '08. Let me start with '07, and then what I'll do is after I start with '07, give some statistics, I will bridge to '08, and then I will try to frame that into the overall '08 guidance.

We are making good progress on our cost reduction initiatives. In fact, in SI&A in 2007, we increased the guidance from $500 million to $600 million. That was for the SI&A element of our overall costs only. If you think about some of the things we're doing just operationally to demonstrate progress, you can bucket most of our cost reduction initiatives into five categories -- field force reductions, manufacturing site closures, research site closures, outsourcing and offshoring.

Let me just give you one statistic on each, and then I will move to 2008. In the field force, as I mentioned before, we've implemented 20% reductions in the U.S. and similar reductions in many markets outside of the U.S. In manufacturing sites alone, we've announced nine exits this year. In R&D, we've announced six exits. In terms of outsourcing, we've outsourced some of our IT operations. In terms of outsourcing and offshoring, we have outsourced and offshored some of our financial back-office operations.

And terming it kind of as a macrostatistic, at the end of last year we had 98,000 employees. We had announced a 10,000-employee reduction. At the end of this past quarter, we were at about 87,000. So I frame that just to give you a feel for we're making a lot of progress relative to the area of cost reduction.

Now, let's take that and move into 2008. We have I will call it a relatively wide range out there for 2008, but in terms of where we fall in the range, there's a lot of moving parts still relative to 2008. We're still very much in our planning process. We're comfortable enough at a macro level to reaffirm the guidance we provided on the various elements. We updated or slightly modified the $1.5 billion to $2 billion at constant currency, given some of the things that are going on with dollar relative to other currencies. But I think, you know, we have reaffirmed the range. We have reaffirmed the guidance. We've got some ranges out there, and we will be back in January to update the guidance.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Ian, do you want to talk about the second-generation (multiple speakers)

Ian Read - *Pfizer Inc. - President, Worldwide Pharmaceutical Operations*

Well, Jami, I think, to your question, when we look at the marketplace, there are two barriers, I think. We clearly underestimated the barrier to moving patients or the physician community earlier to Exubera. I think this is one of the major issues we underestimated -- the resistance from physicians and patients to going onto Exubera -- going onto insulin in any form earlier than they have been to date. So that is one major barrier.

The second one is, per se, the burden that the Exubera technology represented to the practice, which went from the lung function testing, the training on the device, and while the size of the device may have been a component of that, I think you have to look at the totality of it. And that's what led us to our decision to exit.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Alan, do you want to talk about the patent?

Allen Waxman - *Pfizer Inc. - General Counsel*

Jami, you referred to the '993. I assume you're conflating the '995 and the '893. Actually, both are before the Patent Office as we speak. As I think you may know, in August we received comment from the Patent Office on our '995 [enamener] patent that was in the form of an initial rejection, which is typically the way these things come out. We have filed a response to those comments, and that will continue to work its way through the Patent Office over the next year or 18 months. It can be a lengthy process.

The '893 is the subject of a reexamination request by a law firm associated with Ranbaxy. That request has been granted, as is the norm, and we will wait to hear from the Patent Office. And again, typically a response can be in the form of an initial rejection of some of the claims. We'll have an opportunity to respond to that. And that will, too, work its way through the Patent Office in what can be a lengthy process.

Operator

Steve Scala, Cowen.

Steve Scala - *Cowen - Analyst*

How would you characterize generic simvastatin relative to its ultimate market share? Do feel it's nearly fully penetrated, 50% penetrated or some other estimate? And within your overall 2008 P&L guidance, what are the expectations for Lipitor's trend? And then lastly, given the apparent success of your competitors in developing a CEPT inhibitor without hypertension, are you reconsidering starting your efforts on your follow-ons to torcetrapib?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

I will ask Ian to answer the first two question, and Martin Mackay will answer the third.

Ian Read - *Pfizer Inc. - President, Worldwide Pharmaceutical Operations*

So, I will take the second part first, which is Lipitor inside the overall business. When we look at the guidance we gave on the revenue, we looked at a lot of our major products, and we took both the opportunities and challenges of those products to get to the macro level. So I think we expressed our judgment and we reflect that through the balance of all the portfolio.

On simvastatin, we've got a year and a half. We're coming up to the year review. I am seeing a sort of, at least on the access side, a stabilization of our access. I think we have got to look at how Lipitor continues to be competitive against Crestor and Vytorin. And we'll see how it goes forward. Maybe simvastatin will continue to make some further marginal gains, but it's going to via market pressure and not major contracting changes.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thank you, Ian. Martin, CETP inhibitors?

Martin Mackay - *Pfizer Inc. - President, Pfizer Global Research & Development*

Just briefly, Steve, we're still currently reviewing the torcetrapib data and going through that carefully. We will present some of this work at the American Heart Association in November and lay out the studies that we have done in that regard. We have no plans at this stage to begin our -- restart our CETP inhibitor program until we've thoroughly reviewed all those results. And obviously I can't comment on the Merck programs.

Operator

David Risinger, Merrill Lynch.

David Risinger - *Merrill Lynch - Analyst*

Thanks very much.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Is that the same persons as David Risinger?

David Risinger - *Merrill Lynch - Analyst*

Yes. So I'll just keep it to two questions. First, in terms of the losses on Exubera, obviously dropping Exubera will be accretive. Is there any way, Frank, that you can frame for us how accretive it will be for you to drop Exubera?

And second, I was hoping that you could talk about your biotech and vaccine transaction agenda. This is something that Pfizer has talked about for a long time. There have been relatively few transactions to date, and I believe that Pfizer's commitment is still there. But in the meantime, acquisition target prices are rising. And so it would be helpful for you, Jeff, to maybe address that.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Okay, thanks. Frank, go

Frank D'Amelio - *Pfizer Inc. - CFO*

On the first part of the question, I think the simplest way to think about this is Exubera's sales for the year were very, very modest, as I mentioned, $7 million in the quarter, $12 million year to date, so really no impact on our margins.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Dave, with regard to biotherapeutics, clearly you're right -- the deal environment is challenging. There's a relatively finite number of assets, especially in the later stages, and the prices are clearly quite high. We feel that there's still a lot of opportunities out there if we take a thoughtful and disciplined approach to it and possibly through creative deal structures and the like. Obviously, I'm not going to comment on any particular transactions we might be considering, but there has been activity in that area and there will continue to be. And we have to strike the balance between our desire and need to supplement our internal portfolio,

which we clearly recognize, but at the same time exercise discipline to ensure that we make smart investments that will pay well for the shareholders. That's not an easy thing to do in this environment, but we're going to keep at it.

David Risinger - *Merrill Lynch - Analyst*

Just to follow up, Frank, obviously in dropping Exubera, you're dropping a lot of costs in manufacturing and promotion, so won't that be accretive?

Frank D'Amelio - *Pfizer Inc. - CFO*

In terms of '07, it's almost November already, right? So, I mean, there isn't a whole lot of the fiscal year left, and clearly decisions and implications will factor into the updated guidance we gave. In terms of 2008, once again, there's many factors that impact the guidance, which is part of why we have the range we have. All of that clearly factored into the update we've provided today on 2008.

Operator

Roopesh Patel, UBS.

Roopesh Patel - *UBS - Analyst*

I have a couple of questions on Celebrex. I'm actually curious about the Company's strategy on Celebrex here for the U.S. market in the context of the two price increases taken over a six-month period totaling 12%. I know that this was highlighted as one product area where you wanted to resume market share growth. Are you satisfied with how things have turned out?

And then separately, if you could also help us frame the opportunity for Celebrex in Japan, that would be very helpful.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Okay, Roopesh, I will turn both those questions over to Ian.

Ian Read - *Pfizer Inc. - President, Worldwide Pharmaceutical Operations*

So I think if you step back and look at it, Celebrex clearly offers value to patients, and that is reflected in the way we are commercializing the product this year. The market growth is anemic, and we are still focused on re-establishing market growth and script growth for Celebrex. To get to that, we need to deal, first of all, with the CV issue and put it in perspective, and we are leading with that in our discussions with physicians, both with the field force and with medical to medical and through DTC.

When we ran the DTC over this issue in the second quarter, we did see a response in market share. We will be back in the end of the fourth quarter and first quarter heavily on this area in DTC to sort of re-establish the growth trend on scripts for Celebrex. So the strategy still is focused on re-establishing growth in scripts for Celebrex.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Japan?

Ian Read - *Pfizer Inc. - President, Worldwide Pharmaceutical Operations*

Vis-a-vis Japan, we're working through indications and registrations in Japan, and when that is complete, I think we also have to work through pricing, and depending upon that, we can get to the opportunity in Japan.

Operator

George Grofik, Citigroup.

George Grofik - *Citigroup - Analyst*

Thanks for taking my question. Looking at 2008, can you give us a sense for the Part D pricing environment and to what degree you may have seen more pressure in that business relative to 2007?

Secondly, in the past several weeks, the cholesterol market growth has slowed to mid-single digits. And can you provide some color on what you believe is causing that slowdown and what you anticipate will reinvigorate growth in the market, to your expectation of high single digits? Thank you.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thanks, George. I'll let Ian take both of those.

Ian Read - *Pfizer Inc. - President, Worldwide Pharmaceutical Operations*

So, George, the -- remind me of the first question again, sorry?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Part D next year.

George Grofik - *Citigroup - Analyst*

Part D, well, I think we've discussed this on previous calls. Clearly, the land grab was made early on, and Part D is becoming more competitive and the negotiations will be more competitive. So there is more pressure vis-a-vis the net access and rebates, and I expect that to be reflected in '08.

And secondly, the question of the slow-up in the market, I don't have any specific data. Anecdotally from distributors and people we speak to, it may be an issue of the donut hole and some resistance as seniors get close to that, may be causing a slow-up. So my belief is that we can expect high single digits for the statin market in '08.

Operator

Tony Butler, Lehman Brothers.

Tony Butler - *Lehman Brothers - Analyst*

Jeff, just a little bit of a macro question, and that is, having been in the seat now for roughly 13 months, you've been very rapid for some change in your management team. You've been very rapid to execute some cost reduction, and in my opinion, at least to refocus the culture at Pfizer over that span of time. What's the next 12 months holding for you and what are your true objectives over this very finite period of time, if you could? Thanks.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thanks, Tony. I think that's a great question and I'm glad you asked it. I think what I'd start by saying is that when I started in this job and our current team started in this job, it was very clear to us that this business needed to be fixed in a lot of ways. We needed to get down to the foundation of this Company and rebuild some basic elements of it brick by brick.

I would say just to use as examples four big areas that we've been addressing with a great deal of intensity are, first of all, focus on accountability that required both changes in the culture, but also organizational changes that I have talked a lot about; second, improving our leadership cadre, which I've talked about; third, a disciplined approach to capital allocation and prioritizing our investments, starting to get into the habit of understanding that we can't be all things to all people, we can't do everything we would like to do and we have to focus our investments where they provide the greatest opportunities -- that's a bit of a change for us, quite frankly; and fourth, improving our cost base, making it more flexible and instilling a culture of productivity.

All of this is foundational. I think we've made a lot of progress, but I will tell you I don't think we're by any means done. We have a lot more to do in this regard. In order to establish ourselves for the future, we have to have the foundation right. This is tough work and there's no quick fixes. I think we're making a lot of progress, as I've said, but we need to keep going.

Now, we all know very well that we face in 2011 loss of exclusivity on the largest product in the history of the pharmaceutical industry and that we have to be, while we're fixing the foundation of this business, while we are improving our operational performance, we have to be thinking about -- not just thinking about, but taking actions to prepare ourselves for that time, to reset the Company strategically; to really push our late-stage pipeline; to provide real focus on the value that's in that pipeline; to continue with focused and aggressive business development; to see whether we can get more out of our mature products, which I think is an important opportunity; to focus on parts of the world like Asia, where there are tremendous opportunities we need to continue to do; to looking for complementary products and technologies that can enhance the value of our offerings. And we are going to focus on all of this on multiple fronts.

So over the next year and in the next months, I think you'll see continued activity across all those areas that I've listed. There is not a magic bullet here. There is not a single solution that one day we're going to open the curtain and unveil. I'm sorry if people find that disappointing. We're very focused on building the foundation for success, optimizing our current performance and doing everything we need to do to prepare the Company for the Lipitor LOE.

Operator

Chris Schott, Banc of America.

Chris Schott - *Banc of America - Analyst*

Just two quick questions. Maybe first, with regards to the Lipitor franchise, without a natural follow-on in the cholesterol business, with 10mg under pressure, is 2008 or 2009 too early to start thinking about pulling back resources from that product, or is it still, from your perspective, a good investment, even with the declines, given that we kind of are heading towards that -- I think it was just mentioned -- that 2011 wall?

And then secondly, a question with regard to -- maybe for Martin Mackay with regards to the R&D. Just the scopes of R&D efforts right now -- are you comfortable with the breadth of investment or what are your thoughts on just maybe Pfizer focusing on pure therapeutic categories, maybe kind of the target investment you're making on oncology, as an example, bringing more resources towards maybe a more selected portfolio of products?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Okay, Chris, I'm going to let Ian take the first question and just mention -- and you'll get to know him a lot better -- it's Mackay, not McKay. So Ian, do you want to talk about further investments in Lipitor?

Ian Read - *Pfizer Inc. - President, Worldwide Pharmaceutical Operations*

Chris, as you can imagine, the statin market is extremely competitive, not only on the generic side, but on the branded side with the large investments behind Crestor and Vytorin. And we analyze this very carefully and have models to look at response rates, and I've got no doubt that we need to continue to maintain the support behind this brand through the periods that you discussed. There's no questions about it in my mind.

Martin Mackay - *Pfizer Inc. - President, Pfizer Global Research & Development*

Jeff alluded to the fact that we visited all the major R&D sites last week. During that visit, we took along our new PGRD leadership team, plus Corey Goodman and gained a tremendous amount of excitement amongst the colleagues for some of the changes we have made.

At those meetings, we laid out our very distinct five-point plan to all the colleagues in R&D, and although I won't go through all of the points in the interest of time, I will mention two or three of them, which really addresses the point that you make.

Clearly, and again as Jeff alluded to, over the short term we must make sure that we deliver on our Phase III portfolio. We know this portfolio isn't as rich as we would like it to be in Phase III, but nevertheless there's a lot of value there around our oncology platform with axitinib, CTLA4, etc., and other indications for Sutent. We also have some other exciting compounds in that area, and we must deliver to gain the value for the Company.

Secondly, we need to make sure that this rich Phase II portfolio that we have, which again as already been alluded to, is we actually translate into Phase III, and we do have a real potential of creating more Phase III starts next year and in '09 and '10 than we ever have before as an organization, so to really accelerate the hottest compounds through that pipeline.

Now to the real piece that you've asked about. To do this, and this was the second part of the plan, we are going to have to focus resources on the highest-priority compounds and the highest-priority disease areas, so immediately have launched a team to look at all the compounds that we currently have in development, and we will be going through those in a rigorous analysis one by one over the next two to three weeks to make sure we are backing the very finest compounds.

Then next on our list is to look at the disease areas that we work in, and again, we've been doing quite a piece of work over the summer already to really get to the heart of what are the therapeutic areas that we are going to be really pushing over the next period. You mentioned one of them, oncology. Of course, we have other very hot areas. Diabetes will continue to be a very important area for us. Alzheimer's disease, for example, and a number of other areas that over a very short period of time we are going to focus our resources on to the hottest compounds and the hottest areas.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thank you, Martin. We have time for one more question.

Operator

James Kelly, Goldman Sachs.

James Kelly - *Goldman Sachs - Analyst*

I thought I would just ask a quick two-part question on this. One, I would like to follow up on David's question and really ask about the fixed cost component on the Exubera exit. If we're looking at about $1.1 billion worth of intangibles and $500 million or just under that worth of fixed assets, what should we think about the fixed cost charge per annum that will not be in the numbers going forward?

And then secondly, as we take a look at some of the pipeline products that Pfizer has recently discontinued, or even Exubera, I've definitely seen that some of the products that were in-licensed in a very competitive process and had fairly high royalty rates for whatever reason were not meeting the right economic hurdles or were not looking like they were going to meet the right profile. Are you thinking differently now about how you bring products in and what sort of variable cost component could come in on products that you're looking at from a bus dev perspective? Thank you.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Okay, I will let Frank take the first part.

Frank D'Amelio - *Pfizer Inc. - CFO*

I think in terms of the first part of the question on fixed costs, clearly, to your point, there will be some costs that will not be incurred, which is the point that you were asking about when we get into 2008. But as I made the same point before, that is part of an array of various items we're working our way through relative to the 2008 plan and to the guidance that we reaffirmed today on 2008. We're still working through the details of the '08 plan. We're comfortable with the general parameters we've provided today, and come January we'll provide another update on our 2008 guidance.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Jim, could you just restate your second question again, please?

James Kelly - *Goldman Sachs - Analyst*

As you take a look at the opportunity thanks to in-license or business development in general, are you thinking differently about what kind of economics you want to bring in-house? Because some of those products that you've recently exited, whether it's Exubera or others in the pipeline, had much higher variable cost burdens or royalty burdens. Is that a part of the calculus here at all?

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

I will let David respond to that.

David Shedlarz - *Pfizer Inc. - Vice Chairman*

Jim, there's a number of different ways that we are addressing business development, not only from an economic point of view, but from an organizational point of view and also in terms of the types of transactions we're likely to enter into.

So let me highlight first that we are exercising greater discipline in terms of the way that we are approaching overall business development, understanding, as you highlight, not only the initial cost in terms of entering into a transaction, but the ongoing burden to the Company at the same time. In some respects, you have to take a look a business development the same way you take a look at internal activity, and you are just acquiring whatever you are acquiring at whatever stage on that basis. And you have to take into consideration the fact that you're only going to be able to accommodate a certain level of activity at the same time.

Also understand, you're not going to see your father's approach to business development going forward. You will see classical ways of entering into licenses and acquisitions, but you're also going to see more alliances being established along the lines of what we put in place for apixaban.

Let me tell you what that ends up doing strategically -- one, spreading the risk; two, making sure you advantage the best capabilities of people in the business; and three, this is probably the more elegant way of dealing with what is an overcapacity in the pharmaceutical industry by pulling together activities.

So hopefully that answers your question. There are going to be a lot of changes in the approach, not only from an economic point of view but a risk point of view and a capabilities point of view at the same time.

Jeff Kindler - *Pfizer Inc. - Chairman and CEO*

Thank you, David. That's all the time we have today. I appreciate all of you listening in, and have a good afternoon.