FINAL TRANSCRIPT

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PRESENTATION

Operator

(technical difficulty) Amal Naj, Head of Development. Please begin the call.

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

Good afternoon and thank you for joining us on this call to review our fourth quarter 2007 performance. I'm here with Jeff Kindler, Chairman and CEO, Frank D'Amelio, Chief Financial Officer, and other members of our senior management. The financial charts that will be presented on this call can be viewed on our homepage at www.Pfizer.com in the investor presentations tab by clicking on the link quarterly corporate performance fourth quarter 2007. We will end our conference call at 1 o'clock sharp, and as we would like you to -- as we would like to hear from as many of you in this time, we would appreciate it if you would limit yourselves to just one part question. Time permitting, we will come back to you for any follow-ups.

Before we start, 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 conference 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 January 23, 2008. These reports are available on our Web site, at www.Pfizer.com, in the investors SEC filings section.

Now I would like to turn this over to Jeff Kindler.

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

Thanks, Amal. Good afternoon and welcome, everyone. Thank you very much for joining us today. Frank will review the numbers for the quarter and the year in a few moments, but I'd like to just make a few opening remarks.

When I took this position, it was clear that fundamental change was imperative at Pfizer, that tough decisions had to be made, and that we had to act with a sense of urgency. We faced an environment where our traditional business model had come under attack. We saw a company facing significant losses of exclusivity, weighed down by layers of bureaucracy, slow to make decisions, and in many cases, at odds with regulators, payors and policymakers. For success in the decade ahead, we needed to get our house in order and we needed to get moving. We knew that quick fixes were simply not the answer. We set out to create a company that has the advantages of global scale, but also the agility, speed and decisiveness of a small enterprise.

One year ago, we announced a set of immediate priorities to rebuild the foundation of our business and improve Pfizer's performance. These set the stage for the sweeping changes that Pfizer needs to make in order to succeed in a changing industry. Today, while we still have a lot of work to do, we are in a much stronger position to meet our challenges and capitalize on our opportunities than we were one year ago.

We achieved both revenue and adjusted diluted earnings per share growth in 2007, despite losing US market exclusivity for Norvasc and Zoloft, while making important structural and operating changes to enhance our future performance. We did this with solid product performance across a broad and diverse portfolio, cost reductions, and the benefits of foreign exchange.

By the end of last year we had in place in our new leadership team, and I'm particularly pleased with the group that we have assembled. It has, in my view, a good balance between leaders with strong and extensive experience in our industry, and people from other industries who bring fresh ideas and perspectives. Each member of our team fully appreciates what we need to do, and is fully aligned behind our plans to achieve success.

Before turning it over to Frank, I'd like to briefly highlight how we're making progress against our priorities and outline the next phase of our plan, which we'll cover in much more detail at our March 5th analyst meeting.

Our five priorities last January were -- first, maximize revenues in both the short and the long-term; second, establish a lower and more flexible cost base; third, create smaller, more focused and accountable business units; fourth, build more collaborative relationships to deliver greater value for patients, physicians and customers; and fifth, make Pfizer a great place to work.

On our first priority, we are maximizing revenues from both our new products as well as our current in-line portfolio. Three new products are noteworthy. Lyrica, an innovative treatment for diabetic nerve pain and postherpetic neuralgia, and now the first medicine to ever win FDA approval for the management of fibromyalgia. Sutent, a breakthrough way to fight two tough-to-treat cancers, and a drug with the potential to treat other devastating cancers, including breast cancer. And Chantix, which has now been tried by more than 5 million smokers and is growing rapidly worldwide.

Meanwhile, Lipitor continues to hold its own, generating sales only slightly less than last year, despite an unprecedented commercial and competitive attack. Even now, after 10 years, new data still comes in showing why it remains the industry leader. And we have a host of other innovative products doing well, like Celebrex, Geodon and Zyvox. And our Animal Health business continues to deliver outstanding performance.

In terms of future revenues, in 2007 we accelerated a new compound for generalized anxiety disorder into Phase III, and moved three high-value oncology indications -- melanoma, breast and lung cancer -- into Phase III. We're also moving forward aggressively on the largest Phase II portfolio in Pfizer's history. And to supplement our efforts internally, we've revamped our business development group to capitalize on external opportunities, like our Apixaban collaboration with Bristol-Myers Squibb.

We entered into 14 deals last year. These include our acquisitions of BioRexis, with its diabetes candidates and novel peptide technology platform; Coley Pharmaceutical Group, with its vaccine adjuvant technology and a new class of drug candidates; and CovX, which will substantially enhance our biotherapeutics capabilities. We also entered into an important collaboration with Adolor to develop two novel compounds for the treatment of pain, a therapeutic area in which we already have a strong and leading position.

To deliver on our second priority, establishing a smaller, more flexible cost base, we took some tough actions last year, including a 10% reduction in our global workforce, and 20% in the US sales force. We said we would do everything possible to minimize disruptions to our business, and we did. It's worth noting that even with all o the changes this year, our US sales force was once again ranked the best in the industry by physicians for the 13th year in a row. And our terrific salespeople around the world are earning similar recognitions.

To enhance R&D efficiency and productivity, we closed two US R&D sites and announced the closure of three international sites. We streamlined our therapeutic area structure and cut the layers of management in PGRD between myself and the bench scientists from 13 to eight. In manufacturing, we exited six sites in 2007 and plan to exit 12 more, and we achieved significant production cost reductions on key products. These actions were painful, but they were necessary. We significantly cut costs in 2007, and we're on track to achieve absolute reductions of our total adjusted costs next year of between 1.5 and $2 billion on a constant currency basis compared to 2006.

To create smaller and more accountable business units, our third priority, we created five separate business units in the US for our patent-protected portfolio. The new US business units already have lots of success stories demonstrating their new agility and speed. We also recently established a new separate unit, focused solely on optimizing the performance of our established products, products that are near or past their loss of exclusivity. This new unit is led by a skilled executive with substantial pharmaceutical experience around the world, including in markets where these established products are very successful.

In R&D we put each therapeutic area in a single location, allowing colleagues to have a clear line of sight to a smaller, more focused enterprise. We have new leadership in several of these therapeutic areas, and we're well on our way to ensuring greater

focus, accountability and entrepreneurship in each of these R&D units. We also created a separate biotherapeutics and bioinnovations center, led by world-class scientists, to discover, license and acquire more new candidates for the pipeline.

We also have good progress to report on our fourth priority, building more meaningful collaborations with other individuals and organizations with whom we can partner to add value. We have signed over 1000 new scientific alliances this past year. These include major deals such as Icagen, which provides a novel opportunity in pain, Tacere Therapeutics, which offers an RNAi approach to the treatment of hepatitis C, and Taisho Pharmaceuticals, which presents opportunities in the schizophrenia area.

We also entered into a unique collaboration with the Scripps Research Institute that is already bearing fruit. And we created the Pfizer Incubator to work with academic, biotech and venture communities on innovative ways to answer some tough questions.

We've also significantly improved our relationships with key trade and managed care customers. We've improved our formulary positions for some of our key products, giving us the opportunity to provide our products to millions of patients. We're also actively exploring collaborations with best-in-class companies in a number of areas where we can work together to create value, including improving patient outcomes and achieving joint clinical support.

Finally, our fifth priority, making Pfizer a great place to work. We've significantly streamlined the organization, reducing layers and increasing spans of control. The move toward smaller units will empower thousands of colleagues. Among many other important changes, we brought in a world-class talent development leader from Microsoft.

Most importantly from my perspective, we've urged our colleagues to be as candid and open as possible, and I am very encouraged by the way they have responded. They're telling us quite clearly what is working and what is not working. We are listening to them, and we are moving quickly to respond to their views at every level.

Overall, while we have lots more to do, we're making steady progress in establishing Pfizer as a company where open communications, empowerment, focus and accountability are the norm, with a performance-based culture that recognizes and rewards outstanding contributions from Pfizer colleagues. We will continue to execute against these five priorities in every part of Pfizer. Our objective, of course, is to position the Company to deliver strong total shareholder return. And at our March 5th analyst meeting, we'll talk in detail about longer-term strategies to invest in our future, create value with our science and technology, and deliver innovative healthcare. But today, I'll simply list in broad terms the areas where we are concentrating.

We intend first to refocus and optimize the patent-protected portfolio. Second, find new opportunities for established products. Third, accelerate our growth in emerging markets. Fourth, invest in complementary businesses. And fifth, establish and sustain an unwavering commitment to innovation and a culture of continuous improvement. We'll have much more to say about all of this on March 5th, including outlining key milestones by which you can track our progress.

A final comment before I turn this over to Frank. Much has changed at Pfizer, and much will change. The urgent challenges we face present great opportunities. They have galvanized us to react fast, rebuild our foundation, and renew our determination. I am pleased with our progress, but all of us at Pfizer know that we have more work ahead to deliver on our commitments to our shareholders and build the value of our business for the long-term. Frank?

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

Thanks, Jeff. Good day, everyone. Now for the results. The charts I will be reviewing today are included in our Webcast and will help facilitate the discussion of our fourth quarter and full year 2007 results. With that, let me get to our financials.

Today we reported revenues for the fourth quarter of 2007 of 13.1 billion, a 4% increase compared with the year-ago quarter, despite Norvasc loss of US exclusivity, which contributed to a 666 million decrease in Norvasc revenues. Fourth-quarter revenue was positively impacted by foreign exchange, which increased revenues by approximately 610 million, or 5%, and the strong performance of many new and in-line products.

Reported net income of 2.9 billion for the fourth quarter decreased 70%, and reported diluted EPS of $0.42 decreased 68% compared with the year-ago quarter. These declines are primarily due to a onetime after-tax gain of 7.9 billion, or about $1.08 per diluted share in the fourth quarter of 2006 related to the sale of the Consumer Healthcare business, which was partially offset by the favorable impact of foreign exchange, lower acquisition-related IPR&D charges, and other items. Adjusted income of 3.6 billion for the fourth quarter increased 17%, and adjusted diluted EPS of $0.52 increased 21% compared with the year-ago quarter. These increases were primarily the result of the favorable impact of foreign exchange, as well as our cost-reduction initiatives.

Now to the full year. Full year 2007 revenues increased 1% to 48.6 billion compared with 2006, despite the loss of US exclusivity in both Norvasc and Zoloft, which decreased by approximately 1.9 and 1.6 billion, respectively. Full-year revenues were again positively impacted by foreign exchange of approximately 1.5 billion, which increased revenues by about 3%, and the strong performance of many new and in-line products.

Full year 2007 reported net income of 8.3 billion declined 57% compared with 2006, and full-year reported diluted EPS of $1.20 declined 55% year-over-year. The year-over-year comparison [was negatively] impacted by the onetime after-tax gain of 7.9 billion, or $1.08 per diluted share, related to the sale of the Consumer Healthcare business, the after-tax charges of 2.1 billion we recorded in the third quarter of 2007, primarily related to the write-off of assets and other costs associated with our decision to exit Exubera, and higher after-tax charges of 2.7 billion associated with our cost-reduction initiatives, which increased from 1.4 billion in 2006.

Full-year adjusted income increased 2% to 15.3 billion, and adjusted diluted EPS increased 7% to $2.20 compared with 2006. Full-year adjusted income and adjusted diluted EPS were favorably impacted by foreign exchange and our ongoing cost-reduction initiatives. In addition, adjusted diluted EPS was also favorably impacted by our share purchase program.

Let me point out several significant items that are included in our reported results for the fourth quarter. More detailed disclosures will be provided in our Form 10-K filing with the SEC.

In the fourth quarter we incurred 213 million in restructuring charges, as compared with 495 million in the prior-year quarter. These charges are primarily associated with employee costs and asset impairments. In addition, we incurred 525 million of implementation costs, compared with 241 million in the prior-year quarter. These costs are primarily related to sites we exited or are in the process of exiting. These amounts are reported in cost of sales, R&D and SI&A expenses, and are detailed more fully in the supplemental information accompanying the release.

Throughout the year, specific cost-reduction initiatives spanned essentially all divisions, functions, markets and sites across Pfizer. Broad categories of activity included sales force reductions, manufacturing research site exits, and outsourcing. We reduced our US sales force by about 20% and have implemented similar reductions in many other markets. We have exited six manufacturing plants and two R&D sites in 2007. Furthermore, we are in the process of exiting an additional 12 manufacturing plants and four R&D sites. To date, all transitions are proceeding according to plan.

In addition, research programs and development projects have been transferred and stabilized in their new location with minimal disruption. Moreover, a wide array of outsourcing opportunities are in various stages of implementation. Manufacturing, logistics, finance, facilities, legal and IT are among the functions contributing to the financial and operational benefits of this strategy.

Now I'd like to provide more details regarding our adjusted income components.

Adjusted revenues for the quarter were 13 billion, an increase of 3% versus the prior-year quarter, despite Norvasc loss of US exclusivity in March 2007, which contributed to a 666 million decrease in Norvasc revenues.

Adjusted cost of sales as a percentage of revenue was 17.4% in the fourth quarter, compared with 16.6% in the year-ago quarter. The increase was primarily driven by the unfavorable impact of foreign exchange. In fact, cost of sales as a percentage of revenues actually improved modestly excluding the effect of foreign exchange. And to a lesser extent, unfavorable geographic and business mix, which more than offset savings from ongoing cost-reduction initiatives.

Adjusted SI&A expenses were 4.5 billion for the quarter, an increase of 1% compared with the year-ago quarter. Adjusted R&D expenses were 2.2 billion, a decrease of 9% compared with the year-ago quarter. Adjusted SI&A and R&D expenses, as well as adjusted cost of sales, were favorably impacted by savings from our ongoing cost-reduction initiatives. However, this was offset by the unfavorable impact of approximately 480 million from foreign exchange on total costs. Our effective tax rate on adjusted income for the quarter was 18.2%, which decreased due to changes in our geographic income mix.

I would also like to highlight the performance of selected products during the fourth quarter.

First, Lipitor worldwide revenues increased 3% (technical difficulty) billion compared with the year-ago quarter. The favorable impact of foreign exchange was approximately 150 million, which increased revenues by about 4%. Revenues in the US declined 4% due to continued intense competition and payor pressure, while revenues from international markets increased 13%, of which 11% was due to foreign exchange, and the remainder due to operating growth.

As you can see, most key in-line products grew in the fourth quarter as compared to the prior-year quarter, with the exception of Zyrtec. Given the US patent expiration in December of 2007, and pending launch of over-the-counter Zyrtec, we will cease selling the product this month. Full-year 2007 revenues for Zyrtec were $1.5 billion.

In addition, I want to point out that we will also lose US patent protection for Camptosar in February 2008. Full year 2007 revenues for Camptosar were 969 million, of which 539 million was from the US.

[Three] new products, including Chantix, Lyrica and Sutent, continued to deliver strong growth during the quarter. Chantix, our prescription treatment to aid smoking cessation, achieved revenues of 280 million, an increase of 311% compared with the year-ago quarter. Last week we updated the label for Chantix to include an additional warning for patients. The potential impact of this action has been considered in our guidance for 2008.

Lyrica, our medicine for the management of neuropathic pain and, more recently, fibromyalgia, delivered revenues of 564 million, an increase of 60% compared with the year-ago quarter.

Finally, Sutent, our product for advanced kidney cancer and gastrointestinal stromal tumors, posted revenues of 182 million, an increase of 75% compared with the year-ago quarter.

As expected, revenues from Zoloft and Norvasc, which lost US exclusivity in August of '06 and March of '07, respectively, continued to decline during the fourth quarter. Compared with the year-ago quarter, Norvasc revenues decreased 51% to 650 million, and Zoloft revenues decreased 20% to 134 million.

As you can see from the chart, we exceeded our 2007 top-line and bottom-line expectations regarding our '07 financial guidance, which we previously announced on last quarter's conference call. We posted 48.4 billion of adjusted revenues, beating our previous expectations, and achieved reported diluted EPS of $1.20 and adjusted diluted EPS of $2.20, both exceeding the previous expected ranges.

Our 2007 adjusted SI&A expenses decreased by 560 million from '06 levels on a constant currency basis, slightly lower than our previous expectation of approximately (technical difficulty). Total adjusted SI&A expenses of 15.2 billion were essentially at our guidance of approximately $15.1 billion.

In addition, we recorded adjusted R&D expenses of 7.5 billion, consistent with our guidance. Our effective tax rate on adjusted income was 21%, slightly better than our expectations. And we expect to generate cash flows from operations at or above our guidance of 12 to 13 billion. Also, our Lipitor revenues declined 2% for the year, better than our previous guidance of a 3 to 5% decline in comparison to 2006.

That said, our adjusted cost of sales as a percentage of revenues was 15.9% for the year versus guidance of 15.5%. As I previously mentioned, this variance was due to the unfavorable geographic and business mix, and the unfavorable impact of foreign exchange, which more than offset savings from our ongoing cost-reduction initiatives.

Looking to 2008, our full-year guidance is as follows. We expect annual revenues in the range of 47 to 49 billion, reflecting an increase of 500 million to both the bottom and top-ends of our previous range; a reduction of adjusted total costs from 2006 levels of at least 1.5 to $2 billion on a constant currency basis; adjusted cost of sales as a percentage of revenue of 14.5 to 15.5%, resulting from the full-year benefit in 2008 of manufacturing site exits in 2007 and ongoing cost-savings efforts.

We also expect adjusted R&D in the range of 7.3 to 7.6 billion; adjusted SI&A in the range of 14.4 to 14.9 billion; reported diluted EPS in the range of $1.78 to $1.93, reflecting a $0.03 increase to the bottom-end of our previous range; adjusted diluted EPS in the range of $2.35 to $2.45, reflecting a $0.04 increase to the bottom-end of our previous range; an effective tax rate of 22 to 22.5% on adjusted income; cash flows from operations of 17 to 18 billion, which is $1 billion less than our previous guidance, due primarily to the estimated timing of tax payments.

As always, results may vary from quarter to quarter based on the seasonality of revenues and spending and the timing of the loss of US exquisitely and patent expirations of certain products, among other things.

First quarter 2008 revenues may not be comparable to the first quarter 2007 revenues as a result of the loss of US exclusivity of Norvasc, Camptosar and Zyrtec, which we will cease selling this month following the anticipated launch of an over-the-counter Zyrtec. Collectively, these products contributed US revenues of about 1.1 billion in the first quarter of '07 and 2.7 billion in the full year 2007. It is important to note that we have considered these factors in our full year 2008 guidance.

Going forward, our focus remains on building total shareholder value by achieving our financial goals, maintaining spending discipline, prudently allocating our capital, and improving our cost structure.

So, to summarize the key takeaways, we exceeded our '07 revenue and EPS guidance provided last quarter. Regarding 2008 guidance, we increased the top and bottom-ends of our previous revenue guidance range by 500 million, and increased the bottom-end of our adjusted diluted EPS range by $0.04, and our reported diluted EPS by $0.03.

Our new products, especially Lyrica, Chantix and Sutent, continued to deliver strong growth, and partially offset decreasing revenues from products that have lost exclusivity. Revenue from these three new products increased to 3.3 billion in 2007 from 1.5 billion in 2006.

Finally, we are continuing to execute on our plan to reduce costs, and we expect to continue to realize savings on these initiatives in 2008.

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

Thank you very much, Frank. Now we'd be happy to take your questions.

QUESTIONS AND ANSWERS

Tim Anderson - *Sanford Bernstein - Analyst*

On Lipitor, hoping you can provide us an update on what the unrestricted tier 2 access is in the US for the product in 2008 relative to what it was for 2007. And if you could remind us what that figure was for 2006, that would be helpful. And related to that, do you foresee the recent ENHANCE results bettering the formulary placement of Lipitor, or not?

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

Thank you. Is that Tim Anderson?

Tim Anderson - *Sanford Bernstein - Analyst*

Yes.

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

Thank you, Tim. We had a little technical difficulty there. Ian, would you like to --? This is Ian Read, President of Worldwide Pharmaceutical Operations.

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

I think tier 2 access in -- I don't have the '06 numbers -- '07 was above 65% on tier 2 access, and we expect to maintain or slightly improve that in '08. In regard to ENHANCE, it's really too early to tell the impact. Vis-a-vis the formulary position, our formulary position is in place; we're in tier 2. So, just too early to tell.

Tim Anderson - *Sanford Bernstein - Analyst*

That 65% is unrestricted tier 2?

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

The vast majority of it is unrestricted.

Tim Anderson - *Sanford Bernstein - Analyst*

Thank you.

Operator

John Boris, Bear Stearns.

John Boris - *Bear Stearns - Analyst*

Thanks for taking the questions. Just on the first-quarter revenues, traditionally, when you take your annual price increase, you do traditionally allow wholesalers an opportunity to buy in for a period of time. Can you -- at the old 2007 pricing level. Can you confirm how that might have an impact on revenues going into the first quarter, or if it will at all? And then a question on gross margins. I believe Zyrtec, being a partner product from UCB, is below your current gross margin. Can you also confirm if Camptosar is also below your current gross margin? And then just finally on foreign exchange, you disclosed a 5% benefit. Can you comment on what the contribution of price and volume was in the quarter? Thanks.

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

Thanks for following the request to stick to one question at a time. We'll start with the first question regarding the first-quarter revenue impact of -- on Lipitor.

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

I think the way -- let me take a shot at this. I think the way I'll answer that is by saying, if you look at our weeks on hand at the end of the year, they were basically 2.5 weeks, which were down from the year-ago quarter. And if you look at our third-quarter weeks on hand, that was also down on a year-over-year basis. In terms of what we're doing relative to our distributors, inventory levels were actually down (inaudible).

In terms of Camptosar and the gross margin on Camptosar, relative to our overall gross margin, obviously, many of our products have higher gross margins relative to our overall gross margins, of which Camptosar is one of those.

And in terms of the last question on FX, I think the way I'll answer that is just what we have included in the release, which is if you look at the positive impact of FX for the year, it was about 600 million, 610 million for the year on the top-line; it's about $1.5 billion on the top-line for the full-year. So, 600 million Q1, $1.5 billion for the full year -- obviously, with that having a benefit on the bottom-line as well.

Operator

David Risinger, Merrill Lynch.

David Risinger - *Merrill Lynch - Analyst*

Thank you. With respect to FX, I was hoping that you could provide a little bit more color on the FX contribution to the bottom-line EPS in the fourth quarter of '07 and in the full year '07. Thank you.

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

I can clearly do that. For the fourth quarter, give or take, it was about 200 million, and for the year it was about 600 million. That's when you basically factor in the positive impact on the top-line, and I'll call it the increase it causes in cost of sales, SI&A and R&D, and then when all is said and done, the flow-through of all that to the bottom-line, including other income. So, all said and done, about 200 million for the quarter, about 600 million for the full year.

David Risinger - *Merrill Lynch - Analyst*

Could you provide any color on your assumption for '08, the benefit to '08 EPS?

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

What we did is for '08 guidance, we basically used current exchange rates, so January exchange rates. So we're not making any assumptions about what's going to happen to exchange on a going-forward basis. We basically used the January exchange rates. The only place where we didn't do that was in the total adjusted cost number, where we said 1.5 to 2 billion reduction from 2006 spending levels at constant exchange rates. So, that's the one subtlety where we didn't do it. Other than that, it's all at January current exchange rates.

Operator

Christopher Schott, Banc of America Securities.

Christopher Schott - *Banc of America Securities - Analyst*

Thank you. Just a quick question relative to what's happening with Vytorin following ENHANCE. I know it's probably too early to tell regarding Pfizer's potential benefit from this data. But maybe just from a sector level, when we see a surrogate like LDL kind of seemingly dismissed in the markets in the face of just one conflicting data point, first of all, are you surprised by that? And second, how do you view that in the context of your investment you're making in more kind of prophylactic types of therapies? Thanks.

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

I don't think that LDL was dismissed as a surrogate; it was how you lower LDL was the issue. And clearly, there is a wealth of evidence that lowering LDL with statins gives positive outcome. Lipitor has 10 landmark trials on that issue. So I think the role that LDL plays is firmly established and will continue to be so. So, what was the second part of your question?

Christopher Schott - *Banc of America Securities - Analyst*

I guess it was just a general question maybe as we're looking outside of even the statin market, when we look at these more prophylactic-type of therapies, are you looking at maybe having to run more outcome studies, even to get drugs approved, than in the past? It just seems like it's a pretty difficult environment right now.

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

Martin, would you like to address that?

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

(inaudible) to see, Chris, on what we would do with those in terms of the studies that we'd need to conduct on prophylactics.

Operator

Jami Rubin, Morgan Stanley.

Jami Rubin - *Morgan Stanley - Analyst*

Thank you. Just wanted to go back to the gross margin question. Frank, obviously, the gross margin was hurt this quarter by foreign currency, even though revenues were highly benefited from foreign currency, as well as strength of other products. Can you tell us what the gross margin in the fourth quarter and the full year 2007 would have been without the foreign currency effects, so that we can sort of look at 2008 on an apples-to-apples basis, if that's fair?

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

Let me just run the numbers, Jami, and then I'll go down a layer and I'll answer the question. So, if you look at Q4 gross margin, I'm going to flip it to cost of sales, just because it's easier for me. If you look at the cost of sales Q4 '06 to Q4 '07, they went from 16.6% to 17.4%. If you were to strip out FX, the 16.6% would have actually declined modestly, literally declined modestly. If you look at the full year, gross margins went from 14.9% to 15.9%. Roughly half of that increase was due to FX. So think about it as fairly evenly distributed between FX and then unfavorable geographic and business mix. So of the 14.9 to 15.9, roughly half of that was FX.

Jami Rubin - *Morgan Stanley - Analyst*

So the midpoint guidance for 2008, roughly, assumes flat gross margins?

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

So if you look at the midpoint it's 15%, and what I said was 14.9 to 15.9, with roughly half of that due to FX. So that would bring you closer to, I'll call it, 15.5. And what's really happening there is why 15.5, or 15.9 on an adjusted basis, versus the range of 14.5 to 15.5? If I may, let me spend a minute or two on that. There's really several things going on their.

One is we exited six manufacturing facilities in 2007. We will get the benefit, the full-year benefit of that, in 2008. We've also have announced 12 manufacturing facility exits that are in process. We'll get some benefit from that in 2008.

In terms of other things we're doing to reduce costs, we're basically expecting to lower our sourcing costs -- so think about kind of our material sourcing costs -- by establishing strategic partnerships with some lower-cost vendors. We have many projects underway. They're not all cooked. They're in various stages of implementation. But on many of those, we'll get benefit in 2008. And then we have multiple projects going on in many of the divisions in the Company, with manufacturing, logistics, facilities, IT, where we'll generate savings in 2008, some of which will accrue to the cost of sales line item. So it's based on all of that when we provided -- we obviously incorporated all that into our guidance for '08, which gets you into that 14 to 15.5 range, even though the number was 15.9% in 2007.

Jami Rubin - *Morgan Stanley - Analyst*

That's helpful. Thank you.

Operator

Roopesh Patel, UBS.

Roopesh Patel - *UBS - Analyst*

I have a couple of very quick questions. First, what's the price and volume breakdown of overall revenue growth during the fourth quarter? And then separately on Lipitor, what's the status of the patent challenges in Canada and the [other key] international markets? I'm wondering whether in any of these markets there is the potential for Lipitor to encounter generic competition in 2008. Thanks.

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

I'll let Frank address the first question, and Allen Waxman, our General Counsel, will answer the second.

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

Allen, you want to go first on the --?

Allen Waxman - *Pfizer, Inc. - General Counsel*

Sure. In Canada, there are two proceedings with two different generics that are ongoing at this point. First, we're awaiting an appellate decision on the case with Ranbaxy with respect to the enantiomer patent. That has been argued, it's been fully briefed, and we're awaiting that decision. We received a favorable decision against Ranbaxy on our crystalline form patents, which holds them off the market most likely through 2008. So, that's Ranbaxy.

Apotex, we are taking an appeal on a recent unfavorable ruling on the enantiomer patent. We also have crystalline form trials against Apotex. Too early to determine outcomes of those cases.

With respect internationally in Europe, almost in every market the basic patent expires after the enantiomer patent, and that expires in 2011. So thus far, we have been successful in holding onto that date of expiry. In Spain there are some cases on appeal that we're awaiting outcomes on that could have an impact in that market. Just too early to tell.

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

Thank you, Allen. Roopesh, let me just add to that that the potential outcomes in Canada are reflected in the guidance for '08 that we provided today. With regard to your question about price and volume, I'll let Frank have a crack at that.

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

Let me take a shot at this in terms of what we provide relative to this. I think at an overall level, across the total company, price had a favorable impact, volume had an unfavorable impact, both of which were in the low single-digits for the full year. Kind of low single-digits on price; call it low to mid single-digits on volume.

Operator

Scott Braunstein, JPMorgan Asset Management.

Scott Braunstein - *JPMorgan Asset Management - Analyst*

Would you mind just walking us through the Norvasc patent expiries throughout Europe and the rest of the world?

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

Sure. Ian has that right in front of him, ready to --

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

Right at my fingertips. The Norvasc patent expiration basically is done, other than three markets, Canada, Japan and Italy. Japan and Italy will go in late -- Japan will go in September of '08, Italy will go in March of '08, and Canada will go in September '10.

Scott Braunstein - *JPMorgan Asset Management - Analyst*

Thanks so much. I appreciate it; appreciate all the disclosure.

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

Thank you. And Scott, as I'm sure you know, the declines that we experience when products go off patent internationally are much more gradual than what we experience in the United States, as I'm sure you know. Next question, please.

Operator

Harlan Sonderling, Columbia Management.

Harlan Sonderling - *Columbia Management - Analyst*

My question is about the $5 billion addition to the share repurchase authorization. That compares with 10 billion that you accomplished in '07, and a five-year average prior to that of 7 billion. I'm curious to know whether you're just taking it less at a time now, or whether this is more of a husbanding of cash for future corporate activity, please.

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

Frank will take that one.

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

A couple of comments on this one. First, in '07, we bought $10 billion of our shares. You need to remember we had cash in '07 from the sale of the Consumer Healthcare business in 2006. So we had a lot of cash, much of which we used in 2007 to do share buybacks.

In terms of going forward, Harlan, our focus has been, continues to be, on delivering total shareholder return. If you look at the share purchase program, it's a new program; it's open-ended, so there's no timeframe for completion relative to the $5 billion. We will be opportunistic relative to how we deploy capital, including share buybacks.

The other thing to remember is when we look at total shareholder return, another major element of that is the dividend. We increased our dividend in 2008 by 10%. We have said it would be moderated versus prior-year increases, but 10%, versus 21% and 26% in '07 and '06, respectively. So, a very large increase. That absolute number, by the way, on the dividend now is give or take $8.5 billion. So, lots of capital being deployed in the area of total shareholder return.

And then finally, to your point, there's lots of opportunities for us to deploy capital beyond dividends and beyond share buybacks, whether it be with internal investments or external investments. And we're factoring all of that into how we deploy our capital. But hopefully we're demonstrating no change in terms of our focus on delivering total shareholder return.

Harlan Sonderling - *Columbia Management - Analyst*

Thank you, and my compliments on the additional disclosures as well in the release.

Operator

Catherine Arnold, Credit Suisse.

Catherine Arnold - *Credit Suisse - Analyst*

I wanted to ask you about Chantix. You had indicated in your opening remarks that you have incorporated the recent neuropsychiatric warning in your guidance for '08. But could you give us a little bit more detail on the percentage of the target market that either has a pre-existing psych illness, or may exhibit some of the neuropsychiatric symptoms that are mentioned in the label? And as you look at your patient [use of] the last 12 months, how does that differ from the percentage of the target market, if you will? How much swing might be in the forecast, whether -- in regards to the impact that this might have?

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

I'll let Ian respond.

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

I'll have to get back to you. I don't have the split of the target marketplace between those conditions. I would like to say that the important thing about his label change is that it does allow a dialogue between patient and physician, and that medium-term, long-term is very good for the product. The physicians -- our research has shown in the last two months, given the fact that most of this information, or all of it, was already updated in our label in November, physicians continue to see a very strong benefit through the use of Chantix. So we will continue to promote Chantix, both to physicians and patients, and believe this label change in that context is manageable.

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

Let me just add two things to that. First I want to mention that we have been in dialogue with the European regulators on the label as well, and we expect shortly to have a communication in which a similar label in Europe is adopted to the one we have here in the United States. I just thought I'd just add my perspective to this for a second, if I could.

This is a really -- a very unusual situation, from my point of view. The benefits of this drug are really quite extraordinary for individual patients and for public health when you consider the hundreds of thousands of people that die every year from smoking-related illnesses. And there are many, many patients that have and will obtain the benefit of this drug. But as Ian says, there's also a great value in enhancing patient/physician communications about potential side effects of this or any other drug. So I think this is a really powerful opportunity to make a big difference in public health. And from everything we can tell, the physicians understand these tremendous benefits and are well prepared to have these good dialogues with their patients. And in the long run, I think, this is going to be a terrific drug, not just for Pfizer but, frankly, for public health.

Could I have the next question please?

Operator

Steve Scala, Cowen.

Steve Scala - *Cowen - Analyst*

Can you provide additional perspective on your December 21st release relative to the additional data with regard to dalbavancin and the issue of non-inferiority trial designs? What is the FDA asking, and what do you need to do to get dalbavancin approved? Thank you.

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

Martin Mackay, our Head of R&D, will take that question.

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

Just briefly, Steve, there's nothing new to disclose from November 21st. We will provide additional data to the FDA. We're working with the Agency to respond to the requirements, and it's simply too early to say if we will need additional trials or, in fact, timing of the approval.

Operator

James Kelly, Goldman Sachs.

James Kelly - *Goldman Sachs - Analyst*

Just a little more follow-up on Chantix and the size of the patient opportunity, and what you've learned since the launch on this product. First, in the US, you mentioned that 5 million patients had tried it. Do you have any sense, Ian, on what is the real addressable market of people who might consider trying pharmacotherapy in the US, and the number of people who might be returning to it? And then also just over in Europe, a place where we don't have a lot of visibility, though do see a lot of news around inability to smoke in certain public places emerging around Europe, any news there on reimbursement and how the product is being adopted in Europe? Thank you.

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

In the US, we're probably talking about something like 50 million smokers as a potential target. You could segment them into four segments. Probably two of them or more immediately [are eligible or incentivated] to look for treatments. That's about 25 million patients that we think are seekers of treatments and alternatives. The other 25 million are probably more of a medium to longer-term market development opportunity.

Vis-a-vis Europe, you are correct; there is less of a culture of smoking ban. It's beginning to get traction in Europe. The UK has it. Ireland has it. I believe Spain is moving towards that, as is France, Sweden. And as those bans come in place, it creates a lot more sort of a (inaudible) marketplace for us. So the product is doing well where we have reimbursement, Sweden and the UK, and reimbursement is beginning to get traction alongside the smoking ban. I would look at international markets as a medium-term development opportunity for Chantix. And Asia (multiple speakers)

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

I was about to say let's not forget Asia. That's a huge opportunity for us as well. Thank you. Next question.

Operator

Mike Krensavage, Raymond James & Associates.

Mike Krensavage - *Raymond James & Associates - Analyst*

I was wondering why you cut the cash flow target by $1 billion. I know you mentioned timing of payments, but what payments, and how has the timing changed? Thank you.

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

As long as you're not from the IRS, Frank will answer that question.

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

Let me make a couple of points on this. The second point I make I'll answer the question specifically. Just one thing in terms of if you look at the rhythm of the numbers in terms of the cash flow we're generating from operations, for 2007 we had guidance out there of 12 to 13 billion. And we said we'd be at or above that guidance range. So call it close to that range.

For 2008 the previous guidance was 18 to 19 billion. We lowered it to 17 to 18 billion, but higher than what we had done in 2007. It's really driven by some assumptions we had made relative to estimated payments relative to taxes. In terms of when we would make those payments, the size of those payments, and quite frankly, our estimates in terms of the guidance we just updated, first estimates that were made previously changed. And those changes relative to the timing of those payments is what had us change our guidance and take it down.

Operator

Seamus Fernandez, Leerink Swann.

Seamus Fernandez - *Leerink Swann - Analyst*

Thanks very much. Just a quick question. I was hoping that you could give us a little bit of context in the current economic environment. Copays have been going up. There's more branded drugs on tier 3. And I'm just wondering what we've seen historically the last time we went through a recession. What happened to IMS prescription trends? And do you have an overall view into your business that characterizes the impact of an economic environment in tier 3 access? Thank you.

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

Good question. Obviously, our data shows that as (technical difficulty) tier 3, or even if they're on tier 2 and copays increase, it is not positive for scripts or scripts being filled. So that would indicate that we would see [a more] difficult environment. But on the other hand, you have the sort of positive impacts of Part D and government programs. And so I think right now it's well-balanced in that context. So, I don't see a material impact in '08 for those trends.

Operator

David Risinger, Merrill Lynch.

David Risinger - *Merrill Lynch - Analyst*

It's my impression that Lipitor is a very low-tax product. And so I was wondering if you could confirm that the tax rate on Lipitor profits are below the corporate average? And if so, how should we think about its impact on the tax rate of the Company when Lipitor goes generic early in the next decade? Thank you.

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

We don't really provide that information regarding each individual product. Different products have different tax rates in different parts of the world, and they aggregate into the corporate tax rate that we articulate. And that's constantly monitored [and an] event that we look at. And we look for opportunities to deal with it and report our aggregate tax rate. Next question, please.

Operator

Steve Scala, Cowen.

Steve Scala - *Cowen - Analyst*

Again on ENHANCE, you said a couple of times that it's simply too early to assess the impact of the study. But, can you or have you already changed your marketing tactics in response to this data? Are your reps out talking about ENHANCE, and perhaps drawing parallels to the REVERSAL study? Or are you engaging in any other tactic using this data?

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

The short answer is our reps are out there promoting the advantages of Lipitor and the data that supports it. And we feel very strongly that that is the best way to position Lipitor, and they're out there doing that even as we speak. Did you want to add anything [to this, Ian]?

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

It's consistent with the way we have always positioned Lipitor, that we have safety across the dose range, that we have LDL potency across the -- lowering across the range, and we have landmark trials. So, this sort of confirms and validates our positioning for Lipitor in the marketplace.

Operator

John Boris, Bear Stearns.

John Boris - *Bear Stearns - Analyst*

Thanks for taking the follow-up. Can you just comment on performance-based contract rebates? I think there were about 390 million in third quarter '07. Can you disclose what they were in the fourth quarter, and what percent of the rebates might be attributed to Lipitor? Thanks.

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

I think the way I'll answer this is, overall rebates for the year, so total consolidated Pfizer, were essentially flat, in fact, slightly down, on a year-over-year basis, I think I'd say point one. Point two, in terms of Lipitor, overall rebates were up. They're actually up year-over-year, call it by about 2%, is the way I would think about it. So overall, essentially flat; relative to Lipitor, up about 2% of revenue.

John Boris - *Bear Stearns - Analyst*

Thanks.

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

John, does that help?

John Boris - *Bear Stearns - Analyst*

Can we get the absolute number in the quarter?

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

The absolute number in the quarter, [2% or so]; call it a couple hundred million, approximately 200 million, I think.

John Boris - *Bear Stearns - Analyst*

200 million?

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

For Lipitor.

John Boris - *Bear Stearns - Analyst*

How about for the whole business?

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

Overall, we'll need to get back to you on that.

John Boris - *Bear Stearns - Analyst*

Very good.

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

Operator, are there any other calls in the queue?

Operator

There are no questions.

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

(inaudible) if I may. John, overall for the Company [total year] (inaudible) essentially flat. Think about it in kind of the mid single-digit range, about mid single-digits.

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

John, I hope you heard that. Thank you, everybody, for joining us today. Have a good afternoon.
