

FINAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Chuck Triano

Pfizer - SVP, IR

Jeff Kindler

Pfizer - Chairman & CEO

Frank D'Amelio

Pfizer - CFO & SVP

Martin Mackay

Pfizer - SVP & President, Pfizer Global R&D

Ian Read

Pfizer - President, Worldwide Pharmaceutical Operations

Amy Schulman

Pfizer - SVP & General Counsel

CONFERENCE CALL PARTICIPANTS

John Boris

Citigroup - Analyst

David Risinger

Merrill Lynch - Analyst

Roopesh Patel

UBS - Analyst

Catherine Arnold

Credit Suisse - Analyst

Tim Anderson

Sanford Bernstein - Analyst

Chris Schott

JPMorgan - Analyst

Tony Butler

Lehman Brothers - Analyst

Steve Scala

Cowen & Co. - Analyst

Barbara Ryan

Deutsche Bank - Analyst

Bert Hazlett

BMO Capital Markets - Analyst

James Kelly

Goldman Sachs - Analyst

Seamus Fernandez

Leerink Swann - Analyst

PRESENTATION

Operator

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Welcome, ladies and gentlemen. Please welcome Chuck Triano, Head of Investor Relations.

Chuck Triano - Pfizer - SVP, IR

Good morning and thank you for joining us today to review our second-quarter 2008 performance. I'm here where Jeff Kindler, Chairman and CEO; Frank D'Amelio, Chief Financial Officer, and other members of our senior management team. The financial charts that will be presented on this call can be viewed on our home page at www.Pfizer.com in the Investor Presentations tab by clicking on the link, Quarterly Corporate Performance Second Quarter 2008.

We know this is a busy day for many of you, and our conference call will last an hour, and we will end at noon. As we would like to hear from as many of you as we can in this time, we ask that you limit your questions to just one question please.

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 2007 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. Reconciliation 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 July 23, 2008. These reports are available on our website at www.Pfizer.com in the Investors SEC Filing section.

I will now turn the call over to Jeff Kindler. Jeff?

Jeff Kindler - Pfizer - Chairman & CEO

Thanks, Chuck, and hello, everyone. I would like to welcome Chuck to Pfizer, along with Amy Schulman, our new General Counsel, who is here this morning and who joined us just last month. It is great to have you both onboard.

We are pleased with our second-quarter financial performance, especially at this time of great uncertainty in the world economy and capital markets and significant challenges in our industry. Pfizer continues to be on track to deliver the revenue and adjusted diluted EPS guidance that we set out for 2008.

Our pharmaceutical and animal health businesses grew at a healthy rate this quarter, and our cost reduction efforts remained solidly on track with our second-quarter adjusted total costs decreasing by \$475 million compared to the year ago quarter, excluding foreign exchange.

In short, we are doing what we said we would do.

As you know, the US pharmaceutical market continues to be challenging given the regulatory environment, generic competition, payer pressures and an uncertain political environment. But despite this and despite the loss of US exclusivity of Norvasc, Zyrtec and Camptosar, which collectively decreased revenues by approximately \$500 million during the quarter, our US revenues in the quarter nevertheless declined by only 2% versus the previous year. Without these LOE products, our US pharmaceutical business actually increased by 10%.

In this tough US marketplace, we have six products outperforming the branded competition -- Chantix, Aricept, Lyrica, Spiriva, Rebif and Sutent. As well as four more mature in-line products successfully defending their positions against newer agents -- Viagra, Xalatan, Lipitor and Geodon.

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Bottom-line, there is certainly more work to be done, but we're more than holding our own against the competition in a particularly challenging US environment.

Meanwhile, outside the United States, we have one of the strongest global footprints and broadest portfolios in the industry, now accounting for more than half of our total revenues. Revenues from international markets grew a solid 5% this quarter compared to last year, even before the benefit of foreign exchange.

Our primary growth strategy around the world is to refocus and optimize our patent protected portfolio of both marketed medicines and compounds in development. In that connection, the agreement we made with Ranbaxy this quarter brings substantially certainly that a generic version of Lipitor will not be introduced in the US for another nearly three and a half years. While the lipid-lowering market is one of the world's most challenging, Lipitor is holding its own as we continue to fight for market share and to press the essential message that Lipitor has no generic or branded equivalent.

Pfizer is far more than Lipitor, of course, and our year-to-date results show positive trends for a number of key medicines in our patent-protected portfolio. Lyrica is up 50% year-to-date with growth driven by strong efficacy in managing nerve pain associated with diabetes and shingles, as well as in managing fibromyalgia, which increasingly is being understood as a serious and debilitating disease.

Revenues for our cancer agent, Sutent, were up 62% year-to-date. Currently Sutent's international growth is outpacing its growth in the US where it has been available longer. That said, we are pursuing additional indications for Sutent and conducting Phase III trials for patients with breast, colorectal and lung cancer among others. Sutent represents our commitment to emerge quickly as a leader in fighting cancer.

To advance that goal, we created this quarter a dedicated global oncology business unit within our pharmaceutical segment led by Gary Nicholson, formerly the head of Lilly's US oncology business unit. This unit will serve as the single point of accountability for Pfizer's worldwide oncology business in keeping with our commitment to reorganize into more focused and agile business units.

Now, of course, we would all prefer to prevent cancer and heart disease than to have to treat them, and that is why smoking cessation is so important. Smoking is expected to be the largest preventable cause of death in this century with some estimates that the toll may be 1 billion people. There are few things that provide greater health benefits than quitting smoking. And our innovative smoking cessation aid, Chantix, is an effective option for those who want to quit.

In fact, we get letters day after day from patients who had given up all hope of quitting smoking until they used Chantix. Its global sales grew 3% this quarter compared with the same period a year ago. Strong international growth was largely offset by a 35% decline in US revenues, which was due mainly to labeling changes and to external reports about adverse events.

Let me be clear -- we believe the Chantix labeling appropriately reflects the medication's risks and benefits, and we will continue to encourage doctors and patients to have a robust dialogue about the dangers of smoking and appropriate treatment options.

Meanwhile, we're seeing strong performance among other important brands. So far this year Geodon is up 20%. Viagra is up 13%. Xalatan is up 12%, and Celebrex is also up 12%. In addition, we continue to pursue new opportunities for our in-line medicines. We recently launched Champix in Japan where we also earned approval for Sutent for certain types of cancer and submitted Lyrica for nerve pain after shingles. And in Europe last month we launched the product we licensed from Schwartz Pharma called fesoterodine to treat overactive bladder. Efforts like these expand the lifecycles of our in-line medicines, complementing our R&D work on new compounds.

In that connection, we also continue to make steady progress advancing one of the most robust pipelines in the industry. In our R&D labs, we are looking to significantly increase our return on invested capital by making smart and focused decisions, including where appropriate exiting certain areas of activity, and we're seeing progress in productivity. Since our last pipeline

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update in March, we had begun Phase III development of five new molecular entities and product line extensions. We now have 20 Phase III projects underway. A noteworthy example is CP-751871, a biologic discovered by Pfizer and proposed for the treatment of non-small cell lung cancer.

We advanced apixaban, our development project with Bristol-Myers Squibb into a Phase III study for treatment of venous thromboembolism. In addition to line extensions to maximize the value of Geodon and Celebrex, we also added Thelin, a once daily oral treatment for pulmonary arterial hypertension which is already approved in Europe, Canada and Australia. It was acquired through our purchase of Encysive.

In addition, we expect seven Phase III oncology studies in 2008 with two already open and enrolling, reflecting Pfizer's commitment to oncology which currently counts for 22% of our R&D budget.

One of the milestones this quarter was a license agreement with AVANT for CDX-110, a Phase II oncology vaccine candidate for the treatment of brain cancer. We continue to move ahead on our goal of 15 to 20 Phase III starts this year and next with the objective of having 24 to 28 compounds in Phase III by the end of next year. We are on track to meet these goals.

An important research initiative this quarter was the establishment of the Pfizer Regenerative Medicine Unit, which will provide us with new targets, new tools and ultimately new therapies across a number of disease areas including Alzheimer's disease, cancer and other debilitating disorders.

Now just as our R&D work is shaping Pfizer's future, changes in our business strategy are shaping the future as well. The fast growth of Pfizer's business outside the United States points to significant potential in emerging markets where we have set a goal of outpacing market growth, which is expected to be 11% per year between now and 2012, the year after Lipitor loses exclusivity.

In addition by then, we aim to be the number one pharmaceutical company by revenues in six of our seven top priority emerging markets. Namely Brazil, China, Mexico, Russia, South Korea and Turkey. The competitive advantages of our broad portfolio of established products and our strong global footprint lie at the heart of our strategy to grow in emerging markets, many of which have more than half of their total sales being driven by established products compared to about 12% in the United States.

To understand the potential of these markets for Pfizer, consider the fact that \$80 billion in new revenues from increased use of established products is expected between now and 2012, and we currently have about a 4% share. There is an enormous opportunity here for us to take a greater share of this growth over the next three to five years.

Steady execution of all of this commercial, R&D and strategic work demonstrates that Pfizer's continuing to change and change fast. A new culture of innovation and continuous improvement is shaping a new, leaner and smarter Pfizer. Throughout the Company we have new, smaller, more accountable business units which have been given much more freedom to innovate.

Over the past two years, while building an outstanding management team, we have challenged colleagues to think differently, to work differently and to examine our business in new ways and from all angles but especially from that of the customer. We have shaped a new corporate culture that is cost-conscious where employers are encouraged to think and act like entrepreneurs. These efforts are supported by our financial strength, a competitive advantage that allows us to balance our strategic needs while meeting our financial commitments.

We have also kept our commitment to greater candor and transparency. Just this past quarter, we stood alone in reforming the way we finance continuing medical education in the United States to remove any appearance of conflict of interest. We've begun to build a strong new presence in biotherapeutics; made progress in rebuilding our pipeline, particularly in the late stages; streamlined our manufacturing; attracted a new generation of leaders to Pfizer; and created the path forward for our future.

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The hard work is far from over, and it will never truly be over. But in this quarter's results, we see some reflection of our hard work and one more important step in doing what we said we would do -- build a Pfizer that can and will succeed.

And now for the financial details, please welcome Frank D'Amelio.

Frank D'Amelio - Pfizer - CFO & SVP

Thank, Jeff. Good morning, everyone. The charts I'm reviewing today are included in our webcast and will help facilitate the discussion of our second-quarter 2008 results. Now let me get to our financials.

Today we reported revenues for the second quarter 2008 of \$12.1 billion, a 9% increase year-over-year which reflects the positive impact of foreign exchange, which increased revenues by approximately \$800 million or 7% and solid performance of many key products, which more than offset the negative impact of revenue declines resulting from the loss of exclusivity in 2008 for Zyrtec whose revenues decreased \$377 million and Camptosar whose revenues decreased \$104 million.

Reported net income increased year-over-year by 119% to \$2.8 billion in the second quarter, and reported diluted EPS of \$0.41 increased to 128%. These increases were primarily driven by lower restructuring charges related to our cost reduction initiatives, as well as savings resulting from these initiatives; the positive impact of foreign exchange; and favorable income tax adjustments related to the sale of Esperion and favorable tax settlements, which were partially offset by increased in-process R&D expenses associated with the acquisitions of Serenex and Encysive Pharmaceuticals, which closed during the quarter, and the impact from the loss of US exclusivity for certain products.

We generated adjusted income of \$3.7 billion in the second quarter, an increase of 26% year-over-year and adjusted diluted EPS of \$0.55, an increase of 31% driven by the savings resulting from our cost reduction initiatives; the positive impact of foreign exchange; the nonrecurrence of the onetime '07 payment to Bristol-Myers Squibb in connection with our collaboration to develop and commercialize apixaban; and tax settlements, which more than offset the impact from the loss of US exclusivity for certain products. Both reported and adjusted diluted EPS in the second quarter were favorably impacted by the full-year benefit of our 10 billion share repurchase in 2007.

During the second quarter of 2008, we repurchased approximately \$500 million or 26.4 million shares of our common stock. I would also like to point out that our debt level at the end of the second quarter decreased sequentially by approximately \$400 million, notwithstanding our dividend payment, share repurchases and the funding of our operations.

We had several significant items included in our reported results this quarter. More detailed disclosures will be provided in our Form 10-Q filing with the SEC.

In the second quarter, we incurred \$562 million in restructuring charges compared with \$1 billion in the prior year quarter. This significant decrease was driven by greater restructuring charges associated with employee-related costs in the year ago quarter.

We also incurred \$405 million of implementation costs compared with \$317 million in the prior year quarter, primarily related to sites we exited or are in the process of exiting. These implementation amounts are reported in cost of sales, R&D, SI&A expenses and other income deductions and are detailed more fully in supplemental information accompanying the release.

Now I would like to provide more details regarding our second-quarter adjusted income components.

Adjusted revenues were \$12.1 billion, an increase of 9% year-over-year. Adjusted cost of sales as a percentage of revenue was 16.9% versus 17% in the prior year quarter, notwithstanding less favorable geographic mix and the impact of foreign exchange. Excluding foreign exchange, adjusted cost of sales as a percentage of revenue was 16.1%. Adjusted SI&A expenses were \$3.7 billion, a decrease of 1% year-over-year, reflecting a decrease in marketing expenses which more than offset the negative impact

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of foreign exchange. Adjusted R&D expenses were \$1.9 billion, a decrease of 8% year-over-year due primarily to realized savings resulting from our cost reduction initiatives and the non-recurrence of the one-time payment to Bristol-Myers Squibb in '07 associated with our collaboration to develop and commercialize apixaban.

Our effective tax rate on adjusted income for the quarter was 20% versus 22.2% in the year ago quarter due to favorable tax settlements. Our EPS growth is outpacing our revenue growth, which clearly reflects positive leverage.

Now I would like to provide a mid-year update on our adjusted results. Revenues increased 2% to \$24 billion in the first half of 2008 compared with the prior year period, driven by the solid performance of many key products. First-half revenues reflect the favorable impact of foreign exchange, which increased revenues by approximately \$1.4 billion or 6%, which was offset by the negative impact of the loss of US exclusivity of Norvasc in 2007 and Camptosar and Zyrtec in 2008, which collectively decreased revenues by \$1.4 billion.

Adjusted cost of sales as a percentage of revenue for the first half was 16.1% compared with 15.4% in the prior year period, primarily due to less favorable geographic mix and the negative impact of foreign exchange. Excluding foreign exchange, adjusted cost of sales as a percentage of revenues for the first half of the year was 15.3%.

Adjusted SI&A expenses increased 1% in the first half compared with the prior year period, and adjusted R&D expenses decreased 4%. We posted adjusted income of \$7.8 billion in the first half of 2008, an increase of 1% compared to prior year period, and adjusted diluted EPS of \$1.15, an increase of 5%, reflecting the benefit of savings associated with our cost reduction initiatives; the positive impact of foreign exchange; the non-recurrence of the one-time '07 payment to Bristol-Myers Squibb; favorable income tax adjustments and our share repurchases in 2007, which were offset by the impact from the loss of US exclusivity for certain products.

As I previously mentioned, this quarter foreign exchange increased revenues by approximately \$800 million or 7%. We continued to achieve cost reductions this quarter, and our ongoing cost reduction initiatives continue to have a positive impact on our results.

That said, foreign exchange continued to have an unfavorable impact on our cost and expenses this quarter. Overall foreign exchange unfavorably impacted adjusted total cost by approximately \$440 million or 6% this quarter compared with the prior year quarter. Excluding foreign exchange, our adjusted total cost decreased operationally by approximately \$475 million or 6% year-over-year.

The net effect of foreign exchange on our adjusted diluted EPS during the second quarter as compared with the year ago quarter was a positive impact of \$0.04. This positive impact was not incremental to our EPS guidance since the guidance we provided in January of '08 and reiterated during the second quarter was given at current exchange rates.

We continue to make progress against our objective to reduce absolute adjusted total costs by at least 1.5 to \$2 billion at the end of '08 compared with '06 on a constant currency basis. To date we have achieved a cumulative operational cost reduction of \$1.2 billion. We expect to achieve much of the remaining reduction in the fourth quarter, which will favorably impact that quarter's adjusted diluted EPS.

I want to point out that we expect to achieve this reduction even after absorbing inflation, which adds approximately \$1 billion to adjusted total cost annually and reinvesting in our business.

While our cost reduction initiatives will continue to reduce absolute costs for the balance of 2008, the timing of the realization of these reductions is also a function of spending patterns in both '06 and '08. The spending level in the fourth quarter of '06 was higher than usual due to establishing research collaborations with third parties and sales and marketing investments in international markets.

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By comparison, quarterly spending patterns in '08 have been and are expected to be more consistent with historical norms. Because of the different spending levels between '06 and '08, much of the remainder of our absolute cost reduction target will be achieved in the fourth quarter of this year. Our cost reduction initiatives continue to span essentially all divisions, functions, markets and sites across Pfizer. Broad categories of activity include manufacturing and research side exits, outsourcing and targeted work force reductions such as our ongoing previously announced European field force reduction.

We reduced our global network of manufacturing plants from 78 four years ago to 54 currently. By the end of '09, we expect to further reduce this global network to 44. As part of this effort, we recently announced our decision to cease operations at our Terre Haute facility by the middle of '09.

We also recently announced the spinoff of our R&D laboratory in Nagoya, Japan. We are continuing to exit the three remaining R&D sites of the six that have been identified for closure.

Also, we have a wide array of outsourcing opportunities 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.

Finally, we are continuing to match our workforce level with the current market. Over the past 18 months, our workforce level has decreased by 13,500 to 84,500 as of June 29, '08 from 98,000 at the end of 2006. And, as a result of recent actions this month, our current level is approximately 84,100.

All key in-line and new product revenues increased in the second quarter compared with the year ago period. Lipitor revenues increased 9% year-over-year to approximately \$3 billion, including the positive impact of foreign exchange which increased revenues by approximately \$170 million or 6%. Year-over-year Lipitor revenues in the US increased 1%, and revenues from international markets increased 18%.

Lyrica continued to deliver strong performance with revenues of \$614 million, an increase of 52% year-over-year. Sutent, our treatment for advanced kidney cancer and gastrointestinal stromal tumors, posted revenues of \$211 million, an increase of 45% compared with the year ago quarter.

I want to point out that while Sutent revenues in the US declined 2% year-over-year during the second quarter, first-half US revenues increased 10% versus the prior year period.

Year-over-year Chantix revenues increased 3% to \$207 million. As Jeff stated, Chantix's results reflect the negative impact resulting from updates to the US label to include additional safety information, as well as from certain external events.

a result, US revenues decreased 35% year-over-year to \$109 million.

That said, Chantix continued to perform well outside the US. Chantix revenues from international markets grew 197% year-over-year to \$98 million.

As we expected, revenues from products that recently lost US exclusivity declined year-over-year with Norvasc declining 2% to \$627 million, Camptosar declining 43% to \$137 million, and Zyrtec declining 98% to \$8 million.

Today we are reaffirming full-year 2008 revenue and adjusted diluted EPS guidance. As a result of the significant unfavorable impact of foreign exchange on adjusted cost of sales in the first half of '08, we are tightening our guidance on the lower end of the range. We currently expect adjusted cost of sales as a percentage of revenue to be between 15 and 15.5% compared with our previous expectation of 14.5% to 15.5%.

We continue to be on track to achieve the reduction in absolute adjusted total cost of at least 1.5 to \$2 billion at the end of '08 compared with '06 on a constant currency basis. As I previously stated, we have achieved \$1.2 billion of the targeted reduction

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to date. We expect the balance of this reduction to gain momentum throughout the second half of the year with much of the remaining savings to be realized in the fourth quarter to favorably impact that quarter's adjusted diluted EPS.

Finally, we are updating our guidance on our 2008 effective tax rate. We now expect the effective tax rate on adjusted income for the year to be between 21.5% to 22% versus our previous expectation of 22% to 22.5%.

So to summarize the key takeaways, we are reaffirming our '08 revenue and adjusted diluted EPS guidance. We continued to see steady growth in several key products, including Lyrica, Geodon, Viagra, Celebrex and Sutent. As we expected, this quarter's results were negatively impacted by the decline in revenues from the loss of US exclusivity of Zyrtec and Camptosar. We are continuing to execute and make progress, and our cost reduction initiatives are on track to achieve our adjusted total cost reduction target. To date we have achieved \$1.2 billion in adjusted total cost reductions. We expect to realize the majority of the remaining cost reductions in the fourth quarter.

Finally, we're pleased with the solid results that we delivered in the second quarter, including the benefit of our cost reduction initiatives. Our EPS growth this quarter outpaced our revenue growth, demonstrating the benefit of these initiatives to our bottom-line.

And now I will turn it back over to Chuck.

Chuck Triano - Pfizer - SVP, IR

Thanks, Frank. And at this point if we could ask the operator to begin polling for questions, please.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). John Boris, Citigroup.

John Boris - Citigroup - Analyst

Largely financial-related questions. Free cash flow, Frank, in the first quarter and second quarter, can you just share what free cash flow was? The second part has to do with price and volume, what that contributed to growth. And then the third question just has to do with sequential borrowings. They went up by about \$3 billion to \$9 billion. Can you just share with us or provide a little color on the use of those funds?

Frank D'Amelio - Pfizer - CFO & SVP

Sure, John. So operating cash flow in Q1 was \$3.3 billion. Q2 will be part of the Q that we file in a few weeks.

In terms of price, volume and foreign exchange for Q2, price was down 2%, volume was up 4% and the foreign exchange we got benefit of 7%, which was the \$800 million that I alluded to in my comments.

And then on the third item, which was borrowing, let me just run the numbers. At the beginning of the year, we had about \$13 billion in debt. At the end of last quarter, we had about \$17 billion. At the end of this past quarter, we had about \$16.5 billion and I'm rounding. That's about \$400 million down quarter to quarter. And that \$400 million decrease was while we purchased \$500 million of our stock.

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Operator

David Risinger, Merrill Lynch.

David Risinger - *Merrill Lynch - Analyst*

There is obviously a significant market opportunity for the JAK3 for rheumatoid arthritis, but there has been some investor noise about its toxicity profile. Was hoping that you could walk us through the JAK3 side effects and tell us what to focus on at ACR in October?

And then separately, if you could just discuss Sutent's US trends in more detail?

Jeff Kindler - *Pfizer - Chairman & CEO*

Okay. Martin, do you want to take the first part of that?

Martin Mackay - *Pfizer - SVP & President, Pfizer Global R&D*

Sure. Would be happy to. Thank you for the questions. As you correctly see, JAK3 continues very well in Phase II. We will report out at the ACR meeting later this year, and obviously we will report out on both efficacy and side effects.

Given the mechanism as we have discussed before, we know the side effects to look for in the clinical trials. We're monitoring those very, very carefully. Given those badly published in Phase IIa data that we published some time ago, we were really very pleased with the side effect profile of the compound and that continues.

Jeff Kindler - *Pfizer - Chairman & CEO*

Okay and the second question, Ian.

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

Yes. So on Sutent's second quarter, so second quarter down 2%, first semester up 10%. I would like to point out in the US -- so I suppose your question was directed to the US -- that our share is 56% in RCC and 88% in second line for GIST. So we're not satisfied with a 56% share in the US, and we need to advance our share there by focusing on Sutent's efficacy and keeping patients on therapy at the appropriate dose throughout all treatment cycles.

One of the key programs we're going to use on that or data is the two-year survival data recently presented at the 2008 ASCO where our survival data represented the longest medium overall survival to date of any agent in first-line settings.

Frank D'Amelio - *Pfizer - CFO & SVP*

(multiple speakers) -- and then just overall Sutent sales globally for the quarter were up 45% year-over-year, and then outside the US internationally, they were up 80% year-over-year. So that is a product that is doing well in the US and continues to do very well outside of the US.

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Operator

Roopesh Patel, UBS.

Roopesh Patel - UBS - Analyst

My question is on US Lipitor sales. I was wondering if you could help us reconcile the 20% sequential decline in US Lipitor sales versus the first quarter. With the 3% drop in prescriptions that have been reported over the same period, my understanding was that inventory levels were normal when exiting the first quarter. There have been no price increases over the course of the second quarter. So if you could just help us there.

And then separately, what impact do you expect the recent reporting of Vytorin's CEASE trial to have on the cholesterol market growth and on Lipitor?

Jeff Kindler - Pfizer - Chairman & CEO

Thank you. I will let Ian take both of those questions.

Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

So we normally have fluctuations between first and second quarter difficult to reconcile those. So let's look at the first semester for Lipitor where sales growth was down 11%. Pricing was basically flat between price increase and rebates. And the net of market growth and share was down about 16%, and the differential between that and the 11% is driven partly by increased number of units per TRX and partly via a normalization of the inventory level at the end of '08.

Vis-a-vis the Vytorin trial, I think it is too early to tell the impact on market growth, and certainly what we're focusing on is Lipitor's positioning at getting the goal, the efficacy across the dosage range, our safety and our landmark trials.

Operator

Catherine Arnold, Credit Suisse.

Catherine Arnold - Credit Suisse - Analyst

In the spirit of greater candor and transparency, which I applaud, can you tell us the split of targets for absolute adjusted total cost savings in terms of US versus non-US? You gave us a target of 1.5 to \$2 billion by the end of the year.

I was wondering also you mentioned -- you used the phrase at least in the press release, and I would love to know what the magnitude of upside might be to that in your optimistic case for this year.

Jeff Kindler - Pfizer - Chairman & CEO

Okay. I'm sorry, I did not completely understand the second question. The upside of cost do you mean?

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Catherine Arnold - Credit Suisse - Analyst

Yes, yes, the target 1.5 to \$2 billion in the press release, it says at least 1.5 to \$2 billion can be achieved. So I'm wondering what the magnitude of upside might be for those targets.

Jeff Kindler - Pfizer - Chairman & CEO

Okay, I will let Frank take both those questions.

Frank D'Amelio - Pfizer - CFO & SVP

Yes, so let me do it this way. In the release we said we have achieved \$1.2 billion to date. If you look at the rhythm in terms of what we have done there, it was \$600 million in '07, \$170 million in Q1 and then \$465 million in Q2. We have not provided details on that relative to US, non-US. But know those savings and the target of 1.5 to 1 are global in nature. They reflect actions that are being taken both in the US and outside the US kind of point one.

In terms of the second question with the at least language, we're at 1.2. Our job is to do as much as we can relative to the range. So understand when we get to 1.5, we're not going to stop; we're going to deliver as much as we can to get as high into the range as we possibly can.

In terms of what is available above and beyond the range, my answer is we're at 1.2. We will get every dollar we possibly can, and we will get that by the end of the year.

Operator

Tim Anderson, Sanford Bernstein.

Tim Anderson - Sanford Bernstein - Analyst

Can you talk about Pfizer's potential interest to get into the generics business beyond what you currently do with Greenstone? Glaxo today announced that they will sell branded generics in emerging markets, and Sanofi is trying to buy Zentiva, and there was talk that you guys were looking at Ranbaxy fairly recently.

And secondly, on Lyrica sales have been pretty flat in the US for the last three quarters, and recently new prescriptions look like they are actually trending down. And I'm wondering if you can address what might be going on in the US market specifically?

Jeff Kindler - Pfizer - Chairman & CEO

Okay. I will take the first one and let Ian take the second one. As you know, the established product strategy is a very important one and important enough that we established -- pardon the pun -- a business unit specifically focused on that and led by Dave Simmons who has tremendous experience in those parts of the world where established products continue to retain brand equity and we can drive sales based on physician and patient preferences. And Norvasc this quarter actually is not a bad example of that, and we're experiencing goods sales even on a product like that that has lost exclusivity in a lot of markets.

The established opportunity, if you put aside products that are just going off patent and flipping from the patent protected to the established marketplace and just look at organic growth, just volume increases, it is an \$80 billion opportunity by the time Lipitor goes off patent. We currently have a 4% share of that. We believe that we have a unique set of competitive advantages to increase that share and to exploit that market. And those include the breadth of our therapeutic portfolio and product

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portfolio, which is very important in those markets, and our geographic presence. You know we have been in these markets a very, very long time, and we have established relationships with key opinion leaders and the like. And we really think there are very, very few companies that are going to be able to compete the way we compete in those markets.

Those markets are more than just China. There is emerging markets in Latin America, Eastern Europe, Asia. But if you just look at Asia, and I'm talking about more than China, that is an opportunity that goes from \$47 billion to \$80 billion by 2012, and our current share is 4%, and we have a goal of increasing that share by the time Lipitor goes off-patent.

Just to take China as an example, we said in our March 5 meeting that we're going to increase our field force presence from 110 cities to 126 by the end of the year. We have already achieved that goal. So now we have raised the bar, and we're going to be in 137 cities by the end of the year.

So this is a tremendous opportunity for us. And to answer your specific question, we have been clear that all our strategies are going to be supplemented by appropriate business development. And we will look at opportunities for enhancing our ability to compete and when in the established markets in the emerging markets. We really think this is a big winner for us and a big opportunity, and we are already seeing early signs of success in the way that we focused on it.

The second question was about Lyrica progress, so I will turn that over to Ian.

Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

Well, I just want to go back on the data. We did, in fact, grow in the quarter 52% with Lyrica. If I look at the script trends, I cannot really validate the data you gave. I can see sequential growth in TRXs quarter on quarter.

That being said, I acknowledge they are slower than they were post the fibromyalgia launch and that growth.

So the game plan for us really is to further grow leadership by being a treatment of choice in VPN and PHN general. And there is very low diagnosis treatment rates in those two conditions, and we do have a good marketshare already in about 30% in those conditions and are the treatment of choice. And in fibromyalgia we continue to develop that market. There is about 6 million patients that suffer from fibromyalgia. Only 22% are diagnosed, and that requires market development. So optimistic about the performance going forward.

Operator

Chris Schott, JPMorgan.

Chris Schott - JPMorgan - Analyst

Just a couple of quick questions. First, on Lyrica, what are your expectations on any potential label change for the drug given the recent FDA panel on the epilepsy class in general?

On Chantix I was just kind of surprised, happy to see the international sales kind of hanging in there as much as they had given what has happened in the US? Can you talk a little bit about the feedback you're getting on the drug ex-US? Are you expecting a delayed reaction to some of the safety concerns, or just generally speaking are these markets less sensitive to that type of news than we see in the US?

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And then maybe just finally generally speaking, we have seen across the industry a number of therapeutic categories in the US with weaker than expected volume growth this year. As with higher copays and a weak economy, I'm just interested in your thoughts in general. Are we seeing more economic sensitivity to the prescription pharma market in the US than maybe historically?

Jeff Kindler - Pfizer - Chairman & CEO

Okay. I'm going to give you all three of those.

Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

Okay. So Lyrica, we're pleased with our recommendation from the advisory committee the FDA, and we will await the final decision from the FDA. But it was a pretty strong positive vote from the advisory committee vis-a-vis not putting a blackbox on. Secondly, I think your discussion was Chantix vis-a-vis --

Chris Schott - JPMorgan - Analyst

International, the difference between international and -- (multiple speakers)

Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

Yes, in international you have got to realize that there are two factors going in international. Number one, the label changes have not been anywhere near as dramatic as in the US with the EMEA taking a different view than perhaps the FDA took.

A rollout that is slower internationally as market penetration is not as fast when you launch internationally. So you will see sort of a more consistent growth pattern internationally. So I think those are the two differentiations in the international vis-a-vis the US on Chantix.

And then the third one was --

Chris Schott - JPMorgan - Analyst

The effect of the US economy given copays and --

Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

Yes, I think we are seeing a -- you are seeing a slow-up in the US market growth rate. I think the IMS came out with a report on that and undoubtedly is affected by the way managed care has shifted higher copays. It is I think a factor. There was a report that came out from Kaiser which indicates that scripts are not being filled or pills are being split due to the economic pressures that are being caused by these copays.

Jeff Kindler - Pfizer - Chairman & CEO

One thing I would just add to that is that one of the trends that is starting to emerge, which is a very positive one is that employers, large companies, that are concerned about health care costs and the long-term health of their employees are beginning to see the value of reducing and even in some cases eliminating copays in order to improve adherents to medicines and actually increase the adoption of medicines.

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Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

And by example of that is the success we have had in working with employees to cover Chantix. Where we have offered about -- we have added about 1.6 million lives on Chantix coverage due to employees' focus on overall health care.

Operator

Tony Butler, Lehman Brothers.

Tony Butler - Lehman Brothers - Analyst

A couple of strategic questions, Jeff, directed to you and then one for Martin.

I believe late last year or earlier this year you had added Bill Ringo to strategy and/or BD. I'm curious if strategy and BD has actually changed its direction, and if you can share with us if, in fact, it has, if you can share with us maybe directionally where that may be heading?

And second, you ticked off a number of or a list of -- I'm going to say completed items that you and your management team have done over the past couple of years, in particular the issues around cost reduction, the issues of trying to force more into Phase III, etc. I'm curious where you may be turning your focus or your attention today or perhaps over the next six to 12 months? And that is to say, is that an increasing opportunity internationally? Is that the direction?

And then for Martin, there has been reference to obviously JAK3 kinase inhibitors. There has been a reference to apixaban. Some excitement on those couple of products. But if, in fact, Pfizer is to have 24 to 28 Phase III products by the end of 2009, could you actually name two or three others that again you tend to be most excited about in the portfolio?

Jeff Kindler - Pfizer - Chairman & CEO

Okay. Actually the two questions you posed to me I think are quite related. We did bring in Bill Ringo. He has now been here I think a couple of months at most, and he is already making a big difference because he has vast experience in our industry, not just at Lilly but at biotech and venture capital, and he is an incredibly well-respected and well-known figure in the biopharmaceutical industry in general. And he is bringing a sharper focus on execution of the strategies.

And the broader point about strategies that you raised, we have laid out I think quite clearly our growth strategies, and we have also said that all of them are going to be augmented and as appropriate supplemented by business development. And what we're focused on now is execution. I think we have seen evidence in this quarter that we are beginning to really see some results from a sharp focus on the execution of our strategies by the foundational changes that we have made over the last couple of years in terms of leadership and structure, and the rest of it I think as you said a strong foundation that we are now beginning to capitalize on. And, as you know, those strategies range from advancing the pipeline which you mentioned. We have talked about international and established and emerging markets. We have talked about getting more out of our in-line portfolio, and all of these things will continue to be supplemented by business development, and Bill is off to a great start assessing the opportunities and helping us move forward, and he is a great addition to our team. Beyond that position that he holds, but also by virtue of his real terrific experience and knowledge of our industry.

And I will turn it over to Martin for the other question that Tony asked.

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Martin Mackay - Pfizer - SVP & President, Pfizer Global R&D

Thank you, Tony. Clearly you mentioned the JAK3 inhibitor and apixaban which we are very excited about. I would name another couple I will be presenting data on shortly that we have equal excitement about. The IGF-1R antibody for non-small cell lung cancer carcinoma just went into Phase III. We are ahead in this game of this particular mechanism in antibody, and we're very pleased with the results we're seeing.

Another one that we've published recently and will give further publications on later in the year is trastuzumab, which is the NGF antibody that was discovered at Rinat, part of the Rinat acquisition in pain. And we described our results at [ULAR] around six weeks ago and again will be showing more results and be looking to push that into Phase III in a very short timeframe. There is some other NC Phase II that we're very pleased about, the Sulopenem antibacterial, and clearly we continue to work on the DPP-4 mechanism.

Just one other area I would mention, though, and that goes to our product enhancements, which you will remember I spoke about as our golden assets. If I think about our oncology pipeline alone, think about the work we're doing in Sutent, we are already in Phase III with breast, lung and colorectal, and we will be following up very shortly into Phase III with a patocellular carcinoma and hormone refractory prostate cancer, and these results continue unabated.

With sunitinib we have Phase II studies in renal cell carcinoma and others. So really just to wrap up, Tony, we have a very exciting Phase II/Phase III pipeline emerging.

Operator

Steve Scala, Cowen & Co.

Steve Scala - Cowen & Co. - Analyst

Where does the Lipitor patent litigation settlement with Ranbaxy stand relative to FTC review? It would seem that the FTC might be interested in a settlement given that the amorphous form patent does not appear applicable to the form that is commercialized, and there might be no apparent offsetting benefit to US consumers. So how confident are you on this settlement?

Jeff Kindler - Pfizer - Chairman & CEO

Steve, as you know, we have a long tradition here of great general counsels protecting our intellectual property, a record that I know Amy is going to maintain, so I will let Amy respond to that question.

Amy Schulman - Pfizer - SVP & General Counsel

Thanks, Steve. I think that we're comfortable with the terms of the Lipitor settlement, and we don't expect any problems.

Jeff Kindler - Pfizer - Chairman & CEO

Specifically we're very comfortable that the FTC will not have an issue.

Operator

Barbara Ryan, Deutsche Bank.

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Barbara Ryan - Deutsche Bank - Analyst

I had a question about emerging markets, but I think you have gone through a lot of that. But maybe also just following along with that, it seems as though there has been a lot of work necessary to be done in the organization to restructure the organization to change the culture to bring in people. And is it fair to look at this in sort of a step function approach over a continuum looking out towards the Lipitor patent expiration?

And some of the things that you have talked about having accomplished, it seems as though a lot of those things are well in motion. You have brought in your new team. Would it be appropriate given that we would be -- we should be looking for the next step to be a lot more business development driven to bolt-on to the kinds of changes that have already been put in place that maybe improved the foundation from which you are working?

Jeff Kindler - Pfizer - Chairman & CEO

Well, let me try to answer it this way. I think as you point out, we have made a lot of progress in establishing a very strong foundation for success. I'm extremely pleased with how much progress we have made in that regard in a very short period of time. That work is never over, but to your point we're in a very good position now in terms of our leadership team, our culture, our organization. We will always be continuing to improve all that, but we're moving forward and we are executing. We outlined our five growth strategies. We have outlined our cost approach, and we are all about executing against those strategies, and, as I said before, where appropriate supplementing them with business development.

Operator

Bert Hazlett, BMO Capital Markets.

Bert Hazlett - BMO Capital Markets - Analyst

My question is actually on trastuzumab, the '08 product that you showed data on at ULAR and for the Alzheimer's compound. Regarding trastuzumab I think it was in IV dosing and it was every eight weeks. Is that what you anticipate going forward with in Phase III, or is there a subQ dose in the works?

And then regarding the Alzheimer's program and the I-CAT data coming up, you have Phase II data being presented for your RAGE antagonist and some Phase I data for the anti-amyloid monoclonal. How rapidly can you move these forward, and can you just top to general enthusiasm about those programs?

Jeff Kindler - Pfizer - Chairman & CEO

Okay. Thanks for the question. Martin?

Martin Mackay - Pfizer - SVP & President, Pfizer Global R&D

Yes, happy to do that. Certainly the eight weeks dosing was very successful in the data that we looked at, and we will be pushing that into Phase III. We will obviously be looking at other formulations that helped physicians and patients also. So that is very much on the cards.

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Clearly it was very important to get the positive proof of concept with this mechanism and also the good data that we showed. That opens up several possibilities for this antibody now. Not only in '08 actually but we are also extending our studies in terms of looking at other pain indications. And as you can probably tell, I'm particularly excited about this one.

In terms of the Alzheimer's approaches, again we have built up quite a nice portfolio, albeit early. You mentioned two in particular, the amyloid antibody and the RAGE program, and again we're very excited about both of those.

They are early, though, and this is a tough area to work in. We certainly will push these through. You mentioned specifically how can we push them through fast? As I think everyone knows, we brought Briggs Morrison into the back end of last year to run our Clinical Development Group, and he has just had a laser focus on accelerating all our late stage programs and has had actually terrific success so far. And certainly the Alzheimer's approaches are very much in his mind.

Operator

James Kelly, Goldman Sachs.

James Kelly - Goldman Sachs - Analyst

I just have a couple more to follow-up. First, on Lipitor, I know a lot of different questions came out on Lipitor, but I think this is the first quarter that Lipitor international sales have exceeded the US sales. And I'm interested just if there is anymore color about what the mix is of those revenues between the more protected versus the less protected markets and just how we should think about the relative size of those pieces growing versus where there might be some patent risk over the coming years there?

Secondly, as we watched the Chantix prescriptions end up with pressure having to do, of course, primarily with the questions that have come out around safety, but is there also something happening here where the number of patients that can be penetrated and take the drug, I think at one point when it was at its peak, something like 4% or 5% of smokers were on it. So what does the portion of the market that actually is willing to quit, because once you have taken it for whatever it might be, three or six months, you would tend to lose the successful patients. Of course, this is a good thing for public health, but does impact scripts.

And then lastly, alliance revenues, very strong line item, and if you can give -- but has a lot of pieces in it. Could you give any particular granularity around some of the pieces that are doing particularly well, or does it need a little extra focus?

Jeff Kindler - Pfizer - Chairman & CEO

Okay. Let me start. I think Frank is going to give you some numbers on the Lipitor piece, and then Ian will give some commentary on that. But I will address your Chantix questions and then look to the alliance revenue I think both Frank and Ian will have some thoughts to say. So go ahead, Frank.

Frank D'Amelio - Pfizer - CFO & SVP

So on the Lipitor revenues, let me just run the numbers. And what I will do is make the point you made, but I will do it with numbers and convert it to percentages.

So for the quarter Lipitor revenues were about \$3 billion, \$2,976,000,000. They were up 9% from the prior year quarter of 2719.

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Now to your point of that \$3 billion, \$1.4 billion was in the US and I'm rounding. \$1.6 billion was outside the US, which resulted in a percentage mix of 47% in the US, 53% outside the US, which is the basis of the question. Ian, just wanted to frame the numbers.

Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

Yes, so we're seeing operational growth outside of the US, and I don't have the exact numbers. But I mean we see growth in Asia, we see it in Latin America, and we're seeing it in Europe. And it is this -- especially in Europe, it is that we're further past the (inaudible) entry, and we're focusing on the high-risk patients, the high doses, and we're driving operational growth, which is where our strategy is both in the US and globally. So it is good to see that working internationally.

Vis-a-vis Chantix, it is the number one cause of preventable death, and this medicine is highly efficacious. And just looking at the US specifically, and I'm taking these numbers from memory, I think we identified 54 million smokers who were in the pool to quit, of which there was a segment which we would call immature, not yet ready to quit, and about 24 million that were either motivated or could be motivated to quit. And we have treated I think globally something like 5 million. So clearly there is a huge reservoir of patients that need to quit, and there are social pressures and educational pressures making them aware of the need to quit.

So I'm not particularly concerned about exhausting the supply of available patients as yet. The real key is motivating them to get to see a physician.

James Kelly - Goldman Sachs - Analyst

Very good. Frank is going to comment on alliance revenues.

Frank D'Amelio - Pfizer - CFO & SVP

Yes, and then on alliance revenues, I will just run the numbers again, and then I will answer the question.

So for the quarter, alliance revenues were up about 44%. It was 563 versus about 393 Q2 '08, Q2 '07. Year-to-date it is up about 32, 33%. Call it 1 billion 50 over 790 year over year. If you look at what is driving some of the positives there, Spiriva and Aricept are really two of the products that are driving what is going on relative to the rhythm of the numbers.

Jeff Kindler - Pfizer - Chairman & CEO

Okay. And Ian, did you want to highlight any of the particular alliance products, or I guess Frank covered it.

Okay. We have time for one last question.

Operator

Seamus Fernandez, Leerink Swann.

Seamus Fernandez - Leerink Swann - Analyst

So just a couple of quick questions both for actually Martin Mackay. Martin, can you just give us an update on the timing of the UPLIFT study for Spiriva and when you expect that to report out?

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And then separately on the anti-NGF antibody, were the Phase II studies here prospectively designed specifically for the pain signal that you saw? And if not, how do you plan to address this before you move into Phase III?

Martin Mackay - Pfizer - SVP & President, Pfizer Global R&D

In terms of Spiriva UPLIFT, the data will be shown at EHS in October later this year. And in terms of the NGF antibody, yes, it was prospectively designed for the pain. We saw obviously we have Phase I data and Phase II data to look at in that respect, and that will continue in terms of the Phase III studies. And, as I mentioned earlier, we are also now looking at other pain indications for this antibody.

Jeff Kindler - Pfizer - Chairman & CEO

Okay. Thank you, Martin, and thank you, everyone, for taking time out of what I know is a busy day for all of you. Thanks very much, and have a good day.

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