

FINAL TRANSCRIPT

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PFE - Pfizer at UBS Global Life Sciences Conference

Event Date/Time: Sep. 22. 2008 / 2:00PM ET

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CORPORATE PARTICIPANTS

Ian Read

Pfizer - President, Worldwide Pharmaceutical Operations

PRESENTATION

Unidentified Participant

Good afternoon, everyone, and welcome to the UBS 2008 Global Life Sciences Conference. Our next presenter from Pfizer is Ian Read, President of Worldwide Pharmaceutical Operations. Following his presentation, he will answer all your questions in the breakout room, which is the Broadway room directly below this ballroom.

So with that, I will turn it over.

Ian Read - Pfizer - President, Worldwide Pharmaceutical Operations

Thank you, [Ben]. Good afternoon, everyone. Before we start, please review the cautionary language. It relates to forward-looking statements and non-GAAP financial information contained in today's presentation.

I would like to spend my time with you today making the case for optimism about Pfizer's future. We are keenly aware of the business issues we face and the urgencies surrounding the upcoming LOE of Lipitor. We're progressing on many fronts to address that challenge and position the Company for sustainable growth in the years ahead.

Our plans are built around three core goals -- maximize revenue from existing new and diverse sources; establish a lower and more flexible cost base; innovate every aspect of our business model. As we pursue these goals, we are increasingly putting two powerful forces to work. One, exploiting the competitive advantage of Pfizer's scale, global footprint, portfolio breadth and resources. And two, making organizational changes that will improve our agility, speed and focus. Combining these two forces in executing on our plans, we expect to achieve our overarching goal of driving greater shareholder return.

These strategies outlined here represent a variety of ways to grow the Company. Some will start to produce meaningful results in the near-term. Others will have most impact right around the time that Lipitor goes LOE in the US. With the diversity of growth opportunities, we will be well-positioned to generate sustainable top and bottom line growth and to avoid the inherent risks of putting all your eggs in one basket. Today I will focus on the highlighted areas you see on the slide, starting with the first three strategies around maximizing revenues. Then I will share some examples of how we're innovating our operating model to drive value, and we will wrap up with a quick review of our progress on addressing cost structures.

New information that I will highlight today includes Lipitor and Chantix branded TV ads that are back on the air, three new Phase III starts, progress we're seeing on emerging markets and established product strategies, and a closer look at our innovative efforts in Europe and the United States. Our strategy to optimize our patent-protected portfolio is granted in our broad in-line portfolio, 14 products ranked number one in their class worldwide.

We have solid performance across the board with many products you see here growing at double-digit rates on a reported basis for the first half of 2008 compared with the same period last year. Excluding Lipitor, all the products listed here also grew on an operational basis, which excludes the impact of foreign exchange. For example, Lyrica 43%, Sutent up 50%, and Geodon up 17%. These are operational results without the assistance of foreign exchange.

I will go into more detail on some products shortly, but first it is important to note our unrivaled global footprint, which is the cornerstone of our efforts to optimize our portfolio. Pfizer is ranked number one by pharmaceutical sales worldwide and regionally in the US, Asia and Latin America. We're showing rapid growth in these key markets.

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Today more than half of our sales or \$12.4 billion in the first half of 2008 come from outside the United States, and we're moving aggressively to capitalize on additional opportunities in these markets.

Let me touch US performance in this period. Pfizer's results, \$9.5 billion, reflect our recent LOEs -- Norvasc, Camptosar and Zyrtec -- representing a \$1.4 billion loss due to LOEs. Three label changes in Chantix and Lipitor's performance in a deaccelerating statin market. So let's take a look at some of the dynamics of the Lipitor market.

Despite intense competition, Lipitor continues to be our largest product and the world's top-selling medicine. We believe Lipitor still has a lot of life left.

There are two stories to tell. One is in the US, and the other is internationally. In the US we continue to focus our efforts to slow the erosion of Lipitor volume to generic simvastatin by using our landmark outcomes data. By reinforcing Lipitor's differentiating globally in high-risk patients and launching the new heart to heart DTC campaign, which is designed to generate new patient starts and is receiving very positive feedback, early feedback from physicians and patients.

Similarly in Europe we have new promotional and educational focus on prevention of outcomes in high-risk patients with higher doses of Lipitor. We're seeing strong double-digit growth in Italy, France, Spain, Turkey, as well as Canada, Latin America and Africa. This has helped drive Lipitor's second-quarter international results of 5% operational growth, which excludes the impact of foreign exchange.

I would like to update you with the latest on Chantix. We're operating on several fronts to restore patient and physician confidence in this important medicine. For example, last week we relaunched a broad multichannel branded DTC campaign in the US featuring patient testimonials and to bring into balance the somewhat one-sided negative media portrayals we have had up-to-date with Chantix. We have an educational effort underway with patients and physicians to share the Chantix risk/benefit profile and promote ways to help smokers quit.

Internationally sales are being driven as the launch rollouts continue. There are nine more launches planned in the next 12 months, including Russia, Turkey and China.

We're seeing a correlation between markets with strong performance and those of good tobacco policies. So we are working to support tobacco control policies in Europe, key Asian markets like Japan and China.

Lyrica is demonstrating strong performance in the United States and around the world, primarily driven by the rapid uptake of fibromyalgia indication in the US and by global growth in neuropathic pain conditions. There continues to be the leading branded agent for diabetic peripheral neuropathy and posthepatic neuralgia. We're differentiating it based on its rapid onset of action, persistence of efficacy and lack of titration, as well as clinical development for new indications such as poststroke pain, cancer pain, restless leg syndrome and postoperative pain.

Lyrica has also become the US market leader in fibromyalgia. It enjoys higher satisfaction rates than any of its competitors, including muscle relaxants and narcotics.

Diagnosis and treatment levels remain low in DPN and PHN, and only 22% of fibromyalgia sufferers are diagnosed so additional market development is required. Our game plan is to further grow our leadership across all indications of a broad-based multichannel campaign targeted to patients and prescribers. Internationally we're seeing strong Lyrica growth in markets, including Canada, Mexico, Middle East and Latin America.

Sutent is the bedrock of our oncology portfolio. It continues to extend its lead in patient share in first-line RCC and second-line GIST, and you can see on the bottom of the slide some pretty impressive first-line shares across these countries for Sutent.

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Sutent is experiencing rapid growth in international markets, especially in Italy, Central and Eastern Europe and the UK, and we continue to launch globally with four launches in the second quarter, including China, Japan and Russia.

Globally we're focusing on further advancing Sutent's leadership position by continuing to focus on its efficacy, patients -- keeping patients on therapy at the appropriate dose throughout all treatment cycles, and remaining as a standard of care on guidelines.

Over the mid to long-term, we plan to drive growth for potential new indications and new data. I'm pleased to announce that Sutent began Phase III trials in both prostate cancer and hepatocellular carcinoma at the end of July.

We're investing to win in oncology, a market that is projected to grow 42% to \$81 billion around the time Lipitor goes off patent in the United States. We have the largest and what we believe is one of the best oncology pipelines in the industry with 22 compounds in development across the four different platforms shown on the chart.

To ensure we become a leader in this area, we're maximizing the potential of this franchise, starting with the formation of our worldwide oncology business earlier this year. This business unit is led by Gary Nicholson, who has beginning to end accountability for Pfizer's oncology business.

With the BU's flexibility and focus, we can move resources quickly from one area to the other to ensure priority deliverables. We can ring fence resources. It becomes an area where we are determined to ensure the resources are there to grow this franchise. And we can certainly take advantage quickly of changes in the marketplace or clinical results.

For example, we have specific tumor strategies, along with specific product strategies. Additionally we're using our assets to fight agent-specific cancers, stomach, head, neck and lung with a big focus on Asia. And we're accelerating certain clinical development programs such as CP-751871, our IGR-IR inhibitor for lung cancer.

Also, we have increased a number of Phase III US sites in non-small cell lung cancer from 15 to 60 between January and September. CP-751871 and Axitinib are two exciting oncology compounds that are part of our promising Phase III pipeline. I'm pleased to share that we've recently initiated the Phase III trial for Axitinib in RCC.

We acknowledge that rebuilding the Phase III portfolio is critical to our success. We have an aggressive goal of moving 15 to 20 compounds into Phase III starts by the end of 2009, and we project a total of 24 to 28 products in Phase III in that timeline. We have set a goal of achieving 15 to 20 regulatory submissions between 2010 and 2012.

Our Phase II portfolio is also very strong, and we're focused on maximizing its yield by improving cycle times and clinical trial design. For your information Pfizer will be issuing a pipeline update very soon.

But we're not just relying on new products to drive revenue growth. What is new and innovative, especially for a company the size of Pfizer, is that we are changing the way that we view products in the markets in which they are sold. We have two growth strategies that are distinct yet complementary -- established products and emerging market strategies. I would like to stress that our initiatives are broad and deep given our global footprint and our portfolio of breadth. We believe the established products market, which includes both mature and LOE products, will grow from around \$270 billion to \$520 billion by 2012. 1/3 of this is pure organic growth coming from increased volume consumption worldwide and represents about \$80 billion of growth over that time period.

We're also bullish on emerging markets where we have such a strong presence -- Asia, Latin America, Eastern Europe. These countries with growing economies and middle-class populations demand quality health care. We believe this market will grow from around \$115 billion to 267 billion by 2012.

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The established products market has three distinct geographic segments. First markets like ours in the US in red where payers and pharmacists are the dominant demand drivers. Markets noted in red are driven by intellectual property and off-patent products become a commodity. Our greatest opportunity lies in the region marked in green, branded emerging markets such as Latin America, Eastern Europe, Africa, Middle East and Asia. This is where patients and physicians drive dispensing decisions not payers. A recognizable brand means a lot as does our reputation for quality medicines.

A third region also offers opportunity, branded traditional markets shown here in yellow such as Western Europe, Japan and South Korea. In these markets pharmacy channels drives dispensing decisions that physicians retain a lot of influence. Brand still matters.

Pfizer's LOE products retained significant brand equity in many markets and continue to generate profitable sales. 350 brands included in the established products business unit contributed more than \$10 billion of sales for Pfizer in 2007. We're now focusing and putting the strength of our establish products business unit behind these opportunities, which include products such as Norvasc, Zoloft, Camptosar, Fragmin.

Our established products game plan calls for us to focus Pfizer's unique competitive strengths across four strategic platforms.

Firstly, we need to expand our oral solid dosage base in these markets. Secondly, developing product enhancements for existing products that meet customers' needs. Some examples in emerging markets. Ibupirac, which is the leading brand of ibuprofen in Argentina. We have 10 formulations, which has driven a 31% market share and 17% growth in the first half of '08 over a similar period in '07. Another example is Fragmin where we have developed safety syringes that are easier and safer for hospital workers.

Thirdly, entering growing small but attractive niche markets with high barriers to entry. One such niche we are in is with MEDROL, which is celebrating its 50th year in the market. It sold \$420 million last year and is on track to hit its highest sales target ever this year. This is what you can do with established products when you focus and you meet customers' needs in local markets.

And lastly, our established products energy also considers the unique lifecycle planning opportunities for products with upcoming LOEs.

Over the coming years, if all we do is maintain the same share within the organic growth component of the \$80 billion opportunity I just mentioned, then we will capture incremental \$3 billion by 2012.

Established products also play a critical role in the emerging market initiatives. Pfizer's strategy here is focused on capturing a greater share of this growth and serving more patients. We can accomplish this by leveraging our global scale, our broad portfolio of patent-protected and established products and our ability to manage complex markets. Emerging markets are expected to drive most of the global growth in the next decade. We currently have a 3% share of this market, which represents to us about \$5 billion. Our top seven high priority countries include China, India, Brazil, Russia, Turkey, Mexico and South Korea. These countries were targeted because they represent the largest projected pharmaceutical growth markets growing over 13% per year and approximately by \$17 billion going from 154 to (inaudible) by 2012.

Let's take a quick look at a few of our high potential emerging markets. In Brazil we're growing at 18%, seeing double-digit operational growth for both patented-protected and mature brands. That is '08 first half versus first-half '07.

In Turkey sales are growing at 13%, despite all major products lacking IP protection. We have launched eight out of nine products there so far in '08. In Russia we plan to launch Sutent and Champix over the next 12 months, and in Turkey and Russia we're expanding our field force between 40% and 50%.

Finally, a quick update on China, which we discussed in depth at our March analyst meeting. We're seeing 60% revenue growth operationally. That is 60% operational growth first-half '08 over first-half '07, and we're ahead of our schedule on field force

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expansion. We started in 110 cities. We surpassed our 2008 goal being in 137 cities by the year-end. By 2017 -- I know it is a long time period -- we aim to reach 650 cities in China, and we will cover 784 million people in China.

Our success in China and all of our top priority emerging markets is directly related to our understanding of local markets, our investment in market development and strategies, our willingness to partner with local governments and medical institutions and our ability to establish and maintain the power of our brands and leverage our global capabilities in these markets.

Our overall goal for emerging markets is simple and aggressive. We aim to become the leading pharma company in seven top priority markets, grow faster than the broader pharmaceutical market, and I realize when you look at these two, there is an overlap between established and emerging market strategies. But the emerging market strategy will be a significant additive to the \$3 billion opportunity we discussed earlier.

Now turning to innovation, applying innovation to create new value across our business model is essential to achieving our goals and delivering on our growth commitments.

In the commercial organization, our innovative efforts are focused on three core areas. One, identifying new sources of growth. Established products and emerging markets is one example of that. Optimizing our go-to-market model. This includes finding more efficient ways to reach customers, including electronic communication as evidenced by our collaboration with Sermo, the largest online social network of physicians, and building flexible capabilities in oncology such as moving more towards a physician to physician selling model.

Let me give you some examples of specific innovations, firstly Europe. In Europe we've done a lot of work over the last years to refocus our organization on customer to customer selling. Take Sweden. We have eliminated our traditional field force. We have moved to account management where basically we only see county decision-makers and key clinicians. Our sales have gone from flat to negative to a growth of 4%, excluding the impact of foreign exchange in Lipitor.

In Germany we have implemented a similar key account model. I gave you some details on our analyst call on that. Since we have done that, our sales have increased. We're doing it with fewer resources, and we have gained one whole point of market share.

In the UK, the same key account model. We have taken reps out of traditional selling, directed them to PCTs. We're seeing very positive results from Lipitor going from negative to growing 19% in the second quarter due to this change in approach.

In the US we have a number of initiatives that we're looking at in the innovation cycle. Some of them simple including account management with Genotropin, some of them state planning to customize our selling tactics. We're scaling projects that we discussed over the last analyst meeting where we are taking reps, and we're flexing our ability and our type of approach to customers depending upon their needs. And we're combining these learnings into a new commercial model for the US. This foundation is a closed loop marketing capability which will change our interaction with physicians from a brand-centric model to a customer-centric process.

We're also establishing a regional business unit to identify which responsibilities are best managed locally, and that will include P&L responsibility. This unit includes five states and about 700 employees. Development of this closed loop customer-centric marketing, along with regional business units which began some months ago which we will launch in 2009, will transform our US commercial model.

On costs we're intensely focused on maximizing new products, but we're also focused on our cost equation. We have a goal of 1.5 to \$2 billion reduction by the end of 2008 compared to 2006 at constant currency. We're at \$1.2 billion by the end of the second quarter. We expect to achieve our goal with most of those reductions occurring in the fourth quarter with the positive impact on dilutive EPS.

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I hope that I have covered today the four strategies and the opportunities including the cost reduction, and I have left you with a solid sense of our ability to achieve and sustain shareholder value and growth in the coming years.

During the 30 years I have at Pfizer, I have been through several transformations but never with the depth that we're doing today. The radical change we're moving in our culture and our processes and the way we go to market is historic in Pfizer's history. We have been making the tough, necessary decisions over the last two and a half years to put us in the right position to manage this Company, manage the changes and be successful in the future.

I'm confident we're on the right path, and I am committed to seeing these changes through. If you have any questions for me, I will be glad to address them during the Q&A session. Thank you very much.

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