

FINAL TRANSCRIPT

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Steve Scala

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PRESENTATION

Steve Scala - Cowen & Co. - Analyst

Well, good morning and welcome to this breakfast for Pfizer top management. We are very pleased to have Pfizer at our healthcare conference. Representing the company is Jeff Kindler, Chief Executive Officer; Frank D'Amelio, Chief Financial Officer; Garry Nicholson, President and General Manager of Oncology; Olivier Brandicourt, President and General Manager of Specialty Care; Chuck Triano, Senior Vice President of Investor Relations; and Suzanne Harnett, Senior Director of Investor Relations.

To put Pfizer into perspective, you may wish to refer to page 14 of our pharmaceutical industry post report by virtue of its expansive pipeline. It ranks very well in our scatterplot, which assesses Phase II pipeline strength. This analysis, of course, is on a standalone basis and by virtue of the Schering-Plough acquisition, of course, the growth -- I am sorry. I apologize.

Unidentified Participant

Steve?

Steve Scala - Cowen & Co. - Analyst

I'm sorry. I apologize.

Unidentified Participant

I think they are in the other room.

Steve Scala - Cowen & Co. - Analyst

I apologize. How embarrassing. By virtue of the Wyeth acquisition, which is even better than the Schering-Plough acquisition, growth also accelerates. So with that, I will turn it over to Chuck.

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Chuck Triano - Pfizer Inc. - SVP, IR

Thanks, Steve. Good morning, everybody and thanks for coming out so early. Just to get some formalities out of the way. Certainly there will be forward-looking statements in this meeting this morning. Actual results may vary. I will turn it to Jeff. We will have just a few opening remarks from the panel here and then we'll be happy to take your questions. So with that, I'll turn it over to Jeff.

Jeff Kindler - Pfizer Inc. - CEO

Thanks, Chuck. And thanks, Steve. Good morning, everybody. Thanks for coming out so early to see us. We appreciate all of your interest and look forward to spending most of our time together answering your questions and hearing your comments.

I'll just kick it off briefly by saying that we are continuing to be very excited about the Wyeth acquisition and frankly, the more time that our teams have spent with Wyeth's terrific leadership and the greater and deeper appreciation we have for their great company and its people, the more excited we have become.

I also want to make sure you know that the vast majority of Pfizer employees around the world are not focusing on the Wyeth acquisition, but are focusing on delivering our commitments to you and our other stakeholders. And in fact, that is a very important key to how we are approaching this. There is a relatively small number of people involved in the integration. Obviously you do need large numbers on an absolute basis. But the vast majority of our colleagues know that what is critically important to us is to continue, as I hope we have started to demonstrate to you, that we are all about making and keeping our commitments to all of you.

We are working now on finalizing our thinking around the leadership team of the new company and again, we have been very excited about the opportunities this creates for us to have people join our team that are true experts and leaders in the industry that will add significantly to our leadership and bench strength.

Frank is running the integration process, among his many other responsibilities and is doing a terrific job of driving that forward on a very good timetable, making sure that we make decisions very quickly and move forward and everything is on track and he will tell you a little bit about yesterday's bond offering, which I am sure you are all familiar with.

I personally think the single most important thing that we need to be thinking about and focused on in connection with this acquisition is preserving the R&D and innovation engine of the two organizations. Both companies have terrific scientists, terrific programs and projects in the pipeline, as Steve referenced and we certainly have learned from our prior experiences with large transactions some of the things that work and some of the things that don't work to ensure that we minimize to the extent possible the disruption and distraction that is, to a large extent, inevitable, but we believe it can be minimized by making decisions quickly, by ring-fencing important scientists and projects to preserve their ability to not miss a beat in advancing the very exciting portfolio these two companies provide and that is something that I am personally very, very focused on because it is so important to the combined companies.

We are going to operate the new company as we are operating Pfizer today with the business unit structure that we adopted last year as you all know. And I will tell you that I think, and you will hear today from two of our business unit leaders who we brought because I think it is important that our investors start to see and hear from the people that are running our businesses. And businesses plural is the important word here because we have really moved I think quite dramatically in the last 2.5 years from a company that was arguably highly centralized, taking a fairly one-size-fits-all approach to a lot of markets and products to a recognition that we actually are a reasonably diversified company within the biopharmaceutical space.

I like to say that how you sell off-patent products in China is a completely different business than how you sell oncology in the United States for example. And our various business units -- primary care, specialty care, oncology, established products,

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emerging markets and animal health -- all are quite different businesses, operated differently. They have different growth opportunities. They should have different cost structures that are appropriate to their businesses. They have different customer sets that they need to be very quickly responsive to. They have different competitors and for those reasons, they need to have highly empowered single points of leadership, general managers with the experience and the breadth to be able to drive those businesses forward.

That is the model that we have adopted. We have combined that with what I think is a fairly unique approach in that our business unit leaders are not simply responsible for sales and marketing and for product performance after registration, but they actually are also responsible for late-stage clinical development and the decision whether to move a compound into the more expensive forms of clinical development.

So everything basically from proof of concept through and beyond the end of the lifecycle in a given business area is the responsibility ultimately of a single leader and his or her team of experts. And I think that is a very, very important change in the way we do business because I think it gives us a much greater chance in this inherently risky business of ensuring that the decisions that we make to allocate your capital to the very expensive proposition of clinical development are made with a very thoughtful eye toward the ultimate benefit of those products in the marketplace to our patients and to our shareholders.

That hasn't always been the case at our company and I think with all do respect, other companies in our industry and we have had the circumstances, some quite well-known, in which decisions to move products through registration turned out with the benefit of hindsight to have been an ill-advised in light of whether or not they were ready for the marketplace and the marketplace was interested in them. And I think we will obviously always in this business make decisions that won't turn out well because it is an inherently risky proposition.

But I think this structure at least clearly defines accountability and really improves our odds in this business. And so you will hear from two of those leaders today and I would simply tell you that this model that we have developed, as well as the changes we have made on the research part of the house, have really positioned us I think quite well for the acquisition and the integration in two respects.

First of all, we have by virtue of having, if you will, disaggregated the business and established single points of accountability both on the commercial and on the research side I think created a much better mechanism for quickly implementing the integration, putting the responsibility for the integration of the different parts of the two companies in the hands of the people that will run those respective businesses. And I think that will improve both our speed and the quality of our decision-making in connection with the integration.

And second of all, this model that we have adopted I think lends itself quite well toward bringing in the new assets, businesses, products and leaders that will have the benefit from Wyeth and makes the diversified portfolio that we have tried to create obviously even more diversified, but very importantly gives us a mechanism that allows us to run a very large and complex company in a way that I believe takes advantage on the one hand of our scale and research resources and reach, but on the other hand allows these businesses to operate with a degree of independence and entrepreneurship that you see in smaller companies.

So with that, I think the best evidence of how that is working is to let you hear directly from the leaders themselves and so I am going to turn it over to Olivier Brandicourt. I should tell you that Olivier is a medical doctor, formerly with Warner-Lambert, has had a number of very significant positions within our company, including regional management of Latin America and formerly ran the US business responsible for cardiovascular disease and particularly Lipitor and is now the leader of our specialty business unit and he is here to tell you about that business.

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Olivier Brandicourt - Pfizer Inc. - President & GM, Specialty Care

Thank you very much, Jeff. So let me tell you briefly what I think -- why I think the business unit will [draw] specifically for specialty growth and will deliver ultimately value to our shareholders.

So specialty for us is very exciting, right? So it is high science, it is very powerful medicine, it is calculated risk-taking and of course, as the stakes are pretty high. But more important if you look at what IMS forecasts for the next three to five years, it is actually a growth engine for the industry and that segment of our global pharmaceutical industry is going to grow about 6% to 9% or 10% in the next five to six years.

So if you look at what makes specialty different, can we have the next slide, and very distinct, it begins with our medicine, right? So we treat very serious life-threatening, in our case, sight-threatening and mind-threatening diseases and we have very powerful medicines there. You can see we are in about seven disease areas and you have 13 assets on that slide. And we are treating multiple sclerosis, pulmonary arterial hypertension, HIV-AIDS, systemic fungal and bacterial infections, growth hormone disorders and age-related macular degeneration.

So the second piece is the customers. Our customers are very different from the primary care model. They are in academic medical centers. They are specialists very much driven by data. They are data-driven and that makes a big difference. That increases the importance, for instance, of field-based medical and scientific exchange space. So what we are trying to achieve with them is actually to incorporate them into the full lifecycle value chain of our development process. We are not consulting them here and there during that process, but we are trying to include them from the beginning to the end and ultimately that should help us to deliver the medicines they are actually evaluating.

And the third piece in order to have all this working well is actually the culture piece and we are trying to have more and more very entrepreneurial culture through those business unit concepts. And to help achieve those goals, what we have done recently is actually to streamline the governance process and we are making sure that we are making decisions much more rapidly and we [single point] of accountability during this process.

So the third slide. So if you look at this business and if you carve it out today, it is a standalone business, which means that, for our portfolio, both development and commercial strategies are no longer overshadowed by the primary care ways of doing things. No opportunity, which is very important, no opportunity is too small in this business as long as it makes good business sense or meets a basic need of our customer. And we are very, very focused on finding ways to generate additional value and growth.

And I would like to mention one recent example, which you may have seen. It is our deal with Auxilium Pharmaceutical and the license of XIAFLEX, which is indicated for Dupuytren contracture. And with that, I would like to turn over to my colleague Garry Nicholson, Head of Oncology.

Garry Nicholson - Pfizer Inc. - President & GM, Oncology

Thanks, Olivier. Thanks very much. So just a few words about oncology, which is a relatively new business, growth business for Pfizer. You will see our mission. We are focused on cancer patients. Translational oncology biomarkers, a key part of what we are doing. We expect, with 21 drugs in the clinic and with Sutent, to get to the top of the field. And it is going to take us some time to do that based on the development lifecycle, but we have got a great opportunity.

We know to do that we have to be focused in on the prevalent tumors. We need success in the adjuvant setting. The proof of concept for a new generation of targeted agents is well within our reach. Asia emerging markets will be vitally important. No surprise that we're going to measure revenue and we are going to grow that portfolio. We are also focused on cycle time and reducing the cost of clinical development, making real progress there. So with the Wyeth acquisition, we see this coming together in a very positive way for cancer patients.

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Jeff Kindler - Pfizer Inc. - CEO

Before you turn it over to Frank, I neglected to introduce Garry and I just wanted to make the point Garry came to us less than a year ago, I think, from Lilly where he spent most of his career and has been in oncology for a very long time. And I make that point only to emphasize that our leadership team includes numerous people obviously from Pfizer, but also from other companies in the industry and I think that brings a breadth and diversity to our approaches that is very valuable to us. Thank you.

Garry Nicholson - Pfizer Inc. - President & GM, Oncology

And now Frank.

Frank D'Amelio - Pfizer Inc. - CFO

Good day, everybody. So I have several slides. I am going to whip through them, but I thought what I would do is just start with kind of an overview slide that just lays out some of the topics I will quickly touch on in my slides. So status on the syndication, status on the debt financing and we actually got that off yesterday, at least a big chunk of it. So I will talk about that. The status on the integration process and progress on integration, some financial priorities and considerations given the strong cash flow target we have for 2012 and the regulatory pathway relative to the transaction and finally, 2012 revenue, which I always get asked questions on in the various sessions that I sit in.

So let's go to the chart on successful syndication and really it is successful funding is the way I would describe it. So initially, we obtained \$22.5 billion in funding commitment via the bridge facility. It was from five banks. Each bank had \$4.5 billion. We talked about syndicating that out. In fact, I remember the day after our announcement on January 26, we were at a big lunch meeting and we were getting lots of questions about our ability to syndicate that bridge facility. The way it actually worked in terms of sequencing is we went from five banks to 12 banks where none of the 12 banks had more than \$2 billion of paper and then we went from 12 banks to 34 banks with no individual bank having more than \$1.5 billion of paper. So we viewed that as a successful syndication.

We then wanted to finalize the credit agreements. We were getting asked questions about that. We finalized those and then we wanted to convert a portion of the bridge facility to longer-term debt. We finished that yesterday. We went out with a bond offering. We raised \$13.5 billion yesterday in 2, 3, 6, 10 and 30-year maturities and we can get into details on that offering if you would like in the Q&A. And once again, we and I were pleased with the results of that transaction.

All right. Let's go quickly to some of the core principles on integration and just in terms of our approach and our expectations. So in terms of approach, really this is, I call it, just kind of blocking and tackling. Quickly create clarity around the end state. We say start with the end in mind. So what is it we want the new company to look like and then solve to that. Execute a disciplined and transparent integration process. We believe we are doing that. I will get into a little bit of color commentary on that later on and then the Pfizer/BU model with our proof of concept onward in the BUs for development and centralize enabling functions are clearly going to be, I will call it, part of the new company. Those organizational constructs will be part of the merged company with Wyeth.

In terms of our expectations, rapidly capture cost and revenue synergies, retain key talent from both Wyeth and Pfizer, no disruptions to customers. You heard Jeff say the bulk of the people continue to work on, I call it, their day jobs, their regular jobs. We don't want distraction to negatively impact our operations, our ability to meet our commitments this year and we are doing everything we can to make sure that doesn't happen, which leads to the ongoing business commitments are achieved and there will be no loss of knowledge critical to the present future of the business.

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Let me spend a minute or two on integration. You see here we have -- integration is off to a successful start. The executive leadership teams have met. In fact, the way to think about that is the executive leadership teams have met and continue to meet. We were actually together last Friday at Wyeth's place in Giralda Farms in Morristown, New Jersey working through some of the issues regarding integration. Those meetings have and continue to take place. They are productive, they are constructive and we will continue to do that.

We have launched central program management offices both on the Pfizer side and on the Wyeth side. The PMOs, the project management offices, speak literally everyday. We have launched joint Pfizer/Wyeth workstream teams. Think about it as we have established a set of workstreams, kind of the different buckets that we are working integration in. Wyeth has a set of workstreams that mirrors -- is the word I like to use -- the workstream construct that we have at Pfizer and all the interactions I think on the whole between the two companies have been very positive.

If you move on to financial priorities, you could see here that we and I have said that come 2012, we expect to generate \$20 billion plus in cash from operations with a net cash target in 2012 and all we tried to do on this chart is lay out, with that kind of cash flow being generated, we will have lots of financial flexibility. And it will give us options in various areas. And the intent of this chart is to just lay out what some of those options are.

So one option is to revisit our dividend policy. Another option is to revisit share repurchases. Another option is to revisit how much cash we are repatriating from overseas and determine whether or not we need to repatriate the same level of cash or repatriate less cash, which could favorably affect our effective tax rate and our earnings per share.

Another option is just, I will call it, the pace at which we are paying down our debt and then finally, the option to continue to do business developments. So the intent of this chart is to simply lay out -- we will be generating lots of operating cash flow. We expect to generate lots of operating cash flow and it will provide us with a lot of flexibility to really have options in multiple areas. And I tried to lay those out on this chart and just in a simple way.

All right, one last chart, and I will just talk about two other items. One is regulatory pathway for approval. I get asked lots of questions about this in various investor forums. We filed the Hart-Scott-Rodino end of February. So I call it -- that is in motion. We will obviously be working with the government on a going-forward basis there. We can get into some Q&A on where I think some of the areas will be that we will obviously have some dialogue, but that has been filed and I like to call it the clock is even ticking in terms of we filed that and so the ball is rolling.

And then on the 2012 revenue target, I just wanted to make a couple of points there. We put out, give or take, about \$70 billion as a target for 2012 revenue. If you looked at the combined company's revenues last year in 2008, they were roughly \$70 billion, \$48 billion in change for Pfizer, about \$22 billion for Wyeth. So give or take that \$70 billion and I get asked questions about -- but Frank, you have got the Lipitor US patent issue in November of 2011. Tell us about that \$70 billion. And I thought I would just touch on that for a minute and then once again, we can get into this in more detail in the Q&A. But I think there are several items that we believe get us to that target of \$70 billion and then obviously from there as we move forward beyond 2012. So let me just touch on a couple of those.

So first, inline portfolio growth, inline product growth. We have products today that are growing on a year-over-year basis. We expect to continue to see growth in those products. And then we see lots of opportunities in the markets where we leverage some of our business unit structures. Things like emerging markets for example, where if you look at Asia today. If you take out Japan, Australia and New Zealand, in 2008, that market was about \$50 billion. We had about 2% share. If you look out to 2012, we believe that market grows to about \$80 billion. And I said 2% share, I meant 4% share. And we think we can grow that from 4% to 6% share. So if you just run the math, 4% on \$50 billion is \$2 billion. 6% on \$80 billion is \$4.8 billion. There is almost \$3 billion in incremental revenue we believe in a market like that alone. And obviously the magic there is executing, executing in that market and realizing that opportunity. We think we have the ability to execute and once again, we can get into that in some of the Q&A. So Chuck, those are my just quick comments on the charts.

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Chuck Triano - Pfizer Inc. - SVP, IR

At this point, we could turn it over to questions.

QUESTIONS AND ANSWERS

Unidentified Company Representative

Yes, in the front, Steve Scala.

Steve Scala - Cowen & Co. - Analyst

Other than the follow-on pneumococcal vaccine and bapineuzumab, are there specific products that you would identify in the Wyeth pipeline that you (inaudible)?

Jeff Kindler - Pfizer Inc. - CEO

Well, I have learned a long time ago not to select particular compounds and highlight them because of the risks associated with each one. I would just tell you that we have looked at their follow-on programs for vaccines that are very exciting. Prevnar-13 being an example of that, which I guess is the one you referenced. They have, beyond bapineuzumab, other Alzheimer's programs that are very intriguing. They have quite a few interesting oncology assets, which maybe Garry can comment on. And I think there are a number of different areas there, Steve, and I always hesitate to point to a particular compound for obvious reasons. But Garry, maybe it would be helpful to Steve if you could talk about the oncology pipeline.

Garry Nicholson - Pfizer Inc. - President & GM, Oncology

I would be happy to. Steve, I think yesterday the Wyeth people presented some data on neratinib for breast cancer, very interesting products. Some of it was shown at the San Antonio Breast Cancer conference last year. It's still early just going into Phase III, but it looks very promising. And bosutinib for CML also looks very interesting. It is in Phase III. Those two I would highlight as good shots at approval.

Jeff Kindler - Pfizer Inc. - CEO

And I know, Steve, you had Mikael Dolsten here yesterday and I wouldn't want to try to steal his thunder. I have read his presentation. I thought he provided a lot of comprehensive information on their pipeline. Yes, hi, Scott.

Unidentified Audience Member

Frank, I heard you talk about the global market on slide 4 and I am pretty sure that those numbers have not changed over the last eight or nine months while we have had a global recession and the global market slowing. So I would like to ask as to why you are still that confident.

Frank D'Amelio - Pfizer Inc. - CFO

Sure. Good morning, by the way. So the way I think about it is I said \$50 billion to \$80 billion. Whether the \$80 billion is \$75 billion, \$72 billion, shave the \$80 billion by 10%. Although we think over, I will call it, over that term, which is a five -- four or

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five-year term, we think it is going to roughly be there plus or minus. The point is there is a huge growth opportunity there. So if it is 6% of \$75 billion, it is \$4.5 billion. There is a couple of billion of incremental opportunity in that one market alone. So I don't get hung up so much on the \$80 billion versus \$75 billion. I mean it moves, but the point is, regardless of movement based on what is going on in macroeconomics, which is what you are asking me right now, I mean there is still huge growth opportunity for us there. So we still think there is a couple of billion of opportunity despite what is going on in the macroeconomics right now. So even if you haircut, we are going to do more than a haircut on growth rates, we still think there is a big opportunity there, which is why I use the \$80 billion.

Jeff Kindler - Pfizer Inc. - CEO

Yes, I would just add to that, Scott. I guess Frank made this point, but I will say it a different way. When you are talking about a four or five-year outlook, obviously there is an impact this year and maybe even into next year from what is happening in the economy. But over time, the fundamentals of those markets from a perspective of our business in terms of unmet medical need, potential for economic growth in those markets, I don't think that has changed. Whether the particular points of growth may change in a given year given the economy, certainly that is a legitimate point, but we are trying to look at this on more four or five-year kind of look.

Frank D'Amelio - Pfizer Inc. - CFO

And no matter how you run the numbers, no matter how we run the numbers, we see big opportunity no matter how we stress test it.

Unidentified Audience Member

If I remember correctly, you guys did put out saying you will have roughly \$2.40 in EPS in 2012 as well. And I wondered if you don't make the \$70 billion, you still make the [2.4], what if it is \$68 billion because clearly very few of us in this room believe you are going to make \$70 billion.

Frank D'Amelio - Pfizer Inc. - CFO

So to your point, we did put out language on EPS. What we said is it would be comparable to the '08 EPS number, which is the \$2.42, which is what we printed for Pfizer in 2008. And what Jeff and I always say is we will size or align the cost structure of the company to align with revenue. So the intent is to deliver on that EPS target, regardless of that revenue number.

Jeff Kindler - Pfizer Inc. - CEO

Yes, I would just add to that. I hope we are establishing, over the last couple of years, a track record of managing business appropriate to the revenues and we understand the importance of -- obviously understand the importance of the earnings. And I do think that we are getting more and more productive, more and more better at flexing the cost structure and in fact, what I would tell you is that is another attribute. I hate to keep repeating this, but it is just so important of the business unit structure. Because in the past, our approach has necessarily been to adopt fairly massive across-the-board restructuring.

And we have done that and we are doing it even now and obviously we will do a lot of that in connection with the transaction from the point of you have synergies. But the real way to manage costs in a business this large and complicated, to manage them really flexibly and quickly and to adjust to the changes in the market dynamics is to put that responsibility into the hands of somebody who is running a P&L specific to whatever that particular market may be.

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So a given business may be experiencing more growth than another and have the opportunity to make more investments than another. And these guys are accountable for their P&Ls and consequently, they are going to manage their business to produce the profit targets that we give them. So I think the way we think about -- I start with the same place Frank does. We've said we're going to size the business to fit the revenues and we will continue to do that. I think we've -- I hope you would agree that we have established something of a track record on that the last couple of years. But going forward, I am even more confident that we will be able to adapt quickly to changes in the environment, both positive and negative. I mean there will also be opportunities to invest in some markets that might warrant increased investments, but rather than a couple of us sitting at the top of a massive organization trying to figure that out, we'll have people like these that will adapt their business to the circumstances they see and deliver their profit targets.

Frank D'Amelio - Pfizer Inc. - CFO

But philosophically, we will size the cost structure to align with the revenues. That is what we have said; that is what we will continue to do.

Unidentified Audience Member

Some analysts were disappointed in the transaction because they had hoped that you were going to (inaudible) sort of a growth year or a number of growth year biotech acquisitions. And the question I have is is this transaction going to allow you to generate the cash and some significant earnings such that you can do that on the back end of this transaction, (inaudible) stronger position and if so, when do you actually think about that kind of (inaudible)?

Jeff Kindler - Pfizer Inc. - CEO

Sure. Let me start and I'm sure Frank will add to this. Let me take this in two parts if I may. I'd first like to give you a little bit of background to the thinking as to why we did what we did as opposed to the alternative that you are suggesting. So back last year, almost about a year ago this time, we had an investor meeting where we outlined the strategies that we had adopted to move the company into the place we wanted it to be post-Lipitor. And that was an exercise we undertook with our Board, completely independent of any business development. We just said on a clean piece of paper, as we look at this company and look past the Lipitor loss of exclusivity, what do we think the company needs to be and to look like to be successful and to generate profitable growth in those years given the environment that we are facing and the like.

And just very quickly, we said we are going to focus on those disease areas where we can invest to win and we established a criteria for that and actually got out of other disease areas that didn't meet those criteria. We said that we wanted to be a leader in biotherapeutics and in vaccines because we saw tremendous opportunities there. We wanted to enhance our presence and actually enhance our business in established products. We actually have a business, but we wanted to do even better with it because of the growth opportunities it presents. The same with emerging markets. And finally, we said we wanted to invest in what we call complementary or adjacent businesses that were close to the core.

So we laid out those strategies. We said that is what we want to be. It was obvious we couldn't do all that organically and so we really had a fork in the road. We could choose to go the route you were referencing of buying a number of different relatively smaller companies to support those strategies or we could see if we could do it in a single transaction.

The problem with the first approach, and we use the phrase internally string of pearls, other companies have used that phrase too, was, first of all, it wasn't obvious that there were a lot of pearls to begin with to be blunt about it. And to the extent that we could identify enough companies or businesses that would complement us and produce that strategy, which was hard to do to begin with, but to the extent that we could, the execution risk associated with that, the time involved, the number of deals we would have to do were really not optimal.

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Having said that, if we had not done the Wyeth transaction, we probably would have gone that route because what we found in Wyeth, and it is one of the reasons why I am pleased that we went first in this industry consolidation that we are seeing, is that this was the perfect partner at least for us in terms of one transaction hitting each and every one of those strategies I just described. It was really a perfect fit and it really accelerated our ability to achieve each of the ones I listed. So we went that route. And I think that was the right thing to do and I am very happy about it.

Now in terms of our capability going forward to do smaller transactions, bolt-on deals and the rest, I am going to let Frank elaborate. He showed you a chart that talked about the potential uses of the very significant cash flow that we are going to be generating in that time period, 2012 and beyond and obviously we have a lot of different opportunities to deploy that cash for the benefit of the shareholders.

I do want to say to our investors that we intend to be very disciplined about that. We have tried in the last two years to exercise that kind of discipline and I think you would find that we haven't undertaken some of the types of transactions that in the past could be, with the benefit of 2020 hindsight, challenged. And so whatever we do with that cash, we want to be very disciplined about it. So there is a lot of different things we can do and certainly buybacks and dividends have to be very high on that priority as well. So with that, Frank, do you want to add your thoughts?

Frank D'Amelio - Pfizer Inc. - CFO

Sure. So let me just punctuate a couple of things that you alluded to. So first, back to when we talked about our strategic initiatives. Jeff mentioned being a leader in biotherapeutics and vaccines. We also talked about complementary space as a strategic initiative. We talked about leveraging and getting more growth in emerging markets. And we also see the Wyeth acquisition, for example, helping us with both of those initiatives.

With Wyeth, we get a consumer nutritional business, which is clearly complementary space, so that was another area we saw as an opportunity. And then we see much of their portfolio helping us in places like emerging markets. We think we can really take their vaccine business, for example, and crank it up in emerging markets. So all that kind of factored into why do one transaction versus a series, a string of pearls.

And Jeff alluded to this too. The practical ramifications of trying to acquire and integrate multiple companies quickly, it is a triple twisting somersault. It is not an easy thing to do. There are practical application -- practical challenges to that.

On future acquisitions, what I would say is this. We have and we will continue to do business development activities. Last quarter, we did \$300 million in business development, \$225 million for Medivation for example for Dimebon. So you'll see us continuing to do that. This quarter alone, we have announced, I will call it, two business development transactions. One with Bausch & Lomb, which was really a cross-marketing arrangement and then one with Aurobindo in terms of being able to sell some products.

So these aren't big transactions. They are tens of millions, hundreds of millions. It is all capital, it is all critically important, but you will see us continuing to do that on a going-forward basis. And then to Jeff's point, as we get this integration humming as it starts to throw off a lot of cash as we get into 2011 and start to approach 2012, we are going to have a lot of financial flexibility, a lot of free cash flow. We will have lots of options relative to how we choose to deploy that capital. The one thing we will do is we will make sure we always deploy it with a total shareholder return perspective.

Jeff Kindler - Pfizer Inc. - CEO

Yes, let me just add one other thing about that and I am sorry to belabor it, but I think it is -- one second. One thing that has really changed in this company the last couple of years, and I give Frank a lot of credit for it, is we are much, much more rigorous in the way we think about allocation of capital. And one of the things that we are much better at than I think we used to be is

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ensuring there is real accountability for those decisions and it is kind of similar to what I was describing earlier with respect to the business unit leaders. So again, I think there is a discipline built into the system regarding the expenditure of capital for business development purposes that I think will improve our returns over time.

Unidentified Audience Member

Yes, I have a follow-up question. Could you compare Glaxo with J&J? Glaxo has, from a market cap point of view, being flat for two decades while J&J has been growing quite nicely. One big difference is that J&J is doing small acquisitions and maybe that has to something with their organization. So my question is is this something you could learn from their organization and what can you copy and what can you not copy?

Jeff Kindler - Pfizer Inc. - CEO

It's a great question. I have said, and I continue to say, I am a great admirer of J&J's business model and Abbott is another company that I think has a similar business model and we don't intend to be exactly like anybody else. But I will tell you that I think the way we are approaching our structure and our organization, our decision-making is moving much more in that direction than perhaps we were in the past. I think that it is in the better interest of our shareholders to be a company that produces stable, consistent earnings, that leverages modest top-line growth to stronger bottom-line growth, that is in sufficiently diverse businesses that there can be a consistency.

I would like to see us over time reduce some of the volatility that is generated by overdependence on single inline or pipeline products, which I think is one of the challenges with the investment hypothesis in our industry. And I think J&J has done an excellent job of that. So again, as it pertains to business development in particular, I do think that, with the framework that we have established, with the assets that we will have as a result of the transaction and with the leadership that we put in place, we will be in a position to approach business development in a way that is very focused on the particular value it provides to these different businesses and I think that is something that will stand us in good stead over time.

Frank D'Amelio - Pfizer Inc. - CFO

And if I could just add to that for one minute. As we were working our way through all of our strategic alternatives, we obviously studied all of our competitors and their various business models. I think Jeff used the word diversification, which is something we clearly value. That is not new to Pfizer. If you look at Pfizer in the past, we have had lots of diversification and then over the years, it has been more focused. And with this transaction with Wyeth, we clearly are diversifying the business more. But that is not something new to the company. It is something we used to have kind. I will call it, we got more focused in pharma and you see us broadening our diversification. But we studied everybody's business models.

Jeff Kindler - Pfizer Inc. - CEO

The one difference -- I'll let you in one second. I just want to clarify one thing. The one difference between the diversification in the past that Frank referenced, Pfizer used to be in a lot of businesses that were pretty far removed from the core innovative science, human health field and it is not our intention to go back to some of those --

Frank D'Amelio - Pfizer Inc. - CFO

That's a good point.

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Jeff Kindler - Pfizer Inc. - CEO

-- businesses. So just to clarify, we think there is a tremendous amount of diversification within biopharmaceuticals. There is humans, there's animals; there is consumers, there is prescription; there is off-patent, there is on-patent; there is emerging markets, there is developed markets; there is specialty, there is primary. Those are the kinds of diversifications we are talking about. Go ahead.

Unidentified Audience Member

(inaudible question - microphone inaccessible)?

Jeff Kindler - Pfizer Inc. - CEO

Yes, well I think, again, when we designed the new business model structure that I have been talking about today, I personally, and a lot of our folks took a very close look at the way J&J operates, the way Procter & Gamble operates, the way companies in some other industries operate and I think, again, we are not trying to copy any particular company or be another company, we are going to be Pfizer. But I do think a lot of the way in which very large companies with diversified portfolios that produce steady, consistent earnings, the way they operate successfully I think is very consistent with the way we are talking about operating our business and J&J is a very good example of that. You have already gone, so can we come back?

Unidentified Audience Member

(Inaudible question - microphone inaccessible)?

Frank D'Amelio - Pfizer Inc. - CFO

So in terms of --

Jeff Kindler - Pfizer Inc. - CEO

Could you repeat the question?

Frank D'Amelio - Pfizer Inc. - CFO

Sure. So the question was -- can you talk about deal timing and then I think the second part of the question was, as part of that, can you give us a feel for some of the regulatory items? That is pretty much it. So in terms of deal timing, what we said on January 26, and it hasn't changed, is we are targeting an end of Q3/Q4 close. That continues. Please know that operationally we are planning for a close sooner than that. We're obviously giving ourselves some cushion. All of the plans inside the company are to drive to a date where we could close sooner than that simply because, from an operational perspective, I believe that that is a very prudent thing to do. So we have operational plans that have us, I call it, operationally ready sooner than that. But in terms of answering the questions specifically, I would say nothing has changed from end of Q3/Q4. So that's kind of to the first point of the question.

In terms of the regulatory piece, I think the one area that will get the most attention is animal health. If you look at our animal health business and you look at their animal health business, last year, we did about \$3 billion in sales, \$2.8 billion. Wyeth did about \$1 billion in sales. And we are strong in companion and livestock; they are strong in vaccines, but we have overlap in those areas as well. So I think clearly that will be an area that gets some attention.

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If you were to say to me just -- Frank, can you size what the potential impact is? It is an estimate, so I reserve the right. But if you say to me to size this. If you add the two companies, total sales were about \$4 billion. If you say materiality is 10% or more, I think the impact would be not material. We see this right now, as you know, something that would be less than 10% based on everything we currently see. But please know these discussions are ongoing and so I am giving you an estimate based on everything I know as of today. And I simply reserve the right for that to change. But that is -- I think that is the one area that kind of stands out in terms of where I think we are going to have some discussions.

Unidentified Audience Member

So further on that (inaudible) speculating that you are going to be too dominant in Alzheimer's in terms of the (inaudible) market leader in the current product and all of your products between the two companies. Can you talk about whether you think you will have to give up anything in Alzheimer's?

Frank D'Amelio - Pfizer Inc. - CFO

Sure. So Jeff, do you want me to hit this one?

Jeff Kindler - Pfizer Inc. - CEO

Yes. Go ahead.

Frank D'Amelio - Pfizer Inc. - CFO

You want me to start it and you will --?

Jeff Kindler - Pfizer Inc. - CEO

Go ahead.

Frank D'Amelio - Pfizer Inc. - CFO

So on Alzheimer's, I would say that we view that as an area that is really lower than the animal health one. If you would have set this up on some sort of a priority scale, which is why I mentioned animal health to the first questions. If you look at Alzheimer's, we obviously have Aricept today. And then if you look at our pipeline collectively or combined, there is BAP and then there are some of their other compounds, as well as some of our programs. So that is an area where we are working our way through. It is early yet. But in terms of your specific question, I think it is just too early to tell. We don't see that quite frankly on the same plane that we do animal health. We just don't.

Jeff Kindler - Pfizer Inc. - CEO

That is more or less what I was going to say, but we are talking about compounds with different mechanisms of action. There is certainly plenty of competition in the field and clearly it is an area that we will have discussions with the agency on. And as Frank says, those are very early, but it is not in the same category as the animal health issue.

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Unidentified Audience Member

Can you help us understand how much you get -- any kind of help and take a look at Wyeth's ongoing businesses now. What I am most concerned about is the day you announced this deal, Wyeth, in with [massive] GSK (inaudible) approval in Europe, a competitor for Prevnar-13, a major driver of the deal and so if I'm GSK, I am thinking I have six or nine months when Wyeth is in a little bit of disarray to go out and try and decide governmental deals and you (inaudible) into the Prevnar market. So just wondering how you get to interact with Wyeth in that business section over the six or nine months.

Jeff Kindler - Pfizer Inc. - CEO

Yes, sure. Let me start and Frank, you can add to this. First of all, as you know, there are rules governing this. There is something called gun jumping that prohibits the companies from operating any -- you have a law degree, I believe so. A medical degree, the same thing. They prohibit the two companies from operating other than independently. So we can't try to run their business or interfere in their decision-making.

The one thing I would tell you though, Scott, is that they are committed, as are we, to what I said at the very beginning of this conversation, delivering on their commitments, moving their business forward. Bernard and I talk about that. We meet with our two teams and together emphasize that. We both know that for the transaction to be as successful as it can be, we both have to go into the closing having optimized our business performance this year and in preparation for the future.

So they have a terrific group of leaders in the vaccine business. They know what they are doing. They know what they need to do and both companies, as I said at the outset, are trying to create a relatively small number of people, relatively. It's still large numbers, but relative to the organization, involved in integration and making it clear to everybody else, run the business and optimize the business. So I can assure you that, without knowing them, without knowing specifically what they are doing, but just based on the philosophy and approach that they are taking, that they are very mindful of what you are describing. And I apologize for getting you mixed up with your brother.

Frank D'Amelio - Pfizer Inc. - CFO

Do you want me to just --?

Jeff Kindler - Pfizer Inc. - CEO

Go ahead.

Frank D'Amelio - Pfizer Inc. - CFO

If I could just add to this, I want to just punctuate what Jeff said. You heard Jeff in his opening remarks talk about -- job one is operational execution and meeting our commitments for the year. I can tell you if Bernard and Greg Norden were here with the leadership team from Wyeth, they would be saying the exact same thing. Just as an example, Greg and I were literally in my office yesterday and working through some data requests. In every conversation I have with Greg or Jeff has with Bernard, one of the sensitivities is making sure that we are really, I call it, managing the data requests such that we are minimizing the impact on resources because we want the bulk of the people working on their, I call it, operations and just executing on the business. Because to your point when all is said and done, operational excellence is what we are looking for pre-close and post close. So that is on our radar screens all the time. I literally was in a meeting yesterday with Greg. We were working through an issue and working through the sensitivity of how do we get this data without having an impact on too many local people because we are looking at some country type information.

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Unidentified Audience Member

Jeff, I would assume that the reaction to the deal by the market and the stock is maybe not quite as positive as you might've hoped. And I would just be interested in your view of sort of what you think the market is reacting to versus what your view is in terms of those differences.

Jeff Kindler - Pfizer Inc. - CEO

Sure. Well, I think there are a lot of things going on here. The day we announced the deal we provided investors with a lot of information, some of it not well-received obviously such as the dividend cut. We provided '09 guidance that was not consistent with what some of the sell side analysts had forecast. Although on that, I would point out a lot of that was due to foreign exchange and that, frankly, I think can be thought through in these models. I think a lot of the rest of it, and Frank can take you through the numbers, was due to nonoperational considerations like the tax increase and pension income. So we have the dividend cut, the '09 guidance. There is an overhang I think from health care reform efforts in Washington that a lot of people are concerned about. Although I am actually guardedly optimistic on that subject; we can talk about it. So I think there was a lot of news out there that clearly had an impact.

I will tell you that almost everybody I talk to on both the buy and the sell side supports the strategic logic of the deal, believes the price was fair to both parties, understands the benefits of the deal and a host of dimensions, definitively addressing the Lipitor cliff, positioning us for a more diversified and stable source of revenues and earnings, all the things we have talked about. And now it is up to us to execute and to deliver on the promise and potential of this deal. And I am very confident that we will and that will ultimately be reflected in shareholder value. Do you want to elaborate?

Frank D'Amelio - Pfizer Inc. - CFO

Well, just on the -- Jeff mentioned when we announced the deal, we announced some other items that weren't positively received. I think the dividend cut was one. We cut the dividend in half. I think the tax rate increase -- we had a 22% tax rate last year. We raised it to 30%. That was another. On the guidance, and Jeff mentioned this, we gave guidance of \$1.85 to \$1.95 on EPS. Last year, we did \$2.42. The Street was significantly higher than our \$1.85 to \$1.95. Three of the items, to Jeff's point, most companies have had in their '09 guidance, right? It was FX, which was \$0.21; higher pension expense, which was \$0.04; lower interest income, which was \$0.04; and then the item that was more unique to us was another \$0.21 on the tax rate increase. So you add those four items up -- \$0.21, \$0.21, \$0.04, \$0.04 -- \$0.50. So \$2.42 less \$0.50 is \$1.92, which was roughly the midpoint of our guidance for the year of \$1.85 to \$1.95. And that clearly wasn't factored in to the sell side analysts' views at the time. I think it is a combination of those plus some of the more macro things that have been going on with the government and just overall stock market trends in general, which have been tough. So I think that is clearly what has been driving some of the stock price impact.

Chuck Triano - Pfizer Inc. - SVP, IR

Probably time for one more because I know everyone has sessions to get to.

Unidentified Audience Member

Thanks. In the '90s, Pfizer was incredibly focused on huge blockbuster opportunities and very clear about where they were going and won -- hypertension, cholesterol, depression, anxiety, etc., etc., a ton. Can you help us understand if you have a similar vision now as to what the key future blockbuster areas are going to be? And are you positioned to get there? I mean some of the ones I have heard people talk about are diabetes thrombosis, hepatitis C and it is just not clear that you are there. And I know you talk about oncology, but maybe other than oncology or maybe if you think oncology could be a super blockbuster, what are the key blockbuster areas and how are you positioning yourself to be there?

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Jeff Kindler - Pfizer Inc. - CEO

So let me start then. I'm sure my colleagues here will have things to add to it. First of all, I don't believe that we -- it is prudent to run the business in the hopes that you are going to get one or two huge blockbusters of the size and scope that we may have seen in the '90s. We hope to do that. We will certainly make every effort to do that, but we have to have a more diversified approach that, in addition to home runs, has many singles and doubles and triples. So I think that is the reason why we want to have a more diversified platform of opportunities that include not just large blockbusters, but also opportunities in emerging markets and established products in adjacent business and so forth as we have discussed earlier.

That having been said, we went through an exercise starting about a year and a half ago of going through every single program in every single project in our pipeline and evaluating it across basically three criteria to determine whether it was a disease area we wanted to invest in. And number one, it had to be an area of significant unmet medical need. Therefore, having significant potential for the company.

Two, it had to be an area where there was some reason to believe based on the science that the science was moving in a direction to address that need some time in the relatively near future. And three, and this was an important criteria that perhaps we hadn't always applied in the past, it also had to be an area where we had reason to believe Pfizer could be successful and it would be successful based either on our track record or our capacity to bring in scientists or programs from the outside.

Having gone through all that, we actually exited certain disease areas, some of which had been a great legacy value to us as you know and we identified five or six of the disease areas that we thought we were investing in those areas. In addition to oncology, they included neuroscience, particularly Alzheimer's, diabetes, infectious disease, pain, immunology, and some others, but those were the big ones. Olivier, Garry, have I missed --? What have I missed?

Olivier Brandicourt - Pfizer Inc. - President & GM, Specialty Care

Psychosis is one.

Jeff Kindler - Pfizer Inc. - CEO

Psychosis. So neuroscience, including both Alzheimer's and psychosis. And those are areas where, to my earlier comment, I think they meet those criteria. We either have significant scientific presence in those areas today or we think we can get there fairly quickly. Take pain as an example. I mean we have I think a fairly uniquely powerful pain franchise in the alpha-2 delta mechanism that produced both Neurontin and Lyrica, in follow-on areas in pain and the tanezumab compound in development. That is a franchise area for us that has not only blockbuster potential. We have blockbuster drugs in it today and it will continue to be a growth area for us. So that is an example. Oncology you mentioned. Go ahead, Garry.

Garry Nicholson - Pfizer Inc. - President & GM, Oncology

Yes, in oncology just briefly with Sutent, we have a very successful product that in a scale of oncology blockbuster I think will qualify with VEGF and EGFR inhibitors, which are proven targets. We have a generation of those and then we have the next generation, which is the next, what we think will be, like an EGFR inhibitor and we are working on all those simultaneously. So we are optimizing that portfolio.

Olivier Brandicourt - Pfizer Inc. - President & GM, Specialty Care

You mentioned it, but [ITC] and we have one product with a proof of concept and we are in Phase II and of course, it is a very large area of unmet medical need. So we are moving also into that space of virals.

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Steve Scala - Cowen & Co. - Analyst

All right. Thank you, everybody, for your attention this morning.

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