

FINAL TRANSCRIPT

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PRESENTATION

Chris Schott - JPMorgan - Analyst

Great. Good morning, everybody. I'm Chris Schott, pharmaceutical analyst at JPMorgan. I'm very pleased to have Pfizer with us this morning. From Pfizer we have Martin Mackay, President of Pfizer's PharmaTherapeutics R&D. I'm going to turn it over now to Martin.

Martin Mackay - SVP & President, PharmaTherapeutics Research & Development - Pfizer

Thank you very much, Chris and thank you for coming this morning. I actually spoke here a year ago and two weeks after we gave the talk we announced a deal with Wyeth. And so it's been a very quiet year for Pfizer and there's not really much to talk about.

Seriously, what a tremendous acquisition for us, the Wyeth deal, not only in terms of great people that we've brought on board into the Pfizer organization, but a great pipeline, great additions to the pipeline. I'm going to talk just a little about the model that we've constructed, tell you something about the very early decisions we made as part of this process, but more importantly get straight into the pipeline and talk about some of our products, and I'll talk about six of those in a tiny bit of detail.

First of all, I'll just let you dwell on the forward-looking statements. So to the model that we've constructed, I think it's quite well known now that we have nine business units. They're based in two divisions, a diversified products unit and a biopharmaceuticals division with primary care, specialty, oncology, established products, and emerging markets. And they essentially take the portfolio from the proof of concept stage through to market and beyond. We have two research and development divisions, one focused on small molecules, one focused on large molecules. But actually that's too simplistic because within both we actually are working on both types of modality.

And then importantly for an organization our size to really use the power of scale and those pieces of the puzzle that I think we're really great at, like manufacturing pharmaceutical sciences, drug safety, they go across all the divisions and service them both. One of the challenges that you have in a large organization is how can you make research units feel small, empowered, yet derive all the benefits of a large organization. And I'll just give you two quick local examples of how I believe we've managed to do that. One is very close to here and that's our Rinat Group who are based in South San Francisco. This was a company that we acquired in 2006. Terrific company. We're responsible for Tanezumab, which is in Phase III, an amyloid portfolio in Phase II, and many early programs and technologies.

Well, if you were to visit Rinat this afternoon you would see Rinat on the building. The scientists call them Rinat. The leader is a highly empowered individual called [Jama Pans] driving programs forward. And yet, he and they have this ability to call on all the other pieces of Pfizer so that they can progress our portfolio.

The other example I would give you, and I'll take the example of a therapeutic area, oncology, which for Pfizer is based in La Hoya, California. And there we have a chief scientific officer, Neil Gibson, who again is empowered to choose the targets, to progress the portfolio, to decide whether investments should be internal, external and really be responsible for coming up with



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important and new medicines. And again, if you visited the La Hoya site, you would see this relatively small group of people working on oncology programs and yet deriving the benefit of the big organization. And we've tried to do that throughout the new organization.

In terms of decisions that we made, they were very quickly although well considered and if I compare it to other acquisitions that we were involved in either Warner-Lambert or Pharmacia, this one moved really quickly and yet I think in a very considered and careful way. Part of that was being able to announce key Wyeth leaders that would be part of the new organization when we closed a deal. So folks like Michael [Dalston] who runs biotherapeutics, Emilio Emini in the vaccine area, Mary [Pangaloth] in the neuroscience. We're named ahead of time and we were able to work with those folks to make sure that we were able to get the right footprint, the right portfolio, and obviously the right talent leading our programs.

So within 23 days of closing the deal, we announced our site footprint and that was a 35% reduction in square footage terms. The five major sites, nine specialized units of which something like Rinat would be an obvious example and we closed a number of sites such that we could really push our investments into the portfolio to make sure that we were able to deliver on the programs that we've committed to.

Similarly and in the background to coming up to close, we had the so-called clean teams working on the portfolio so that on day one our heads of research were able to see the Wyeth portfolio in a form that was easily understandable. Over the next six weeks or so following that close, our chief scientific officers worked with the key people in both organizations to make decisions on what the portfolio would look like, and a few factoids on that. If you take the part of the process, which is lead development, proof of concept, we reduced the portfolio by about 25%.

Equally importantly to that, we also shifted the number of programs that were against our key invest to win areas. Here there, too, there was about a 50% -- 50% of our investment was in these invest to wins. That has now moved to 70%. I believe it should never be 100% nor do I believe that 50% was the right place. The third piece of this was moving to more biotherapeutics and vaccines, and before we made these portfolio decisions, we had about a three-to-one ratio of small molecules to large molecules. That ratio is now 1.3 to 1.

So much more of a balance in the portfolio and again, the key to the successful acquisition I believe was the speed that we were able to move at so that we could announce the sites, we could announce the portfolio. And now we're still working on individual scientists to make sure that they know in a rapid space of time if they will be part of the go-forward organization.

Another part of the Wyeth acquisition was to make sure that we really augmented the key areas that we were working on and that has certainly exceeded my expectations as I look at the portfolio that we have built. So if I think about neuroscience, pain and inflammation, oncology, metabolic disorders like diabetes, we've upped our ability to prosecute in all these areas. And for a chief scientific officer, and I'll use Neil Gibson as another example, he can choose which is the most appropriate modality for the target that we're prosecuting. So in his portfolio he has small molecules, large molecules, and in fact therapeutic vaccines. And that is true across the research organization.

I'm going to just give a couple of slides on early stage work because as you may imagine from an R&D perspective, I'm very excited about this. I've said on a number of occasions that despite the traumas within the industry and the issues that we have over R&D productivity, and all the other pieces that are in our environment and the challenges we have, this is the golden age of drug discovery. Never before have scientists had the tools and technologies to take apart a disease area and come up with appropriate new medicines that are going to make such a difference to the lives of patients. I list here just some of the areas that we are deeply involved in, both internally and much more today externally with leading academics or leading partnerships in those areas.

We have built our regenerative medicine unit in the space of about a year working with leading biotech, leading academics, and the surprise to me is how quickly we've been able to move these programs into the clinic. I'll give one example of a program, which I think highlights a number of those things that I speak about. This is a so-called Nav1.7 program, which is running in our



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pain portfolio led by our chief scientific officer, Julian Burgess in the UK. We did some seminal work with an academic group in the UK, which there was a known group of patients, and that's the panel on the left actually, families that had this condition called CIP, or chronic indifference to pain. These were children that essentially couldn't feel pain.

And where that sounds quite a good thing to have, it's a really terrible thing to have because they have mutilations because they don't know how far they can go in terms of things like heat, or damage, or pieces like that. And through some exquisite human genetic work, we showed that the Nav1.7 channel was implicated in this disease. At the same time, another group of academics were working on a group of patients that had the opposite effect, highly sensitive to touch and a very painful reaction to the smallest stimuli. And again, the Nav1.7 channel was shown to be implicated.

So here we have the perfect human genetics, loss of function, gain of function all implicating a particular channel. Now, for those of you that know ion channels, these are not easy drug discovery targets. But the fact that we had such positive genetic information meant that we were able to launch a major program, and without going into too much detail, have come up with highly potent, selective compounds against this channel which we're now going to progress quickly into the clinic and beyond. I show this as an example of where human genetics are playing a much greater role in the work that we do and this ability to identify the right patient population is going to be a standard for all of us as we move forward.

I'll move to the late stage programs now. This is our Phase III portfolio essentially of today and I've described the fact that once we acquired Wyeth and were able to show what the combined Phase III portfolio was, it was like all our birthdays coming up at the same time with tremendous additions to the pipeline from the Wyeth organization. We already had what I believed to be an excellent late stage portfolio ready to deliver with the additions of some of the compounds that I'll speak about has enhanced that even more so.

I'll speak about six programs in relatively rapid fire, but just to give you a feel, somewhat of an update and somewhat of how we're positioning these entities. So Prevnar 13 has certainly been one of the highlights of the acquisition. When we went through the diligence process, this really got everybody sitting up and taking notice. What a wonderful piece of science, what wonderful delivery that Prevnar was in the treatment of pneumococcal disease and what a great addition Prevnar 13 is, which really gives the broadest coverage possible to children, and particularly with the serotype 19A, which is implicated in so much of the disease. A really great opportunity for us, further opportunities in the adult world, and a number of studies going on there, which will read out over a period of time. We feel very confident that this is a truly great vaccine, a truly great addition to the treatment of this disease and something that will stand us in good stead for years to come.

Moving on to the pain area, I mentioned the Nav1.7 but the reason I put this one up and another example I'll give in a few slides is to see real benefits of being the size we are now is we're able to take a disease area or an area of conditions and come up with an (inaudible) approaches that we feel (inaudible) are underserved in so many ways. So again using basic science that we're working on and having a number of programs, and the neat thing about the pain area for us, we have inline products, we have late stage development, mid-stage development, and a whole array of early approaches all aimed at cracking pain.

Tanezumab is quite well known. I mentioned that this came from our Rinat Laboratories down the road. We conducted a number of Phase II studies, which really showed the power of this antibody. Eight-week intravenous injection. We did a number of studies, but this one in particular shows responder rates and it's well known that 30% responders is a very effective pain medication. When you get to the 50% responder rate then it really is even more significant. If I compare these Phase II data with the Phase II data of other pain medications, this is a profound and significant improvement on those.

We continue to run our Phase III studies in osteoarthritis, but we're also working in other pain conditions such as chronic low back pain, interstitial cystitis, and again, showing profound pain relief results. On the pain and inflammation front, we've spoken on a number of occasions about our JAK program, CP690, which again if you remember the early Phase II studies where we showed the efficacy of this model were quite profound.



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And in a relatively small study where we were looking for early signals, in fact there was about 265 patients, we set the hurdles high by taking patients that had failed on methotrexate or TNF antibodies, and again the results that you will remember were quite profound and significant, both from an efficacy perspective and a safety perspective.

We went on to conduct four Phase II studies. We've been in an over a 1,000 patients now and really shown that these results were real. We're now in Phase III running a number of programs, some with a methotrexate background, some as monotherapy. And again, these studies will run out over the next period. This looks like a molecule that behaves like a TNF antibody in terms of profound efficacy, a good safety profile, and of course, it's a small molecule inhibitor.

I'll say a little about Alzheimer's Disease. We knew going into the Wyeth acquisition this is one very strong area for both companies and the notion of putting both our approaches together, which again has inline products, late stage development, mid-stage development, and a whole array of new early approaches to Alzheimer's is significant. Of course, here we have a disease that we don't really know what causes it and although there's some good hypothesis like the amyloid hypothesis or the tangle hypothesis out there, we don't really know. And I think that teaches us that what we need to do is come up with multiple approaches directed to different parts of the pathway that we do understand and that should give us the best change of coming out with new medicines.

Dimebon, which has been a really terrific partnership with Medivation is one significant play in Phase III here. You've seen these data before. They were the Phase II data from the Russian study showing great clinical improvement with this. We're very excited about this. It will read out the Phase III studies that we're conducting with Medivation will read out next year, and again we will wait to see how those data drives the further progression of this molecule. They're absolutely intriguing and could be a significant play.

Earlier in the process, the amyloid antibodies have gained a lot of attention. The good collaboration that Wyeth had with Elan and now ourselves with J&J with bapineuzumab. Again, we've recruited a lot of patients. We're understanding much better how effective this antibody is against the primary endpoints, but also a number of subsequent endpoints that we've been looking at. The story of the carriers and non-carriers are quite well known. I think it's also well known that we are running studies in both groups. They will read out probably early next year and beyond to see where we are with this, but again could be a very significant play in the Alzheimer's world.

We have a number of other antibody approaches directed to different parts of the molecule and they're progressing through Phase II at the moment. And as mentioned, a number of earlier programs against a whole slew of some known targets and some targets that are unique to Pfizer, that we are progressing at pace.

I'm going to end in terms of the compounds with this one, because again I think this demonstrates the way that more and more drug discovery and development will progress, certainly not only at Pfizer but in the industry. This is the so-called c-Met/ALK program for non-small cell lung carcinoma. And this in itself was a key accomplishment, the ability to with a small molecule look at two targets at the same time, c-Met and ALK, which are both implicated in the disease state. But when we ran our Phase I study, we were able to show that particular cohort of patients responded very well and most importantly, we were able to identify who those patients were. They have a particular genetic translocation around the [alkalosis] the CML translocation.

We did a deal with Abbott on the diagnostic for this. We expanded the cohort in our Phase I study and just to give a feel for the efficacy here, we were seeing response rates initially within this particular group of patients of around 50%. Normally, you see single digit response rates. When we expanded the cohort, we were able to show actually that response rates increased. They often decreased -- increased to in the 60%. A really important feature of this program is we were then able to move directly from the Phase I studies into Phase III where we are today in discussions with the regulatory authorities to show them how important these results were.

I think that many more programs are going to be run like this. This is one data slide showing those -- a patient with the CML translocation, showing a pretreatment and after one cycle of PF234, the inhibitor against c-Met/ALK, and again showing really



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tremendous efficacy results. Now, it's clear in oncology that many more studies are being run like this now and most of our studies have this look to them. Our challenge in research and development is to spread this patient piece across all of our programs and I can say that within the discovery phase, all the programs have an eye immediately as to what patient population we're really going to look at and which patient population are going to benefit from the programs that we're running. Clearly, oncology is setting the pace, but if I look at our earlier programs, they all have this mark around them.

A couple of slides to wrap up. I've clearly spoke about the areas of interest to us. I think one difference to the way that we are working now is the panel on the right hand side and a few years ago we had, I would say, limited types of relationships that we have with partners. If I think now to the partnerships that we have with large companies such as Bristol-Meyers, or GlaxoSmithKline or J&J are really a terrific array of small companies that we're working with, whether it be InSite, Adolor, Qwark, Medivation. There's many others that I haven't mentioned and different types of deals to get at the heart of what we're trying to discover and develop the next generation of important new medicines.

So I know we're having many meetings over the next three days and some of the partners are here already, and I thank you for all the work that you're doing in collaboration with Pfizer. But many potential new partners out there and I think you'll find us great partners to work with and also very flexible in terms of the type of deal that we're willing to construct to push our portfolio forward.

Lastly, I'm going to leave you with some of the heroes at Pfizer. We always talk about process, and models, and of course we talk about or data in terms of the programs that we're running. But at the very heart of what we do are the scientists and those scientists clearly are within Pfizer, but more and more they're scientists within other companies or in academia that we work with. And they truly make the difference to the portfolio and I could talk about any of the colleagues that are up here. We've been able to bring in great people like Emilio Emini to run our vaccine group. It's a tremendous advance for our organization.

But when I look at the drug discoverers that we have that are continuing to work on drug discovery programs, really key people driving programs forward in all areas we care about. And I leave this with you because the process, and the model, and the rest gets a lot of attention but those are the folks that are going to make the difference in healthcare. Thank you very much.

QUESTIONS AND ANSWERS

Operator

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