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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

David Risinger *Morgan Stanley - Analyst*

PRESENTATION

David Risinger - *Morgan Stanley - Analyst*

Okay, so thanks, everybody, for joining our next session. It's my pleasure to welcome Pfizer. I first need to refer you to disclaimers at www.morganstanley.com/research disclosures and I'm happy to welcome Geno Germano and I'd like to say that it is easy to introduce him because it involves Gs and Ps.

Geno Germano, Group President of Global Innovative Pharma; so prior to January 1st of this year, Geno served as President and General Manager of Pfizer Specialty Care and Oncology Units. And before the Pfizer Wyeth transaction in 2009 he was at Wyeth in a variety of senior roles including President of the US and Pharmaceutical Business Units. And so I thought I'd just turn it over to Geno to open it up and frame Global Innovative Pharma within the context of Pfizer. Obviously he can also address some questions in other areas of the Company, but why don't I turn it over to you, Geno and we'll take it from there?

Geno Germano - *Pfizer Inc. - Group President, Global Innovative Pharma*

Great, all right thank you very much, Dave. So as David said, we've divided into really two parts at Pfizer, Established Products Organization and Innovative Products Organization. And within Innovative Products there's my group which is called Global Innovative Pharma and then there's the vaccines and oncology and consumer groups that are managed by one of my colleagues.

So the Global Innovative Pharma is kind of what we've thought of as traditional pharma Company, research based, research and development, registration, developing new products, creating new markets is our focus. It's a combination of what was historically Specialty Products and Primary Care at Pfizer.

We're about a \$14 billion to \$15 billion business. We're growing at about 9% this year, if you exclude the effect of Enbrel, US; Enbrel was part of Pfizer co-promotion last year with Amgen. At the end of last year the rights went back to Amgen entirely so we don't have Enbrel US this year but the base core business is doing quite well, again about 9% growth so far driven by introduction of key new products, XELJANZ for rheumatoid arthritis and Eliquis for stroke prevention, atrial fibrillation; and we just recently got new indications in VTE for that product as well.

Both products doing very well, continuing to grow and build to become substantial new products in their categories, both have the potential to be new standards of care within, again, within their categories and I'm happy to talk about that some more if you like, David.

So new product growth is key to our success but the core is actually growing very nicely as well. Products like Lyrica, which is about \$1.7 billion in revenue in the first half of this year grew 16%. Our hemophilia business is about \$750 million business for the first half of this year. It grew at about 7% and then Enbrel outside of the United States about \$1.9 billion for the first half of this year growing at 4%.

So, it's a very solid substantial base, new products and then the third real revenue source for us is from emerging markets and this is one of the biggest changes from last year to this year in the organization. Last year we had an Emerging Markets Business Unit that handled the entire spectrum of Pfizer business. This year in the Emerging Markets the Innovative Business is run by my organization. The Established Business is run by my colleague's organization. So it's really the first time that we've had kind of a dedicated focus on innovative products within the Emerging Markets and so what we're doing there is looking for opportunities to build substantial revenue sources with our innovative products in the Emerging Markets.



So we're kind of focused on the four big markets, China, Brazil, Mexico and Turkey. We have very specific growth initiatives underway in each one of those markets and we're looking for new sources of growth there that we can then translate into other markets as we kind of prove the case.

So the three major sources of growth there and then, of course, there's the development pipeline. We have eight compounds in phase 3 development. Probably the leading most exciting compound I would have to say is bococizumab, which is our PCSK 9 program in phase 3 now for LDL lowering and reduction in cardiovascular morbidity and mortality, very substantial opportunity.

We have a drug called Ertugliflozin which is a SGLT2 inhibitor that we're developing in partnership with Merck as a single entity compound and also in combination with Januvia and Metformin and other potential fixed dose combinations to develop the diabetes franchise a little bit further.

For XELJANZ we have phase 3 programs underway in psoriasis and ulcerative colitis. In the rare diseases area we have a phase 3 program for Tafamidis and amyloid cardiomyopathy and a drug we call Rivipansel for prevention of vaso occlusive crisis in patients with sickle cell disease.

And then in the pain area we have Tanezumab, which is a nerve growth factor inhibitor. It's on clinical hold at the moment but we are technically in phase 3 and we look to reinitiate those phase 3 trials next year. And then we have some formulations of some opioids medicines also in phase 3.

And just one or two comments on the phase 2 pipeline, we have a couple of compounds, two different compounds for diabetic nephropathy that we think could be very exciting new compounds for the future, another big substantial opportunity in a large area of unmet needs. So we're focused on that.

We have an IL6 that we're moving forward for lupus and then again, additional indications for our XELJANZ franchise and ankylosing spondylitis and psoriatic arthritis and Crohn's disease, so just to mention a couple of the phase 2 programs.

So beyond the core products, the new products, the emerging markets, the pipeline, we're focused on building stronger capabilities to compete more effectively in the marketplace in two particular areas that I'll highlight.

One is in -- we've created an organization we call Global Health and Value. This is an organization that combines and integrates the various functions within the organization that are focused on value, on data generation, health outcomes research, real world data and analytics, market access, pharmaco economics, all of these functions that were traditionally disbursed within the organization to create kind of a center of excellence because of the extraordinary value of being able to articulate and bring forward support and evidence supporting the value proposition, reimbursement around the world.

So that's an important capability and then we're working hard to leverage digital technologies to advance our business, both in the development side and supporting the development of our medicines as well as interacting with our customers. So those are key focus areas for our business.

And then finally the last comment I'll make is we're really focused also on developing a culture of innovation that goes beyond developing new innovative medicines, but innovating in a way that we interact with our customers. We're trying to develop a spirit of aspirational thinking. We have a framework in place in our business. We call it "Dare to Try" where we encourage colleagues to look for opportunities to deliver above and beyond what you ordinarily expect using traditional paradigms so that we can challenge the commercial model and challenge our approach to the business.

And that's kind of an overview of the things that we're working on and thinking about and talking about within our business and happy to be here.

David Risinger - Morgan Stanley - Analyst

Right, thanks very much. So just to put it into perspective for the audience, could you just run through the numbers in terms of the revenue that you're overseeing as a component of Pfizer and then within that, any sort of breakdown that you provide to give us a sense for how to think about the components of Global Innovative Pharma?



Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes, so I mean the total business right now is about \$14.5 billion in revenue and again, I kind of think about it in terms of the new products and between XELJANZ and Eliquis. Eliquis is reported by BMS so we have a royalty revenue on that business but I'm going to say that we're approaching -- we're about \$0.5 billion, I think a year right now in revenues from those products obviously growing at high double-digit rates.

The core business which is Enbrel, Lyrica, the hemophilia business, we're looking at about let's see, two, three, four -- about \$8 billion there, and then there are other products that contribute the rest of the revenue.

David Risinger - Morgan Stanley - Analyst

And in terms of the emerging markets component of the \$14.5 billion?

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Emerging markets right now is about 14% of our overall revenues.

David Risinger - Morgan Stanley - Analyst

Got it, okay. Thank you and maybe we could talk about some specific products. Obviously Eliquis has been performing better. I think its end-market sales in the US are running about \$500 million.

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Right.

David Risinger - Morgan Stanley - Analyst

Could you talk about future drivers ahead?

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes, we're really pleased with the progress that we've made with Eliquis. One of the things that we stay really focused on is new-to-brand RXs, especially from the cardiology audience because we think they're at the cutting edge of establishing the standard of care in treatment of these patients.

And we've gone from nothing to about a 42% share in these new-to-brand RXs from cardiology and Xarelto, which our main competitor has gone at the same time from about 70% to about 46% so we're certainly closing the gap there. And we're looking to try to take leadership in that position as an initial step.

So I think that the data in our SPAF trials has been received extremely well by the marketplace and again, more readily by the cardiologists because I think they're more focused on the nuances of the data and they understand the data more fully. So that's been our foundation.

Of course we're building on that with the new indications in VTE and pulmonary embolism and prevention of recurrence of VTE and pulmonary embolism. We have the approvals occurred in both the US and Europe this fall. And then we have additional trials underway expanding the patient populations for both atrial fibrillation and for VTE.



David Risinger - Morgan Stanley - Analyst

Great and then with respect to XELJANZ, obviously there are competitors on the horizon that are once daily. Could you just update us on XELJANZ's once daily timing?

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes, let me just say a word about XELJANZ. I think we're also pleased with the progress that we're making with XELJANZ and again, that leading indicator of when patients are getting a product for the first time or a new product; they're new-to-brand, RX. We're at about 9% now with XELJANZ so if you think about the size of the RA market and the size of the biologic segment, we're at 9% now and still growing. And if you extrapolate that out over time it should be a pretty meaningful product there.

In terms of the once-a-day, we have a once-a-day formulation. We've been working on it for a while. We have -- we're pretty far along in progressing the development program and our expectation is that we file for approval in the first half of 2015 and we see an approval ideally by the first half of 2016.

David Risinger - Morgan Stanley - Analyst

Got it. Let me pause there and see if there are any questions from the audience. Yes?

QUESTIONS AND ANSWERS

Unidentified Audience Member

(Inaudible - microphone inaccessible).

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

I'm sorry, can you help me with that, David?

David Risinger - Morgan Stanley - Analyst

Did you say neratinib?

Unidentified Audience Member

It's a P U Y I neratinib

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Oh neratinib yes. Yes, yes so I think neratinib was a compound that came to Pfizer with the acquisition of Wyeth in 2009 and our Oncology Team assessed the entire portfolio of oncology compounds from both Wyeth and Pfizer and focused in on specific tumor types and specific mechanisms and de-prioritized neratinib and as a result, we looked for a partner to develop neratinib and we licensed it out to --?



Unidentified Audience Member

Puma.

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Puma, that's right, sorry. So yes, I mean we have more assets to develop than we can handle so sometimes we partner. Sometimes we license them out and this was one that we licensed out.

David Risinger - Morgan Stanley - Analyst

And then changing gears to Bococizumab, so your PCSK9.

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes.

David Risinger - Morgan Stanley - Analyst

Obviously you may potentially be late to market relative to some competitors; maybe you could talk about scenarios and then also potential differentiation in terms of your development program.

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes so the PCSK9 category we think is going to be a really exciting category. I mean the phase 2 data for our compound as well as the others in the marketplace has been very encouraging. These antibodies tend to deliver a very profound reduction in LDL cholesterol. The mechanism is obviously well understood. It's very specific to the ligand that it works on and so there's a relatively high degree of confidence that we're going to see LDL lowering in the phase 3 trials and I think we've already seen that from Amgen and from Sanofi and the question will be whether or not those LDL reductions will translate into incremental reductions in mortality and morbidity and that won't be known until we see the outcome of these large cardiovascular outcome trials that we're all doing.

When we were making our decision about going forward with the program we thought well it's a pretty substantial market. I think in the United States alone there's like 20 million patients that could potentially be eligible for a therapy like this and, as you go worldwide, obviously it gets a lot larger. So there's probably room in the marketplace for a number of different agents, number one.

Number two, we think that the timing that we have will put us in a position to have cardiovascular outcomes data around the same time as our competitors have their outcomes data, so we really think the game starts when the outcomes data arrives. There's no question that these drugs lower LDL cholesterol and the -- if the regulators approve on LDL cholesterol, then our competitors will have a head start on us in that segment of the market but we think the market comes alive when the outcomes data is there and that's what we're focused on is delivering the outcomes data at the same time as the competitors.

David Risinger - Morgan Stanley - Analyst

And that's approximately 2017?



Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes.

David Risinger - Morgan Stanley - Analyst

Got it. And Pfizer is in somewhat of a product launch gap as you await the late stage pipeline. Could you just talk a little bit more about what you're doing to fill the gap including external deal interest?

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes I mean, you know look, we've got the, as I mentioned, I have eight compounds in my business going through phase 3. The Vaccines organization has some compounds. In fact, we're moving forward in Oncology, Palbociclib is there and then so we think we have a pretty rich pipeline overall as a Company.

We have a biosimilars program that we're developing five biosimilars for the Established Products group so it's a pretty rich, pretty full pipeline across the board at the Company but we're always looking for opportunities to augment our pipeline and augment our business with business development and I would say at the moment we're looking at everything. We look at developmental compounds if they fit into the therapeutic areas that we're focused on.

I mentioned a few of the cardiovascular metabolic diseases, inflammation neuroscience, oncology vaccines, so if we can find business development that aligns with that, then we pull the trigger. We recently acquired some vaccines from Baxter. We recently acquired a company that makes difficult to manufacture generics for the Established Products business.

I've got a handful of projects that I am looking at that could augment our portfolio and we're looking at developmental compounds. We're looking at marketed products. We're looking at big, medium and small acquisitions, anything that fits with our current strategy to support these innovative businesses, the established business and helps us build and grow on the pathway that we're on.

David Risinger - Morgan Stanley - Analyst

That's very helpful and maybe you could talk about your business in emerging markets. Obviously Pfizer is selling both brands and off patent products in emerging markets. I think it would be helpful for you to frame and explain how your sales forces operate given the multiple segment of the Company, how you're booking the revenue, etcetera.

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Yes so I mean basically, as I mentioned before, as of last December in the emerging markets it was traditional organizational structure where we had a country manager and a whole kind of commercial organization focused on the entire portfolio of Pfizer. That's the way it was last December. In January we split the innovative businesses and the established business. Now, in mostly emerging markets our established business is the dominant business, is the largest part of our business. And that's really one of the reasons for the split because we want to see if we can generate a larger footprint and a larger capability for the innovative product in these markets as opposed to kind of taking what's more of the low-hanging fruit or the products that are currently well aligned to the marketplace there.

So today we have a country manager. Generally that country manager has the Established Products business so the head of the Established Products but they're also the country head and because we want there to be one person that's the kind of the go-to person for Pfizer, particularly with interactions with the government. So the country head in most cases in the emerging markets is also the President of the, or the Business Unit Head of the Global Established Products business. And they will have a commercial organization.

And then there's a Business Unit Head for Innovative Products. There will be a Business Unit Head for Oncology, maybe a Business Unit Head for Vaccines. So there will be three or four leaders within, let's take China for example. There would be four different leaders and one is kind of the senior among peers so think of it that way.

For the Innovative Products this Business Unit Head has full P&L responsibility for those products and the way that they manage those products they manage that business is through a variety of different configurations. In some cases they will have their own sales and marketing organization. Sometimes that's the case. Oftentimes with products like Enbrel where it's very specialized kind of product; you know, the innovation leader might have the sales and marketing for a product like that.

But we may have another product that fits well with like Eliquis for example, that fits well with the cardiovascular products that are in the Global Established business so the Established Product sales person that sells Lipitor or Norvasc in China might also sell Eliquis for us and under an agreement, under a service, we call them SLAs or service level agreements. So you have a leader that's responsible for the P&L and then they execute their business through a variety of different configurations of cooperation with the Established Products Group or going it alone.

And in other cases there are cases where the innovative sales and marketing people will support an established product. Again, if the customer base is right so you know, it's just like if you were to have a business in one of these markets and you co-promoted with another company or you used a distributor instead of your own people. It's just that since we have another resource as the enterprise Pfizer, we utilize those resources as efficiently as we can.

David Risinger - Morgan Stanley - Analyst

Got it. Okay that's very helpful. And then with respect to some of the key late-stage pipeline assets, we talked, you touched on a few of them. We obviously discussed the PCSK9. Could you just mention one or two others that you're most excited about?

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Well, I mentioned Ertugliflozin, which is the SGLT2. I think that obviously our strategy is to work with an established player in the marketplace with Merck and develop a series of products and develop a portfolio of products so I think that that could be a really meaningful business for us. And frankly, not only in the developed markets but diabetes in the emerging markets is an area of high interest and we're seeing companies that have diabetes franchises are making some progress with innovative products in the emerging markets so that may be a way to build that business more completely. So I think that that can be important strategically for us.

Obviously the XELJANZ programs help us build on a foundation that we're establishing now in RA across dermatology with the psoriasis indications, gastroenterology with ulcerative colitis and Crohn's Disease and then the other arthropathies with ankylosing spondylitis and psoriatic arthritis and some of those conditions. So I think it's going to be nice to see that franchise continue to develop and grow and expand. We're seeing now that as rheumatologists get more experience and knowledge of XELJANZ they're getting more and more comfortable with it.

We're seeing -- they're seeing I think one of the key benefits of XELJANZ which is that it's effective whether it's used with methotrexate or not and that can be a pretty important benefit in RA because most patients have a hard time with methotrexate so they're seeing the efficacy come through. Over 50% of the use of XELJANZ today in rheumatology is as monotherapy so they're getting more and more experience, more and more comfortable with the drug. The profile is better understood and I think the opportunity for expansion is substantial.

And then in the rare disease spaces I think with the Tafamadis, with Rivipansel I think both of those are huge opportunities to establish new standards of care and that's the important thing there. In these conditions there are no therapies. With amyloid cardiomyopathy there is no therapy so these patients deteriorate and then they die.

So to have a therapeutic that can modify their disease state we think that that can be very powerful in the long run and for Rivipansel sickle cell disease patients they have a vaso occlusive crisis they go to the emergency room and they just endure it for the next five, six, seven days you know,

and they're given opioids to help them tolerate the pain but there's nothing to resolve the underlying etiology and so with Rivipansel in our phase 2 trial we were able to not only relieve their pain and eliminate the need for opioids but also enable them to go home on average two days earlier from the hospital so there's a patient benefit.

There's potentially a societal benefit by the use of fewer opioids and then of course an economic benefit by -- so in each case I can make a case for every one of our products advancing the standard of care and the condition that these drugs are being developed for and that's our focus. And we know that there's a lot of pressure in the system today to demonstrate value and our goal is whatever we do we want to try to find a way to advance or improve upon the standard of care and that's what we're focused on.

David Risinger - Morgan Stanley - Analyst

Great. Well, I think we're out of time. Thanks, everybody, for joining the session and thank you very much, Geno.

Geno Germano - Pfizer Inc. - Group President, Global Innovative Pharma

Thank you.

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