FINAL TRANSCRIPT

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PRESENTATION

Jeff Kindler - *Pfizer - Vice Chairman*

Hello everyone. Thanks for joining us today. Before we begin our call, I would like to ask that we observe a moment of silence in honor and memory of the victims of the Virginia Tech shootings. Today has been declared a day of mourning in Virginia by Governor Kaine of Virginia and Governor Spitzer has asked New Yorkers to pause at noon in respect and compassion for all those affected by this terrible tragedy. So please join me for a moment of silence.

Thank you. Before we begin, I would like to turn it over to Amal Naj, our Head of Investor Relations, to make the cautionary statements.

Amal Naj - *Pfizer - Head, IR*

Thank you, Jeff. The discussions at this meeting will include forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ are discussed in our 2006 Annual Report on Form 10-K and in our reports on Form 10-Q and Form 8-K.

Also, the discussions at this meeting will include certain financial measures that were not declared in accordance with the generally-accepted accounting principles. Reconciliations of those non-GAAP financial measures to the most directly-comparable GAAP financial measures can be found in our current reports on Form 8-K, dated January 22, 2007 and April 20, 2007. These reports are available on our website at, www.Pfizer.com in the "For Investors SEC Filings by Pfizer" section. And now, back to Jeff.

Jeff Kindler - *Pfizer - Vice Chairman*

Thank you, Amal. Hello everyone. Thank you for joining us today. With me are Vice Chairman, David Shedlarz; John LaMattina, our Head of Research and Development; Ian Read, Leader of Worldwide Pharmaceutical Operations; General Counsel, Allen Waxman; Chief Financial Officer, Alan Levin; and Amal Naj, Head of Investor Relations.

Before we get to your questions, I thought I would step back from the specifics of this morning's release and briefly give you my overall perspective on how things are going at Pfizer. As we discussed in January, we've embarked on a sustained effort to fundamentally change every aspect of how Pfizer does business, given both our challenges as a company and the rapidly-changing environment in which we operate.

Our goal, of course, is to enhance total value for our shareholders and achieve future success. We're in the early stages of making these changes. We know we still have a lot to do, but I'm pleased to tell you we're making solid progress.

In this context, I think it's really very noteworthy that Pfizer colleagues delivered a very strong performance in a quarter that included the announcement and implementation of very significant and inherently disruptive changes in our Company. We achieved this performance even though we were up against nearly $850 million of reduced revenue in the United States for the quarter compared to the year-ago period, driven by the recent loss of exclusivity in the US for Norvasc, Zoloft and Zithromax.

With the exception of Exubera, whose sales remained disappointing, our major patent-protected products posted strong sales. Lipitor sales were up 8% worldwide despite intense generic and branded competition. Sales of most of our other major products grew by double digits. And our performance this quarter also benefited from the favorable impact of foreign exchange and lower rebates.

In addition, with regard to adjusted income, the early impact of our cost-cutting efforts, the increased focus on productivity throughout the organization, and the phasing of various R&D and promotional programs kept our costs essentially flat compared to the year-ago period. We also completed a major reduction and redeployment of our US sales force, announced and began the implementation of substantial position eliminations across all parts of the Company around the world and announced our intention to close five R&D and five manufacturing sites.

Despite all of these changes and the inevitable uncertainties, anxieties and disruptions that they create, I'm proud to say that our colleagues kept their focus on performance and produced solid results. Their ability to do so in this environment gives me increasing confidence that we will be able to improve our near-term performance and achieve the fundamental changes in our Company necessary to increase long-term shareholder value.

As it relates to the first quarter's performance, Lipitor was a positive contributor, posting solid sales growth, notwithstanding declining scrips. Given the market dynamics, we're expecting global Lipitor sales this year in the range of modest growth to modest decline. We're taking important steps to maximize the performance of Lipitor, and we will be glad to answer your questions on this during the Q&A.

As for other major products, we're particularly excited by the early trends for Chantix, Sutent and Lyrica, all of which are currently exceeding our expectations at this relatively early stage of their lifecycles. On the other hand, Exubera is not where we had hoped it would be by this time. We still believe in the potential for this innovative medicine, and we're taking significant steps to make it successful while we continue to monitor its performance carefully. We will tell you more about those steps in the Q&A as well.

An unexpected challenge this quarter was the adverse Court of Appeals ruling on our US patent for Norvasc, which effectively overruled three prior favorable lower court decisions. This ruling resulted in generic competition for Norvasc six months earlier than planned with a substantial revenue impact this year and a continuing but lesser impact next year. As a result of the effects of this decision, partially offset by more favorable foreign exchange, we've updated our revenue and earnings guidance for this year.

For next year, our updated range for revenue reflects the uncertainty created by an adverse lower court ruling on our Lipitor patent in Canada that came down in late January. We believe the decision was wrong and we are vigorously appealing it. But it does present a revenue risk, which we have reflected in our top-line forecast range.

But, otherwise, our expectations for 2008 remain largely on track, subject to the normal variability of key products, such as Lipitor, Exubera, and Chantix as well as the timing for approval of varicose fibromyalgia indication in the US. We remain optimistic that we will receive FDA approval for this important new Lyrica indication in the second half of this year.

Importantly, we are reaffirming our earnings guidance for 2008 when we expect to achieve between $1.75 and $1.93 in reported diluted earnings per share and between $2.31 and $2.45 in adjusted diluted earnings per share. Beyond the numbers -- and this is very important to all of us here -- we remain on track to deliver on the priorities we had outlined in January, which are critical to driving Pfizer's long-term performance and delivering value to our owners. I've spent a lot of time lately visiting different Pfizer sites, and I have seen firsthand just how energized and committed our employees are to changing our Company and delivering on these priorities.

The first of our five immediate priorities is to maximize short and long-term revenues. I've already mentioned the quarterly performance of our in-line and new products, and we're working hard to continue to improve the results from these medicines. Beyond our in-line products, we have the largest pipeline in our history with 249 programs currently underway. At the head of the pipeline is maraviroc, which upon approval, will represent the first new oral class of HIV medicines in more than a decade.

We're particularly excited about our oncology pipeline, which holds a number of promising programs. We plan to demonstrate the breadth and depth of those programs in June when we present 49 abstracts covering 10 different oncology programs at the Annual Meeting of the American Society of Clinical Oncology.

In addition, our focus on building medium to longer-term revenues includes our disciplined and focused approach to business development. We're stepping up the pace of these activities in an effort to gain access to new product candidates and technologies and pursue new revenue sources. We have signed more than 30 deals in the past 15 months, including most recently our

first-quarter acquisitions of BioRexis Pharmaceutical Corporation and [Ambrix]. We have a number of additional significant business development opportunities currently under consideration.

Our second immediate priority is to establish a lower and more flexible cost base along with the continued implementation of our adapting to scale productivity initiatives that have helped keep down our expense growth. We've also begun the process of reducing our overall operating expenses, streamlining our infrastructure and reducing headcount. All of these efforts are directed toward our goal of delivering net cost reductions relative to 2006 levels of at least $1.5 billion to $2.0 billion in 2008 adjusted income.

We not only want to be leaner, but we want to be quicker and smarter, so we can take advantage of the dynamic opportunities offered by our business. That's why our third immediate priority is to create smaller and more accountable operating units. So here's what we've accomplished so far on this priority since late January.

As I've mentioned earlier, we finished the significant changes to the US sales organization that we announced in November with minimal disruption. The new, fully trained, fully deployed field force -- fully trained within their new structure -- and I've got to you from personal experience, incredibly energized -- hit the field in early April with their characteristic dedication and zeal.

We've also completed the restructuring of our US commercial operations into individually-focused business units. I firmly believe that these changes, both in our field force and in our commercial structure, will produce improved performance over time.

We've simplified our R&D organization and are consolidating our network of labs at four major sites. We have an extensive talent retention and recruitment effort underway for key colleagues affected by these changes. And we continue to reconfigure our global manufacturing network to better align plant capacity with anticipated demand, eliminate duplications and increase our manufacturing efficiency and flexibility. During the first quarter of 2007, we've announced the intended closure of five additional manufacturing facilities in the United States and in Europe.

Our fourth immediate priority is to establish more collaborative relationships with doctors, patients, payers and other important stakeholders. To that end, one of the US business units we established this quarter is focused on working with payers, distributors, physicians, patients, and other key customer groups at very high levels of our respective organizations.

I personally have been spending a considerable amount of time with key customers this quarter and will continue to do so. And I can tell you based on those meetings that I'm very optimistic that we have many opportunities to find new win-win solutions of working with our important customers.

We're getting better about embracing new ideas from outside our Company. This quarter, we opened our R&D incubator in La Jolla, which is a good example of how we are reaching out to innovators to advance science and bring cutting-edge ideas closer to Pfizer.

Our final priority, and in some ways the one that will establish the foundation for our success with all of the others, is to make Pfizer a great place to work. We're well along in reducing the layers of management and decision-making that prevent our talented colleagues from making fast decisions, taking prudent risks and embracing personal accountability. I am gratified by the positive reception these steps have received across the organization, and I'm convinced that we will continue to move toward an environment in which each and every employee at Pfizer feels that their work is valued and makes a difference and that they have an opportunity to grow to their fullest potential.

Ultimately, all of our strategic priorities are of course designed to strengthen our financial performance and most importantly to enhance returns to our shareholders. Our strong cash flow enables us to finance our substantial dividend and pursue an aggressive share buyback program, while continuing to invest prudently in the business. In the first quarter of 2007, we made share purchases of $2.5 billion, on track with our plan to buy back up to $10 billion in stock this year.

So, to summarize, we remain realistic about our challenges. We know that change won't happen overnight, but we're continuing to confront our challenges and more importantly our opportunities with a renewed sense of urgency throughout Pfizer. I believe the organizational and cultural changes that are underway are taking hold throughout the Company and will position us to further improve on both our short and long-term performance. Our focus is on better execution, controlling costs, instilling greater accountability across the Company and making sure that we deliver the value our customers expect and the total shareholder return our owners deserve.

Now, we would be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). David Risinger, Merrill Lynch.

David Risinger - *Merrill Lynch - Analyst*

I have a couple of questions. With respect to Lipitor, could you talk about the US sales performance in a little bit more detail? These sales rose faster than the TRxes, and the list price increase would indicate an -- I don't know if that was solely due to lower rebates, due to the movement of Lipitor into some Tier 3 spots or whether it was also due to some sort of inventory swing.

Second, with respect to the numbers, it would be helpful just for you to frame for us the numbers that you've provided today. You beat the consensus by $0.11. But essentially, you lowered your '07 target by $0.11. So, it seems like you are implying a $0.22 reduction for the next three quarters to what the investors have been modeling. If you could just provide a little bit more color on that.

Third, if you could please talk about the Lipitor patent challenge outlook in the EU. Thank you.

Jeff Kindler - *Pfizer - Vice Chairman*

I will ask Ian Read to address the Lipitor question, your first question regarding sales versus scrips. I will ask David to describe the forecast for '07. And then of course, I will ask Allen Waxman to talk about the Lipitor patent situation. And you're asking about the EU; is that correct?

David Risinger - *Merrill Lynch - Analyst*

Correct.

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

Look, I'd just first like to say that the performance of Lipitor globally was very impressive in the quarter, with 8% growth in a very competitive marketplace. Specifically with reference to the US, the net growth was most -- totally attributable to price, roundabout between 4% and 6% from our list price flowing through and favorability in rebates from 1% to 2%.

The rebate favorability is in the case of Lipitor more of a onetime effect in the first quarter that we don't expect to see repeated through the rest of the year. In fact, rebates will start to move slightly negative as we continue our contracting strategy where we appropriately play off volume and price. So that's --

David Risinger - *Merrill Lynch - Analyst*

I'm sorry to interrupt. But, why would it be just a onetime effect in the first quarter? Is that some anomaly year-over-year or--?

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

Yes, it is. We have -- the rebates are complex. And with some business segments, the true-up is done on accrual, is done over a trailing-nine month period. So as we get the data in and we get the final information from the accounts, we true up the rebates.

So, part of the favorability in the period for the rebates was that true-up and part was an adjustment of the accrual going forward. So that's why for the business as a total, there's no adverse impact post the first quarter for rebates. For Lipitor specifically, rebates will start to move slightly negative in the rest of the year.

Jeff Kindler - *Pfizer - Vice Chairman*

Dave, before we go to the other two questions, any further follow-up on that one?

David Risinger - *Merrill Lynch - Analyst*

No. That's very helpful. Thank you.

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

I think that's it.

Jeff Kindler - *Pfizer - Vice Chairman*

Dave, David Shedlarz will address the relationship between the first-quarter performance and the updated guidance for '07.

David Shedlarz - *Pfizer - Vice Chairman*

Yes, Dave, there are a host of factors that tend to impact the seasonality of performance during the course of the year. I think the most remarkable ones in addressing your particular question is first that expenditures have historically been relatively low in comparison to the remaining course of the year. And that's the case once again this year. It's the reason that you're seeing expenditures at a level characterized in the first quarter but at the same time a confirmation of the level of expenditures that we are forecasting for the full year, both in R&D and SI&A.

Another factor in terms of the seasonality of performance, both for the top and bottom line, is that while the foreign exchange at current exchange rate is quite kind and in the first half of the year the comparisons become more difficult over the remaining course of the year. That tends to explain the variability in terms of the bottom-line performance in the Company going from quarter to quarter.

Jeff Kindler - *Pfizer - Vice Chairman*

Allen Waxman, if you want to address the Lipitor patent challenges in the European community?

Allen Waxman - *Pfizer - General Counsel*

In Europe, our patent situation is pretty much going as we might have hoped. In Europe, the basic patent expires after enantiomer patent. We've had success on the basic patent. That expires in 2011. We are waiting certain decisions and trails in some of the jurisdictions. But, it is proceeding as we might have hoped.

Jeff Kindler - *Pfizer - Vice Chairman*

Okay, Dave?

David Risinger - *Merrill Lynch - Analyst*

Yes, just what are the top two jurisdictions to watch in Europe?

Jeff Kindler - *Pfizer - Vice Chairman*

Well, I certainly would point you to the UK where we did sustain our basic patent there. And I think that is a -- going to be a leader. We're still awaiting trials in places like Ireland and Spain. We currently have an injunction in place in Denmark and are awaiting resolution there. That is another small market, but I think that kind of gives a review of the situation.

Operator

Jami Rubin, Morgan Stanley.

Jami Rubin - *Morgan Stanley - Analyst*

My question relates to Exubera and I'm trying to understand the disconnect. Obviously, we've seen that the scrips thus far have been pretty disappointing. But based on what Nektar has reported for Exubera manufacturing revenue last year and what they are expected to report for this year, the amount that they have made for you would -- this amount really sort of implies end market sales of about $1.5 billion. Obviously, scrip trends are sort of trending to 5 - $6 million.

So I'm just wondering what the shelf life is on Exubera and what your contractual obligation is with Nektar. Because my understanding is that you are obligated to buy from Nektar throughout this year. But, what's going to happen in 2008 and how do you deal with this major disconnect? And then maybe you could also address what you plan to do to change the trajectory in scrip trends. Thanks. Hello?

Jeff Kindler - *Pfizer - Vice Chairman*

Hello?

Jami Rubin - *Morgan Stanley - Analyst*

I missed you.

Jeff Kindler - *Pfizer - Vice Chairman*

We gave you all the answers.

Jami Rubin - *Morgan Stanley - Analyst*

I don't know what happened.

Jeff Kindler - *Pfizer - Vice Chairman*

Had all the answers; you've got to do it all over again (multiple speakers) --

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Jami Rubin - *Morgan Stanley - Analyst*

I don't know if that was you or me. Did you hear my question?

Jeff Kindler - *Pfizer - Vice Chairman*

Yes, we heard your question. We had started to answer it and something happened. I apologize for that. Ian Read is going to answer your question.

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

I will try again. I think you're seeing the lead lag between when we place orders and when Nektar has to produce. And obviously, we're ordering ahead. And we had issues in '06 to try and get our inventory/our production up to speed. So I think that explains the big difference you're seeing between the reporting between the two companies.

The second issue of course is the fundamental one of growth in this market and returning -- or establishing growth for Exubera. And we had a limited launch in '06 as we've discussed and that had implications for our ability to commercialize the product in '06. We are now in a situation of, as I expressed in January, of full-court press on Exubera. We remain very committed to the product.

The time in '06 was not -- we used it to really understand the market more fundamentally. It's an issue of market development with the GPs. This product is really positioned in Type 2 diabetics. It's an issue of getting insulin -- deficiency is the issue and not insulin resistance.

So, the plan in '07 is to execute a solid plan, starting with a stable field force. So we now have the [Pratt] and Vista field force committed to Exubera. That's the first issue.

The second is to understand that we need to use the field force on the why with the physicians and then other resources on how to use the device. That we've put in place, our diabetic educators and then our ramping up. And I think that will take care of the two big issues vis-a-vis Exubera.

We will come into the market once we have had a satisfactory level of communication with the physicians with BTC in the second half when it's appropriate and when we feel it's the right time. I think you need to look at the development of this product towards the second half of this year, more towards the latter part when we expect to see solid growth in Exubera.

Jami Rubin - *Morgan Stanley - Analyst*

At what point, though, Ian, do you say this -- it may not make sense to continue to invest in this opportunity? Are we still too early in that? Or do you have a period of time that you will make a decision about going forward with your commitment?

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

Right now, I'm really focused on getting a solid development plan, a solid launch plan, committing the resources and watching the product grow.

Jeff Kindler - *Pfizer - Vice Chairman*

Next question please.

Operator

Mario Corso, Summer Street Research.

Mario Corso - *Summer Street Research - Analyst*

2 questions please. Number one, can you update the status of the Lipitor patent in the US? And then second, for Geodon, any sense of when the timing of the ZODIAC study results might be, the safety comparison with Zyprexa? And is Pfizer working at all with the FDA to try to improve the label of Geodon? Thanks.

Jeff Kindler - *Pfizer - Vice Chairman*

Allen Waxman will take your first question with regard to the Lipitor US patent.

Allen Waxman - *Pfizer - General Counsel*

So, we're very pleased to report that the Lipitor basic patent ran back in an attempt to take that to the Supreme Court was rejected by the Supreme Court. So we pretty much have locked in 2010.

On the enantiomer patent, the 995 patent, that was the subject of the Court of Appeals decision raising a technical defect. We have now gone back to the patent and trademark office and filed our application and they are reviewing that application. And as that process unfolds, it's likely sometime soon there will be an initial office action. Very often in these kinds of situations when the initial office action comes out, they will reject some or all of the claims and begin a process of dialogue with the applicant, submitting additional information, having further discourse and back and forth.

That process can take -- it's a very variable process. It can take upwards of two years. And so, it's hard to pinpoint exactly when that will come to any conclusion. But, the bottom line is that we continue to believe in the patentability of the 995 patent, and it is working its way through that process.

Jeff Kindler - *Pfizer - Vice Chairman*

Thank you, Allen. With regard, Mario, to your question on Geodon and the ZODIAC trial, I will turn it over to John LaMattina.

John LaMattina - *Pfizer - Head, Research and Development*

We expect the results of ZODIAC, Mario, to read out in fourth quarter of this year.

Jeff Kindler - *Pfizer - Vice Chairman*

Okay, next question.

Operator

Chris Shibutani, JPMorgan.

Chris Shibutani - *JPMorgan - Analyst*

A general question if I could. It seems that we're seeing this week results across the board in the US pharmaceutical business quite strong, particularly with regard to things such as pricing and net rebating. And I know that the focus has been on the discussion typically with your Lipitor business.

Can you say anything more broadly about what you are observing? I think everyone has been a bit cautious about what the outlook and trends are, but it's coming in quite a bit stronger overall. Are there some things that you think from your dialogue with analysts and investors that we're perhaps missing out on or something to understand particularly as we think about next quarter and what everyone perceives to be the anniversaring effect so to speak right around mid year, particularly on the pricing and rebate side. It's just been stronger than I certainly was expecting.

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

Yes, Chris, let me try and answer that. I think part of our first quarter was this true-up. If you look at the business outside of Lipitor and you look at the overall business, I think rebates as compared to the prior year will basically be flat. I don't see any big favorability on the rebates in the rest of '07, and there will be a trend I think towards them going somewhat slightly negative as we get more into the renegotiations of Medicare as it impacts '08.

Chris Shibutani - *JPMorgan - Analyst*

Is there any kind of category component? Should there be certain sort of product categories that you are seeing? For instance, there are some of the protected categories in Medicare Part D, the dual-eligible component. Is there anything unique that you think (multiple speakers)?

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

I'm not seeing that. I'm not seeing that. I think you'll begin to see a merging of those categories as they take a more holistic look at the total contract on Medicare Part D.

Chris Shibutani - *JPMorgan - Analyst*

If I could follow it with just two quick pipeline questions. Lasofoxifene, I think you mentioned about a meeting early in '07 with the FDA. Has it occurred, any update there? And then on the needle-free influenza vaccine, back in the November meeting, you talked about trying to figure out when to start Phase III for influenza. An update there would be helpful. Thanks.

Jeff Kindler - *Pfizer - Vice Chairman*

John?

John LaMattina - *Pfizer - Head, Research and Development*

In lasofoxifene, we will in all likelihood refile the NDA toward the end of this year. We're very upbeat with the results that we've seen with -- in the PEARL study on a three-year data cut. And we think we have a package that will alleviate a lot of concerns the FDA had in terms of risk/benefit.

In terms of our flu program, we're moving that forward as quickly as possible, doing our best to try and have a program, capture the flu season that's upcoming starting again this year.

Jeff Kindler - *Pfizer - Vice Chairman*

Next question please.

Operator

Tim Anderson, Prudential Equity Group.

Tim Anderson - *Prudential Equity Group - Analyst*

I have a couple of questions. The first is actually going back to the rebate discussion. Just to clarify, did that sort of nine-month true-up occur with other products outside of Lipitor for the first quarter?

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

Tim, yes. There was an impact for the total business and an impact by product.

Tim Anderson - *Prudential Equity Group - Analyst*

Ian, the second question is, of the 1 to 2% for Lipitor that you kind of had the improvement growth line, was that share based or access based?

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

Sorry, I think I said there was a -- the net contribution to the growth of Lipitor was 7-8% in price, of which 4 to 6 came from price increases in the list price and 1 to 2% from rebates.

Tim Anderson - *Prudential Equity Group - Analyst*

And the 1 to 2%, you kept that back because you lost share during that period or because you actually lost access in Tier 2?

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

No, that rebate is the part of the true-up that affected Lipitor of the total to the business. So it's mainly coming from the true-up of the accumulated rebating situation as we explained before.

Tim Anderson - *Prudential Equity Group - Analyst*

And then, just a bigger question, you mentioned that you are reorganizing internally by among other things having five separate commercial divisions. And I'm wondering if this is at all is a prelude to officially spinning out certain divisions? You talked about how actively Pfizer management or the Board has looked at the possibility of splitting up the Company into different units that could actually be something like separately-traded entities like tracking stocks. I just don't know if that's ever a realistic possibility or not.

Jeff Kindler - *Pfizer - Vice Chairman*

Tim, we're not -- we have no plans to do that. Obviously, we think about all kinds of things all the time. We look at various scenarios. But at this time, we see no reason to do that. I'm actually very excited about the way this thing is working because I believe we're getting kind of the best of both worlds. These units are independent and autonomous to a degree in those areas where it makes sense for them to be. And yet, at the same time, they really get the benefit of the resources that a company our scale has to provide. And there are certain parts of the business where you would have diseconomies of scale if you truly split them up among different business units.

So I think it's early days, and these business units have just begun. But I'm already seeing signs that they are really going to be very effective in on the one hand taking a tremendous amount of ownership for decisions pertaining to their business to which they have a very clear line of sight. They are closer to the customers. They are making decisions much more quickly. They are experimenting. They're taking risks. And yet, at the same time, they really are benefiting enormously from being part of the larger company because of all of the resources and expertise that we have across the Company that really does make sense to do it scale.

And by the way, I would say the same thing about research and development. I think the same thing is true there. There are certain activities where increasing the independence and autonomy of the units, in this case, for example, possibly therapeutic areas in discovery make a lot of sense. But at the same time, you don't want every discovery unit to have its own high throughput screening organization or its own [pharm/sci] organization. So I really feel like we are putting something together here that will have the best of both worlds.

Operator

Roopesh Patel, UBS.

Roopesh Patel - *UBS - Analyst*

I'm still really confused on Lipitor. Reported sales were up 8%. Prescriptions in the US were down 8%. Ian, you mentioned that price and rebates helped by 5% to 8%. Are there any other factors that help explain the difference?

And then separately, just a question on Lyrica. Market share growth seems to have flattened considerably over the past two to three quarters. I was wondering if you could comment on what's influencing that and whether or not you expect anything meaningful to change on that front until you get approval for the fibromyalgia indication.

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

Let's take Lipitor first. So the net increase was explained by price. And inside the volume component, you look at the Rx evolution. You look at the units per scrip. You look at inventory movements. And especially in the first quarter, you look at unreconciled items to the -- between our database and the market database which tends to smooth out over the whole year.

So inside that, there was a 3% positive contribution to growth for Lipitor from inventory movement that was specific to Lipitor. The overall division has no impact at all from inventory movements.

Roopesh Patel - *UBS - Analyst*

If I can just follow-up on that, is that 3% inventory expected to unwind in subsequent quarters or is it just an easy comp?

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

We would expect it to -- if our inventories are stable, we would expect it to unwind over the full year.

Allen Waxman - *Pfizer - General Counsel*

It wouldn't be -- it wouldn't contribute to growth in the remaining course of the year. So it's not going to "unwind" but it's not going to be a contributor going forward.

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

So if you talk to Lyrica --

Jeff Kindler - *Pfizer - Vice Chairman*

Does that answer your question?

Roopesh Patel - *UBS - Analyst*

Yes, thanks.

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

On Lyrica, we had a great quarter on Lyrica. We doubled the sales globally and in the US, a tremendous scrip growth, also a contribution from price. I think when you look at Lipitor's performance -- Lyrica's performance, sorry, there's a huge potential still in the market of DPN and PHN. On top of that, look at the scrips and look at the number of units per scrip. We're seeing significant growth in the number of units per scrip, up almost 20% in this quarter against prior quarters. So that's a fundamental factor in understanding the volume drivers with Lyrica.

Then you are right. I think fibromyalgia is a major opportunity and one that we're excited in launching in the second half.

Jeff Kindler - *Pfizer - Vice Chairman*

Next question please.

Operator

Chris Schott, Banc of America.

Chris Schott - *Banc of America - Analyst*

Just a couple of quick questions. First, Lipitor in Canada, can you just remind us how large that business is and kind of your next steps from here on the patent? And I guess specifically, do you assume generic Lipitor in Canada in your '07 or in your '08 guidance?

And then one quick pipeline question. Your thoughts on your CB1 here in obesity, I know there are some new dropped guidelines that came out last month. Any change to your Phase III because of that? And again, one of your competitors in this space said one of their biggest mistakes was not developing their CB1 as a diabetes agent. And I was wondering if that's an angle you are pursuing in Phase III.

Jeff Kindler - *Pfizer - Vice Chairman*

On the Lipitor Canada situation, Ian will talk about the size of the market. Allen will talk about the patent situation, and David will talk about the guidance for '08.

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

Our sales of Lipitor in Canada range between 800 and $900 million.

Jeff Kindler - *Pfizer - Vice Chairman*

Allen?

Allen Waxman - *Pfizer - General Counsel*

We have an appeal proceeding on the Ranbaxy case, which we received an adverse decision at the end of January. We also have an appeal proceeding on a Novopharm case which we won. Those appeals will move forward and we will get decisions probably in the third quarter or so. There are also regulatory matters still to be resolved that will -- there have been court cases recently on that. And those matters are likely to get resolved as the year progresses into the third and fourth quarter.

David Shedlarz - *Pfizer - Vice Chairman*

Chris, as it relates to the revenue guidance we gave you for '08, within the range that we gave you is the relevant range of uncertainty associated with the Lipitor patent in Canada. So we have included the consideration of that uncertainty. And in fact, that's one of the key drivers of the range.

Jeff Kindler - *Pfizer - Vice Chairman*

If I could just add to that, Chris, we're wanting to identify for you where we can risks and uncertainties that could affect the business. And the Lipitor Canada situation could range from a complete win and no generic competition. In which case, we would be moving up in that range or it could have the adverse effect. In which case, we would be obviously down in that range. So, it's an effort to identify that uncertainty in our forecast. John, would you like to address the CB1?

John LaMattina - *Pfizer - Head, Research and Development*

Yes, on CB1, it's really not my place to comment on other companies' strategies and what they did or didn't do. I can say that in our program, we are in fact running one part of the Phase III study in a diabetic patient population.

Jeff Kindler - *Pfizer - Vice Chairman*

Next question please.

Operator

Steve Scala, Cowen.

Steve Scala - *Cowen - Analyst*

I have two questions, first on fesoterodine. I was surprised to see the two-year delay. Could you amplify on the manufacturing issues that presumably will take so long to resolve?

And then, secondly, given that Pfizer has so many successes to feature, I was very surprised to see the words "vaccines" and "biotherapeutics" featured on the cover of your Annual Report, since these areas are of fairly small magnitude in your business now. I can only conclude that you'll make a dramatic and bold move in this area in 2007 as opposed to the incremental steps you are currently on. Otherwise, I would think that they really didn't deserve the level of attention they received in the Annual Report. Are there any thoughts you could provide on this issue?

David Shedlarz - *Pfizer - Vice Chairman*

I will take the easy one, fesoterodine. Steve, it's largely reflective of our need to work with our partner in terms of making sure that they were able to supply commercial quantities in a reliable fashion and the lead-time -- there is a lead-time attendant to that. So this is just being realistic about where they are today and what they will need to do in order to comply with various regulations and at the same time for us to feel comfortable with their ability to supply on a consistent basis the material for commercial use.

Jeff Kindler - *Pfizer - Vice Chairman*

Steve, with regard to your second question, I wish we were thoughtful enough and careful enough to announce strategy through the pictures we happen to put on the cover of the Annual Report. We're not that clever. And I certainly wouldn't have intended for anything significant to have been read into that.

Let me say, however, we have said in the past and I've said that we do want to become a player in biotherapeutics. And indeed, we already are to a large degree. We think in fact that some of our existing biotherapeutics capabilities and compounds in the

pipeline are possibly under underappreciated. And over time, we want to provide more visibility into that so people appreciate what we're doing.

And over a period of time, we hope to enhance those capabilities. And we have already announced various transactions, like the Rinat acquisition in San Francisco and other things that we're doing and will do over time to continue to enhance that capability. So, biotherapeutics is very important to the future, and that's over a period of time. And it's building on an existing capability that as I said I think is somewhat underappreciated as well as selective and thoughtful additional activities that would enhance that capability.

Operator

Tony Butler, Lehman Brothers.

Tony Butler - *Lehman Brothers - Analyst*

2 questions again on Lipitor in Canada. David, you alluded to the range in revenues. But can I also -- even though you did reaffirm -- but can I also infer that the $2.31 to $2.45 would be intact even if in fact the 8 to $900 million swing goes to the negative side?

And then second, much more of a broader question on transformation. Aspects that Pfizer has historically not engaged in have been inventory management agreements. And I realize, Jeff, you have made comments about a transformation. I'm looking at every part of the business and I'm curious if in fact that is still Pfizer stance and moreover if anything has changed with respect to how you look at your inventory out your door. And I say this really under the broader skills.

As I just take a glance at what the distributors are doing today, it reminds me of a time prior to a number of companies announcing I.M.A. agreements. Their overall revenues are just being outside. So I'm curious how you are actually viewing this today versus perhaps how it was viewed in the past. Thanks.

Jeff Kindler - *Pfizer - Vice Chairman*

Tony, I will let David elaborate, but the short answer to your first question is yes. And he will elaborate on that and talk about the inventories.

David Shedlarz - *Pfizer - Vice Chairman*

Yes, in terms of the -- again, the relevant range -- our revenue does include what we believe is the uncertainty associated with the Lipitor patent in Canada. And yes, your observation is absolutely correct that the bottom line has not changed. And that does include that risk factor in terms of our projections of earnings per share. I think in part, that's reflective of our increasing confidence in terms of our ability to manage both the transformational efforts but also to leverage our operating expense flexibility at the same time.

In terms of the inventory management relationship through the supply chain, obviously we continue to work with the distributors and wholesalers in that regard. If there are mutually beneficial types of arrangements that we can strike with the supply chain, we will. But it has to be on the basis of a benefit to the Company itself.

Jeff Kindler - *Pfizer - Vice Chairman*

Next question please.

Operator

Seamus Fernandez, Leerink Swann.

Seamus Fernandez - *Leerink Swann - Analyst*

Actually, I have a few questions. Just wondering if Dr. LaMattina, if you can update us on Phase III programs that may complete in the 2008 timeframe. Specifically one program is your JAK 3 inhibitor. If you can just update us on the status and timing of the Phase III transplant program and as well as the recruitment and how that's going in the RA program.

Separately, if you could speak to whether Pfizer is moving forward or not with the follow-up CETP inhibitors.

And then finally, if the Company from a business development perspective and a research perspective can just speak to the fact that if you can just update us on your thoughts regarding the types of deals. We as investors know that there are Phase III cardiovascular products out there to potentially do deals with. Pfizer is cash rich. And I'm still struck by the comments that were made earlier this year that Pfizer may not have a product in cholesterol after the middle of the next decade. So, again, just if you can help us understand those issues.

Jeff Kindler - *Pfizer - Vice Chairman*

John, why don't you take the first two questions? I will make a comment on the third and see if Dave wants to elaborate.

John LaMattina - *Pfizer - Head, Research and Development*

CETP inhibitors, we're not moving anything forward right now with backup compounds. I would say that we've been pretty struck by the imaging data that was seen quite frankly looking at the degree of HDL elevation that these patients had in these programs and seeing really no difference between Lipitor [totesterine] versus Lipitor has given us and I think a lot of other people out there cause for pause to try and understand the whole HDL hypothesis and the potential import that might have on a cardiovascular disease. So no, we're not moving anything forward there.

In terms of JAK 3, I would say that I will partially answer your question. Yes, we're recruiting very well across all phases of our studies, particularly the RA study. But I'm not going to commit now to when we think we will complete the Phase III program.

Jeff Kindler - *Pfizer - Vice Chairman*

Regarding business development, obviously it's not prudent for us to telegraph areas that we might be looking at or thinking about doing. And I think the more responsible course is when we have something to announce, we will announce it.

I will tell you that I must tell you that I've been extremely impressed by the effort that has gone into the revamping of our business development efforts here at the Company and the comprehensiveness and thoroughness with which we're reviewing the landscape. But, we're being thoughtful about it. At the same time, we're being creative and thinking about different things, like we want to be disciplined and prudent about it. We want to be strategic about it. And I just don't think it's very prudent to telegraph what we might be considering doing.

Now, David, you want to say something differently about that, you are welcome to.

David Shedlarz - *Pfizer - Vice Chairman*

No. Just a lot of things in the hopper and more to come.

Jeff Kindler - *Pfizer - Vice Chairman*

Next question please.

Operator

[Nathan Sedagy], Highside Capital Management.

Nathan Sedagy - *Highside Capital Management - Analyst*

I actually -- I wasn't -- I might have missed it in the response earlier. But one of the earlier questioners asked about the specific -- about your specific Exubera purchase obligations in terms of just relative to the amount of inventory that you guys have right now.

David Shedlarz - *Pfizer - Vice Chairman*

Again, we don't get into the inner workings in terms of obligations. With a counterparty, I think Ian highlighted the fact you can't necessarily relate the volume of activity we're putting on our partners to the commercial volume for a whole host of reasons.

Jeff Kindler - *Pfizer - Vice Chairman*

Next question.

Operator

David Risinger, Merrill Lynch.

David Risinger - *Merrill Lynch - Analyst*

My follow-up question has been asked. Thank you.

Operator

Tim Anderson, Prudential Equity Group.

Tim Anderson - *Prudential Equity Group - Analyst*

Jeff, I asked you about splitting up the Company. Any comments about major M&A? A little over a year ago, management I think at the analyst meeting said no more big deals. And I'm wondering if that is still a relevant -- or if anything is on the table at this point downstream and poor [cetripib] not making it. Thank you.

Jeff Kindler - *Pfizer - Vice Chairman*

Well first of all -- and don't read anything into this -- I hope we never said no more, never, or anything categorical like that. We always have to be -- qualify anything we say in this arena by saying you know, you never say never and you look at business conditions and business opportunities as they go along and evaluate them. So, I would never be categorical like that and I hope I wasn't earlier.

But having said that, we're fully aware of the pluses and minuses of large acquisitions. We've been through a couple of those in the last several years. And there may be a lot of different kinds of opportunities with smaller or medium-sized acquisitions or licensing activities and the like. And we're looking at a whole range of options.

And as I indicated in the comments to Seamus, I think to telegraph anything we might want to do or think about at this point would not be prudent from the shareholders' point of view in terms of foreclosing our options or signaling to people what we might do. So all I can assure you, Tim, is that we're looking at the landscape very thoroughly, very comprehensively and very prudently. When we have anything to announce, you will hear about it.

Tim Anderson - *Prudential Equity Group - Analyst*

If I can sneak one in on Chantix, what is your Tier 2 unrestricted access now and where do you expect it to be a year from now?

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

I don't have all the specifics, and I don't think we normally give out all that detail. Chantix was priced for a cash market. Reimbursement is a challenge. It continues to be a challenge, one that we're working long-term with payers. Two-thirds of I believe the volume is coming from the cash market, so it will be involving reimbursement situation.

Jeff Kindler - *Pfizer - Vice Chairman*

We have time for one more question and there's one more question. So go ahead please.

Operator

[Craig Baskin], Putnam Investments.

Craig Baskin - *Putnam Investments - Analyst*

I'm afraid I didn't understand the response to an earlier question trying to reconcile the earnings beat in the first quarter with the earning -- bringing down earnings guidance for the year. So I was hoping maybe David could repeat his answer a little bit more slowly so I could follow it.

David Shedlarz - *Pfizer - Vice Chairman*

Sure. Actually two questions in that regard. In terms of bringing down earnings guidance for the year, you have two major players at work -- one, the unfortunate situation in '07 of losing the patent position on Norvasc. And that in and of itself probably would've brought down earnings per share by about $0.13. That's being partially offset by favorable foreign exchange as well as a slightly lower effective tax rate. So that's what kind of driving the $0.10 change in the range.

In terms of the seasonality of the performance of the Company, especially at the bottom line, there are two key factors at work -- one, the natural seasonalization of expenditures quarter by quarter. If you take a look at the level of expenditures in the first quarter relative to the targets we've given you for the full year for R&D and SI&A, implicit in that is an increase in the level of expenditures as we get programs up and moving.

And there's a second factor that relates to foreign exchange in comparison to the prior year, is kind in the first half and not so kind in the second half. Those are the key factors in terms of the seasonality of performance, especially at the bottom line.

Jeff Kindler - *Pfizer - Vice Chairman*

Thank you, David. I'm informed there are no more callers on the line. So that concludes our call. I thank you all for your interest and time. Enjoy the rest of your day and your weekend.
