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EDITED TRANSCRIPT

PFE - Q4 2011 PFIZER EARNINGS CONFERENCE CALL

EVENT DATE/TIME: JANUARY 31, 2012 / 03:00PM GMT

OVERVIEW:

PFE announced 4Q11 revenues of $16.7b and reported net income of $1.4b or $0.19 per share. 2011 results met or exceeded all components of financial guidance. Management announced 2012 revenue guidance of $60.5-62.5b, reported EPS guidance of $1.37-1.52 and adjusted EPS guidance of $2.20-2.30.

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PRESENTATION

Operator

Good day, everyone and welcome to Pfizer's Fourth Quarter 2011 Earnings Conference Call. Today's call is being recorded. At this time, I would like to turn the call over to Mr. Chuck Triano, Senior Vice President of Investor Relations. Please go ahead, sir.

Chuck Triano *- Pfizer Inc. - SVP - IR*

Good morning and thank you for joining us today to review Pfizer's fourth quarter 2011 performance. I'm joined today by our Chairman and CEO, Ian Read, Frank D'Amelio, our CFO, Olivier Brandicourt, President and General Manager of Primary Care, Mikael Dolsten, President of Worldwide Research and Development, Geno Germano, President and General Manager of Specialty Care and Oncology, Amy Schulman, General Counsel, President and General Manager of Pfizer Nutrition, and David Simmons, President and General Manager of Emerging Markets and Established Products. The slides that will be presented on this call can be viewed on our homepage, Pfizer.com, by clicking on the link, Pfizer Quarterly Corporate Performance Fourth Quarter 2011, located in the Investor Presentation section in the lower right corner of this page.

Before we start, I would like for remind you that our discussions during this conference call 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 Pfizer's 2010 annual report on Form 10-K and in our reports on Forms 10-Q and 8-K. Also, the discussions during this conference call will include certain financial measures that were not prepared in

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accordance with generally accepted accounting principles. Reconciliation of those non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in Pfizer's current report on Form 8-K dated today, January 31, 2012. With that, I'll now turn the call over to Ian Read. Ian?

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, Chuck, and good morning, everyone. During my remarks this morning, I will briefly recap some highlights from the fourth quarter and for the year, and I will talk about what we are focusing on for 2012. We finished 2011 with a solid fourth quarter and the overall financial performance for the year was strong. Looking at the quarter, loss of exclusivity continued to impact our business. This quarter, we absorbed nearly $1.3 billion revenue decline due to loss of exclusivity across our biopharmaceutical commercial units. We saw strong operational growth in key markets, such as Japan and China. Revenues in the emerging market business overall declined 2% operationally, due to pricing pressures and exceptional items that Frank will review in more detail.

As we have said before, the opportunity in emerging markets remains attractive, although quarter to quarter performance is volatile. I believe the best measure of our business in these markets is the yearly performance, which I will speak to in a moment. Animal Health, Nutrition and Consumer all turned in strong quarters operationally. Animal Health grew 13%, Nutrition grew 20%, and Consumer grew 8% over the same quarter in 2010 and we saw the benefits of our process improvements and cost reduction work this quarter. Adjusted total costs were down 5% operationally. Turning now to highlights for the year, we met or exceeded every aspect of our financial guidance. We reduced our adjusted R&D spend by nearly $1 billion dollars compared to 2010, but we also took significant actions to strengthen our innovative core, which included narrowing our therapeutic areas of focus, sharpening our analytical tools to better prioritize investment and stop funding low potential programs earlier in the R&D cycle, advancing the most promising compounds in our pipeline and continuing to invest in R&D network and the capability design to drive biomedical innovation.

During the year, the Emerging Markets business was affected by strong headwinds, such as increased pricing pressure in China and Turkey, the loss of exclusivity of Lipitor in Brazil and Mexico in 2010, and devaluation of Venezuela. That being said, revenue in Emerging Markets grew 5% operationally in 2011, comprised of 10% volume growth and a 5% decline in price. Performance was particularly strong in key markets where we increased our investment, such as China, which delivered 18% operational revenue growth, and Turkey, which delivered 70% operational growth for 2011. We grew revenues from key assets in our branded portfolio, including Prevnar 13, Lyrica, Enbrel and Sutent. We absorbed approximately $5 million in LOE and operationally only saw a slight decline in our revenues year over year.

We moved quickly to complete a strategic review of the businesses, which resulted in the ongoing exploration of strategic alternatives for the Animal Health and Nutrition business. We saw a steady cadence of progress in our late-stage pipeline and the emergence of a promising mix of early to mid-stage assets and we returned over $15 billion to shareholders through dividends and share repurchases. I would characterize 2011 as a year of committing the Company to being a focused, innovative biopharmaceutical company positioned to deliver value for shareholders. We've set a course to redefine and strengthen Pfizer. We concentrated on two key priorities -- improving the performance of our innovative core and making the right capital allocation decisions and I believe we delivered on both of these goals.

Turning to this year, our focus is unchanged. We remain intent on continuing to take the actions that will create shareholder value and like we did in 2011, we will continue to do so in two primary ways -- getting our innovative core more productive and sustainable and keeping our allocation priorities aligned with the best interests of shareholders. The way we will do this is by maximizing the value of our inline portfolio, including key inline assets such as Lyrica, Enbrel, Prevnar and Celebrex, successfully launching Inlyta and Prevnar 13 for adult 50 years and older, advancing the regulatory filing for Eliquis and tofacitinib and advancing the next wave of compounds in our pipeline, including new molecular entities that are showing promise and that we hope will achieve proof of concepts over the next two years. I believe the recent approval of Inlyta, as well as the early performance of Xalkori in the US, demonstrates how well our oncology business is evolving.

Regarding Prevnar 13 adult, the ACIP Pneumococcal Working Group plans to discuss the use of Prevnar 13 in adults with the ACIP Committee at the upcoming meeting in February. Although a vote on recommendation of the use is not currently scheduled, we are in discussions with the CDC to obtain guidance about use of Prevnar 13 and we'll launch the adult indication in the US in March. The rate of uptake will depend in large part on the ACIP recommendation of use. Also in 2012, we continue to strengthen our Emerging Markets business and maintain a leadership role as we seek growth over time in key markets like China, Brazil, Russia, India, Turkey, and Mexico. We will keep examining our cost structure, including all aspects of our SI&A, our go-to-market expenses, and manufacturing, so that we can maintain a lower and flexible cost base that allows us to respond to pricing pressures and additional LOEs over the coming years. We are on track for determining the strategic alternatives and next steps for the potential separation of our Animal Health and Nutrition business. We still plan to announce our strategic decision for each business in 2012.

We will continue to return capital to shareholders through dividends and share repurchases. We remain committed to meeting a target dividend payout of approximately 40% by the end of 2013. Further, our Board recently approved a new $10 billion share repurchase program and we've stated our intent to purchase approximately $5 billion during this year. This amount does not include any repurchases that could result from actions taken related to our Nutrition and Animal Health business. To sum up, in 2012, we will stay the course. We will work to maintain the momentum we created in 2011.

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Longer-term, after we potentially complete the separation of Animal Health and Nutrition, Pfizer will be a Company that has two primary businesses with distinct costs structures and operating approaches. The first will be a growth business of pharmaceuticals that we expect to generate profitable revenue growth with strong cash flow and that has a sustainable innovation engine that will be evident through advances in our pipeline. The second will look more like a value business that is also expected to generate strong cash flow and will be represented by established or post-LOE products. We see Consumer Products fitting nicely into either of these businesses. I see these businesses generating consistent and steady growth in earnings per share over time. Now, I will turn it over to Frank for additional details on the quarter and our 2012 financial guidance.

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

Thanks, Ian. Good day, everyone. As always, the charts I'm reviewing today are included in our webcast. Now, let's move on to the results. Fourth quarter 2011 revenues of $16.7 billion decreased 4% year over year, reflecting the continued impact of LOEs of approximately $1.3 billion, or 7%, and the unfavorable impact of US healthcare reform of $106 million, or 1%, which were partially offset by the positive impact of foreign exchange of $157 million, or approximately 1%, the addition of King products, which favorably impacted revenues by $340 million, or 3%, and growth in certain inline products. Reported net income of $1.4 billion and reported diluted EPS of $0.19 were negatively impacted by the impact of LOEs, the non-recurrence of a one-time tax benefit recorded in 2010, and higher charges associated with our cost reduction and productivity initiatives, which were partially offset by lower acquisition-related costs and the non-recurrence of certain litigation charges recorded in 2010.

Fourth quarter 2011 adjusted cost of sales as a percentage of revenue was 20.1% versus 21.1% in the year-ago quarter, due primarily to the positive impact of foreign exchange and our cost reductions and productivity initiatives, which were partially offset by the addition of legacy King operations, the Puerto Rico excise tax and a shift in geographic and business mix. Adjusted total cost decreased 9%, reflecting the positive impact of foreign exchange. Excluding foreign exchange, adjusted total cost decreased 5% operationally, which also reflects the positive impact of our ongoing cost reduction and productivity initiatives, particularly in the R&D organization, and the negative impact of the addition of costs from legacy King operations, the US healthcare reform fee, and the Puerto Rico excise tax. Adjusted income of $3.9 billion increased 3% year over year, driven by lower adjusted total costs and foreign exchange, which were partially offset by the impact of LOEs and a higher effective tax rate in the fourth quarter. Adjusted diluted EPS of $0.50 increased 6%, which included a $0.02 benefit from share repurchases, as well as the positive items I just mentioned. Foreign exchange positively impacted fourth quarter revenues by $157 million, or 1%, and lowered adjusted total costs by $481 million, or 4%. As a result, foreign exchange favorably impacted fourth quarter adjusted diluted EPS by approximately $0.06.

As I mentioned earlier, this quarter, we continued to absorb revenue declines as a result of the loss of exclusivity of certain products in several geographies. The fourth quarter negative impact of LOEs was approximately $1.3 billion. The full-year negative impact was approximately $5 billion. This quarter, the impact of LOEs was partially offset by the addition of King products, growth in our Animal Health, Nutrition and Consumer Healthcare businesses, the positive impact of foreign exchange and growth of certain inline pharmaceutical products, including Lyrica, Enbrel, Celebrex and Sutent, Prevnar 7 in Japan, and Prevnar 13, Norvasc and Viagra in emerging markets with overall double-digit growth in China. Fourth quarter revenues generated from both our Biopharmaceutical and our other businesses in Emerging Markets increased to $3.3 billion.

In the fourth quarter, Biopharmaceutical revenues in Emerging Markets declined 2% operationally. Although that business experienced volume growth of 3%, this was more than offset by the negative impact of foreign exchange, 2% increased pricing pressures, changes in institutional purchase patterns in Turkey and Brazil, currency devaluation in Venezuela, and Lipitor's loss of exclusivity in Brazil and Mexico 2010. It's important to note that for the full year 2011, Biopharmaceutical revenues in all Emerging Markets grew 5% operationally, which reflects operational growth of 10% and price reductions of 5%. Biopharmaceutical revenues increased 6% operationally to about $4.2 billion in the BRIC-MT markets in 2011. As you can see, in 2011, we again met or exceeded all elements of our full-year financial guidance, including achieving our cost reduction target associated with the Wyeth acquisition one year ahead of plan, generating more than $4 billion of cost reductions on an operational basis compared with the 2008 combined costs of Pfizer and Wyeth.

Looking ahead to 2012, we're updating some elements of our full-year financial guidance and providing a guidance range for adjusted cost of sales for the first time. Specifically, we have reduced the guidance ranges for reported revenues and adjusted diluted EPS, primarily to reflect the strengthening of the US dollar against major currencies from mid-October of 2011 to mid-January 2012. We now expect 2012 reported revenues to be in the range of $60.5 billion to $62.5 billion and we expect adjusted diluted EPS to be in the range of $2.20 to $2.30. In addition, we expect reported diluted EPS to be in the range of $1.37 to $1.52. We've lowered the guidance range for adjusted SI&A to $17 billion to $18 billion and we expect adjusted cost of sales as a percentage of revenues to be in the range of 20.5% to 21.5%.

Finally, moving on to key take-aways, I'm very pleased that this year we again met or exceeded all components of our financial guidance, including achieving the cost reduction target associated with the Wyeth acquisition ahead of schedule. We've updated certain components of our 2012 guidance, primarily to reflect the significant unfavorable changes in the currency rates from mid-October of 2011 to mid-January of 2012. We remain on track to finalize strategic decisions for our Animal Health and Nutrition businesses in 2012 and continue to expect that any separation of these businesses from Pfizer will occur between July of 2012 and July of 2013. In 2011,

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we returned $15.2 billion to shareholders through $6.2 billion in dividends and $9 billion in share repurchases and we remain committed to allocating our capital in order to deliver attractive shareholder returns in 2012 and beyond. Now, I'll turn it back to Chuck.

Chuck Triano - ***Pfizer Inc. - SVP - IR***

Thanks, Frank. At this point, Operator, can we please poll for questions?

QUESTION AND ANSWER

Operator

(Operator Instructions) Catherine Arnold, Credit Suisse.

Catherine Arnold - ***Credit Suisse - Analyst***

I don't have to tell you guys that getting your share count down is going to make a big difference in the way people look at your pipeline and your product story in fueling growth. I know you know that. But obviously, there can be big swings in what people expect from you in the longer term EPS based on what you do there. There's a lot of questions about the various scenarios of how you use the proceeds from Nutritional and Animal Health towards buying back shares. I'm wondering, are you thinking about giving us any new guidance on share repurchase once you announce these transactions or is this something that we're going to have to monitor? Are you thinking about the proceeds from these transactions as earmarked in a different way than the way you're giving us your strategy from the year-to-year cash flow that you generate? Thanks.

Ian Read - ***Pfizer Inc. - President and CEO***

Let me start and then Frank can add to it. There's been no change in our strategy from 2011 into '12. We've said that the use of our cash post-dividends, post-investment in the business will be stock buybacks is the first test. We remain aligned with that. If we complete the separation of the Nutritional and Animal Health, then the funds from that will be tested against the best investment with stock buyback being the baseline. Frank, do you want to add to that?

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

I'd just punctuate what Ian said, Catherine, which is the proceeds from those businesses, assuming we do separation, the case to beat is buybacks. That's what we've said. That's what we continue to say, and that's what we will do relative to anything with those businesses. Let me just run a couple of numbers, which is if you look last year, Ian and I mentioned, we returned $15 billion to shareholders. Of that, $9 billion were buybacks.

We bought back 459 million shares with that $9 billion. We've said this year approximately $5 billion in buybacks, plus another $6 billion-plus in dividends, $11 billion-plus for the year. In the last two years, we'll have returned $26 billion. What we're estimating this year plus what we did last year in capital directly to shareholders.

Operator

Jami Rubin, Goldman Sachs.

Jami Rubin - ***Goldman Sachs - Analyst***

I appreciate your providing us your vision for what Pfizer might look like post-2012 in terms of two different companies -- an innovative core and a cash generator and the commitment to grow the Company on a consistent basis. Can you provide a little bit more color behind that in terms of how we should think about the revenue

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outlook? Obviously, post-Lipitor there's still other patent expirations, obviously, divesting $6.5 billion to $7 billion worth of companies, and then, on the bottom line, what that could look like? If you could be just a little bit more specific on your top and bottom line growth aspirations post-2012?

My second question is more to do with just your view of the reshaping of Pfizer's portfolio. A lot of the discussion last year focused on what that portfolio might look like and your goal was to achieve a smaller, more focused company. When I step back, I'm still looking at a $60 billion company, which is huge. I'm wondering if you have discovered, through the process of being CEO, other options that might now be on the table that weren't earlier in the year, that could lead to a further reshaping of the portfolio. Thanks very much.

Ian Read *- Pfizer Inc. - President and CEO*

I'll try to lay it out by saying I look at the Company in two parts. Clearly, with the post-Lipitor, we've got through the bulk of the LOEs, but still continue to have sequential LOEs through 2015. I tend to look on the top line in two companies one, if we take it as the innovative core and we see the growth coming from that, that, in my mind is a growth company that's sustainable with a research engine that's sized and would be predictable. And then I look at a value company that will have to absorb the post-LOE impact of the transfers and then from that base, will be stable or grow, given it'll have emerging market growth, et cetera, et cetera. Top line growth will be the impact of those two factors and I'm more focused on our ability to produce predictable and consistent EPS growth over time as we manage those two businesses. Now, to your second question, I feel that while we are a $60 billion-plus business, that's prior to any decisions on the separation of Nutritional and Animal Health. Then laying out this clear vision of two businesses, I think leads, to increased visibility, two business models, different cost structures, different priorities, and I think it will allow the street to clearly see the value of those two businesses inside of Pfizer.

Operator

Tim Anderson, Bernstein.

Tim Anderson *- Sanford C. Bernstein & Company, Inc. - Analyst*

On your 2012 guidance, you said revenues and earnings were lowered, primarily due to FX. Were there any other contributing factors? Then, second, Lilly's Q4 call was dominated by questions about solanezumab in Europe, the product bapineuzumab is going to have important data in the current year as well, yet you never seem to talk about it too much. I'm hoping I can ask you a few questions on this. The first is, what would be the timing and venue for seeing the results of the two US trials? The second is, can you confirm that you'll likely present the results for both trials at the same time, like Lilly will do? And then the third point, have there been futility analyses done with bapineuzumab of these three trials?

Ian Read *- Pfizer Inc. - President and CEO*

Frank, perhaps you can address the first question and then I would ask Olivier to answer the question on bapineuzumab.

Frank D'Amelio *- Pfizer Inc. - EVP, CFO and Business Operations*

On 2012 guidance, we'll start with the bottom line. If you look at what the previous bottom line was and now what the current one is for adjusted diluted EPS, it went from $2.25 to $2.35 to $2.20 to $2.30. That $0.05 is entirely due to foreign exchange. If you look at revenue, revenue went from $62.2 billion to $64.7 billion to $60.5 billion to $62.5 billion. On average, if you look at the bottom of the range and the top of the range, we lowered the 2012 revenue number by about $2 billion, approximately two-thirds of that was due to foreign exchange.

The other one-third was really due to, I'll call it, three areas. One was a more challenging environment in the EU. Second one was more focused generic product offerings in certain emerging markets. And the third was lower than expected volume growth in emerging markets due to accelerated price cuts. That said, we still see robust growth opportunities in those markets but the volume is less than we expected.

Ian Read *- Pfizer Inc. - President and CEO*

Thank you, Frank. Reemphasizing that, it's just that, as price cuts occur in emerging markets, we expect volume to respond. In '11, we saw the response slightly slower than we had expected in our original projections and we corrected for that in '12. Olivier?

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Olivier Brandicourt - ***Pfizer Inc. - President & GM, Primary Care***

In terms of timing, it's the same timing that we talked about in the previous calls. Studies are going to be read out by mid-year and we will report the results as soon as possible afterwards in a scientific meeting. There was no futility analysis done on those studies, and I would like to actually mention that the two products, those are two compounds targeting different epitope on the beta-amyloid peptides and that may trigger two very different mechanism of actions, and therefore, the results of one may not be transferable to the results of the other one. However, I must say that, based on what we heard this morning, we heard the alliance views the decision to continue on solanezumab with interest and we're maintaining confidence in the immediate pathway for our AD program.

Operator

Gregg Gilbert, BOA Merrill Lynch.

Gregg Gilbert - ***BofA Merrill Lynch - Analyst***

First, for Ian and Frank, given that we're actually getting closer to seeing proceeds, I want to better understand the buyback being "the case to beat" comment you've been making. Buyback offers immediate accretion, while good acquisitions often take a few years to generate a return. How are you truly comparing the two? Is it an accretion in an out year or something like that? And then for Dave Simmons, what has been the key positives and negatives learned from your Lipitor strategy and how that might shape future strategy for generic launches? Thanks.

Ian Read - ***Pfizer Inc. - President and CEO***

Okay. On the buybacks, I think it's clear that we look at the value of the share in the market today and we have models to look at the value of the share on a discounted cash flow basis. We look on that return on a buyback, along with the impact of dividend payments being lowered by the buyback. That gives us a certain financial return and we compare that to the opportunities we have of acquiring businesses and the net present value of those businesses. It really is an economic view of what is the best use of the funds for Pfizer shareholders. Lipitor, Dave?

Dave Simmons - ***Pfizer Inc. - President & GM, Emerging Markets and Established Products***

Gregg, the question on learnings from Lipitor, I'd probably break these into two pieces. The first is, we've done a lot of market research, and learned, one, that in-depth, the incentives that are occurring from different stakeholders in the healthcare environment during the LOE period, both from day 1 to day 180 and then also post-180, and this cuts across payers, pharmacists, and the patients themselves and through those learnings and research, we've also been able to discover a significant percentage of patients who want to remain on the brand. They don't feel that they understand how they can do that and we've been developing strategies of how to tap into that desire without increasing costs to the healthcare system. The learnings are on that front. The second thing that I would add in is that the response to the strategies we've put in have been very strong.

We're pleased with where we are in the Lipitor progress. Our share of branded Lipitor is tracking some 40%-plus higher than historic analogs, so the strategies appear to be working. And as we go into upcoming LOEs, assuming we get the same type of market research reads, we will be applying the learnings from Lipitor, tweaking them, and trying to continue with our core goal, which is to make sure we maximize revenue, profit, and patient value from our brands.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, David. That being said, the Lipitor opportunity is unique in its size and the 180-day period. I'm not sure how many molecules going forward will have that same dynamic, as I believe the law has been changed to allow same-day filing, so you won't have one company with 180-day exclusivity. You'll have multiple companies, so I think that will change the dynamic of post-LOE marketplace.

Operator

John Boris, Citi.

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John Boris - *Citigroup - Analyst*

Appreciate the color, Ian, on the two separate businesses post-divestitures of Nutritional and Animal Health. Can you maybe go a little bit more in detail on the description of how you return the pharma portion of that business to growth relative to the value portion? And then how you resource those two parts of the business and is there additional room for improvements in the efficiency of R&D and what you're spending in SI&A as you think about those going forward? Second question on the ACIP panel, just help us understand what kind of recommendation you're expecting out of that panel and how that is potentially going to facilitate the uptake of Prevnar 13 in adults? Thanks.

Ian Read - *Pfizer Inc. - President and CEO*

Okay. I'll take the first one and ask Geno to talk to the second one. Thanks for the question, John. I think fundamentally this sort of separation in my mind or in fact in the way we run the businesses, will allow a focus on an innovative core and a clear understanding of the capital being deployed and the growth expectations from innovative products. It'll allow the marketplace and ourselves to have a lot clearer view on our returning cost of capital on our innovative endeavors and we'll allow a bit of evaluation of that business and our management to be held to better performance standards. And your SI&A spend as well, which will be more tailored towards physician than investment in innovative products, whereas you move to the value business, it becomes the business that absorbs the impact of LOEs and then continues to grow post that and adds strong brands from emerging markets and is a value cash engine with a completely different cost structure. In my mind, it does allow clear evaluation by the marketplace of our management of two businesses with two distinct models. With that, I would hand it over to Geno to talk to ACIP.

Geno Germano - *Pfizer Inc. - President & GM, Specialty Care and Oncology*

Yes, on the ACIP question, John, it's typical for ACIP to provide recommendations to the healthcare system after the approval of a new vaccine. Prevnar 13 was approved in December by FDA under their accelerated approval provision, recognizing the significant unmet need for a serious medical condition, in this case, pneumococcal pneumonia. The ACIP needs to deliberate and discuss how this vaccine should be used, or recommended to be used in light of the availability of a polysaccharide vaccine for the over 65 population. We're not privy to exactly how they are going to vote or how they're going to guide on the use of Prevnar 13. But we know that Prevnar 13 is certainly a different vaccine with a conjugate technology and the ultimate recommendations will influence the uptake of the vaccine in the US.

Ian Read - *Pfizer Inc. - President and CEO*

In addition to that, post their recommendation, we will have the CAPITA trial, we expect by the end of '12 or early '13.

Operator

Marc Goodman, UBS.

Marc Goodman - *UBS - Analyst*

One, can you give us a little more color on Prevnar in the quarter? Just seemed a little lighter than what we would have expected. And then second, can you give us an update on the uptake of crizotinib, what's going on behind the scenes there? And also, an update on Remoxy and what's happening there? Thanks.

Ian Read - *Pfizer Inc. - President and CEO*

Geno can do the Prevnar and the Xalkori and then ask Olivier to talk about Remoxy.

Geno Germano - *Pfizer Inc. - President & GM, Specialty Care and Oncology*

So for Prevnar 13, Prevnar 13's humming along. Overall worldwide sales were $3.7 billion in 2011, up 50% from 2010, so the vaccine is doing extremely well on a global basis. As you mentioned, sales in the fourth quarter in the US atypically were soft compared to the fourth quarter of 2010, and it's simply because the catch-up

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opportunity was strong in the fourth quarter 2010. Comparing one quarter to the other, we see a change in the growth rate. The fourth quarter of '11, we had much less catch-up and there was some adjustment of inventories in doctor's offices and in the supply chain as a result of that reestablished demand level for Prevnar 13. In terms of Xalkori or crizotinib, this was approved last summer, a new personalized medicine with a companion diagnostic. We're happy with the progress so far.

The diagnostic is widely available now, essentially in all major clinical sites and academic medical centers. Usage is accelerating pretty dramatically. There's been a doubling of the use of the diagnostic so far, and we expect yet another doubling of the use of diagnostic in this coming year. Growth for Xalkori, of crizotinib, is going to come from the accumulation of new patients and the sustained duration of therapy. We know from our Phase II trials that patients were sustained for a much longer period of time than on previous therapies. We see the development of the drug occurring over time. And then, of course, we're continuing to explore utilization of crizotinib in other subtypes of patients with different mutations, and in combinations with other pipeline therapies.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you. Olivier?

Olivier Brandicourt - ***Pfizer Inc. - President & GM, Primary Care***

Marc, on Remoxy, we spent the last few months trying to understand the issue. We have now a much better understanding of the formulation, the manufacturing controls, and what we need as analytical test in terms of method. In addition to that, we will have to conduct two bioavailability studies that we will run during the second quarter of this year, and when we will have all of this data, we think that will constitute the basis for our engagement with the FDA and we anticipate meeting with the FDA during the third quarter of this year to discuss next steps.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, Olivier.

Operator

Barbara Ryan, Deutsche Bank.

Barbara Ryan - ***Deutsche Bank - Analyst***

Ian, you talked about the two different businesses, the innovative core and the more mature established products and the different P&Ls, and the focus on that from investors. I'm just wondering when and if you would provide more transparency into the difference of the P&Ls of those two companies so we could in fact value them and model them differently? Thank you.

Ian Read - ***Pfizer Inc. - President and CEO***

Thanks for the question. I sort of see that developing approach to that as we go through '12. We need to first of all, complete the potential separation of Nutrition and Animal Health. And then as we do that and we look at our P&Ls and we enter into late '12 or '13, I expect for us to have a clearer way of describing those two businesses to the shareholders. And I think going back to a question from Jami, we see our research being focused on neuroscience and CV Med, Oncology, inflammation, vaccines and pain. And so that's a refocused portfolio where we are looking to really focus on personalized medicine and bringing forward products that have a differentiation, both in the clinic and from a genetic standpoint. I think that's the type of transformation we're talking about in our science.

Operator

Steve Scala, Cowen.

Steve Scala - ***Cowen and Company - Analyst***

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Historically, Pfizer has treated businesses to be divested as discontinued, so what does not considering Animal and Nutrition discontinued tell us about the status of the actions on those businesses? Secondly, on tofacitinib, did Pfizer request a priority review and it was turned down by FDA? And then thirdly, should we assume that a good portion of the Lipitor sales force at peak, so at the peak marketing force, will be marketing Eliquis? And I'm also wondering if you'd help us craft an expectation for the rollout? Should we think of the rollout as Pradaxa or Xarelto-like or would you like us to think about it as being appreciably better driven by the data? Thank you very much.

Ian Read - ***Pfizer Inc. - President and CEO***

Frank, if you could take the first question.

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

Sure. In terms of not having discontinued ops treatment as of today, Steve, that's because no decision's been made. We've said all along, we're on track to finalize our strategic decisions regarding the Animal Health and Nutrition business. We said we'd do that this year. We're pleased with the progress we've made to date. In terms of our objective, nothing's changed. Our objective is to generate, to create the greatest after-tax value for our shareholders and we will be providing updates on this as we move through the year. But the reason why it's not being accounted for as discontinued operation is simply because we haven't made a final decision.

Geno Germano - ***Pfizer Inc. - President & GM, Specialty Care and Oncology***

On the tofacitinib question, we did not request a priority review. We are seeking a broad label with usage in patients in the second line, as well as third line therapy. We didn't go for a priority review for an unmet need in the post-TNF indication.

Ian Read - ***Pfizer Inc. - President and CEO***

Okay, and on the Lipitor sales force I'll make a couple of comments and then Olivier can add to it. From the point of view you're modeling, our resources have been dimensioned for both post-Lipitor and an Eliquis launch as of the end of the fourth quarter of this year. As regard to Eliquis, I see that marketplace, number one, I see the advent of having three products in that segment as positive in the sense of it's a new class that needs medical education, it needs continuing promotion, and having three products in that class, we see expansion of the class, and we would expect, given the fact that the strength of our data, for us to take a leadership role in that class. Olivier, do you want to give a take on that?

Olivier Brandicourt - ***Pfizer Inc. - President & GM, Primary Care***

Nothing much to add, frankly. With BMS, we think we have optimized the launch and we are putting the right amount of resources to make sure that we are very competitive with cardiologists and primary care physicians, and as you said, it's going to be competitive, but we think we have one of the best-in-class profile and, again, we have the right resources behind it.

Operator

David Risinger, Morgan Stanley.

David Risinger - ***Morgan Stanley - Analyst***

I had a couple questions on the growth outlooks. With respect to Emerging Markets, the revenue growth ex currency was 5% in 2011. Can you please provide a little bit of color on what the growth outlook is in 2012? And then basically similar questions with respect to Nutritional and Animal Health; Nutritional grew 11% last year, constant currency, I'm hoping you might be able to provide some color on the outlook for '12. And Animal grew 14% last year, wondering if you could provide perspectives on the growth outlook for that segment? Thank you.

Ian Read - ***Pfizer Inc. - President and CEO***

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Okay. I'll make a couple comments on Emerging Markets and I'll ask Frank to handle the questions on Nutritional and Animal Health. Emerging Markets growth in '11 was volume 10% and the price reductions of 5% were beyond our expectations of the sustainable price reductions in Emerging Markets. We continue to expect volume at double-digits and we expect to continue to see pricing pressures, but not of a level we saw in 2011. David, do you want to add any more color to that?

Dave Simmons - ***Pfizer Inc. - President & GM, Emerging Markets and Established Products***

Yes. A couple items. When we look at emerging markets as a backdrop, we see two fundamentally strong trends that aren't going away over time. One is the increase in population masses overall and the second is increase in the wealth of these population masses. That's the backdrop that keeps us very optimistic about opportunities in Emerging Markets. Now, as Ian mentioned, the price erosion we saw in 2011 was a little stronger than what we had anticipated and we've factored that into our views going forward. We do expect to improve our growth rate moving forward. We would expect to increase this up to high single-digits and our strategies to do that are focused around maximizing the opportunity space of our in-line, innovative portfolio, having very, very targeted approaches to the generic market, more targeted than we've ever had, and also being able to adapt to unique local market opportunities. Those are the three fundamental strategic pillars that we think will cause an uplift in the inflection in growth rate.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, David.

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

Then on our Animal Health and Nutri, let me just add the absolute numbers to that. Animal Health this past year, we did $4.2 billion in sales and in the Nutri business, we did [$2.1 billion] in sales and both had strong growth rates of 14% and 10%, respectively. $2.1 billion in Nutri, $4.2 billion in Animal Health.

Ian Read - ***Pfizer Inc. - President and CEO***

Correct.

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

We expect strong performance going forward and all of that performance has been factored into our 2012 guidance.

Operator

Chris Schott, JPMorgan.

Chris Schott - ***JPMorgan Chase & Co. - Analyst***

First, can you talk about your established product growth here? It's tough for us to get a clean read on this, given some of the recent off-patent asset securing growth, like Effexor. Could you just talk about the decline you're seeing in that business, let's say for the pre-2010 products in this portfolio, helping us understanding the kind of underlying trends you're seeing in that business? Second, on gross margins, can you just confirm what your expectations for gross margins are for this year and what type of quarterly progression we should be thinking about, given the Lipitor decline throughout the year? What I'm trying to get at here is what should gross margins look like exiting this year? And the final question is on the tax rate -- it's roughly 500 basis points above your competitors. Why are we seeing this and when or if should we start thinking about this rate starting to come down? Thank you.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, Chris. David could comment on the established products and Frank could handle the gross margin and the tax rate.

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Dave Simmons - ***Pfizer Inc. - President & GM, Emerging Markets and Established Products***

Sure. Chris, you're asking the question the right way. You've got to separate out the products that are going through LOE events last year and into this year, because you've got an abnormal comp. If you remove out Zosyn, Protonix, and Effexor, that was the major cause of the decline in established products. When you go back to that original base of legacy Pfizer brands going back to 2009, plus the addition of growth initiatives, like some of the generic work we've been doing, what you see is that business that was decreasing three years ago at about minus 18% to minus 20%, that business has been stabilized.

If you look on that basis this year, the growth on that business segment plus those select growth initiatives got to flat. We stopped the deterioration on that business. Those strategies will continue going forward, whether we can hold that line or not, we'll have to see. It's a very dynamic market in this off-patent market.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, David.

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

I think I'll answer this by doing cost of sales and then the gross margin it's just a reciprocal. In 2011, our cost of sales was 19.3% for the year. Our guidance for 2012 is 20.5% to 21.5% on cost of sales guidance. What's happening there, clearly, is that's increasing, which means there's downward pressure on the gross margin and that's based on the change or shift in the Company's business and geographic mix, including things like the Lipitor LOE. That said, we continue to believe we can achieve operating margins in the high 30%s to low 40%s, because some of the primary care revenue's being replaced by revenues, in places like emerging markets where we don't need as much of an expense base to generate those revenues. There's clearly some pressures on gross margins, but we continue to believe we can generate operating margins that are in the high 30%s to low 40%s. In terms of quarter to quarter, there will be volatility quarter to quarter based on how the mix of the business changes from quarter to quarter, which is why we provide the guidance on an annual basis.

In terms of the tax rate, let me just give a little history on this and then I'll answer the question. Pre-Wyeth, our tax rate was in the low 20%s. When we announced the Wyeth acquisition, we increased the tax rate to approximately 30% and part of the reason for that had to do with the amount of cash that we planned on repatriating. That repatriation of cash continues, which is why we gave guidance for 2012 of approximately 29%, which is pretty much what we printed in 2011. We printed 29.5%. One other point on the 29.5%, it was down year over year to 29.7% in 2010 to 29.5% in 2011. In '12, we should assume that 25% and beyond '12, with all of the winds blowing fiscally, globally today, it's hard to predict tax rates, but I think we should assume, for the time being, a rate that's approximately 29%.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, Frank. The only thing that would change that would be fundamental tax reform in the United States, which we would hope would move the United States more in line with the rest of the developed world on its corporate tax rate, and even to the territorial system, which potentially, as you pointed out, would have a differential impact on Pfizer's ability versus the competitors.

Operator

Jeff Holford, Jefferies.

Jeff Holford - ***Jefferies & Company - Analyst***

Firstly, what the important read-outs could we see from tofacitinib this year in ongoing clinical studies? And if you can, give us any indication of potential time lines you think could happened there? Secondly, when you talk about fixing the innovative core, as you put it in your release, is that deemed to be an internal organic process or does that rely on, to some or a large extent, on acquisition or licensing going forward? And then just lastly, on the disposal process, news wires indicate that there's a number of buyers out there for the Nutrition business, but it's less clear on the Animal Health side. Can you give us any update if you are seeing a number of potential interested buyers for that business? Thank you.

Ian Read - ***Pfizer Inc. - President and CEO***

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Geno, if you could do the tofacitinib, I'd like to have Mikael to give a comment on the innovative core, which we see as both internally being better and also reaching out as far as our borders, seeking the best science, and the other question was on Animal Health, which Frank can deal with. Thank you.

Geno Germano - ***Pfizer Inc. - President & GM, Specialty Care and Oncology***

For tofacitinib, we read out our five pivotal trials over the course of the year in 2011. In 2012, there will be additional analyses from those databases that will be presented at EULAR and ACR later in the year. I really can't comment on the specifics about subanalyses that will be presented at this point.

Ian Read - ***Pfizer Inc. - President and CEO***

Okay. Mikael, if you could just have a comment on the innovative core.

Mikael Dolsten - ***Pfizer Inc. - President, Worldwide Research & Development***

Yes, I'm very excited about the flow of the pipeline and you have seen strong discipline in the late-stage pipeline as exemplified by comments from Geno and Olivier, and we have a pipeline now with lots of opportunities of differentiated drugs from early, mid- to late stage. To give you highlights on some of the spaces that you not have been able to follow as closely, for immune inflammation, we have a number of Phase II assets, such as IL6 mAb associated steroids for indications from Crohns, RA to Lupus. In oncology, we have a number of exciting tyrosine kinase inhibitors in both solid and hematological tumors. In vaccine, we have not only Mening B but we have Staph Aureus in phase II studies and we are bringing in towards the clinic vaccine for nicotine and later into patients. In cardio-metabolics, you Olivier speak about Eliquis.

We have very encouraging data on our PCSK9 antibody for cholesterol lowering. We have multiple diabetes readouts in Phase II and we also have very interesting drug, PDE5, a very selective inhibitor for diabetic neuropathy. Similarly, neuropain where we had the discussion around Bapi, we are adding a new generation of drug in the pain portfolio with precision medicine focus, as Ian spoke to, and a couple of more earlier CNS drugs. As you can see, there is a lot of exciting drugs where we are, highly differentiated and either best or first in class in our aspiration.

Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, Michael. I'd like to reinforce that. We feel we've made good progress in the innovative core, but in a way, we feel Pfizer is at just the beginning as we continue to accelerate what we're doing by focusing in the therapeutic areas where we're in and merging together the biology and the chemistry that I think, biology from Wyeth and the chemistry from Pfizer to a best in class scientific organization.

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

And then on Animal Health, we've not yet decided on what the potential method of monetization is. However, we continue to explore all options, and once again, with the goal being to maximize after-tax value to our shareholders, and on Animal Health, we are proceeding according to our internal plans. We remain on track and we are pleased with the progress that we've made to date.

Operator

Tony Butler, Barclays Capital.

Tony Butler - ***Barclays Capital - Analyst***

Just one brief question around Enbrel. Reps that you have today that are marketing to rheumatologists, if we make an assumption that tofacitinib is approved, do you actually continue to market Enbrel given that your contract expires with Amgen in '13, I believe, and moreover, is this a product, actually, that will also be part of the bag of a rep who also is actually visiting primary care physicians? Thanks very much.

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Ian Read - ***Pfizer Inc. - President and CEO***

Thank you, Tony. I'll ask Geno to answer that question.

Geno Germano - ***Pfizer Inc. - President & GM, Specialty Care and Oncology***

For Enbrel in the US, we currently co-promote with Amgen and that arrangement will expire at the end of 2013. We are in dialogue with Amgen on how we'll make that transition, but ultimately, we will be promoting tofacitinib within Pfizer alone in the United States. Outside of the United States, we'll continue to have a role with Enbrel. We'll manage Enbrel and tofacitinib in countries outside of the United States.

Operator

Seamus Fernandez, Leerink Swann.

Seamus Fernandez - ***Leerink Swann & Company - Analyst***

Ian, maybe you could just discuss for us what we're seeing in Europe with these developed market value determinations, with the evolution of the German market, the GBA, and really what that might mean for the business and new products near term? Also, if you can just give us your 30,000-foot view in terms of the expectations for these types of developments broadening and how you're approaching those types of things strategically? Then lastly, can you also comment on what would prevent, if anything, a timely separation of either the Nutritionals business or the Animal Health business? Thanks much.

Ian Read - ***Pfizer Inc. - President and CEO***

Okay. Thank you. Pretty expansive question there on Europe. I'll ask Frank to talk about the timeliness of the Animal Health business for a second and then come back to you on your first question.

Frank D'Amelio - ***Pfizer Inc. - EVP, CFO and Business Operations***

Relative to Animal Health and Nutri, I mentioned for both that progress is proceeding. We're pleased with the progress. Things are moving according to plan. In terms of what would hinder the progress at this point, I don't see anything at this point hindering our progress. I think we're going down a good path and pleased with the progress and I think we'll continue to move down a good path.

Ian Read - ***Pfizer Inc. - President and CEO***

All right. Regarding Europe, Europe has had HTA, or healthcare technology assessments, for a long period of time and frankly, in Europe, as you pointed out, they tend to be used in conjunction with medical evidence, also, as a rationing tool. As our portfolio changes, as Lipitor goes LOE, as some of our primary care products go LOE and we become more a specialty, the medical differentiation and the value-add is a lot more visible to those authorities than perhaps a primary care product would be. My view is that this practice will continue to expand outside of Europe and it's appropriate that payers and the governments expect value from their medication. I think in the US, we'll see a broader view of what value is, including why the stakeholders in Europe, including the caregivers and the patients, a less narrow definition of value to society. I feel once again, our portfolio's evolving and certainly our research is focused in a way that we'll have the data and the differentiation to be successful in that environment where there is healthcare technology assessments. Thank you.

Chuck Triano - ***Pfizer Inc. - SVP - IR***

Thanks, Ian. And thank you, everybody, for your attention this morning.

Operator

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Ladies and gentlemen, this does conclude the Pfizer fourth quarter 2011 earnings conference call. Thank you for participating. You may now disconnect.

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