



# **Third Quarter 2012 Earnings Teleconference**

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November 1, 2012

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## **Introduction**

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Chuck Triano  
Senior Vice President,  
Investor Relations

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# Forward-Looking Statements and Non-GAAP Financial Information

- 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 2011 Annual Report on Form 10-K and in our reports on Form 10-Q and Form 8-K.
- Our discussions during this conference call regarding our preparation and target timeline for a potential initial public offering of a minority stake in our Animal Health business, Zoetis, will be limited due to the quiet period imposed by securities law.
- Also, the discussions during this conference call will include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles. Reconciliations of those non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures can be found in Pfizer's Current Report on Form 8-K dated November 1, 2012.
- These reports are available on our website at [www.pfizer.com](http://www.pfizer.com) in the "Investors—SEC Filings" section.





## **Opening Remarks**

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Ian Read  
Chairman and Chief Executive Officer

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# CEO Perspectives

- Quarterly financial performance impacted by significant product losses of exclusivity, notably Lipitor in all major markets, partially mitigated by:
  - Growth from key in-line products, including Lyrica and Celebrex globally and Viagra in the U.S.
  - Emerging Markets operational revenue growth, driven primarily by China, Mexico and Russia
  - Effective management of our cost structure
- Repurchased \$1.8 billion of shares during Q3 2012; \$5.9 billion YTD through October 31<sup>st</sup>
- Board authorized a new share repurchase program for up to \$10 billion of shares upon completion of the sale of Nutrition business to Nestlé, expected in the next few months
- Potential IPO for Animal Health business remains on track; expect IPO to happen during 1H 2013
- Remain confident in quality of assets and progress in our pipeline
  - Robust set of potential high-value assets across our key therapeutic areas
  - Look forward to hearing from the FDA regarding our new drug application for tofacitinib this month
  - Eliquis regulatory reviews continue in U.S. and international markets; alliance remains confident in therapeutic profile of Eliquis and that we can receive FDA approval by the March 2013 PDUFA date
  - Xalkori received conditional marketing authorization in the EU for ALK+ non-small cell lung cancer

**We are Making the Decisions that We Believe Have the Potential to Drive Future Adjusted Diluted Earnings per Share<sup>(1)</sup> Growth Over Time**

<sup>(1)</sup> Adjusted Income and its components and Adjusted Diluted EPS are defined as Reported Net Income<sup>(2)</sup> and its components and Reported Diluted EPS<sup>(2)</sup>, excluding Purchase Accounting Adjustments, Acquisition-Related Costs, Discontinued Operations and Certain Significant Items. Adjusted Cost of Sales, Adjusted SI&A expenses and Adjusted R&D expenses are components of the overall Adjusted Income measure.

<sup>(2)</sup> Reported Net Income is defined as Net Income attributable to Pfizer Inc. Reported Diluted EPS is defined as Reported Diluted EPS attributable to Pfizer Inc. common shareholders.





## **Financial Review**

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Frank D'Amelio  
Executive Vice President &  
Chief Financial Officer

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# Income Statement Highlights

(\$ Millions, Except Per-Share Amounts and Percentages)

	Third Quarter		
	2012	2011	Change
Reported Revenues	\$13,976	\$16,609	(16%)
Adjusted Income <sup>(1)</sup>	3,949	4,696	(16%)
Adjusted Diluted EPS <sup>(1)</sup>	0.53	0.60	(12%)
Reported Net Income <sup>(1)</sup>	3,208	3,738	(14%)
Reported Diluted EPS <sup>(1)</sup>	0.43	0.48	(10%)

**Reported Results Favorably Impacted Primarily by Lower Expenses, Fewer Shares Outstanding and a Settlement with the IRS Related to Tax Audits; Unfavorably Impacted Primarily by the Loss of Exclusivity of Certain Products, Notably Lipitor in All Major Markets, and the Non-Recurrence of the Gain on the Sale of Capsugel**






<sup>(1)</sup> See slide 5 for definition.



# Impact of Foreign Exchange on Adjusted Income<sup>(1)</sup> Components

(\$ Millions, Except Percentages)

Favorable / (Unfavorable)

	Third Quarter				
	2012	2011	FX Impact		
<b>Revenues</b>	<b>\$13,976</b>	<b>\$16,609</b>	<b>(\$699)</b>		<b>(4%)</b>
Cost of Sales <sup>(1)</sup>	2,565	3,057	264		9%
SI&A Expenses <sup>(1)</sup>	3,729	4,397	156		4%
R&D Expenses <sup>(1)</sup>	1,935	2,023	20		1%
<b>Total</b>	<b>\$8,229</b>	<b>\$9,477</b>	<b>\$440</b>		<b>5%</b>

**Foreign Exchange Negatively Impacted Adjusted Diluted EPS<sup>(1)</sup>  
by ~\$0.02**

<sup>(1)</sup> See slide 5 for definition.

Note: Certain amounts and percentages may reflect rounding adjustments.

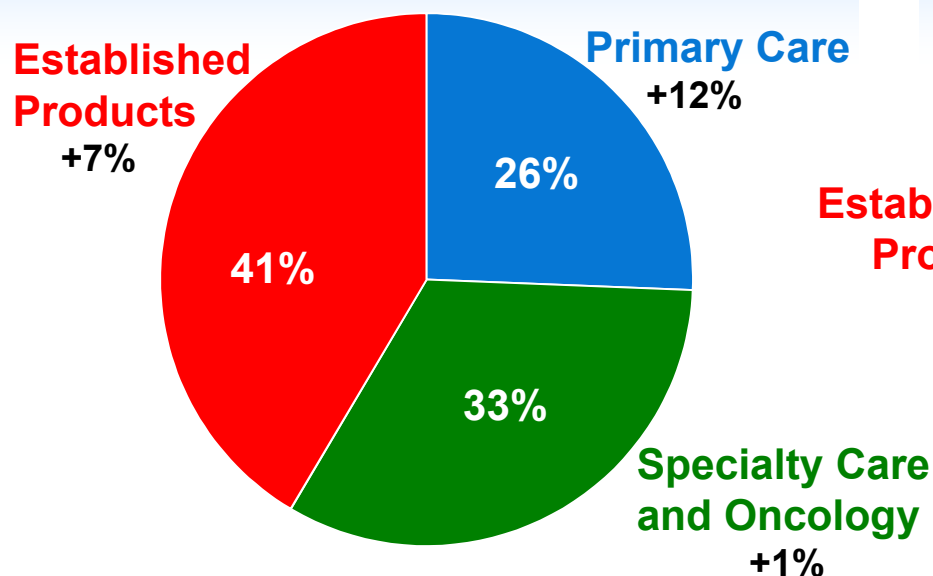




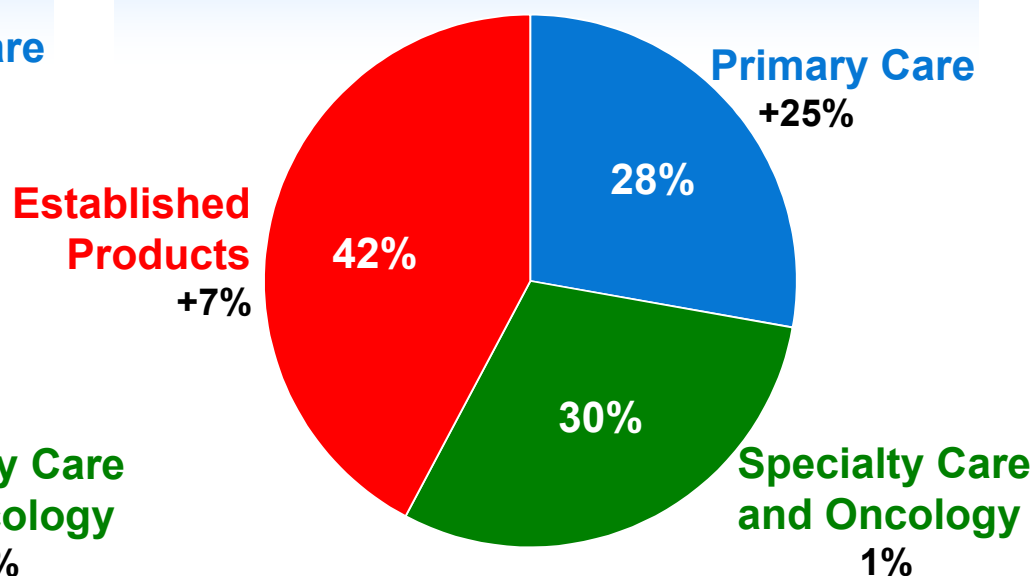
# Emerging Markets Biopharmaceutical Revenue Mix

(\$ Millions, Except Percentages)

**Emerging Markets Business Unit**  
\$2,389, up 6% operationally vs. Q3 2011



**BRIC-MT<sup>(1)</sup> Biopharmaceutical**  
\$1,101, up 9% operationally vs. Q3 2011



**Emerging Markets Biopharmaceutical Volume Growth of 8% Partially Offset by Price Reductions of 2% vs. Q3 2011**

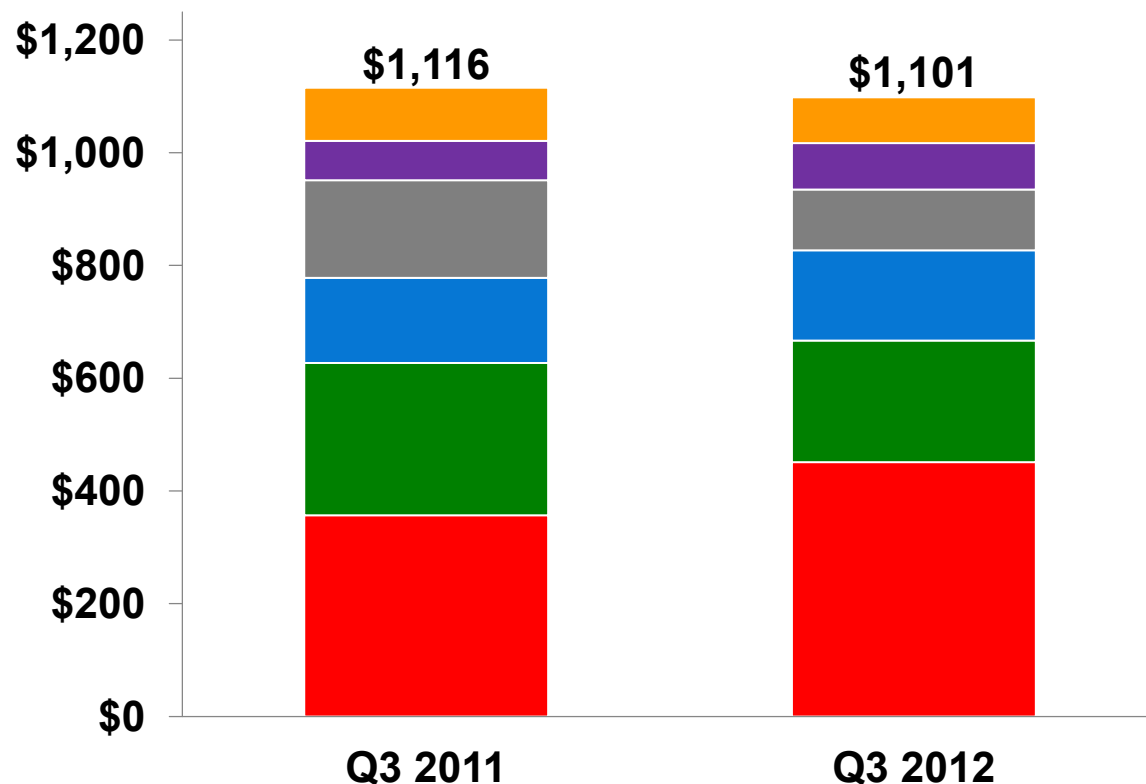
NOTE: Percentages inside the pie charts represent percentage of total. All other percentages represent operational growth vs. Q3 2011.

<sup>(1)</sup> BRIC-MT markets include Brazil, Russia, India, China, Mexico and Turkey.



# BRIC-MT<sup>(1)</sup> Biopharmaceutical Revenue Performance

(\$ Millions, Except Percentages)



Operational Growth / (Decline)		
	Q3 2012 vs. Q3 2011	YTD 2012 vs. YTD 2011
India	5%	10%
Russia	34%	42%
Turkey	(31%)	(14%)
Mexico	20%	4%
Brazil	3%	9%
China	25%	31%
<b>BRIC-MT<sup>(1)</sup></b>	<b>9%</b>	<b>13%</b>

**Volume Growth of 10% Partially Offset by Price Reductions of 1% vs. Q3 2011; Foreign Exchange Negatively Impacted BRIC-MT<sup>(1)</sup> Revenue by 10% vs. Q3 2011**

<sup>(1)</sup> See slide 9 for definition.



# 2012 Financial Guidance<sup>(1)(2)</sup>

Reported Revenues	\$58.0 to \$59.0 Billion <i>Previously \$58.0 to \$60.0 Billion</i>
Adjusted Cost of Sales <sup>(3)</sup> as a Percentage of Revenues	18.7% to 19.2% <i>Previously 19.5% to 20.5%</i>
Adjusted SI&A Expenses <sup>(3)</sup>	\$16.3 to \$16.8 Billion <i>Previously \$16.3 to \$17.3 Billion</i>
Adjusted R&D Expenses <sup>(3)</sup>	\$7.0 to \$7.25 Billion <i>Previously \$6.75 to \$7.25 Billion</i>
Adjusted Other (Income) / Deductions <sup>(3)</sup>	Approximately \$900 Million <i>Previously Approximately \$1.0 Billion</i>
Effective Tax Rate on Adjusted Income <sup>(3)</sup>	Approximately 29%
Reported Diluted EPS <sup>(3)</sup>	\$1.30 to \$1.38 <i>Previously \$1.21 to \$1.36</i>
Adjusted Diluted EPS <sup>(3)</sup>	\$2.14 to \$2.17 <i>Previously \$2.12 to \$2.22</i>
Operating Cash Flow	Approximately \$18.5 Billion <i>Previously Approximately \$19.0 Billion</i>

## Narrowed Ranges for Components of 2012 Financial Guidance

- <sup>(1)</sup> At exchange rates that reflect a blend of the actual exchange rates in effect during the first nine months of 2012 and the mid-October 2012 exchange rates for the remainder of the year.
- <sup>(2)</sup> The 2012 financial guidance includes the revenues and expenses related to the Nutrition business, which is reflected as a discontinued operation, but does not include the gain on the pending sale of the Nutrition business. Does not assume the completion of any business-development transactions not completed as of September 30, 2012, including any one-time upfront payments associated with such transactions. Also excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of September 30, 2012, except for charges for such matters that have been recorded during the first nine months of 2012.
- <sup>(3)</sup> See Slide 5 for definition.



# Key Takeaways

- ✓ Quarterly results reflect the loss of exclusivity of several products in various geographies, notably Lipitor in all major markets
  - Continue to mitigate the impact of major product LOEs with expense discipline and share repurchases
- ✓ Received regulatory approval for Bosulif in the U.S. as well as approval for Inlyta and conditional marketing authorization for Xalkori in the EU
- ✓ Remain on track to complete a potential initial public offering of up to a 20% ownership stake in the Animal Health business, Zoetis, during 1H 2013
- ✓ Continue to create shareholder value through prudent capital allocation
  - Repurchased \$5.9 billion, or 255.1 million shares, through October 31<sup>st</sup>; \$4.1 billion of authorization remains under the current repurchase program
  - Board authorized a new share repurchase program for up to \$10 billion of shares upon completion of the sale of the Nutrition business, expected in the next few months
  - Will return over \$12 billion to shareholders through dividends and share repurchases during 2012

**Remain Committed to Delivering Attractive Shareholder Returns in 2012 and Beyond**





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## **Q&A Session**

November 1, 2012

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