THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PFE - Pfizer Inc at JPMorgan Healthcare Conference

EVENT DATE/TIME: JANUARY 10, 2017 / 6:30PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

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

Albert Bourla *Pfizer Inc. - Group President of Pfizer Innovative Health*

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

CONFERENCE CALL PARTICIPANTS

Chris Schott *JPMorgan - Analyst*

PRESENTATION

Chris Schott - *JPMorgan - Analyst*

Good morning, everybody, I am Chris Schott, pharmaceutical analyst at JPMorgan, and very pleased to be speaking with Pfizer today. So we are going to do a fireside chat discussion here, a bit of an extended session, and there will not be a breakout session following this just for background.

Before we kick off though I want to just read a forward-looking statement. On behalf of Pfizer I would like to remind you that our discussion during this conference will include forward-looking statements subject to risks, uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements.

Additionally, information regarding these factors is discussed under the disclosure notice section in Pfizer's earnings press release as well as in Pfizer's 2015 annual report and Form 10-K. The forward-looking statements during this conference or during this presentation speak only to the original date of the call and Pfizer undertakes no obligation to update or revise any of these statements.

So with that out of the way, from Pfizer we have Frank D'Amelio, the Company's Executive Vice President of Business Operations and Chief Financial Officer; Albert Bourla, the Group President of Pfizer Innovative Health; and Mikael Dolsten, President of Worldwide R&D.

So with that maybe to kick off, a question for Frank or anybody on the team. We obviously had a lot of moving pieces with Pfizer if we think back to 2016. There was Allergan, there was a decision on this split, there were several tuck-in acquisitions. So as we turn the page on to 2017 can you just talk through some of your team's priorities and the Company's positioning as we think about this year?

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

Sure. So maybe the way I will do this is I will do good guys and bad guys for 2017.

Chris Schott - *JPMorgan - Analyst*

Perfect.

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

So in terms of good guys, really if you think about the top line, products like IBRANCE, Eliquis, Xeljanz, Lyrica, Chantix, all performing very well. Chantix now has really turned the corner nicely now that we have gotten the label change. We expect emerging markets to continue to grow. Last quarter emerging markets grew 9%. INFLECTRA in biosimilars, we have launched that product. We expect nice performance out of that in 2017.

And then business development, we've supplemented our portfolio with XTANDI from the Medivation acquisition and EUCRISA from the Anacor acquisition. We'll continue to manage our cost and expense structure. We will continue to return capital to our shareholders.

Hopefully you all saw we increased our dividend by $0.08 in December. Every time we increase the dividend by $0.08 that is about $0.5 billion of incremental capital that we are returning to our shareholders. So those are all the things that we will do. We will continue to look at business development as a supplement to our strategy. But those are -- I will call those kind of the tailwinds.

We will grow earnings again. If you look this year, if you look at our last guidance from the third-quarter results we gave EPS guidance of $2.38 to $2.43. So a midpoint of $2.405. Our EPS number last year was $2.20. You take the midpoint of $2.40 put that over $2.20 that is $0.20, that is despite FX headwinds that have reduced that number. So we have performed well operationally. We expect to continue to do that on a going forward basis.

Let me mention the tailwinds, I mentioned tailwinds too. I think the two tailwinds; the two bad guys for next year at this point will continue to have LOEs. LOEs will be, give or take, about $2.5 billion, that is our current estimate. We will tune that up for our earnings call when we give you our guidance for 2017 on January 31.

And then foreign exchange. Currency remains a negative for us right now. What we will do when we get on the earnings call is just what we did last year. We will show you 2017 guidance at 2016 foreign-exchange rates and then we will show what the impact is of the rates we choose in the middle of January and then we will get to what our final guidance is.

But foreign-exchange is a bad guy right now too. I looked yesterday, the euro to the dollar was like 104, 105. You go back a couple years it was 138; at the beginning of 2016 it was 109 -- 108, 109. So currency continues to be a bad guy for us as well. That is kind of a little bit of the rhythm of the business.

Chris Schott - *JPMorgan - Analyst*

Absolutely. Before we dig into some Pfizer specific questions, drug pricing has become a hot topic I think at this conference and for the group as a whole over the last 12 to 18 months or so. So what are your latest thoughts on drug pricing and drug price increases?

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

So let me start -- I will start and end with the same sentence, which is we don't anticipate any major changes in how we do drug pricing. Maybe that is how ours start. Now let me go through why we, why I believe that and I am going to do it and I'm going to start with running some numbers.

So if you look at total healthcare spend and you look at prescription drugs, pharmaceuticals as a percentage of that, it is about 10% to 12%. It has been that for the last few decades. All projections are it will continue to be that for the next few decades, kind of fact one.

Fact two, if you look at healthcare as a percentage of GDP in the US it is about 17%. Of that 17% about 2% is the prescription drugs. If you compare that to the OECD countries, healthcare as a percentage of their GDP is about 6%, 7%, 1.5% of that is prescription drugs. There is not some big disconnect or big difference between what we spend on prescription drugs as a percentage of GDP and what the OECD countries do.

Third point, if you look at the average consumer out of product, out-of-pocket for prescription drugs in the US for the average consumer 15% for prescription drugs, for treatment from physicians 9%, hospitals 3% -- just in terms of some of the statistics. So, you look at all that and then you look at what we have done on pricing.

If you look at Pfizer overall -- and I am here now at Pfizer over nine years -- our global pricing at any given point in time, every year since I have been here, plus or minus 2%. And then we assume reductions in developed Europe, we assume increases in the US; we assume increases in the US in the mid- to high-single-digit range.

We have been responsible, we are responsible, we will continue to be responsible on pricing. And I think the key going forward is to create therapeutically differentiated drugs that provide value to patients, and by providing value to patients we will provide value for our shareholders. But I think -- I began with I don't see some change, any kind of major change.

Chris Schott - *JPMorgan - Analyst*

Yes, okay.

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

I would end with I don't see some major change.

Chris Schott - *JPMorgan - Analyst*

Okay, that is helpful. Let's shift to Pfizer here. So first, sticking with Frank. Appetite and focus for capital deployment in business development right now, just share some of your thoughts of where you are spending your time and how you're prioritizing your capital at this point.

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

Sure. So I think the short answer is our capital, our priorities for capital deployment haven't changed. I mean they have been returning capital to shareholders. You look -- for the first three quarters of 2016 we returned $10.5 billion, $5 billion through share buybacks, $5.5 billion through dividends.

You look the last five years we have returned $77 billion to our shareholders, $33 billion in dividends, $44 billion in buybacks, $45 billion, $44 billion -- $45 billion in buybacks. So that priority hasn't changed and we get the dividend is an important part of our investment thesis.

We will continue to invest in the business, which we have been doing. And we will continue to look at opportunities to deploy capital for M&A. I mean if you look, you look the last 18 months or so, so you go back to the Hospira deal and then fast forward to let's say the end of 2016, we did about $38 billion in M&A. Hospira was $17 billion, Medivation was $14 billion, Anacor was $5 billion and change and then we have done some other smaller deals, the AstraZeneca anti-invectives deal, little deals here and there, about $38 billion.

And on our biz dev, hopefully one of the things you have noticed is our bias has been for revenue growth now or soon. And the reason for that is when you look at our valuation, clearly we will continue to grow earnings, but one of the things we see as an opportunity to create incremental value is it gets similar growth on the top line.

And so our bias on biz dev has been revenue growth now or soon. So what was now? Hospira was now, Medivation was now, Anacor was soon. Anacor has worked out. When we bought Anacor it had a January 7 PDUFA date, the drug has already been approved, we are preparing for launch.

And I think the only other thing I would say on biz dev is remember when we bought Hospira, Ian and I and Albert and Mikael, we would get up and we would say, okay now that we have done Hospira we've really strengthened our Essential business, our bias now is going to be on the Innovative business.

Well, you look since then we biased the Innovative business, we bought Medivation and we bought Anacor -- oncology, inflammation and immunology. I think on a going forward basis now our bias will simply be just what is the best thing overall for shareholder value. Compass will be shareholder value.

Chris Schott - *JPMorgan - Analyst*

And just on that point, the kind of now or soon dynamic we should expect that to continue in terms of the focus of deals that will either add in the very near-term to top line (multiple speakers).

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

Yes, not exclusively, because we have also done some deals that were earlier, earlier phase. But if you said to me our bias, our bias would be revenue growth now or soon. But we won't rule out doing -- we have done some earlier phase deals over that period as well, Bamboo and some of the deals like that.

Chris Schott - *JPMorgan - Analyst*

One more on the business development side. Just broader views of industry consolidation. What are you expecting as you kind of look more broadly for the sector? Do you see a lot more activity as we go into 2017 and 2018 or do you think things actually slow down? Just any broader thoughts would be helpful.

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

So I have been in this industry now almost a decade and it has been an industry that has been consolidating, I think still is consolidating and will continue to consolidate. I mean all the deals I just mentioned in a sense are forms of consolidation, right. So I think there will continue to be consolidation.

One of the things I get asked questions about well, Frank, with all of the proposals now around tax reform, does that give you pause? Should you wait before you would do anything on the deal front? And my answer is, obviously we play the cards we have been dealt. If we see a deal that we think works today with the cards we have been dealt I don't know why we would wait.

I think we would pursue that deal as long as it would create value for our shareholders. But the short answer is, yes, I think we will continue to see consolidation in the industry. We have seen it; we still see it and we will continue to see it.

Chris Schott - *JPMorgan - Analyst*

And on that would you be surprised if you saw large transactions this year or do you think it is going to be more of these -- again, speaking more broadly for the industry -- more of these kind of smaller tuck-in type of --?

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

I think clearly we will see more tuck-ins and bolt-ons. We have been seeing lots of those. In terms of I'll call it more kind of big galactic deals. I think -- I don't want to make predictions, but I think they are possible.

Chris Schott - *JPMorgan - Analyst*

Okay.

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

Yes.

Chris Schott - *JPMorgan - Analyst*

Okay. One or two others and we'll kind of transition over. You mentioned corporate tax reform; just what would broad corporate tax reform mean for Pfizer?

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

So I am sensitive to time on this one; I could spend all day on tax reform. Maybe I'll hit two of the things that obviously we find very -- very positive in terms of some of the items being proposed now. And then if there is anything you want me to hit on, Chris, you'll let me know, okay.

So obviously the lowering of the corporate tax rate would be a good thing. So one proposal now. I think President-elect Trump's proposal is 15%, I think Paul Ryan's proposal is 20%. Our current book rate is 24% and obviously it is not just book rate but cash rate too. But both of those would be good.

And then the other one is obviously what they are talking about relative to overseas earnings and repatriation. So President-elect Trump's proposal is 10% I believe. Paul Ryan's is I think 8.75% on one and 3.5% on the other. For us this is potentially a really big positive. Let me just run a couple numbers and just try to demonstrate why. Then I will stop and if you want to go into and more detail on this I will.

If you read last year's 10-K, you look at our tax session, you read it thoroughly including the footnotes, here are some of the things you will find, it is all publicly disclosed. We have $80 billion of permanently deferred earnings and then we have a deferred tax liability on the books of $23.6 billion.

Now that $23.6 billion are the taxes we would pay on overseas earnings that have been designated for repatriation. So you would have to gross that number up to what the real total number is based on an assumption between what the local taxes were that were paid and then that number minus the 35% we would have to pay to bring it back to the US.

Now we don't provide that rate, but just hypothetically if you gross that number up to $75 million, $80 million just hypothetically -- I'm not saying that is the number but if we did, you take the first $80 billion plus the $80 billion you get $160 billion.

Now let's use Paul Ryan's plan but use 10% because it makes the math easy for me. 10% on $160 billion is $16 billion. You pay that over eight years in the Ryan plan, it is $2 billion a year. Now what do I have, what does Pfizer have? We have a $160 billion previously taxed income account. So now year one, we generate $20 billion of operating cash flow. I bring it all back to the US tax-free; my $160 billion became $140 billion.

Year two, I generate another $20 billion of operating cash flow, I bring it all back to the US tax-free, my $120 billion became -- $140 billion became $120 billion so forth and so on. It gives us huge capital firepower as a corporation for all the things that we talked about. To return capital to shareholders, to do strategic business development, to invest in our business -- it is a huge potential positive for us.

Chris Schott - *JPMorgan - Analyst*

Two follow ups there. One, you mentioned that you wouldn't be restricted from doing a deal now, just waiting for potential tax reform to occur. Would it change the calculus a little bit if we had clarity on tax reform that [shows] that otherwise might not make sense would now make sense?

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

The short answer is, it could.

Chris Schott - *JPMorgan - Analyst*

Okay. Second question, is there -- the industry is global, is there cost opportunities that will result from corporate tax reform in terms of where you choose to manufacture? Or as we think about potentially import taxes, etc., is it things beyond just simply tax that would be involved in tax reform?

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

So some of the items we are discussing -- that are being discussed, so obviously there is the border adjustability tax, right, which on anything that would be sent into the US, so imported by the US, there would be this -- I guess it is 20% that is being discussed now, which would be a challenge for a whole bunch of industries.

But then we talk about possibility of a patent box where you create IP in the US, you manufacture it in the US and then for that you get a tax rate that is an incentive to whatever the actual corporate tax rate is. That would obviously I think be a real positive for job creation in the US and that would deal with I think a lot of the job items that we are trying to deal with as a Company.

Chris Schott - *JPMorgan - Analyst*

Great. Let's bring Albert into the conversation here. So first question, IBRANCE has obviously been a huge success so far. But can you just update how launch is progressing? And as we think about the publication of the PALOMA-2 data, etc., how much larger of an opportunity is there for the product over the coming years here?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

Chris, let me start by saying, how happy we are with the performance so far. We have a product that has been prescribed by more than 8,500 physicians in US alone to more than 44,000 patients. Our strategy during the initial phase of the launch was to establish the medicine as standard of care with in the early adopting physicians.

I believe that in the US growth moving forward will come from the late adopting physicians, which are -- already have prescribed, many of them, the product but in a limited number of their patients, maybe one or three patients. And we believe that the publication of PALOMA-2 that happened already in November and the subsequent incorporation of the data of PALOMA-2 into the label will become a significant update for this populace.

Let's not forget that in PALOMA-2 there was 10 months difference in progression free survival between the treatment and the control arm. And PALOMA-2 is the only pivotal study that has demonstrated more than two years progression free survival for first-line metastatic breast cancer. We have already submitted the data to the FDA and we expect the PDUFA date is in April of 2017.

Chris Schott - *JPMorgan - Analyst*

How quickly do you think you can address that broader population? Is this a multiyear process? Is it something that -- or is this something that could ramp very quickly?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

I think in the US, again, the growth will continue over years. So it will take time to increase the penetration. Moving to Europe, however, in Europe we did have approval of the product late last year in December. The label is very good. We have in Europe flexibility in the selection of the aromatase inhibitor, it is not restricting us.

And also virtually we are having in the label all lines of therapy, of metastatic breast cancer therapy provided that of course it is ER positive HER2 negative. The ramp up though will vary country by country. We will have countries that will have early access and over there we should expect to see an equally impressive or even better ramp up than what we have seen in the US. But there will be other countries that will be slower as negotiations for actions will continue. And there is a price difference of course between US and Europe.

Chris Schott - *JPMorgan - Analyst*

Any color on that price difference at this point?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

I cannot provide you details first of all because we are actively negotiating now. But generally speaking we should expect the same differences with all medicines in oncology between Europe and the US.

Chris Schott - *JPMorgan - Analyst*

Another one on IBRANCE. Talk about the competitive landscape for the product. How are you thinking about how things could change over the coming years with potential two competitors coming to market here?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

Yes. I think in the last few months we did see some more data from a competing CDK. And I am referring to Monaleesa and other CDK inhibitors. I think that this data they are just adding to the body of evidence that demonstrates the significance of CDK inhibition to the breast cancer. And I think those will benefit overall the class.

We feel very confident that we will maintain strong leadership within this class. And the confidence is based on the strength of the data, is based on the first mover advantage, but more importantly it is based on the very positive patient experience so far.

Chris Schott - *JPMorgan - Analyst*

Excellent.

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

Let me provide a few facts.

Chris Schott - *JPMorgan - Analyst*

Yes.

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

IBRANCE is the only medicine that is approved in US, in Europe and a total of 56 countries right now in the world. It has become already standard of care in the US. I mentioned before 44,000 women already. This is testament not only to its efficacy but more important to the excellent safety

profile and tolerability of the product with very low rate of grade 3 or 4 side effects like fatigue or diarrhea that are affecting the quality of life of the patients.

It is the only medicine CDK that has consistent positive results across three pivotal studies so far. And last but not least we have a very robust lifecycle program with four ongoing Phase 3 studies. Two of them in early breast cancer and over 100 studies that are investigating IBRANCE in breast or non-breast indications. So we feel very confident about our leadership in the class.

Chris Schott - *JPMorgan - Analyst*

Moving to another new exciting launch opportunity, EUCRISA. Can you just talk a little bit about how we should think about the launch dynamics of that product and the market opportunity that you are going after?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

Yes. EUCRISA got approval late last year in December. And we are very excited about this opportunity. Atopic dermatitis is a significant medical need. There are 18 million to 25 million people in US alone suffering from this disease. And 80% to 90% of the people suffering, they have mild or moderate atopic dermatitis, which is the indication that EUCRISA has been approved.

Also significantly, 18% of the population that is suffering from atopic dermatitis, it is children 17 years of age and younger. And again, EUCRISA has received approval for pediatric uses.

Now these conditions right now in the US there are treatment options for the patients. But those options, they have limitations, particularly in the safety domain, including some black box warnings. Or they have restrictions, restrictions on the site of application or the restriction on the duration of treatment.

Those restrictions, those issues, they are playing a significant role particularly in the pediatric population, it's a significant consideration. Now EUCRISA has a clinical profile in safety and efficacy but particularly in safety. But I think we'll position the product as an excellent first line option treatment for the atopic dermatitis.

You ask our expectations. We are preparing for the launch. I think we will launch officially the product at the end of the quarter beginning of March/April. And this is one -- usually we don't do it, but this is one that we have done it in the past. We publicly stated our expectations for this product and we can reiterate today that we expect the product to achieve the $2 billion peak sales.

Chris Schott - *JPMorgan - Analyst*

Okay, excellent. Biosimilars is a topic that is increasingly being kind of debated in the market. And it seems like Pfizer is in a somewhat unique position of having some products that maybe are seeing some pressures from biosimilars. At the same time you have got your own fairly broad portfolio of products you are developing on your own.

So, can you maybe just talk a little bit about how you see the landscape for biosimilars playing out? And ultimately when I think about whether it is Enbrel facing pressures relative to the launch portfolio, how you see this factoring into the Pfizer story over time?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

Well, I think the market has replied very positive, has responded very positively in the introduction of biosimilars. And I think biosimilars will have a place in the treatment tool that physicians are having in their disposal to treat diseases. And this is why we have embraced into a very aggressive strategy in building biosimilars.

We are right that we will also have a negative impact on our Enbrel, which we have internationally, not in the US anymore as you know. But all in all we are very bullish about the biosimilars opportunity. The positives will definitely outweigh the negatives in our case. And we are looking to launch the first one and then continue very successfully with the remaining in the pipeline.

Chris Schott - *JPMorgan - Analyst*

Okay, great. Maybe one more question. Prevnar adult in Europe. Can you just talk about the opportunities and challenges that that market brings? And maybe compare and contrast the very rapid ramp we saw in the US for the delta indication. How should we think about that relative to the European opportunity?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

Yes, it is an excellent question. In Europe when it comes to adult vaccination it is all about recommendation and reimbursement, not very different than US. We continue advocating for both. We work very, very close with national technical committees to advocate for recommendations and with national payers to advocate for reimbursement.

The difference is that in Europe you have to do it country by country. And in many cases you have to do it region by region within the same country. And that poses some challenges in terms of timing of success. 2016, for example, was not a good year in terms of recommendations for Prevnar adult. We had one in Denmark that was above 65 but they are having some co-morbidity conditions. And we have one region in Spain, the Madrid region, so it was modest.

This year in 2017 we are expecting more critical decisions, more significant decisions from countries like France, Italy, Belgium. And then we will continue. The price difference of course plays a role, but in terms of ramp-up in terms of people that are getting vaccinated, we have some countries that we have equally good success in as in the US right now.

Chris Schott - *JPMorgan - Analyst*

Do you eventually see penetration in Europe in terms of the catch-up bolus, etc., reaching a level that we saw in the US is just going to take time? Or do you think this factor is to keep that from getting there?

Albert Bourla - *Pfizer Inc. - Group President of Pfizer Innovative Health*

Again, excellent question. And look, I think Prevnar overall, pediatric and adult, will remain a very significant product. Now we will incorporate our expectations for the product in the guidance that Frank will provide at the end of the month actually. But generally speaking we think that in US the adult indication given the tremendous success that we had so far just to provide some information.

By the end of 2016 we believe we have vaccinated 50% of the American population above 65 years old. That is a significant number. So I think in US the adult sales will decline as we are exhausting the catch-up opportunity and this decline will be tempered by the growth that we are seeing in international markets.

We have -- Europe, as we said, we just got approval for pediatric of course in China. I would say that moving forward in the US our efforts with adult will focus on capturing the remaining 50%. We know, however, that capturing the second 50% is much more challenging than capturing the first 50%.

And also we want to expand vaccination to protect people from 19 to 64 year of age where we do have registration. However we are aware that to materialize -- to realize the full potential of this opportunity we need ACIP approval. Overall I think next year our Prevnar sales as a brand will be likely at best flat.

Chris Schott - *JPMorgan - Analyst*

Okay, okay, that is very helpful. Let's shift over to the R&D side of the equation. So, Mikael, maybe a broad question first. When you look at your internal pipeline do you feel at this point you have a robust enough internal pipeline to support growth for the business over time? Or do you see a need to continue to build out the mid- and late stage pipeline to be able to create a kind of sustainable engine for the organization?

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

Thank you for your question. I think we have one of the strongest pipelines in a decade here. And it really positions us well for growth, although I should say we are always hungry to see more opportunities. And let me also share briefly three aspects on the pipeline, quantity, quality and external augmentation.

On the quantity side, so I will run a few numbers, since 2011, in the like six years we have had 20 approvals of which more than half are new medical entities. That gives us an average rhythm of three to four approvals per year. We have initiated some 40 pivotal studies of which 32 were Phase 3 and the remaining eight were pivotal Phase 2. That gives us about six to seven per year.

We think the current pipeline, which contains 94 clinical programs, half biologicals, half small molecules, about two-thirds NMEs, is well positioned for the next few years to drive a similar strong output. And as we turn the corner around 2020 we think we have a lot of science that could further accelerate the size of the product and the number of approvals that could come out.

Of course what really matters is the quality, the various products in the pipeline here that we project will come from this flow that I described. And I want just to share a few aspects on that.

So we talk increasingly about anchor products and anchor mechanism. And that is product that really address large unmet needs and provide opportunities for multibillion-dollar size products. And the anchor mechanism is a space where Pfizer R&D with partners can build strong (inaudible) science that can extend lifespan of the products to new indications or combinations around them. And currently I want to exemplify like 10 anchors and I will try to run through them quick here.

Albert spoke about Prevnar 13 advance and as we continue to drive that product with the recent approval in China, we end of last year put into the clinic a novel pneumococcal vaccine that covers 20 serotypes, further aiming to extend our real leadership in this area since year 2000.

We also have a second anchoring vaccine that relates to novel bacterial vaccine in difficult to treat infections, that is our C. difficile vaccine that reached proof of concept last year, a devastating infection where we now very soon will start Phase 3.

In oncology you heard Albert speak to us about IBRANCE and the large program we have in new indications outside breast. We are planning soon to start HER2-positive breast cancer studies as well moving into the early breast cancer at a later phase of this decade.

But we will also show the strong signs around this anchor are planning within a year or so to be in the clinic with a novel molecule in this space that can deal with resistance when patients progress on molecules like IBRANCE or if there would be any other CDKs that would be in the market. So again it is the science behind our anchors.

XTANDI provided us with a novel anchor in prostate cancer and also opportunity to extend that type of androgen receptor blocker into other indication as well at the later end of this decade to move into the early phase of prostate cancer.

And finally avelumab is our third anchor together with a very comprehensive immuno-oncology portfolio. In immunology we were the first to bring XELJANZ as a JAK inhibitor into inflammatory diseases. And as we expand that through science into new indication we also have a handful of different JAK and related kinase inhibitors in Phase 2 now covering 10 different indications from rheuma GI into derm.

EUCRISA from Anacor allowed us to get into topical treatment of diseases like atopic dermatitis. And we now have built an anchor portfolio around topical delivery of novel small molecules that would play beyond Anacor for atopic dermatitis but could also potentially go into psoriasis.

In rare disease we made the deal with Bamboo Therapeutics and that allows us to expand our gene therapy anchor mechanism. And we are collaborating with Spark, but we plan around 2018 to have three different gene therapy programs in the clinic.

And finally, in internal medicine we have anchor opportunities in NASH with multiple drugs in the clinic as well in Alzheimer's with both a base and GSM. And running through this you get the sense that this is really a combination of internally discovered and developed and external augmented and that was my third point around Medivation, Anacor and Bamboo. And that is really how we try to work together to drive a unique long-lasting R&D pipeline for us.

Chris Schott - *JPMorgan - Analyst*

Yes, that is great. Immuno-oncology has been a big focus within your pipeline. So can you just talk a little bit about expectations, what should we be watching as we think about 2017 in terms of data presentations, etc., on the I/O portfolio?

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

Yes, so, the way we look upon immuno-oncology is that it will be an era of combination drugs. We saw the first entry of PD-1 L-1s and we are focusing a lot around doublets and triplets. And the way we want to position them is to look at tumors as hot, warm or cold tumors and each of them will have a different composition of combination drugs.

So the hot are typically where you remove the brakes with drugs such as avelumab, you then augment with products like 4-1BB and OX-40. Once you come into the warm tumors, the temperature is slightly lower, you may need to add other drugs that remove roadblocks such as macrophages and we have studies on drugs like CCR2, we're working on IDO1.

And finally when you have the cold tumors where you don't have the immune system get there, that is when you have to deploy strategies such as oncolytic viruses where we recently had a collaboration with Western Oncolytics. You may use of course chemo but also antibody drug conjugates where we have a component like PTK7. And you likely want to try vaccination to augment the immune system to infiltrate the tumors and CAR-T like our allogeneic approach with Cellectis.

The particular examples that are now starting to deliver data is avelumab with 4-1BB. We're just now starting a triplet with OX-40. We will have studies with avelumab combined with rituximab and 4-1BB. We will have more data on rituximab with 4-1BB by itself.

And then we have IO targeted agents. We have studies with avelumab with lorlatinib, our ALK inhibitor that will generate data and avelumab with Inlyta. So I hope you got the sense it will be a combination of IOIO, triple IO, IO targeted therapy as well as IO with chemo and radiotherapy where we have studies now in head and neck.

Chris Schott - *JPMorgan - Analyst*

In light of some of the accelerated development efforts and some filing timelines of your competitors, particularly in lung cancer, can you just talk about how you see -- it is obviously one of the biggest opportunities for these agents. How do you see the Company positioned specifically in lung?

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

Yes. We think there are ample opportunities to participate on one hand with the monotherapies, but of course we are more excited about the combination approaches. So when you look at lung, we see opportunities in second line for avelumab where we will have data in about a year. And in first line we tried to incorporate the best learning that has come out of some of the studies when it comes to the amount of PD-L1 positive cells you want to have in your studies with PD-L1 agents.

However at the same time we are likely even more excited about the opportunity in line for -- like in segments of ALK positive tumors that we are stating avelumab with Xalkori or lorlatinib, our second-generation ALK inhibitor. And with avelumab and augmenting drugs like 4-1BB. So that is how we will look upon that we will participate actively in the first generation, but it is really the next wave that we think can grow the field substantially.

Chris Schott - *JPMorgan - Analyst*

Great. I think that just wraps out our time today. Thank you so much. It was very helpful. And thanks everyone for attending.

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

Thanks, Chris.
