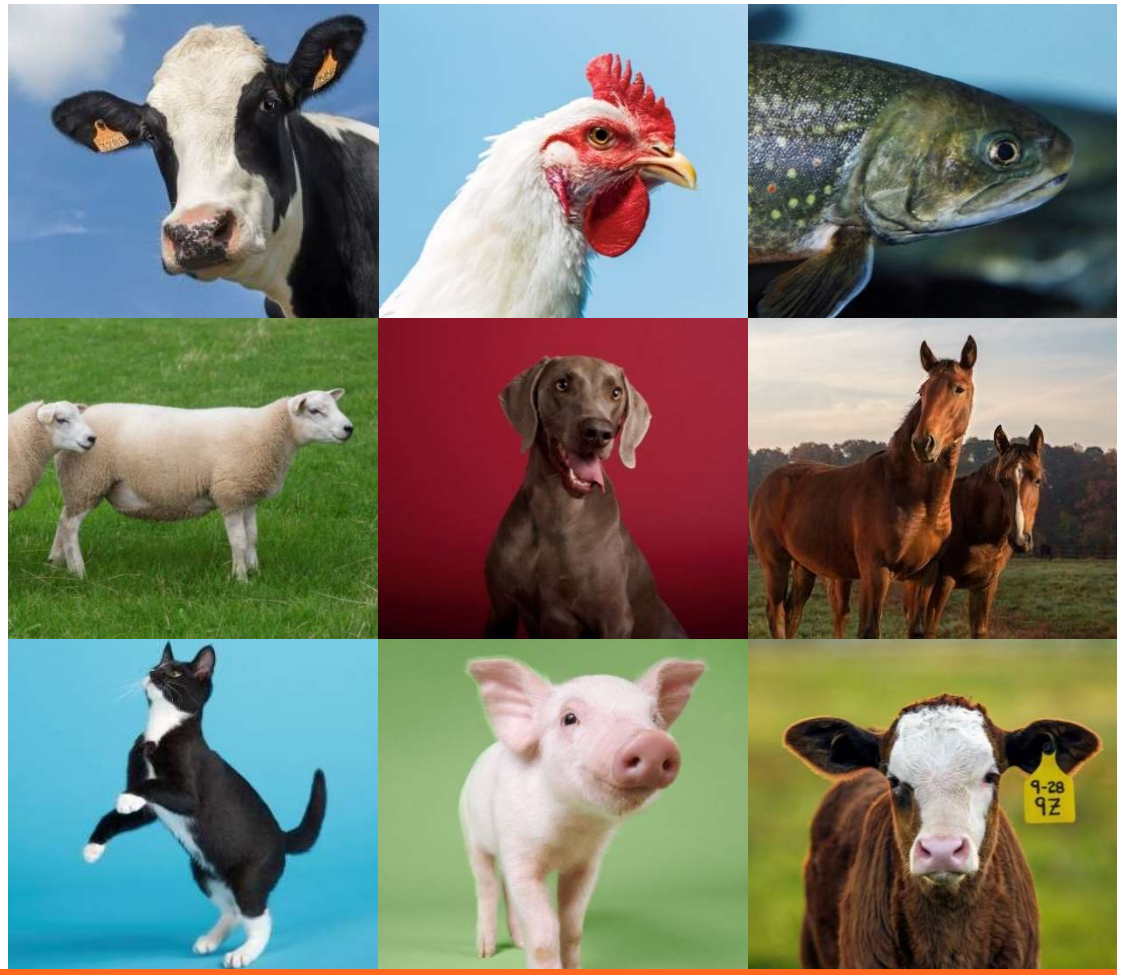
# THIRD QUARTER 2018 FINANCIAL RESULTS

November 1, 2018



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# FORWARD-LOOKING STATEMENTS

*This presentation contains forward-looking statements, which reflect the current views of Zoetis with respect to business plans or prospects, future operating or financial performance, future guidance, future operating models, expectations regarding products, expectations regarding the performance of acquired companies and our ability to integrate new businesses, expectations regarding the financial impact of acquisitions, future use of cash and dividend payments, tax rate and tax regimes, changes in the tax regimes and laws in other jurisdictions, and other future events. These statements are not guarantees of future performance or actions. Forward-looking statements are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. Forward-looking statements speak only as of the date on which they are made. Zoetis expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. A further list and description of risks, uncertainties and other matters can be found in our most recent Annual Report on Form 10-K, including in the sections thereof captioned "Forward-Looking Statements and Factors That May Affect Future Results" and "Item 1A. Risk Factors," in our Quarterly Reports on Form 10-Q and in our Current Reports on Form 8-K. These filings and subsequent filings are available online at www.sec.gov, www.zoetis.com, or on request from Zoetis.*

# NON-GAAP FINANCIAL INFORMATION

*We use non-GAAP financial measures, such as adjusted net income, adjusted diluted earnings per share, adjusted operating expenses, adjusted gross margin, organic operational growth, and operational results (which excludes the impact of foreign exchange) to assess and analyze our results and trends and to make financial and operational decisions. We believe these non-GAAP financial measures are also useful to investors because they provide greater transparency regarding our operating performance. The non-GAAP financial measures included in this presentation should not be considered alternatives to measurements required by GAAP, such as net income, operating income, and earnings per share, and should not be considered measures of liquidity. These non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. Reconciliation of non-GAAP financial measures and GAAP financial measures are included in the tables accompanying our earnings release and are posted on our website at www.zoetis.com.*



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# JUAN RAMÓN ALAIX
# CHIEF EXECUTIVE OFFICER

# KEY CEO TAKEAWAYS

## SOLID Q3 PERFORMANCE

- Generated 12% operational[1] growth in revenue for the third quarter, with 32% operational[1] increase in adjusted net income[2]
- Abaxis integration well underway, with diagnostic portfolio contributing 3% of our operational[1] revenue growth in the third quarter
- Excluding Abaxis, companion animal business remained largest driver of growth, with key dermatology products and new products, including Simparica and Stronghold Plus, as strongest contributors
- Livestock business performed well, driven primarily by pork, poultry, and fish

## COMMITTED TO OUR LONG-TERM VALUE PROPOSITION

- Updated full-year 2018 guidance:
  - Narrowed revenue at the high end of revenue range between $5.75B and $5.8B
  - Raised and narrowed range for adjusted diluted EPS[2] between $3.08 and $3.13
- Investments to support future growth have Zoetis well-positioned to continue delivering our long-term value proposition in 2019 -- growing revenue in-line with or faster than the market, and growing adjusted net income[2] faster than revenue.

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.
[2]Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported U.S. generally accepted accounting principles (GAAP) net income and diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.



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# GLENN DAVID
# CHIEF FINANCIAL OFFICER

# INCOME STATEMENT HIGHLIGHTS

| | Third Quarter | | |
|---|---|---|---|
| | 2018* | 2017* | Change |
| Revenue | $1,480 | $1,347 | 10% |
| Reported Net Income | 347 | 298 | 16% |
| Reported Diluted Earnings Per Share | $0.71 | $0.61 | 16% |
| Adjusted Net Income[1] | 403 | 322 | 25% |
| Adjusted Diluted Earnings Per Share[1,2] | $0.83 | $0.65 | 28% |

* Millions of dollars, except per share data

[1]Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income attributable to Zoetis and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.
[2]Adjusted diluted earnings per share reported growth of 28% includes 6% unfavorable foreign exchange impact, and operational growth of 34%.



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# ADJUSTED INCOME STATEMENT HIGHLIGHTS

| | Third Quarter | | | | |
|---|---|---|---|---|---|
| | 2018* | 2017* | Change | Foreign Exchange | Operational[1] |
| Revenue | $1,480 | $1,347 | 10% | (2)% | 12% |
| Adjusted Cost of Sales[2] | 463 | 432 | 7% | 1% | 6% |
| *as a percent of revenue[3]* | *31.3%* | *32.1%* | *NA* | *NA* | *NA* |
| Adjusted SG&A Expenses[2] | 356 | 327 | 9% | (1)% | 10% |
| Adjusted R&D Expenses[2] | 108 | 95 | 14% | 1% | 13% |
| Adjusted Operating Expenses[4] | 467 | 426 | 10% | (1)% | 11% |
| Effective Tax Rate on Adjusted Income[2] | 19.2% | 28.7% | NA | NA | NA |
| Adjusted Net Income[2] | 403 | 322 | 25% | (7)% | 32% |

* Millions of dollars

NA – Not applicable

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

[2]Adjusted net income and its components (non-GAAP financial measures) are defined as reported U.S. generally accepted accounting principles (GAAP) net income and its components, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Adjusted cost of sales, adjusted selling, general and administrative (SG&A) expenses, adjusted research and development (R&D) expenses, and adjusted tax expenses are income statement line items prepared on the same basis, and, therefore, components of the overall adjusted income measure.

[3]Adjusted gross margin (a non-GAAP financial measure) was 68.7% in the third quarter of 2018, and 67.9% in the third quarter of 2017.

[4]Adjusted operating expenses (a non-GAAP financial measure) of $467 million in the third quarter of 2018, and $426 million in the third quarter of 2017 include adjusted amortization of intangible assets of $3 million in 2018 and $4 million in 2017.



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# US SEGMENT PERFORMANCE

| | Third Quarter | | | | |
|---|---|---|---|---|---|
| | 2018* | 2017* | Change | Foreign Exchange | Operational[1] |
| Revenue | $757 | $680 | 11% | - | 11% |
| Livestock | 322 | 319 | 1% | - | 1% |
| Companion Animal | 435 | 361 | 20% | - | 20% |
| Cost of Sales | 151 | 141 | 7% | - | 7% |
| Gross Profit | 606 | 539 | 12% | - | 12% |
| *Gross Margin* | *80.1%* | *79.3%* | *NA* | - | *NA* |
| Operating Expenses | 116 | 103 | 13% | - | 13% |
| Other (Income)/Deductions | - | - | - | - | - |
| Earnings[2] | 490 | 436 | 12% | - | 12% |

* Millions of dollars, NA – Not applicable

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.
[2]Defined as income before provision for taxes on income.



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# INTERNATIONAL SEGMENT PERFORMANCE

| | Third Quarter | | | | |
|---|---|---|---|---|---|
| | 2018* | 2017* | Change | Foreign Exchange | Operational[1] |
| Revenue | $709 | $654 | 8% | (4)% | 12% |
| Livestock | 456 | 435 | 5% | (5)% | 10% |
| Companion Animal | 253 | 219 | 16% | (2)% | 18% |
| Cost of Sales | 226 | 213 | 6% | (3)% | 9% |
| Gross Profit | 483 | 441 | 10% | (4)% | 14% |
| *Gross Margin* | *68.1%* | *67.4%* | *NA* | *NA* | *NA* |
| Operating Expenses | 131 | 132 | (1)% | (4)% | 3% |
| Other (Income)/Deductions | (1) | - | ** | ** | ** |
| Earnings[2] | 353 | 309 | 14% | (5)% | 19% |

* Millions of dollars, NA – Not applicable, **Calculation not meaningful

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.
[2]Defined as income before provision for taxes on income.



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# INTERNATIONAL MARKET REVENUE

| | Third Quarter | | | | |
|---|---|---|---|---|---|
| | 2018* | 2017* | Change | Foreign Exchange | Operational[1] |
| Total International | $709 | $654 | 8% | (4)% | 12% |
| Australia | 53 | 51 | 4% | (5)% | 9% |
| Brazil | 72 | 66 | 9% | (22)% | 31% |
| Canada | 42 | 40 | 5% | (5)% | 10% |
| China | 46 | 40 | 15% | - | 15% |
| France | 29 | 30 | (3)% | 2% | (5)% |
| Germany | 36 | 35 | 3% | 2% | 1% |
| Italy | 27 | 22 | 23% | 6% | 17% |
| Japan | 34 | 31 | 10% | 1% | 9% |
| Mexico | 24 | 21 | 14% | (4)% | 18% |
| Spain | 28 | 24 | 17% | 1% | 16% |
| United Kingdom | 47 | 36 | 31% | 1% | 30% |
| Other Developed | 98 | 96 | 2% | - | 2% |
| Other Emerging | 173 | 162 | 7% | (6)% | 13% |

* Millions of dollars

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.



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# 2018 GUIDANCE EXTERNAL

| **Selected Line Items** (millions of dollars, except per share amounts) | **August Guidance[1]** | **November Guidance[1]** |
|---|---|---|
| Revenue<br>*Operational growth[2]*<br>*Organic Operational growth[3]* | $5,700 to $5,800<br>*7% to 9%*<br>*5% to 7%* | $5,750 to $5,800<br>*8% to 9%*<br>*6% to 7%* |
| Adjusted cost of sales as a percentage of revenue[4] | Approximately 32% | Approximately 32% |
| Adjusted SG&A expenses[4] | $1,410 to $1,450 | $1,425 to $1,450 |
| Adjusted R&D expenses[4] | $415 to $430 | $420 to $430 |
| Adjusted interest expense and other (income) / deductions[4] | Approximately $200 | Approximately $200 |
| Effective tax rate on adjusted income[4] | Approximately 20% | Approximately 19% |
| Adjusted diluted EPS[4] | $3.00 to $3.10 | $3.08 to $3.13 |
| Adjusted net income[4]<br>*Operational growth[2,5]* | $1,460 to $1,510<br>*23% to 27%* | $1,500 to $1,525<br>*27% to 30%* |
| Certain significant items and acquisition-related costs[6] | $65 to $90 | $35 to $45 |
| Reported diluted EPS | $2.72 to $2.89 | $2.81 to $2.90 |

*Exchange rates as of mid-October*

*[1]This guidance reflects the inclusion of Abaxis results for the last 5 months of the year in the U.S., Canada and Latin America, and 4 months in all other international markets. Amounts related to Abaxis purchase accounting are subject to final valuation.*

*[2]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.*

*[3]Organic operational growth (a non-GAAP financial measure) excludes the impact of the acquisition of Abaxis as well as foreign exchange.*

*[4]Adjusted net income and its components and adjusted diluted EPS are defined as reported U.S. generally accepted accounting principles (GAAP) net income and its components and reported diluted EPS excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Adjusted cost of sales, adjusted selling, general and administrative (SG&A) expenses, adjusted research and development (R&D) expenses, and adjusted interest expense and other (income)/deductions are income statement line items prepared on the same basis, and, therefore, components of the overall adjusted income measure. Effective tax rate on adjusted income (a non-GAAP financial measure) equals the adjusted provision for taxes on income (a non-GAAP financial measure) divided by adjusted income before provision for taxes on income (a non-GAAP financial measure). Adjusted net income and its components, adjusted diluted EPS, and the effective tax rate on adjusted net income, are presented solely to permit investors to more fully understand how management assesses performance. Adjusted net income and its components and adjusted diluted EPS are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components and diluted EPS.*

*[5]We do not provide a reconciliation of forward-looking non-GAAP adjusted net income operational growth to the most directly comparable GAAP reported financial measure because we are unable to calculate with reasonable certainty the foreign exchange impact of unusual gains and losses, acquisition-related expenses, potential future asset impairments and other certain significant items, without unreasonable effort. The foreign exchange impacts of these items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period.*

*[6]Primarily includes certain nonrecurring costs related to the acquisition of Abaxis, net gains/ losses on sales of assets, and restructuring and other charges for the supply network strategy. The actual impact of the acquisition of Abaxis on our financial results could differ materially from these estimates.*



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# Q&A


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