

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended  
**June 30, 2025**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35797

**Zoetis Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**46-0696167**

(I.R.S. Employer Identification No.)

**10 Sylvan Way, Parsippany, New Jersey**

(Address of principal executive offices)

**07054**

(Zip Code)

**(973) 822-7000**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, par value \$0.01 per share</b>	<b>ZTS</b>	<b>New York Stock Exchange</b>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

**Large accelerated filer**  **Accelerated filer**  **Non-accelerated filer**  **Smaller reporting company**  **Emerging growth company**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of August 1, 2025, there were 443,183,472 shares of common stock outstanding.

## TABLE OF CONTENTS

	<u>Page</u>
PART I — FINANCIAL INFORMATION	<u>1</u>
Item 1. Financial Statements	<u>1</u>
Condensed Consolidated Statements of Income (Unaudited)	<u>1</u>
Condensed Consolidated Statements of Comprehensive Income (Unaudited)	<u>2</u>
Condensed Consolidated Balance Sheets (Unaudited)	<u>3</u>
Condensed Consolidated Statements of Equity (Unaudited)	<u>4</u>
Condensed Consolidated Statements of Cash Flows (Unaudited)	<u>6</u>
Notes to Condensed Consolidated Financial Statements (Unaudited)	<u>7</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>21</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>38</u>
Item 4. Controls and Procedures	<u>39</u>
PART II — OTHER INFORMATION	<u>40</u>
Item 1. Legal Proceedings	<u>40</u>
Item 1A. Risk Factors	<u>40</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>42</u>
Item 3. Defaults Upon Senior Securities	<u>42</u>
Item 4. Mine Safety Disclosures	<u>42</u>
Item 5. Other Information	<u>42</u>
Item 6. Exhibits	<u>43</u>
SIGNATURES	<u>44</u>

---

**PART I – FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**ZOETIS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(UNAUDITED)**

(MILLIONS OF DOLLARS AND SHARES, EXCEPT PER SHARE DATA)	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 2,460	\$ 2,361	\$ 4,680	\$ 4,551
Costs and expenses:				
Cost of sales	649	668	1,271	1,311
Selling, general and administrative expenses	617	581	1,180	1,128
Research and development expenses	172	171	329	333
Amortization of intangible assets	33	35	65	72
Restructuring charges and certain acquisition and divestiture-related costs	30	42	30	46
Interest expense, net of capitalized interest	53	59	107	117
Other (income)/deductions—net	4	25	(14)	17
Income before provision for taxes on income	902	780	1,712	1,527
Provision for taxes on income	184	156	363	304
Net income before allocation to noncontrolling interests	718	624	1,349	1,223
Less: Net income/(loss) attributable to noncontrolling interests	—	—	—	—
Net income attributable to Zoetis Inc.	\$ 718	\$ 624	\$ 1,349	\$ 1,223
Earnings per share attributable to Zoetis Inc. stockholders:				
Basic	\$ 1.61	\$ 1.37	\$ 3.02	\$ 2.68
Diluted	\$ 1.61	\$ 1.37	\$ 3.02	\$ 2.67
Weighted-average common shares outstanding:				
Basic	445.1	455.5	446.3	456.7
Diluted	445.5	456.0	446.7	457.4
Dividends declared per common share	\$ 0.500	\$ 0.432	\$ 1.000	\$ 0.864

See notes to condensed consolidated financial statements.

**ZOETIS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

(MILLIONS OF DOLLARS)	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income before allocation to noncontrolling interests	\$ 718	\$ 624	\$ 1,349	\$ 1,223
Other comprehensive income/(loss), net of tax <sup>(a)</sup> :				
Unrealized losses on derivatives for cash flow hedges, net of tax of \$(1) and \$0 for the three months ended June 30, 2025 and 2024, respectively, and \$(5) and \$0 for the six months ended June 30, 2025 and 2024, respectively	(4)	(1)	(17)	(1)
Unrealized (losses)/gains on derivatives for net investment hedges, net of tax of \$(21) and \$0 for the three months ended June 30, 2025 and 2024, respectively, and \$(31) and \$1 for the six months ended June 30, 2025 and 2024, respectively	(74)	2	(107)	18
Foreign currency translation adjustments	218	(5)	187	(23)
Total other comprehensive income/(loss), net of tax	140	(4)	63	(6)
Comprehensive income before allocation to noncontrolling interests	858	620	1,412	1,217
Less: Comprehensive income/(loss) attributable to noncontrolling interests	—	—	—	—
Comprehensive income attributable to Zoetis Inc.	\$ 858	\$ 620	\$ 1,412	\$ 1,217

<sup>(a)</sup> Presented net of reclassification adjustments, which are not material in any period presented.

See notes to condensed consolidated financial statements.

**ZOETIS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(MILLIONS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA)	June 30, 2025 (Unaudited)	December 31, 2024
<b>Assets</b>		
Cash and cash equivalents <sup>(a)</sup>	\$ 1,435	\$ 1,987
Accounts receivable, less allowance for doubtful accounts of \$17 in 2025 and \$18 in 2024	1,540	1,316
Inventories	2,439	2,306
Other current assets	509	377
<b>Total current assets</b>	<b>5,923</b>	<b>5,986</b>
Property, plant and equipment, less accumulated depreciation of \$2,796 in 2025 and \$2,635 in 2024	3,537	3,391
Operating lease right-of-use assets	302	219
Goodwill	2,758	2,724
Identifiable intangible assets, less accumulated amortization	1,075	1,127
Noncurrent deferred tax assets	617	540
Other noncurrent assets	267	250
<b>Total assets</b>	<b>\$ 14,479</b>	<b>\$ 14,237</b>
<b>Liabilities and Equity</b>		
Current portion of long-term debt	\$ 1,350	\$ 1,350
Accounts payable	508	433
Dividends payable	222	224
Accrued expenses	770	746
Accrued compensation and related items	293	441
Income taxes payable	93	93
Other current liabilities	130	125
<b>Total current liabilities</b>	<b>3,366</b>	<b>3,412</b>
Long-term debt, net of discount and issuance costs	5,231	5,220
Noncurrent deferred tax liabilities	156	167
Operating lease liabilities	210	174
Other taxes payable	265	272
Other noncurrent liabilities	274	222
<b>Total liabilities</b>	<b>9,502</b>	<b>9,467</b>
Commitments and contingencies (Note 15)		
<b>Stockholders' equity:</b>		
Common stock, \$0.01 par value: 6,000,000,000 authorized; 501,891,243 and 501,891,243 shares issued; 443,945,593 and 448,743,073 shares outstanding at June 30, 2025, and December 31, 2024, respectively	5	5
Treasury stock, at cost, 57,945,650 and 53,418,170 shares of common stock at June 30, 2025 and December 31, 2024, respectively	(8,226)	(7,445)
Additional paid-in capital	1,203	1,182
Retained earnings	12,872	11,968
Accumulated other comprehensive loss	(877)	(940)
<b>Total Zoetis Inc. equity</b>	<b>4,977</b>	<b>4,770</b>
Equity attributable to noncontrolling interests	—	—
<b>Total equity</b>	<b>4,977</b>	<b>4,770</b>
<b>Total liabilities and equity</b>	<b>\$ 14,479</b>	<b>\$ 14,237</b>

<sup>(a)</sup> As of June 30, 2025 and December 31, 2024, includes \$0 million and \$2 million of restricted cash, respectively.

See notes to condensed consolidated financial statements.

**ZOETIS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
**(UNAUDITED)**

Three months ended June 30, 2025									
Zoetis									
(MILLIONS OF DOLLARS AND SHARES)	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Equity Attributable to Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
Balance, March 31, 2025	501.9	\$ 5	55.8	\$ (7,888)	\$ 1,180	\$ 12,375	\$ (1,017)	\$ —	\$ 4,655
Net income	—	—	—	—	—	718	—	—	718
Other comprehensive income	—	—	—	—	—	—	140	—	140
Share-based compensation awards <sup>(a)</sup>	—	—	—	3	23	—	—	—	26
Treasury stock acquired <sup>(b)</sup>	—	—	2.1	(341)	—	—	—	—	(341)
Dividends declared	—	—	—	—	—	(221)	—	—	(221)
<b>Balance, June 30, 2025</b>	<b>501.9</b>	<b>\$ 5</b>	<b>57.9</b>	<b>\$ (8,226)</b>	<b>\$ 1,203</b>	<b>\$ 12,872</b>	<b>\$ (877)</b>	<b>\$ —</b>	<b>\$ 4,977</b>

Three months ended June 30, 2024									
Zoetis									
(MILLIONS OF DOLLARS AND SHARES)	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Equity Attributable to Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
Balance, March 31, 2024	501.9	\$ 5	44.9	\$ (5,928)	\$ 1,126	\$ 10,696	\$ (841)	\$ (6)	\$ 5,052
Net income	—	—	—	—	—	624	—	—	624
Other comprehensive loss	—	—	—	—	—	—	(4)	—	(4)
Share-based compensation awards <sup>(a)</sup>	—	—	(0.1)	2	20	—	—	—	22
Treasury stock acquired <sup>(b)</sup>	—	—	3.2	(538)	—	—	—	—	(538)
Dividends declared	—	—	—	—	—	(196)	—	—	(196)
<b>Balance, June 30, 2024</b>	<b>501.9</b>	<b>\$ 5</b>	<b>48.0</b>	<b>\$ (6,464)</b>	<b>\$ 1,146</b>	<b>\$ 11,124</b>	<b>\$ (845)</b>	<b>\$ (6)</b>	<b>\$ 4,960</b>

Shares may not add due to rounding.

<sup>(a)</sup> Includes the issuance of shares of Zoetis Inc. common stock and the reacquisition of shares of treasury stock associated with exercises of employee share-based awards. Also includes the reacquisition of shares of treasury stock associated with the vesting of employee share-based awards to satisfy tax withholding requirements. For additional information, see *Note 12. Share-based Payments* and *Note 13. Stockholders' Equity*.

<sup>(b)</sup> Reflects the acquisition of treasury shares in connection with the share repurchase program and includes excise tax accrued on net share repurchases. For additional information, see *Note 13. Stockholders' Equity*.

See notes to condensed consolidated financial statements.

**ZOETIS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
**(UNAUDITED) - Continued**

Six months ended June 30, 2025										
Zoetis										
(MILLIONS OF DOLLARS AND SHARES)	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Equity Attributable to Noncontrolling Interests		Total Equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2024	501.9	\$ 5	53.4	\$ (7,445)	\$ 1,182	\$ 11,968	\$ (940)	\$ —		\$ 4,770
<b>Net income</b>	—	—	—	—	—	1,349	—	—		1,349
<b>Other comprehensive income</b>	—	—	—	—	—	—	63	—		63
<b>Share-based compensation awards <sup>(a)</sup></b>	—	—	(0.3)	7	21	—	—	—		28
<b>Treasury stock acquired <sup>(b)</sup></b>	—	—	4.8	(788)	—	—	—	—		(788)
<b>Dividends declared</b>	—	—	—	—	—	(445)	—	—		(445)
<b>Balance, June 30, 2025</b>	<b>501.9</b>	<b>\$ 5</b>	<b>57.9</b>	<b>\$ (8,226)</b>	<b>\$ 1,203</b>	<b>\$ 12,872</b>	<b>\$ (877)</b>	<b>\$ —</b>		<b>\$ 4,977</b>

Six months ended June 30, 2024										
Zoetis										
(MILLIONS OF DOLLARS AND SHARES)	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Equity Attributable to Noncontrolling Interests		Total Equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2023	501.9	\$ 5	43.5	\$ (5,597)	\$ 1,133	\$ 10,295	\$ (839)	\$ (6)		\$ 4,991
<b>Net income</b>	—	—	—	—	—	1,223	—	—		1,223
<b>Other comprehensive loss</b>	—	—	—	—	—	—	(6)	—		(6)
<b>Share-based compensation awards <sup>(a)</sup></b>	—	—	(0.5)	13	13	—	—	—		26
<b>Treasury stock acquired <sup>(b)</sup></b>	—	—	5.0	(880)	—	—	—	—		(880)
<b>Dividends declared</b>	—	—	—	—	—	(394)	—	—		(394)
<b>Balance, June 30, 2024</b>	<b>501.9</b>	<b>\$ 5</b>	<b>48.0</b>	<b>\$ (6,464)</b>	<b>\$ 1,146</b>	<b>\$ 11,124</b>	<b>\$ (845)</b>	<b>\$ (6)</b>		<b>\$ 4,960</b>

Shares may not add due to rounding.

<sup>(a)</sup> Includes the issuance of shares of Zoetis Inc. common stock and the reacquisition of shares of treasury stock associated with exercises of employee share-based awards. Also includes the reacquisition of shares of treasury stock associated with the vesting of employee share-based awards to satisfy tax withholding requirements. For additional information, see *Note 12. Share-based Payments* and *Note 13. Stockholders' Equity*.

<sup>(b)</sup> Reflects the acquisition of treasury shares in connection with the share repurchase program and includes excise tax accrued on net share repurchases. For additional information, see *Note 13. Stockholders' Equity*.

See notes to condensed consolidated financial statements.

**ZOETIS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

(MILLIONS OF DOLLARS)	Six Months Ended	
	June 30,	
	2025	2024
<b>Operating Activities</b>		
Net income before allocation to noncontrolling interests	\$ 1,349	\$ 1,223
Adjustments to reconcile net income before noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization expense	242	253
Share-based compensation expense	39	37
Asset write-offs and asset impairments	33	13
Net loss on sale of business, excluding transaction costs	3	22
Provision for losses on inventory	32	42
Deferred taxes	12	(144)
Other non-cash adjustments	(5)	11
Other changes in assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	(194)	(112)
Inventories	(168)	(115)
Other assets	(162)	(35)
Accounts payable	24	20
Other liabilities	(104)	(88)
Other tax accounts, net	(28)	(30)
Net cash provided by operating activities	1,073	1,097
<b>Investing Activities</b>		
Capital expenditures	(327)	(272)
Acquisitions, net of cash acquired	(10)	(8)
Purchase of investments	(3)	(3)
(Payments of)/proceeds from derivative instrument activity, net	(76)	21
Proceeds from sale of business, net of cash sold and working capital adjustments	(4)	—
Net proceeds from sale of assets	—	1
Other investing activities	(2)	(2)
Net cash used in investing activities	(422)	(263)
<b>Financing Activities</b>		
Decrease in short-term borrowings, net	—	(3)
Payment of consideration related to previous acquisitions	—	(5)
Share-based compensation-related proceeds, net of taxes paid on withholding shares	(12)	(12)
Purchases of treasury stock, including excise taxes paid	(781)	(872)
Cash dividends paid	(447)	(395)
Other financing activities	(1)	—
Net cash used in financing activities	(1,241)	(1,287)
Effect of exchange-rate changes on cash and cash equivalents	38	(14)
Net decrease in cash and cash equivalents	(552)	(467)
Cash and cash equivalents at beginning of period	1,987	2,041
Cash and cash equivalents at end of period	\$ 1,435	\$ 1,574
<b>Supplemental cash flow information</b>		
Cash paid during the period for:		
Income taxes <sup>(a)</sup>	\$ 475	\$ 481
Interest, net of capitalized interest	137	138
Amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	34	30
Financing cash flows - finance leases	2	1
Non-cash transactions:		
Capital expenditures	3	3
Excise tax accrued on net share repurchases, not paid	7	8
Lease obligations obtained in exchange for right-of-use assets - operating	58	26
Lease obligations obtained in exchange for right-of-use assets - finance	1	—
Dividends declared, not paid	222	197

<sup>(a)</sup> For the six months ended June 30, 2025, includes \$88 million related to the purchase of transferable federal tax credits.

See notes to condensed consolidated financial statements.

**ZOETIS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

## **1. Organization**

Zoetis Inc. (including its subsidiaries, collectively, Zoetis, the company, we, us or our) is a global leader in the animal health industry, focused on the discovery, development, manufacture and commercialization of medicines, vaccines, diagnostic products and services, biodevices, genetic tests and precision animal health. We organize and operate our business in two geographic regions: the United States (U.S.) and International.

We directly market our products in approximately 45 countries across North America, Europe, Africa, Asia, Australia and South America. Our products are sold in more than 100 countries, including developed and emerging markets. We have a diversified business, marketing products across eight core species: dogs, cats and horses (collectively, companion animals) and cattle, poultry, swine, fish and sheep (collectively, livestock); and within seven major product categories: parasiticides, vaccines, dermatology, anti-infectives, pain and sedation, other pharmaceutical and animal health diagnostics. On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets, and, as a result, our major product categories no longer include the category of medicated feed additives. See *Note 5. Divestitures*.

## **2. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements were prepared following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America (U.S. GAAP) can be condensed or omitted. Balance sheet amounts and operating results for subsidiaries operating outside the U.S. are as of and for the three and six months ended May 31, 2025 and 2024.

Revenue, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be representative of those for the full year.

Certain reclassifications of prior year information have been made to conform to the current year presentation.

We are responsible for the unaudited condensed consolidated financial statements included in this Form 10-Q. The condensed consolidated financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of our financial position and operating results. The information included in this interim report should be read in conjunction with the financial statements and accompanying notes included in our 2024 Annual Report on Form 10-K.

In the third quarter of 2024, we concluded that we were no longer the primary beneficiary of a variable interest entity (VIE) that was previously consolidated. The effects of the deconsolidation were not material to the condensed consolidated financial statements.

## **3. Accounting Standards**

### **Recently Adopted Accounting Standards**

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The new guidance requires standardized categories for the effective tax rate reconciliation, disaggregation of income taxes paid and other income tax-related disclosures. This update is effective for fiscal years beginning after December 15, 2024. We adopted this guidance as of January 1, 2025, which will result in additional disclosures in the notes to our annual consolidated financial statements.

### **Recently Issued Accounting Standards**

In November 2024, the FASB issued ASU No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The new guidance requires a public business entity to provide disaggregated disclosures, in the notes to the financial statements, of certain categories of expenses that are included in expense line items on the face of the income statement. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our notes to the condensed consolidated financial statements.

## **4. Revenue**

### **A. Revenue from Product Sales**

We offer a diversified portfolio of products which allows us to capitalize on local and regional customer needs. Generally, our products are promoted to veterinarians and livestock producers by our sales organization which includes sales representatives and technical and veterinary operations specialists, and then sold directly by us or through distributors, retailers or e-commerce outlets. The depth of our product portfolio enables us to address the varying needs of customers in different species and geographies. Many of our top-selling product lines are distributed across both of our operating segments, leveraging our research and development (R&D) operations and manufacturing and supply chain network.

Over the course of our history, we have focused on developing a diverse portfolio of animal health products, including medicines, vaccines and diagnostics, complemented by biodevices, genetic tests and a range of services. We refer to all different brands of a particular product, or its dosage forms for all species, as a product line. We have approximately 300 comprehensive product lines, including products for both companion animals and livestock, within each of our major product categories.

On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets,

and, as a result, our major product categories no longer include the category of medicated feed additives. See *Note 5. Divestitures*.

Our major product categories are:

- **parasiticides:** products that prevent or eliminate external and internal parasites such as fleas, ticks, lice and worms;
- **vaccines:** biological preparations that help prevent diseases of the respiratory, gastrointestinal and reproductive tracts or induce a specific immune response;
- **dermatology:** products that relieve itch associated with allergic conditions and atopic dermatitis;
- **anti-infectives:** products that prevent, kill or slow the growth of bacteria, fungi or protozoa;
- **pain and sedation:** products that alleviate pain, primarily associated with osteoarthritis and postoperative pain;
- **other pharmaceutical:** antiemetic, reproductive and oncology products; and
- **animal health diagnostics:** testing and analysis of blood, urine and other animal samples and related products and services, including point-of-care diagnostic products, instruments and reagents, rapid immunoassay tests, reference laboratory kits and services and blood glucose monitors.

Our remaining revenue is derived from other non-pharmaceutical product categories, such as nutritionals, as well as products and services in biodevices, genetic tests and precision animal health.

Our companion animal products help extend and improve the quality of life for pets; increase convenience and compliance for pet owners; and help veterinarians improve the quality of their care and the efficiency of their businesses. Growth in the companion animal medicines, vaccines and diagnostics sector is driven by economic development, related increases in disposable income and increases in pet ownership and spending on pet care. Companion animals are also living longer, deepening the human-animal bond, receiving increased medical treatment and benefiting from advances in animal health medicine, vaccines and diagnostics.

Our livestock products primarily help prevent or treat diseases and conditions to allow veterinarians and producers to care for their animals and to enable the cost-effective production of safe, high-quality animal protein. Human population growth and increasing standards of living are important long-term growth drivers for our livestock products in three major ways. First, population growth and increasing standards of living drive demand for improved nutrition, particularly through increased consumption of animal protein. Second, population growth leads to greater natural resource constraints driving a need for enhanced productivity. Finally, as standards of living improve and the global food chain faces increased scrutiny, there is more focus on food quality, safety and reliability of supply.

The following tables present our revenue disaggregated by geographic area, species and major product category:

Revenue by geographic area

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
United States	\$ 1,356	\$ 1,308	\$ 2,539	\$ 2,471
Australia	83	83	158	156
Brazil	93	99	181	200
Canada	73	75	140	136
Chile	36	31	70	62
China	72	68	132	144
France	33	34	73	75
Germany	58	58	109	109
Italy	38	36	67	64
Japan	45	39	81	76
Mexico	38	46	75	90
Spain	37	33	70	65
United Kingdom	77	73	154	150
Other developed markets	162	138	295	265
Other emerging markets	225	222	473	450
	2,426	2,343	4,617	4,513
Contract manufacturing & human health	34	18	63	38
<b>Total Revenue</b>	<b>\$ 2,460</b>	<b>\$ 2,361</b>	<b>\$ 4,680</b>	<b>\$ 4,551</b>

Revenue by major species

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>U.S.</b>				
Companion animal	\$ 1,176	\$ 1,080	\$ 2,149	\$ 1,978
Livestock	180	228	390	493
	1,356	1,308	2,539	2,471
<b>International</b>				
Companion animal	612	569	1,185	1,121
Livestock	458	466	893	921
	1,070	1,035	2,078	2,042
<b>Total</b>				
Companion animal	1,788	1,649	3,334	3,099
Livestock	638	694	1,283	1,414
Contract manufacturing & human health	34	18	63	38
<b>Total Revenue</b>	\$ 2,460	\$ 2,361	\$ 4,680	\$ 4,551

Revenue by species

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>Companion Animal:</b>				
Dogs and Cats	\$ 1,716	\$ 1,581	\$ 3,197	\$ 2,965
Horses	72	68	137	134
	1,788	1,649	3,334	3,099
<b>Livestock:</b>				
Cattle	320	350	678	741
Swine	119	130	230	257
Poultry	103	132	209	271
Fish	74	62	127	107
Sheep and other	22	20	39	38
	638	694	1,283	1,414
Contract manufacturing & human health	34	18	63	38
<b>Total Revenue</b>	\$ 2,460	\$ 2,361	\$ 4,680	\$ 4,551

Revenue by major product category

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Parasiticides	\$ 673	\$ 600	\$ 1,235	\$ 1,104
Vaccines	504	445	951	897
Dermatology	463	418	853	781
Anti-infectives	219	264	468	545
Pain and sedation	217	221	427	415
Other pharmaceutical	172	153	331	309
Animal health diagnostics	110	103	213	185
Other non-pharmaceutical	63	65	129	126
Medicated feed additives	5	74	10	151
	2,426	2,343	4,617	4,513
Contract manufacturing & human health	34	18	63	38
<b>Total Revenue</b>	\$ 2,460	\$ 2,361	\$ 4,680	\$ 4,551

**B. Revenue from Contracts with Customers**

Contract liabilities reflected within *Other current liabilities* as of December 31, 2024 and 2023, and subsequently recognized as revenue during each of the first six months of 2025 and 2024 were \$5 million and \$3 million, respectively. Contract liabilities as of June 30, 2025 and December 31, 2024 were \$19 million and \$18 million, respectively.

Estimated future revenue expected to be generated from long-term contracts with unsatisfied performance obligations as of June 30, 2025 is not material.

## 5. Divestitures

On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets to Phibro Animal Health for a net purchase price of \$299 million. During 2024, we received \$303 million in sales proceeds, less cash sold of \$11 million, resulting in \$292 million net sales proceeds, and recorded a net pre-tax loss of \$25 million within *Other (income)/deductions—net*, subject to final post-closing adjustments. During the six months ended June 30, 2025, we paid \$4 million, net of proceeds received, and recognized an additional loss of \$3 million within *Other (income)/deductions—net* associated with the final post-closing adjustments.

## 6. Restructuring Charges and Other Costs Associated with Acquisitions and Divestitures

In connection with our cost-reduction/productivity initiatives, we typically incur restructuring charges associated with workforce reductions and site closings. In connection with our acquisition and divestiture activities, we typically incur costs associated with executing the transactions. Acquisition activity may also include integrating the acquired operations, which may include expenditures for consulting and the integration of systems and processes, product transfers and restructuring the company, which may include charges related to employees, assets and activities that will not continue in the company. Divestiture activity may also include costs to separate the divested operations, which may include expenditures for consulting and the disintegration of systems and processes, transfer costs, and restructuring charges which may include charges related to employees, assets and activities that will not continue in the company's ongoing operations. All operating functions can be impacted by these actions, including sales and marketing, manufacturing and R&D, as well as functions such as business technology, shared services and corporate operations.

The components of costs incurred in connection with restructuring initiatives, acquisitions and divestitures are as follows:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Restructuring charges and certain acquisition and divestiture-related costs:				
Acquisition-related costs	\$ 1	\$ 1	\$ 1	\$ 1
Divestiture-related costs	—	4	—	4
Restructuring charges, net <sup>(a)</sup> :				
Employee termination costs, net	5	37	5	41
Asset impairment charges	22	—	22	—
Exit costs	2	—	2	—
<b>Total Restructuring charges and certain acquisition and divestiture-related costs</b>	<b>\$ 30</b>	<b>\$ 42</b>	<b>\$ 30</b>	<b>\$ 46</b>

<sup>(a)</sup> Restructuring charges for the three and six months ended June 30, 2025 primarily consisted of asset impairment charges and employee termination costs related to a transition from internal to external innovation and manufacturing of certain products and the closure of a related site.

Restructuring charges for the three and six months ended June 30, 2024 primarily consisted of employee termination costs related to organizational structure refinements. Restructuring charges for the six months ended June 30, 2024 were partially offset by a reversal of certain employee termination costs as a result of a change in strategy from our 2015 operational efficiency initiative.

The change in our restructuring accrual is as follows:

(MILLIONS OF DOLLARS)	Accrual
Balance, December 31, 2024 <sup>(a)</sup>	\$ 28
<b>Provision</b>	<b>29</b>
<b>Non-cash activity</b>	<b>(22)</b>
<b>Utilization and other<sup>(b)</sup></b>	<b>(15)</b>
<b>Balance, June 30, 2025<sup>(a)</sup></b>	<b>\$ 20</b>

<sup>(a)</sup> At June 30, 2025 and December 31, 2024, included in *Accrued expenses* (\$18 million and \$26 million, respectively) and *Other noncurrent liabilities* (\$2 million).

<sup>(b)</sup> Includes adjustments for foreign currency translation.

## 7. Other (Income)/Deductions—Net

The components of *Other (income)/deductions—net* are as follows:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Interest income	\$ (19)	\$ (24)	\$ (42)	\$ (56)
Identifiable intangible asset impairment charges <sup>(a)</sup>	5	11	5	11
Net loss on sale of business <sup>(b)</sup>	3	22	3	22
Foreign currency loss <sup>(c)</sup>	14	18	22	37
Other, net	1	(2)	(2)	3
<b>Other (income)/deductions—net</b>	<b>\$ 4</b>	<b>\$ 25</b>	<b>\$ (14)</b>	<b>\$ 17</b>

<sup>(a)</sup> For the three and six months ended June 30, 2025 and 2024, represents asset impairment charges related to our aquaculture product portfolio.

<sup>(b)</sup> Represents a net loss related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets sold in 2024. For additional information, see *Note 5. Divestitures*.

<sup>(c)</sup> Primarily driven by costs related to hedging and exposures to certain emerging and developed market currencies.

## 8. Income Taxes

### **A. Taxes on Income**

Our effective tax rate was 20.4% and 20.0% for the three months ended June 30, 2025 and 2024, respectively, and 21.2% and 19.9% for the six months ended June 30, 2025 and 2024, respectively. The higher effective tax rate for the three and six months ended June 30, 2025, compared with the three and six months ended June 30, 2024, was primarily attributable to a lower benefit in the U.S. related to foreign-derived intangible income, higher net discrete tax expenses, partially offset by a more favorable jurisdictional mix of earnings (which includes the impact of the location of pre-tax earnings, tax impact of permanent differences and repatriation decisions).

In 2024, the company implemented an initiative to maximize its cash position in the U.S. This initiative resulted in a tax benefit in the U.S. in connection with a prepayment from a related foreign entity in Belgium which qualifies as foreign-derived intangible income; however, this income tax benefit was deferred to 2025 and 2026. A portion of this benefit was recognized during the three and six months ended June 30, 2025.

### **B. Deferred Taxes**

As of June 30, 2025, the total net deferred income tax asset of \$461 million is included in *Noncurrent deferred tax assets* (\$617 million) and *Noncurrent deferred tax liabilities* (\$156 million).

As of December 31, 2024, the total net deferred income tax asset of \$373 million is included in *Noncurrent deferred tax assets* (\$540 million) and *Noncurrent deferred tax liabilities* (\$167 million).

### **C. Tax Contingencies**

#### Uncertain Tax Positions

As of June 30, 2025, the net tax liabilities associated with uncertain tax positions of \$219 million (exclusive of interest and penalties related to uncertain tax positions of \$45 million) are included in *Other taxes payable*.

As of December 31, 2024, the net tax liabilities associated with uncertain tax positions of \$213 million (exclusive of interest and penalties related to uncertain tax positions of \$38 million) are included in *Other taxes payable*.

Our tax liabilities for uncertain tax positions relate primarily to issues common among multinational corporations. Any settlements or statute of limitations expirations could result in a significant decrease in our uncertain tax positions. Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate. We do not expect that within the next twelve months any of our uncertain tax positions could significantly decrease as a result of settlements with taxing authorities or the expiration of the statutes of limitations. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of uncertain tax positions and potential tax benefits may not be representative of actual outcomes, and any variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible changes related to our uncertain tax positions, and such changes could be significant.

#### Status of Tax Audits and Potential Impact on Accrual for Uncertain Tax Positions

We are currently under income tax audit by the U.S. Internal Revenue Service (IRS) for tax years 2017 and 2018. In July 2024, the IRS issued Notices of Proposed Adjustment (NOPA) related to the one-time mandatory deemed repatriation tax incurred on the 2018 U.S. Federal Income Tax return. In September 2024, the IRS issued a Revenue Agent Report (RAR) for the adjustments identified in the NOPA and a protest was filed with the IRS on November 15, 2024. As of June 30, 2025, the additional tax liability, based on the income adjustment proposed by the IRS under the RAR, is approximately \$450 million, excluding interest and penalties.

Based on current facts and circumstances, we disagree with the IRS' position and will defend our position taken on the 2018 U.S. Federal Income Tax return. We believe the amount previously accrued related to this uncertain tax position remains appropriate, but we will continue to evaluate the adequacy of our tax reserve as the audit progresses. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in our tax audits are not consistent with management's expectations, we could be required to adjust our provision for income taxes and this amount could be material to our financial statements.

## 9. Financial Instruments

### **A. Debt**

#### Credit Facilities

In December 2022, we entered into an amended and restated revolving credit agreement with a syndicate of banks providing for a multi-year \$1.0 billion senior unsecured revolving credit facility (the credit facility), which expires in December 2027. Subject to certain conditions, we have the right to increase the credit facility to up to \$1.5 billion. The credit facility contains a financial covenant requiring us to not exceed a maximum total leverage ratio (the ratio of consolidated net debt as of the end of the period to consolidated Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) for such period) of 3.50:1. Upon entering into a material acquisition, the maximum total leverage ratio increases to 4.00:1, and extends until the fourth full consecutive fiscal quarter ended immediately following the consummation of a material acquisition. In addition, the credit facility contains other customary covenants.

We were in compliance with all financial covenants as of June 30, 2025 and December 31, 2024. There were no amounts drawn under the credit facility as of June 30, 2025 or December 31, 2024.

We have additional lines of credit and other credit arrangements with a group of banks and other financial intermediaries for general corporate purposes. We maintain cash and cash equivalent balances in excess of our outstanding short-term borrowings. As of June 30, 2025, we had access to

\$53 million of lines of credit which expire at various times and are generally renewed annually. There were no borrowings outstanding related to these facilities as of June 30, 2025 and December 31, 2024.

#### Commercial Paper Program

In February 2013, we entered into a commercial paper program with a capacity of up to \$1.0 billion. As of June 30, 2025 and December 31, 2024, there was no commercial paper outstanding under this program.

#### Senior Notes and Other Long-Term Debt

Our senior notes are governed by an indenture and supplemental indentures (collectively, the indenture) between us and Deutsche Bank Trust Company Americas, as trustee. The indenture contains certain covenants, including limitations on our and certain of our subsidiaries' ability to incur liens or engage in sale-leaseback transactions. The indenture also contains restrictions on our ability to consolidate, merge or sell substantially all of our assets. In addition, the indenture contains other customary terms, including certain events of default, upon the occurrence of which the senior notes may be declared immediately due and payable.

Pursuant to the indenture, we are able to redeem the senior notes of any series, in whole or in part, at any time by paying a "make whole" premium, plus accrued and unpaid interest to, but excluding, the date of redemption. Upon the occurrence of a change of control of us and a downgrade of the senior notes below an investment grade rating by each of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, we are, in certain circumstances, required to make an offer to repurchase all of the outstanding senior notes at a price equal to 101% of the aggregate principal amount of the senior notes together with accrued and unpaid interest to, but excluding, the date of repurchase.

The components of our long-term debt are as follows:

(MILLIONS OF DOLLARS)	June 30, 2025	December 31, 2024
4.500% 2015 senior notes due 2025	\$ 750	\$ 750
5.400% 2022 senior notes due 2025	600	600
3.000% 2017 senior notes due 2027	750	750
3.900% 2018 senior notes due 2028	500	500
2.000% 2020 senior notes due 2030	750	750
5.600% 2022 senior notes due 2032	750	750
4.700% 2013 senior notes due 2043	1,150	1,150
3.950% 2017 senior notes due 2047	500	500
4.450% 2018 senior notes due 2048	400	400
3.000% 2020 senior notes due 2050	500	500
	<b>6,650</b>	6,650
Unamortized debt discount / debt issuance costs	(51)	(54)
Less current portion of long-term debt	1,350	1,350
Cumulative fair value adjustment for interest rate swap contracts	(18)	(26)
<b>Long-term debt, net of discount and issuance costs</b>	<b>\$ 5,231</b>	<b>\$ 5,220</b>

The fair value of our long-term debt was \$6,229 million and \$6,097 million as of June 30, 2025 and December 31, 2024, respectively, and has been determined using a third-party model that uses significant inputs derived from, or corroborated by, observable market data, including benchmark security prices and Zoetis' credit spreads (Level 2 inputs).

The following table provides the principal amount of debt outstanding, as of June 30, 2025, by scheduled maturity date:

(MILLIONS OF DOLLARS)	2025	2026	2027	2028	2029	After 2029	Total
Maturities	\$ 1,350	\$ —	\$ 750	\$ 500	\$ —	\$ 4,050	\$ 6,650

#### Interest Expense

Interest expense, net of capitalized interest, was \$53 million and \$107 million for the three and six months ended June 30, 2025, respectively, and \$59 million and \$117 million for the three and six months ended June 30, 2024, respectively. Capitalized interest expense was \$11 million and \$22 million for the three and six months ended June 30, 2025, respectively, and \$9 million and \$17 million for the three and six months ended June 30, 2024, respectively.

## **B. Derivative Financial Instruments**

#### Foreign Exchange Risk

A significant portion of our revenue, earnings and net investment in foreign affiliates is exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk, in part, through operational means, including managing same-currency revenue in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk is also managed through the use of various derivative financial instruments. These derivative financial instruments serve to manage the exposure of our net investment in certain foreign operations to changes in foreign exchange rates and protect net income against the impact of translation into U.S. dollars of certain foreign exchange-denominated transactions.

All derivative financial instruments used to manage foreign currency risk are measured at fair value and are reported as assets or liabilities on the

Condensed Consolidated Balance Sheets. The derivative financial instruments primarily offset exposures in the Australian dollar, British pound, Canadian dollar, Chinese renminbi, euro and Norwegian krone. Changes in fair value are reported in earnings or in *Accumulated other comprehensive loss*, depending on the nature and purpose of the financial instrument, as follows:

- For foreign currency forward-exchange contracts not designated as hedging instruments, we recognize the gains and losses that are used to offset the same foreign currency assets or liabilities immediately into earnings along with the earnings impact of the items they generally offset. These contracts essentially take the opposite currency position of that reflected in the month-end balance sheet to counterbalance the effect of any currency movement. The vast majority of the foreign currency forward-exchange contracts mature within 60 days and all mature within three years.
- For foreign exchange derivative instruments that are designated as hedging instruments against our net investment in foreign operations, changes in the fair value are recorded as a component of cumulative translation adjustment within *Accumulated other comprehensive loss* and reclassified into earnings when the foreign investment is sold or substantially liquidated. These instruments include cross-currency interest rate swaps and foreign currency forward-exchange contracts. Gains and losses excluded from the assessment of hedge effectiveness are recognized in earnings (*Interest expense, net of capitalized interest*). The cash flows from these contracts are reflected within the investing section of our Condensed Consolidated Statements of Cash Flows. These contracts have varying maturities of up to three years.

#### Interest Rate Risk

The company may use interest rate swap contracts on certain investing and borrowing transactions to manage its net exposure to interest rates and to reduce its overall cost of borrowing.

- In anticipation of issuing fixed-rate debt, we may use forward-starting interest rate swaps that are designated as cash flow hedges to hedge against changes in interest rates that could impact expected future issuances of debt. Unrealized gains or losses on the forward-starting interest rate swaps are reported in *Accumulated other comprehensive loss* and are recognized in earnings over the life of the future fixed rate notes. When the company discontinues hedge accounting because it is no longer probable that an anticipated transaction will occur within the originally expected period of execution, or within an additional two-month period thereafter, changes to fair value accumulated in other comprehensive income are recognized immediately in earnings.
- During the period from 2019 to 2022, we entered into forward-starting interest rate swaps with an aggregate notional value of \$650 million. We designated these swaps as cash flow hedges against interest rate exposure related principally to the issuance of fixed-rate debt to refinance our 3.250% 2013 senior notes due 2023. Upon issuance of our 2022 senior notes, we terminated these contracts and received \$114 million in cash from the counterparties for settlement. The settlement amount, which represented the fair value of the contracts at the time of termination, was recorded in *Accumulated other comprehensive loss*, and will be amortized into income (offset to *Interest expense, net of capitalized interest*) over the life of the 5.600% 2022 senior notes due 2032.
- As of June 30, 2025, we had outstanding forward-starting interest rate swaps, having an effective date and mandatory termination date in March 2026, to hedge against interest rate exposure related principally to the anticipated future issuance of fixed-rate debt to be used primarily to refinance our 4.500% 2015 senior notes due 2025.
- We may use fixed-to-floating interest rate swaps that are designated as fair value hedges to hedge against changes in the fair value of certain fixed-rate debt attributable to changes in the benchmark of the Secured Overnight Financing Rate (SOFR). These derivative instruments effectively convert a portion of the company's long-term debt from fixed-rate to floating-rate debt based on the daily SOFR rate plus a spread. Gains or losses on the fixed-to-floating interest rate swaps due to changes in SOFR are recorded in *Interest expense, net of capitalized interest*. Changes in the fair value of the fixed-to-floating interest rate swaps are offset by changes in the fair value of the underlying fixed-rate debt. As of June 30, 2025, we had outstanding fixed-to-floating interest rate swaps that correspond to a portion of the 3.900% 2018 senior notes due 2028 and the 2.000% 2020 senior notes due 2030. The amounts recorded during the three and six months ended June 30, 2025 for changes in the fair value of these hedges are not material to our condensed consolidated financial statements.

#### Outstanding Positions

The aggregate notional amount of derivative instruments are as follows:

(MILLIONS)	Notional	
	June 30, 2025	December 31, 2024
<b>Derivatives not Designated as Hedging Instruments:</b>		
Foreign currency forward-exchange contracts	\$ 2,123	\$ 2,070
<b>Derivatives Designated as Hedging Instruments:</b>		
<b>Foreign exchange derivative instruments (in foreign currency):</b>		
Euro	925	800
Danish krone	400	475
Swiss franc	25	25
Forward-starting interest rate swaps	\$ 600	\$ 300
Fixed-to-floating interest rate swap contracts	\$ 250	\$ 250

### Fair Value of Derivative Instruments

The classification and fair values of derivative instruments are as follows:

(MILLIONS OF DOLLARS)	Balance Sheet Location	Fair Value of Derivatives	
		June 30, 2025	December 31, 2024
<b>Derivatives Not Designated as Hedging Instruments:</b>			
Foreign currency forward-exchange contracts	Other current assets	\$ 6	\$ 18
Foreign currency forward-exchange contracts	Other current liabilities	(11)	(6)
<b>Total derivatives not designated as hedging instruments</b>		<b>\$ (5)</b>	<b>\$ 12</b>
<b>Derivatives Designated as Hedging Instruments:</b>			
Forward-starting interest rate swap contracts	Other current assets	\$ 19	\$ —
Forward-starting interest rate swap contracts	Other noncurrent assets	—	26
Forward-starting interest rate swap contracts	Other current liabilities	(10)	—
Foreign exchange derivative instruments	Other current assets	7	55
Foreign exchange derivative instruments	Other noncurrent assets	—	4
Foreign exchange derivative instruments	Other current liabilities	(31)	—
Foreign exchange derivative instruments	Other noncurrent liabilities	(58)	—
Fixed-to-floating interest rate swap contracts	Other noncurrent liabilities	(18)	(26)
<b>Total derivatives designated as hedging instruments</b>		<b>(91)</b>	<b>59</b>
<b>Total derivatives</b>		<b>\$ (96)</b>	<b>\$ 71</b>

The company's derivative transactions are subject to master netting agreements that mitigate credit risk by permitting net settlement of transactions with the same counterparty. The company also has collateral security agreements with certain of its counterparties. Under these collateral security agreements each party is required to post cash collateral when the net fair value of derivative instruments covered by the collateral agreement exceeds contractually established thresholds. At June 30, 2025, there was \$5 million of collateral received and \$64 million of collateral posted related to derivative instruments recorded in *Other current liabilities* and *Other current assets*, respectively. At December 31, 2024, there was \$51 million of collateral received and \$20 million of collateral posted related to derivative instruments recorded in *Other current liabilities* and *Other current assets*, respectively.

We use a market approach in valuing financial instruments on a recurring basis. Our derivative financial instruments are measured at fair value on a recurring basis using Level 2 inputs in the calculation of fair value.

The amounts of net gains on derivative instruments not designated as hedging instruments, recorded in *Other (income)/deductions—net*, are as follows:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Foreign currency forward-exchange contracts	\$ 55	\$ 2	\$ 39	\$ 1

These amounts were substantially offset in *Other (income)/deductions—net* by the effect of changing exchange rates on the underlying foreign currency exposures.

The amounts of unrecognized net (losses)/gains on interest rate swap contracts, recorded, net of tax, in *Accumulated other comprehensive loss*, are as follows:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Forward-starting interest rate swap contracts	\$ (2)	\$ 1	\$ (13)	\$ 3
Foreign exchange derivative instruments	\$ (74)	\$ 2	\$ (107)	\$ 18

Gains on interest rate swap contracts, recognized within *Interest expense, net of capitalized interest*, are as follows:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Foreign exchange derivative instruments	\$ 5	\$ 4	\$ 10	\$ 8

The net amount of deferred gains related to derivative instruments designated as cash flow hedges that is expected to be reclassified from *Accumulated other comprehensive loss* into earnings over the next 12 months is not material.

## 10. Inventories

The components of inventory are as follows:

(MILLIONS OF DOLLARS)	June 30, 2025	December 31, 2024
Finished goods	\$ 1,041	\$ 996
Work-in-process	1,027	933
Raw materials and supplies	371	377
<i>Inventories</i>	\$ 2,439	\$ 2,306

## 11. Goodwill and Other Intangible Assets

### A. Goodwill

The components of, and changes in, the carrying amount of goodwill are as follows:

(MILLIONS OF DOLLARS)	U.S.	International	Total
Balance, December 31, 2024	\$ 1,515	\$ 1,209	\$ 2,724
Other <sup>(a)</sup>	—	34	34
<b>Balance, June 30, 2025</b>	<b>\$ 1,515</b>	<b>\$ 1,243</b>	<b>\$ 2,758</b>

<sup>(a)</sup> Includes adjustments for foreign currency translation.

The gross goodwill balance was \$3,294 million and \$3,260 million as of June 30, 2025 and December 31, 2024, respectively. Accumulated goodwill impairment losses were \$536 million as of June 30, 2025 and December 31, 2024.

### B. Other Intangible Assets

The components of identifiable intangible assets are as follows:

(MILLIONS OF DOLLARS)	As of June 30, 2025			As of December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets Less Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets Less Accumulated Amortization
	<b>Finite-lived intangible assets:</b>					
Developed technology rights	\$ 1,926	\$ (1,270)	\$ 656	\$ 1,891	\$ (1,175)	\$ 716
Brands and tradenames	362	(246)	116	367	(246)	121
Other	290	(204)	86	278	(197)	81
<b>Total finite-lived intangible assets</b>	<b>2,578</b>	<b>(1,720)</b>	<b>858</b>	<b>2,536</b>	<b>(1,618)</b>	<b>918</b>
<b>Indefinite-lived intangible assets:</b>						
Brands and tradenames	67	—	67	66	—	66
In-process research and development	144	—	144	136	—	136
Product rights	6	—	6	7	—	7
<b>Total indefinite-lived intangible assets</b>	<b>217</b>	<b>—</b>	<b>217</b>	<b>209</b>	<b>—</b>	<b>209</b>
<b>Identifiable intangible assets</b>	<b>\$ 2,795</b>	<b>\$ (1,720)</b>	<b>\$ 1,075</b>	<b>\$ 2,745</b>	<b>\$ (1,618)</b>	<b>\$ 1,127</b>

### C. Amortization

Amortization expense related to finite-lived acquired intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property is included in *Amortization of intangible assets* as it benefits multiple business functions. Amortization expense related to finite-lived acquired intangible assets that are associated with a single function is included in *Cost of sales, Selling, general and administrative expenses* or *Research and development expenses*, as appropriate. Total amortization expense for finite-lived intangible assets was \$41 million and \$80 million three and six months ended June 30, 2025, respectively and \$42 million and \$86 million for the three and six months ended June 30, 2024, respectively.

## 12. Share-based Payments

The Zoetis 2013 Equity and Incentive Plan, Amended and Restated as of May 19, 2022 (Equity Plan), provides long-term incentives to our employees and non-employee directors. The principal types of share-based awards available under the Equity Plan may include, but are not limited to, stock options, restricted stock and restricted stock units (RSUs), deferred stock units (DSUs), performance-vesting restricted stock units (PSUs) and other equity-based or cash-based awards.

The components of share-based compensation expense are as follows:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Stock options / stock appreciation rights	\$ 3	\$ 3	\$ 6	\$ 6
RSUs / DSUs	13	11	24	21
PSUs	6	5	9	10
Share-based compensation expense—total <sup>(a)</sup>	\$ 22	\$ 19	\$ 39	\$ 37

<sup>(a)</sup> For the three and six months ended June 30, 2025 and 2024, we capitalized less than \$1 million of share-based compensation expense to inventory.

During the six months ended June 30, 2025, the company granted 320,498 stock options with a weighted-average exercise price of \$156.80 per stock option and a weighted-average fair value of \$40.22 per stock option. The fair-value based method for valuing each Zoetis stock option grant on the grant date uses the Black-Scholes-Merton option-pricing model, which incorporates a number of valuation assumptions. The weighted-average fair value was estimated based on the following assumptions: risk-free interest rate of 4.38%; expected dividend yield of 1.27%; expected stock price volatility of 26.42%; and expected term of 4.3 years. Stock options granted prior to 2023 generally vest after three years of continuous service from the date of grant and have a contractual term of 10 years. Beginning in 2023, stock options granted are subject to graded vesting over three years from the date of grant and have a contractual term of 10 years. The values determined through this fair-value based method generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, general and administrative expenses*, or *Research and development expenses*, as appropriate.

During the six months ended June 30, 2025, the company granted 570,063 RSUs with a weighted-average grant date fair value of \$156.87 per RSU. RSUs are accounted for using a fair-value-based method that utilizes the closing price of Zoetis common stock on the date of grant. RSUs granted prior to 2023 generally vest after three years of continuous service from the date of grant. Beginning in 2023, RSUs granted are subject to graded vesting over three years from the date of grant. The values generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, general and administrative expenses*, or *Research and development expenses*, as appropriate.

During the six months ended June 30, 2025, the company granted 148,130 PSUs with a weighted-average grant date fair value of \$171.21 per PSU. Beginning in 2025, the units underlying the PSUs will be earned and vested over a three-year performance period in two tranches, each subject to an independent achievement condition: (1) a market condition comprising the total shareholder return of the company in comparison to the total shareholder return of the companies comprising the S&P 500 Health Care index at the start of the performance period, excluding companies that during the performance period are acquired or no longer publicly traded (Relative TSR); and (2) a performance condition comprising a three-year average annual operational revenue growth metric (average PSU operational revenue growth). PSUs that are earned and vested based upon a market condition are accounted for at fair-value using a Monte Carlo simulation model and PSUs that are earned and vested based upon a performance condition are accounted for at fair-value using the closing price of Zoetis common stock on the date of grant. The Monte Carlo weighted-average fair value was estimated based on volatility assumptions of Zoetis common stock and an average of the S&P 500 Health Care index companies, which were 27.6% and 29.8%, respectively. Depending on the company's Relative TSR performance and the average PSU operational revenue growth at the end of the performance period, the recipient may earn from 0% to 200% of the target number of units. Vested units are settled in shares of the company's common stock. PSU values are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, general and administrative expenses*, or *Research and development expenses*, as appropriate. PSU amortization for units that are earned and vested based upon the average PSU operational revenue growth is adjusted for subsequent changes in the expected outcome of the performance-related condition.

### 13. Stockholders' Equity

Zoetis is authorized to issue 6 billion shares of common stock and 1 billion shares of preferred stock.

In August 2024, our Board of Directors authorized a multi-year share repurchase program of up to \$6 billion of our outstanding common stock. As of June 30, 2025, there was \$4.9 billion remaining under this authorization. Purchases of Zoetis shares may be made at the discretion of management, depending on market conditions and business needs.

#### Accumulated other comprehensive loss

Changes, net of tax, in accumulated other comprehensive loss, excluding noncontrolling interests were as follows:

(MILLIONS OF DOLLARS)	Currency Translation Adjustments				Benefit Plans Actuarial Gains	Accumulated Other Comprehensive Loss
	Cash Flow Hedges	Net Investment Hedges	Other Currency Translation Adjustments			
Balance, December 31, 2024	\$ 89	\$ 62	\$ (1,091)	\$ —	\$ —	\$ (940)
<b>Other comprehensive (loss)/income, net of tax</b>	<b>(17)</b>	<b>(107)</b>	<b>187</b>	<b>—</b>	<b>—</b>	<b>63</b>
<b>Balance, June 30, 2025</b>	<b>\$ 72</b>	<b>\$ (45)</b>	<b>\$ (904)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (877)</b>
Balance, December 31, 2023	\$ 85	\$ 18	\$ (944)	\$ 2	\$ —	\$ (839)
Other comprehensive (loss)/income, net of tax	(1)	18	(23)	—	—	(6)
Balance, June 30, 2024	\$ 84	\$ 36	\$ (967)	\$ 2	\$ —	\$ (845)

## 14. Earnings per Share

The following table presents the calculation of basic and diluted earnings per share:

(MILLIONS OF DOLLARS AND SHARES, EXCEPT PER SHARE DATA)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>Numerator</b>				
Net income before allocation to noncontrolling interests	\$ 718	\$ 624	\$ 1,349	\$ 1,223
Less: Net income/(loss) attributable to noncontrolling interests	—	—	—	—
Net income attributable to Zoetis Inc.	\$ 718	\$ 624	\$ 1,349	\$ 1,223
<b>Denominator</b>				
Weighted-average common shares outstanding	445.1	455.5	446.3	456.7
Common stock equivalents: stock options, RSUs, PSUs and DSUs	0.4	0.5	0.4	0.7
Weighted-average common and potential dilutive shares outstanding	445.5	456.0	446.7	457.4
Earnings per share attributable to Zoetis Inc. stockholders—basic	\$ 1.61	\$ 1.37	\$ 3.02	\$ 2.68
Earnings per share attributable to Zoetis Inc. stockholders—diluted	\$ 1.61	\$ 1.37	\$ 3.02	\$ 2.67

The number of stock options outstanding under the company's Equity Plan that were excluded from the computation of diluted earnings per share, as the effect would have been antidilutive, were not material for the three and six months ended June 30, 2025 and 2024.

## 15. Commitments and Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business. For a discussion of our tax contingencies, see *Note 8. Income Taxes*.

### A. Legal Proceedings

Our non-tax contingencies include, among others, the following:

- Product liability and other product-related litigation, which can include injury, consumer, off-label promotion, antitrust and breach of contract claims.
- Commercial and other matters, which can include product-pricing claims and environmental claims and proceedings.
- Patent litigation, which typically involves challenges to the coverage and/or validity of our patents or those of third parties on various products or processes.
- Government investigations, which can involve regulation by national, state and local government agencies in the U.S. and in other countries.

Certain of these contingencies could result in losses, including damages, fines and/or civil penalties, and/or criminal charges, which could be substantial.

We believe that we have strong defenses in these types of matters, but litigation is inherently unpredictable and excessive verdicts do occur. We do not believe that any of these matters will have a material adverse effect on our financial position. However, we could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations or cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of these contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

Amounts recorded for legal and environmental contingencies can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions.

The principal matters to which we are a party are discussed below. In determining whether a pending matter is significant for financial reporting and disclosure purposes, we consider both quantitative and qualitative factors in order to assess materiality, such as, among other things, the amount of damages and the nature of any other relief sought in the proceeding, if such damages and other relief are specified; our view of the merits of the claims and of the strength of our defenses; whether the action purports to be a class action and our view of the likelihood that a class will be certified by the court; the jurisdiction in which the proceeding is pending; any experience that we or, to our knowledge, other companies have had in similar proceedings; whether disclosure of the action would be important to a reader of our financial statements, including whether disclosure might change a reader's judgment about our financial statements in light of all of the information about the company that is available to the reader; the potential impact of the proceeding on our reputation; and the extent of public interest in the matter. In addition, with respect to patent matters, we consider, among other things, the financial significance of the product protected by the patent.

#### Ulianopolis, Brazil

In February 2012, the Municipality of Ulianopolis (State of Para, Brazil) filed a complaint against Fort Dodge Saúde Animal Ltda. (FDSAL), a Zoetis entity, and five other large companies alleging that waste sent to a local waste incineration facility for destruction, but that was not ultimately destroyed as the facility lost its operating permit, caused environmental impacts requiring cleanup.

The Municipality is seeking recovery of cleanup costs purportedly related to FDSAL's share of all waste accumulated at the incineration facility awaiting destruction, and compensatory damages to be allocated among the six defendants. We believe we have strong arguments against the claim, including defense strategies against any claim of joint and several liability.

At the request of the Municipal prosecutor, in April 2012, the lawsuit was suspended for one year. Since that time, the prosecutor has initiated investigations into the Municipality's actions in the matter as well as the efforts undertaken by the six defendants to remove and dispose of their individual waste from the incineration facility. On October 3, 2014, the Municipal prosecutor announced that the investigation remained ongoing and outlined the terms of a proposed Term of Reference (a document that establishes the minimum elements to be addressed in the preparation of an Environmental Impact Assessment), under which the companies would be liable to withdraw the waste and remediate the area.

On March 5, 2015, we presented our response to the prosecutor's proposed Term of Reference, arguing that the proposed terms were overly general in nature and expressing our interest in discussing alternatives to address the matter. The prosecutor agreed to consider our request to engage a technical consultant to conduct an environmental diagnostic of the contaminated area. On May 29, 2015, we, in conjunction with the other defendant companies, submitted a draft cooperation agreement to the prosecutor, which outlined the proposed terms and conditions for the engagement of a technical consultant to conduct the environmental diagnostic. On August 19, 2016, the parties and the prosecutor agreed to engage the services of a third-party consultant to conduct a limited environmental assessment of the site. The site assessment was conducted during June 2017, and a written report summarizing the results of the assessment was provided to the parties and the prosecutor in November 2017. The report noted that waste is still present on the site and that further (Phase II) environmental assessments are needed before a plan to manage that remaining waste can be prepared. On April 1, 2019, the defendants met with the Prosecutor to discuss the conclusions set forth in the written report. Following that discussion, on April 10, 2019, the Prosecutor issued a procedural order requesting that the defendants prepare and submit a technical proposal outlining the steps needed to conduct the additional Phase II environmental assessments. The defendants presented the technical proposal to the Prosecutor on October 21, 2019. On March 3, 2020, the Prosecutor notified the defendants that he submitted the proposal to the Ministry of the Environment for its review and consideration by the Prosecutor. On July 15, 2020, the Prosecutor recommended certain amendments to the proposal for the Phase II testing. On September 28, 2020, the parties and the Prosecutor agreed to the final terms and conditions concerning the cooperation agreement with respect to the Phase II testing. Phase II testing began the week of October 14, 2024. To date, the work has yet to be completed. We expect a report to be issued by the consultant upon conclusion of the testing.

## **B. Guarantees and Indemnifications**

In the ordinary course of business and in connection with the sale of assets and businesses, we indemnify our counterparties against certain liabilities that may arise in connection with the transaction or related to activities prior to the transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications are generally subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of June 30, 2025, recorded amounts for the estimated fair value of these indemnifications were not material.

## **16. Segment Information**

### Operating Segments

We manage our operations through two geographic regions. Each operating segment has responsibility for its commercial activities. Within each of these operating segments, we offer a diversified product portfolio, including parasiticides, vaccines, dermatology, anti-infectives, pain and sedation, other pharmaceutical and animal health diagnostics for both companion animal and livestock customers.

On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets, and, as a result, our major product categories no longer include the category of medicated feed additives. See *Note 5. Divestitures*.

Our operating segments are the U.S. and International. The chief operating decision maker (CODM), our Chief Executive Officer and Chief Financial Officer, uses the information provided to compare segment performance with segment resource requests and allocates human and capital resources based on segment's actual results and expected future results.

### Other Costs and Business Activities

Certain costs are not allocated to our operating segment results, such as costs associated with the following:

- *Other business activities*, includes our Client Supply Services contract manufacturing results, our human health business, and expenses associated with our dedicated veterinary medicine research and development organization, research alliances, U.S. regulatory affairs and other operations focused on the development of our products. Other R&D-related costs associated with non-U.S. market and regulatory activities are generally included in the international commercial segment.
- *Corporate*, includes enabling functions such as information technology, facilities, legal, finance, human resources, business development, certain diagnostic costs and communications, among others. These costs also include certain compensation costs, certain procurement costs and other miscellaneous operating expenses not charged to our operating segments, as well as interest income and expense.
- Certain transactions and events such as (i) *Purchase accounting adjustments*, where we incur expenses associated with the amortization of fair value adjustments to inventory, intangible assets and property, plant and equipment; (ii) *Acquisition and divestiture-related costs*, where we incur costs associated with acquiring and integrating newly acquired businesses, such as transaction costs and integration costs, as well as divestiture-related costs; and (iii) *Certain significant items*, which comprise substantive, unusual items that, either as a result of their nature or size, would not be expected to occur as part of our normal business on a regular basis, such as restructuring charges and implementation costs associated with our cost-reduction/productivity initiatives that are not associated with an acquisition or divestiture, certain asset impairment charges, certain legal and commercial settlements and the impact of divestiture-related gains and losses.
- *Other unallocated* includes (i) certain overhead expenses associated with our global manufacturing operations not charged to our operating segments; (ii) certain costs associated with finance that specifically support our global manufacturing operations; (iii) certain supply chain and global logistics costs; and (iv) certain procurement costs.

Segment Assets

We manage our assets on a total company basis, not by operating segment. Therefore, our CODM does not regularly review any asset information by operating segment and, accordingly, we do not report asset information by operating segment.

Selected Statement of Income Information

(MILLIONS OF DOLLARS)	Earnings		Depreciation and Amortization <sup>(a)</sup>	
	Three Months Ended		Three Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>U.S.</b>				
Revenue	\$ 1,356	\$ 1,308		
Cost of sales	208	232		
Gross profit	1,148	1,076		
Gross margin	84.7 %	82.3 %		
Operating expenses <sup>(b)</sup>	218	204		
Other (income)/deductions-net	—	—		
U.S. Earnings	930	872	\$ 22	\$ 21
<b>International</b>				
Revenue <sup>(c)</sup>	1,070	1,035		
Cost of sales	314	342		
Gross profit	756	693		
Gross margin	70.7 %	67.0 %		
Operating expenses <sup>(b)</sup>	173	175		
Other (income)/deductions-net	—	—		
International Earnings	583	518	25	25
<b>Total operating segments</b>	<b>1,513</b>	<b>1,390</b>	<b>47</b>	<b>46</b>
Other business activities	(134)	(142)	13	11
Reconciling Items:				
Corporate	(321)	(299)	29	33
Purchase accounting adjustments	(33)	(35)	33	35
Acquisition and divestiture-related costs	(1)	(5)	—	—
Certain significant items	(47)	(70)	—	—
Other unallocated	(75)	(59)	1	2
<b>Total Earnings<sup>(d)</sup></b>	<b>\$ 902</b>	<b>\$ 780</b>	<b>\$ 123</b>	<b>\$ 127</b>

<sup>(a)</sup> Certain production facilities are shared. Depreciation and amortization is allocated to the reportable operating segments based on estimates of where the benefits of the related assets are realized.

<sup>(b)</sup> Operating expenses primarily consisted of field selling, advertising and promotions, other marketing expenses, and freight and logistics costs.

<sup>(c)</sup> Revenue denominated in euros was \$241 million and \$237 million for the three months ended June 30, 2025 and 2024, respectively.

<sup>(d)</sup> Defined as income before provision for taxes on income.

(MILLIONS OF DOLLARS)	Earnings		Depreciation and Amortization <sup>(a)</sup>	
	Six Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>U.S.</b>				
Revenue	\$ 2,539	\$ 2,471		
Cost of sales	407	449		
Gross profit	2,132	2,022		
Gross margin	84.0 %	81.8 %		
Operating expenses <sup>(b)</sup>	423	394		
Other (income)/deductions-net	—	—		
U.S. Earnings	1,709	1,628	\$ 45	\$ 45
<b>International</b>				
Revenue <sup>(c)</sup>	2,078	2,042		
Cost of sales	616	655		
Gross profit	1,462	1,387		
Gross margin	70.4 %	67.9 %		
Operating expenses <sup>(b)</sup>	327	334		
Other (income)/deductions-net	1	—		
International Earnings	1,134	1,053	48	48
<b>Total operating segments</b>	<b>2,843</b>	<b>2,681</b>	<b>93</b>	<b>93</b>
Other business activities	(263)	(274)	24	20
Reconciling Items:				
Corporate	(592)	(587)	58	65
Purchase accounting adjustments	(65)	(72)	65	72
Acquisition and divestiture-related costs	(1)	(5)	—	—
Certain significant items	(53)	(76)	—	—
Other unallocated	(157)	(140)	2	3
<b>Total Earnings<sup>(d)</sup></b>	<b>\$ 1,712</b>	<b>\$ 1,527</b>	<b>\$ 242</b>	<b>\$ 253</b>

<sup>(a)</sup> Certain production facilities are shared. Depreciation and amortization is allocated to the reportable operating segments based on estimates of where the benefits of the related assets are realized.

<sup>(b)</sup> Operating expenses primarily consisted of field selling, advertising and promotions, other marketing expenses, and freight and logistics costs.

<sup>(c)</sup> Revenue denominated in euros was \$468 million and \$460 million for the six months ended June 30, 2025 and 2024, respectively.

<sup>(d)</sup> Defined as income before provision for taxes on income.

## 17. Subsequent Event

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was enacted into law in the U.S. The OBBBA includes significant provisions, such as the permanent extension of certain provisions that were originally enacted in the 2017 Tax Cuts and Jobs Act and were set to expire on December 31, 2025, modifications to certain international tax provisions and the restoration of tax treatment for certain business provisions, including 100% bonus depreciation for certain qualified property, domestic research and experimental cost expensing, and the business interest expense limitation. The new legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We are currently evaluating the impact of these provisions on our condensed consolidated financial statements, including the effect on our effective tax rate and deferred tax assets in 2025 and future periods.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Overview of our business

Zoetis is a global leader in the animal health industry, focused on the discovery, development, manufacture and commercialization of medicines, vaccines, diagnostic products and services, biodevices, genetic tests and precision animal health. For over 70 years, we have been innovating ways to predict, prevent, detect, and treat animal illness, and continue to stand by those raising and caring for animals worldwide - from veterinarians and pet owners to livestock producers.

We manage our operations through two geographic operating segments: the United States (U.S.) and International. Within each of these operating segments, we offer a diversified product portfolio for both companion animal and livestock customers in order to capitalize on local and regional trends and customer needs. See Notes to Condensed Consolidated Financial Statements — *Note 16. Segment Information*.

We directly market our products to veterinarians and livestock producers located in approximately 45 countries across North America, Europe, Africa, Asia, Australia and South America, and are a market leader in nearly all of the major regions in which we operate. Through our efforts to establish an early and direct presence in many emerging markets, such as Brazil, Chile, China and Mexico, we believe we are one of the largest animal health medicines and vaccines businesses as measured by revenue across emerging markets as a whole. In markets where we do not have a direct commercial presence, we generally contract with distributors that provide logistics and sales and marketing support for our products.

Our companion animal and livestock products are primarily available by prescription through a veterinarian. On a more limited basis, in certain markets, we sell certain products through retail and e-commerce outlets. We also market our products by advertising to veterinarians, pet owners and livestock producers.

We believe our investments in one of the industry’s largest sales organizations, including our extensive network of technical and veterinary operations specialists, our high-quality manufacturing and reliability of supply, and our long track record of developing products that meet customer needs, has led to enduring and valued relationships with our customers. Our research and development (R&D) efforts enable us to deliver innovative products to address unmet needs and evolve our product lines so that they remain relevant for our customers.

We have approximately 300 product lines that we sell in over 100 countries for the prediction, prevention, detection and treatment of diseases and conditions that affect various companion animal and livestock species. The diversity of our product portfolio and our global operations provides stability to our overall business.

A summary of our 2025 performance compared with the comparable 2024 periods follows:

(MILLIONS OF DOLLARS)	Three Months Ended June 30,		% Change		
			Total	Related to	
	2025	2024		Exchange	Operational <sup>(a)</sup>
Revenue	\$ 2,460	\$ 2,361	4	(1)	5
Net income attributable to Zoetis	718	624	15	5	10
Adjusted net income <sup>(a)</sup>	783	711	10	3	7

(MILLIONS OF DOLLARS)	Six Months Ended June 30,		% Change		
			Total	Related to	
	2025	2024		Exchange	Operational <sup>(a)</sup>
Revenue	\$ 4,680	\$ 4,551	3	(2)	5
Net income attributable to Zoetis	1,349	1,223	10	4	6
Adjusted net income <sup>(a)</sup>	1,445	1,345	7	3	4

<sup>(a)</sup> Operational results and adjusted net income are non-GAAP financial measures. See the *Non-GAAP financial measures* section of this Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) for more information.

### Our operating environment

For a description of our operating environment, including factors which could materially affect our business, financial condition, or future results, see "Our Operating Environment" in the MD&A of our 2024 Annual Report on Form 10-K. Set forth below are updates to certain of the factors disclosed in our 2024 Annual Report on Form 10-K.

#### Quarterly Variability of Financial Results

Our quarterly financial results are subject to variability related to a number of factors including, but not limited to: tariffs and other trade protection measures, the decline in global macroeconomic conditions, competitive dynamics, geopolitical tensions with and economic uncertainty in certain markets, inflation, global supply chain disruption, variability in distributor inventory stocking levels as a result of expected demand and promotional activities, weather patterns, herd management decisions, regulatory actions, disease outbreaks, product and geographic mix, timing of price increases and timing of investment decisions.

#### Tariffs and Trade Protection Measures

Our business is subject to risks related to, among other factors, tariffs and other trade protection measures put in the place by the United States or other countries, as well as U.S. international trade relations, including those with China, Canada and the European Union. Starting in early 2025, the

United States government announced additional tariffs on certain goods imported into the U.S. from numerous countries and multiple nations countered with reciprocal tariffs and other actions in response. While the final tariffs and other measures to be imposed, and their applicability to our business, remain uncertain, such actions may negatively impact demand and result in an increase in some product costs. We will continue to actively monitor the situation and evaluate actions that can be taken to moderate and/or minimize its effects. For further information regarding the impact of potential additional tariffs and trade protection measures on the Company, see *Part II, Item 1A, Risk Factors* in this Quarterly Report on Form 10-Q.

#### ***Disease Outbreaks***

Sales of our livestock products have in the past, and may in the future be, adversely affected by the outbreak of disease carried by animals. Outbreaks of disease may reduce regional or global sales of particular animal-derived food products or result in reduced exports of such products, either due to heightened export restrictions or import prohibitions, which may reduce demand for our products. Also, the outbreak of any highly contagious disease near our main production sites could require us to immediately halt production of our products at such sites or force us to incur substantial expenses in procuring raw materials or products elsewhere. Alternatively, sales of products that treat specific disease outbreaks may increase.

#### ***Foreign Exchange Rates***

Significant portions of our revenue and costs are exposed to changes in foreign exchange rates. Our products are sold in more than 100 countries and, as a result, our revenue is influenced by changes in foreign exchange rates. For the six months ended June 30, 2025, approximately 41% of our revenue was denominated in foreign currencies. We seek to manage our foreign exchange risk, in part, through operational means, including managing same-currency revenue in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. As we operate in multiple foreign currencies, including the Australian dollar, Brazilian real, British pound, Canadian dollar, Chinese renminbi, euro and other currencies, changes in those currencies relative to the U.S. dollar will impact our revenue, cost of goods and expenses, and consequently, net income. Exchange rate fluctuations may also have an impact beyond our reported financial results and directly impact operations. These fluctuations may affect the ability to buy and sell our goods and services between markets impacted by significant exchange rate variances. For the six months ended June 30, 2025, approximately 59% of our total revenue was in U.S. dollars. Our year-over-year total revenue growth was unfavorably impacted by approximately 2% from changes in foreign currency values relative to the U.S. dollar. For operations in highly inflationary economies, we translate monetary items at rates in effect at the balance sheet date, with translation adjustments recorded in *Other (income)/deductions—net*, and we translate non-monetary items at historical rates.

#### **Non-GAAP financial measures**

We report information in accordance with U.S. generally accepted accounting principles (GAAP). Management also measures performance using non-GAAP financial measures that may exclude certain amounts from the most directly comparable GAAP measure. Despite the importance of these measures to management in goal setting and performance measurement, non-GAAP financial measures have no standardized meaning prescribed by U.S. GAAP and, therefore, have limits in their usefulness to investors and may not be comparable to the calculation of similar measures of other companies. We present certain identified non-GAAP measures solely to provide investors with useful information to more fully understand how management assesses performance.

#### ***Operational Results***

We believe that it is important to not only understand overall revenue and earnings results, but also “operational” results. Operational results is a non-GAAP financial measure defined as revenue or earnings results excluding the impact of foreign exchange. This measure provide information on the change in revenue and earnings as if foreign currency exchange rates had not changed between the current and prior periods to facilitate a period-to-period comparison. We believe this non-GAAP measure provides a useful comparison to previous periods for the company and investors, but should not be viewed as a substitute for U.S. GAAP reported results.

#### ***Adjusted Net Income and Adjusted Earnings Per Share***

Adjusted net income and the corresponding adjusted earnings per share (EPS) are non-GAAP financial measures of performance used by management. We believe these financial measures are useful supplemental information to investors when considered together with our U.S. GAAP financial measures. We report adjusted net income to portray the results of our major operations, and the discovery, development, manufacture and commercialization of our products, prior to considering certain income statement elements. We define adjusted net income and adjusted EPS as net income attributable to Zoetis and EPS before the impact of purchase accounting adjustments, acquisition and divestiture-related costs and certain significant items.

We recognize that, as an internal measure of performance, the adjusted net income and adjusted EPS measures have limitations, and we do not restrict our performance management process solely to these metrics. A limitation of the adjusted net income and adjusted EPS measures is that they provide a view of our operations without including all events during a period, such as the effects of an acquisition, divestiture or amortization of purchased intangibles, and do not provide a comparable view of our performance to other companies. The adjusted net income and adjusted EPS measures are not, and should not be viewed as, a substitute for U.S. GAAP reported net income attributable to Zoetis and reported EPS. See the *Adjusted Net Income* section below for more information.

## Analysis of the condensed consolidated statements of income

The following discussion and analysis of our statements of income should be read along with our condensed consolidated financial statements and the notes thereto included elsewhere in *Part I—Item 1* of this Quarterly Report on Form 10-Q.

(MILLIONS OF DOLLARS)	Three Months Ended			%	Six Months Ended		
	June 30,		2024		June 30,		2024
	2025			Change	2025		
Revenue	\$ 2,460	\$ 2,361		4	\$ 4,680	\$ 4,551	3
Costs and expenses:							
Cost of sales	649	668		(3)	1,271	1,311	(3)
<i>% of revenue</i>	26.4 %	28.3 %			27.2 %	28.8 %	
Selling, general and administrative expenses	617	581		6	1,180	1,128	5
<i>% of revenue</i>	25 %	25 %			25 %	25 %	
Research and development expenses	172	171		1	329	333	(1)
<i>% of revenue</i>	7 %	7 %			7 %	7 %	
Amortization of intangible assets	33	35		(6)	65	72	(10)
Restructuring charges and certain acquisition and divestiture-related costs	30	42		(29)	30	46	(35)
Interest expense, net of capitalized interest	53	59		(10)	107	117	(9)
Other (income)/deductions—net	4	25		(84)	(14)	17	*
Income before provision for taxes on income	902	780		16	1,712	1,527	12
<i>% of revenue</i>	37 %	33 %			37 %	34 %	
Provision for taxes on income	184	156		18	363	304	19
<i>Effective tax rate</i>	20.4 %	20.0 %			21.2 %	19.9 %	
Net income before allocation to noncontrolling interests	718	624		15	1,349	1,223	10
Less: Net income/(loss) attributable to noncontrolling interests	—	—		—	—	—	—
Net income attributable to Zoetis	\$ 718	\$ 624		15	\$ 1,349	\$ 1,223	10
<i>% of revenue</i>	29 %	26 %			29 %	27 %	

\*Calculation not meaningful

### Revenue

#### Three months ended June 30, 2025 vs. three months ended June 30, 2024

Total revenue increased by \$99 million, or 4%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, an increase of \$113, or 5%, on an operational basis. Operational revenue growth was primarily due to the following:

- price growth of approximately 4%;
- volume growth from key franchises of approximately 3%; and
- volume growth from other in-line products of approximately 2%,

partially offset by:

- volume decrease related to the impact of the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets (MFA divestiture) of approximately 4%.

Foreign exchange decreased reported revenue growth by approximately 1%.

#### Six months ended June 30, 2025 vs. six months ended June 30, 2024

Total revenue increased by \$129 million, or 3%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, an increase of \$216 million, or 5%, on an operational basis. Operational revenue growth was primarily due to the following:

- price growth of approximately 4%;
- volume growth from key franchises of approximately 3%; and
- volume growth from other in-line products of approximately 2%,

partially offset by:

- volume decrease related to the impact of the MFA divestiture of approximately 4%.

Foreign exchange decreased reported revenue growth by approximately 2%.

## Costs and Expenses

### Cost of sales

(MILLIONS OF DOLLARS)	Three Months Ended			% Change	Six Months Ended			
	June 30,		2024		June 30,		2024	% Change
	2025	2024			2025	2024		
Cost of sales	\$ 649	\$ 668		(3)	\$ 1,271	\$ 1,311	(3)	
% of revenue	26.4 %	28.3 %			27.2 %	28.8 %		

#### Three months ended June 30, 2025 vs. three months ended June 30, 2024

Cost of sales as a percentage of revenue was 26.4% in the three months ended June 30, 2025, compared with 28.3% in the three months ended June 30, 2024. The decrease was primarily a result of:

- favorable impact of the MFA divestiture;
- favorable foreign exchange; and
- price increases,

partially offset by:

- unfavorable manufacturing and other costs.

#### Six months ended June 30, 2025 vs. six months ended June 30, 2024

Cost of sales as a percentage of revenue was 27.2% in the six months ended June 30, 2025, compared with 28.8% in the six months ended June 30, 2024. The decrease was primarily a result of:

- favorable foreign exchange;
- favorable impact of the MFA divestiture; and
- price increases,

partially offset by:

- unfavorable manufacturing and other costs.

### Selling, general and administrative expenses

(MILLIONS OF DOLLARS)	Three Months Ended			% Change	Six Months Ended			
	June 30,		2024		June 30,		2024	% Change
	2025	2024			2025	2024		
Selling, general and administrative expenses	\$ 617	\$ 581		6	\$ 1,180	\$ 1,128	5	
% of revenue	25 %	25 %			25 %	25 %		

#### Three months ended June 30, 2025 vs. three months ended June 30, 2024

SG&A expenses increased by \$36 million, or 6%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, primarily as a result of:

- higher advertising and promotion expenses;
- an increase in certain significant items;
- an increase in certain compensation-related costs; and
- higher other general and administrative costs,

partially offset by:

- favorable foreign exchange;
- lower bad debt expense; and
- lower logistics and freight costs.

#### Six months ended June 30, 2025 vs. six months ended June 30, 2024

SG&A expenses increased by \$52 million, or 5%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, primarily as a result of:

- higher advertising and promotion expenses;
- an increase in certain significant items;
- an increase in certain compensation-related costs;
- higher travel and entertainment costs; and
- higher other general and administrative costs,

partially offset by:

- favorable foreign exchange;
- lower logistics and freight costs; and
- lower bad debt expense.

### Research and development expenses

(MILLIONS OF DOLLARS)	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2025	2024			2025	2024		
Research and development expenses	\$ 172	\$ 171		1	\$ 329	\$ 333		(1)
% of revenue	7 %	7 %			7 %	7 %		

#### Three months ended June 30, 2025 vs. three months ended June 30, 2024

R&D expenses increased by \$1 million, or 1%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, primarily as a result of:

- an increase in certain compensation-related costs to support innovation and portfolio progression; and
- higher depreciation expense,

partially offset by:

- lower expenses due to timing of spend related to projects and other strategic investments.

#### Six months ended June 30, 2025 vs. six months ended June 30, 2024

R&D expenses decreased by \$4 million, or 1%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, primarily as a result of:

- lower expenses due to timing of spend related to projects and other strategic investments,

partially offset by:

- an increase in certain compensation-related costs to support innovation and portfolio progression; and
- higher depreciation expense.

### Amortization of intangible assets

(MILLIONS OF DOLLARS)	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2025	2024			2025	2024		
Amortization of intangible assets	\$ 33	\$ 35		(6)	\$ 65	\$ 72		(10)

Amortization of intangible assets decreased in the three and six months ended June 30, 2025 and 2024 versus the comparable prior year periods primarily due to assets that became fully amortized in the prior year.

### Restructuring charges and certain acquisition and divestiture-related costs

(MILLIONS OF DOLLARS)	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2025	2024			2025	2024		
Restructuring charges and certain acquisition and divestiture-related costs	\$ 30	\$ 42		(29)	\$ 30	\$ 46		(35)

Restructuring charges and certain acquisition and divestiture-related costs in the three and six months ended June 30, 2025 primarily consisted of asset impairment charges and employee termination costs related to a transition from internal to external innovation and manufacturing of certain products and the closure of a related site.

Restructuring charges and certain acquisition and divestiture-related costs in the three and six months ended June 30, 2024 primarily consisted of employee termination costs related to organizational structure refinements, as well as costs related to the MFA divestiture. Restructuring charges and certain acquisition and divestiture-related costs for the six months ended June 30, 2024 were partially offset by a reversal of certain employee termination costs as a result of a change in strategy from our 2015 operational efficiency initiative.

### Interest expense, net of capitalized interest

(MILLIONS OF DOLLARS)	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2025	2024			2025	2024		
Interest expense, net of capitalized interest	\$ 53	\$ 59		(10)	\$ 107	\$ 117		(9)

Interest expense, net of capitalized interest, decreased in the three and six months ended June 30, 2025 versus the comparable prior year periods primarily as a result of higher capitalized interest in the current periods associated with capital projects to support our future growth.

***Other (income)/deductions—net***

(MILLIONS OF DOLLARS)	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2025	2024	2025		2024			
Other (income)/deductions—net	\$ 4	\$ 25	(84)	\$ (14)	\$ 17	*		

\* Calculation not meaningful

The change in *Other (income)/deductions—net* in the three and six months ended June 30, 2025 versus the comparable prior year periods was primarily as a result of the net loss on the sale of our medicated feed additive product portfolio, certain water soluble products and related assets sold in 2024 and lower foreign currency losses in the current periods, partially offset by lower interest income in the current periods.

***Provision for taxes on income***

(MILLIONS OF DOLLARS)	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2025	2024	2025		2024			
Provision for taxes on income	\$ 184	\$ 156	18	\$ 363	\$ 304	19		
Effective tax rate	20.4 %	20.0 %		21.2 %	19.9 %			

Our effective tax rate was 20.4% and 20.0% for the three months ended June 30, 2025 and 2024, respectively, and 21.2% and 19.9% for the six months ended June 30, 2025 and 2024, respectively. The higher effective tax rate for the three and six months ended June 30, 2025, compared with the three and six months ended June 30, 2024, was primarily attributable to a lower benefit in the U.S. related to foreign-derived intangible income, higher net discrete tax expenses, partially offset by a more favorable jurisdictional mix of earnings (which includes the impact of the location of pre-tax earnings, tax impact of permanent differences and repatriation decisions).

## Operating Segment Results

On a global basis, the mix of revenue between companion animal and livestock products was as follows:

(MILLIONS OF DOLLARS)	Three Months Ended June 30,		% Change		
			Total	Related to	
	2025	2024		Foreign Exchange	Operational
<b>U.S.</b>					
Companion animal	\$ 1,176	\$ 1,080	9	—	9
Livestock	180	228	(21)	—	(21)
	<b>1,356</b>	<b>1,308</b>	<b>4</b>	<b>—</b>	<b>4</b>
<b>International</b>					
Companion animal	612	569	8	—	8
Livestock	458	466	(2)	(3)	1
	<b>1,070</b>	<b>1,035</b>	<b>3</b>	<b>(2)</b>	<b>5</b>
<b>Total</b>					
Companion animal	1,788	1,649	8	—	8
Livestock	638	694	(8)	(2)	(6)
Contract manufacturing & human health	34	18	89	(2)	91
	<b>\$ 2,460</b>	<b>\$ 2,361</b>	<b>4</b>	<b>(1)</b>	<b>5</b>

(MILLIONS OF DOLLARS)	Six Months Ended June 30,		% Change		
			Total	Related to	
	2025	2024		Foreign Exchange	Operational
<b>U.S.</b>					
Companion animal	\$ 2,149	\$ 1,978	9	—	9
Livestock	390	493	(21)	—	(21)
	<b>2,539</b>	<b>2,471</b>	<b>3</b>	<b>—</b>	<b>3</b>
<b>International</b>					
Companion animal	1,185	1,121	6	(3)	9
Livestock	893	921	(3)	(5)	2
	<b>2,078</b>	<b>2,042</b>	<b>2</b>	<b>(4)</b>	<b>6</b>
<b>Total</b>					
Companion animal	3,334	3,099	8	(1)	9
Livestock	1,283	1,414	(9)	(3)	(6)
Contract manufacturing & human health	63	38	66	(4)	70
	<b>\$ 4,680</b>	<b>\$ 4,551</b>	<b>3</b>	<b>(2)</b>	<b>5</b>

Earnings by segment and the operational and foreign exchange changes versus the comparable prior year period were as follows:

(MILLIONS OF DOLLARS)	Three Months Ended June 30,		% Change		
			Total	Related to	
	2025	2024			Foreign Exchange
<b>U.S.</b>					
Revenue	\$ 1,356	\$ 1,308	4	—	4
Cost of Sales	208	232	(10)	—	(10)
Gross Profit	1,148	1,076	7	—	7
Gross Margin	84.7 %	82.3 %			
Operating Expenses	218	204	7	—	7
Other (income)/deductions-net	—	—	*	*	*
U.S. Earnings	930	872	7	—	7
<b>International</b>					
Revenue	1,070	1,035	3	(2)	5
Cost of Sales	314	342	(8)	(9)	1
Gross Profit	756	693	9	2	7
Gross Margin	70.7 %	67.0 %			
Operating Expenses	173	175	(1)	(3)	2
Other (income)/deductions-net	—	—	*	*	*
International Earnings	583	518	13	5	8
<b>Total operating segments</b>	<b>1,513</b>	<b>1,390</b>	<b>9</b>	<b>2</b>	<b>7</b>
Other business activities	(134)	(142)	(6)		
Reconciling Items:					
Corporate	(321)	(299)	7		
Purchase accounting adjustments	(33)	(35)	(6)		
Acquisition and divestiture-related costs	(1)	(5)	(80)		
Certain significant items	(47)	(70)	(33)		
Other unallocated	(75)	(59)	27		
Total Earnings	\$ 902	\$ 780	16		

\* Calculation not meaningful

(MILLIONS OF DOLLARS)	Six Months Ended June 30,		% Change		
			Total	Related to	
	2025	2024		Foreign Exchange	Operational
<b>U.S.</b>					
Revenue	\$ 2,539	\$ 2,471	3	—	3
Cost of Sales	407	449	(9)	—	(9)
Gross Profit	2,132	2,022	5	—	5
Gross Margin	84.0 %	81.8 %			
Operating Expenses	423	394	7	—	7
Other (income)/deductions-net	—	—	*	*	*
U.S. Earnings	1,709	1,628	5	—	5
<b>International</b>					
Revenue	2,078	2,042	2	(4)	6
Cost of Sales	616	655	(6)	(11)	5
Gross Profit	1,462	1,387	5	(1)	6
Gross Margin	70.4 %	67.9 %			
Operating Expenses	327	334	(2)	(5)	3
Other (income)/deductions-net	1	—	*	*	*
International Earnings	1,134	1,053	8	1	7
<b>Total operating segments</b>	<b>2,843</b>	<b>2,681</b>	<b>6</b>	<b>—</b>	<b>6</b>
Other business activities	(263)	(274)	(4)		
Reconciling Items:					
Corporate	(592)	(587)	1		
Purchase accounting adjustments	(65)	(72)	(10)		
Acquisition and divestiture-related costs	(1)	(5)	(80)		
Certain significant items	(53)	(76)	(30)		
Other unallocated	(157)	(140)	12		
Total Earnings	\$ 1,712	\$ 1,527	12		

\* Calculation not meaningful

### ***Three months ended June 30, 2025 vs. three months ended June 30, 2024***

#### ***U.S. operating segment***

U.S. segment revenue increased by \$48 million, or 4%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, reflecting an increase of \$96 million in companion animal products, partially offset by a \$48 million reduction in livestock products.

- Companion animal revenue increased primarily due to increased sales of Simparica Trio<sup>®</sup>, key dermatology products and small animal vaccines, partially offset by lower sales of our mAb products for OA pain, Librela<sup>®</sup> and Solensia<sup>®</sup>.
- Livestock revenue decreased primarily due to the impact of the MFA divestiture across cattle, poultry and swine products.

U.S. segment earnings increased by \$58 million, or 7%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, primarily due to higher revenue and lower cost of sales, partially offset by higher operating expenses, as well as the impact of the MFA divestiture.

#### ***International operating segment***

International segment revenue increased by \$35 million in the three months ended June 30, 2025 compared with the three months ended June 30, 2024. Operational revenue increased by \$49 million, or 5%, driven by growth of \$44 million in companion animal products and \$5 million in livestock products.

- Companion animal operational revenue growth was driven primarily by increased sales of our key dermatology products and our Simparica<sup>®</sup> franchise products.
- Livestock operational revenue growth was due to increased sales in our fish and swine products, partially offset by lower sales of poultry products. Excluding the impact of the MFA divestiture, livestock revenue increased across all species. Sales of swine products increased due to timing of the expected impact of macroenvironment conditions, primarily in China. Sales of our fish products grew due to increased vaccine sales in Norway and Chile. Sales of poultry products grew due to higher demand for vaccines in key poultry markets, as well as price, and sales of cattle products grew largely due to price.
- Additionally, International segment revenue was unfavorably impacted by foreign exchange which decreased revenue by \$14 million, or 2%, primarily driven by the Brazilian real, Mexican peso, Argentinian peso and Turkish lira.

International segment earnings increased by \$65 million, or 13%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024. Operational earnings growth was \$41 million, or 8%, primarily due to higher revenue, partially offset by higher cost of sales and operating expenses, as well as the impact of the MFA divestiture.

**Six months ended June 30, 2025 vs. six months ended June 30, 2024**

***U.S. operating segment***

U.S. segment revenue increased by \$68 million, or 3%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, reflecting an increase of \$171 million in companion animal products, partially offset by a \$103 million reduction in livestock products.

- Companion animal revenue growth was primarily due to increased sales of Simparica Trio, key dermatology products and small animal diagnostics, partially offset by lower sales of our small animal vaccines.
- Livestock revenue declined primarily due to the impact of the MFA divestiture across cattle, poultry and swine products.

U.S. segment earnings increased by \$81 million, or 5%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, primarily due to higher revenue and lower cost of sales, partially offset by higher operating expenses, as well as the impact of the MFA divestiture.

***International operating segment***

International segment revenue increased by \$36 million in the six months ended June 30, 2025 compared with the six months ended June 30, 2024. Operational revenue increased by \$122 million, or 6%, driven by growth of \$100 million in companion animal products and \$22 million in livestock products.

- Companion animal operational revenue growth was driven primarily by increased sales of our Simparica franchise products, key dermatology products and our mAb products for OA pain, Librela and Solensia.
- Livestock operational revenue growth was due to increased sales in our cattle and fish products, partially offset by lower sales of poultry products. Excluding the impact of the MFA divestiture, livestock revenue increased across all species. Sales of cattle products grew largely due to price and sales of poultry products grew due to higher demand for vaccines in key poultry markets and price. Sales of our fish products grew due to increased vaccine sales in Norway and Chile. Sales of swine products increased due to timing of the expected impact of macroenvironment conditions, primarily in China.
- Additionally, International segment revenue was unfavorably impacted by foreign exchange which decreased revenue by \$86 million, or 4%, primarily driven by the Brazilian real, Mexican peso, Argentinian peso, Turkish lira, Australian dollar and Canadian dollar.

International segment earnings increased by \$81 million, or 8%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024. Operational earnings growth was \$76 million, or 7%, primarily due to higher revenue, partially offset by higher cost of sales and operating expenses, as well as the impact of the MFA divestiture.

***Other business activities***

Other business activities includes our Client Supply Services contract manufacturing results, our human health business and expenses associated with our dedicated veterinary medicine research and development organization, research alliances, U.S. regulatory affairs and other operations focused on the development of our products. Other R&D-related costs associated with non-U.S. market and regulatory activities are generally included in the International segment.

**Three months ended June 30, 2025 vs. three months ended June 30, 2024**

Other business activities net loss decreased by \$8 million in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, reflecting a decrease in R&D costs primarily due to timing of spend related to projects and other strategic investments, partially offset by an increase in certain compensation-related costs and depreciation expense.

**Six months ended June 30, 2025 vs. six months ended June 30, 2024**

Other business activities net loss decreased by \$11 million in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, reflecting a decrease in R&D costs primarily due to timing of spend related to projects and other strategic investments, partially offset by an increase in certain compensation-related costs and depreciation expense.

***Reconciling items***

Reconciling items include certain costs that are not allocated to our operating segments results, such as costs associated with the following:

- **Corporate**, which includes certain costs associated with information technology, facilities, legal, finance, human resources, business development, certain diagnostic costs and communications, among others. These costs also include certain compensation costs, certain procurement costs, and other miscellaneous operating expenses that are not charged to our operating segments, as well as interest income and expense;
- Certain transactions and events such as **Purchase accounting adjustments**, **Acquisition and divestiture-related costs** and **Certain significant items**, which are defined below; and
- **Other unallocated**, which includes (i) certain overhead expenses associated with our global manufacturing operations not charged to our operating segments; (ii) certain costs associated with finance that specifically support our global manufacturing operations; (iii) certain supply chain and global logistics costs; and (iv) certain procurement costs.

**Three months ended June 30, 2025 vs. three months ended June 30, 2024**

Corporate expenses increased by \$22 million, or 7%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, primarily due to increased investments in information technology and higher compensation related costs, partially offset by favorable foreign exchange.

Other unallocated expenses increased by \$16 million, or 27%, in the three months ended June 30, 2025, compared with the three months ended June 30, 2024, primarily due to higher manufacturing costs and other charges, partially offset by lower inventory obsolescence, freight charges and favorable foreign exchange.

***Six months ended June 30, 2025 vs. six months ended June 30, 2024***

Corporate expenses increased by \$5 million, or 1%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, primarily due to increased investments in information technology.

Other unallocated expenses increased by \$17 million, or 12%, in the six months ended June 30, 2025, compared with the six months ended June 30, 2024, primarily due to higher manufacturing costs and other charges, partially offset by lower inventory obsolescence, freight charges and favorable foreign exchange.

See Notes to Condensed Consolidated Financial Statements—*Note 16. Segment Information* for further information.

## **Adjusted net income**

### ***General description of adjusted net income (a non-GAAP financial measure)***

Adjusted net income is an alternative view of performance used by management, and we believe that investors' understanding of our performance is enhanced by disclosing this performance measure. The adjusted net income measure is an important internal measurement for us. Additionally, we measure our overall performance on this basis in conjunction with other performance metrics. The following are examples of how the adjusted net income measure is utilized:

- senior management receives a monthly analysis of our operating results that is prepared on an adjusted net income basis;
- our annual budgets are prepared on an adjusted net income basis; and
- other goal setting and performance measurements.

### ***Purchase accounting adjustments***

Adjusted net income is calculated prior to considering certain significant purchase accounting impacts that result from business combinations and net asset acquisitions. These impacts, primarily associated with certain acquisitions, include amortization related to the increase in fair value of the acquired finite-lived intangible assets and depreciation related to the increase/decrease to fair value of the acquired fixed assets. Therefore, the adjusted net income measure includes the revenue earned upon the sale of the acquired products without considering the aforementioned significant charges.

While certain purchase accounting adjustments can occur through 20 or more years, this presentation provides an alternative view of our performance that is used by management to internally assess business performance. We believe the elimination of amortization attributable to acquired intangible assets provides management and investors an alternative view of our business results by providing a degree of parity to internally developed intangible assets for which R&D costs previously have been expensed.

A completely accurate comparison of internally developed intangible assets and acquired intangible assets cannot be achieved through adjusted net income. These components of adjusted net income are derived solely from the impact of the items listed above. We have not factored in the impact of any other differences in experience that might have occurred if we had discovered and developed those intangible assets on our own, and this approach does not intend to be representative of the results that would have occurred in those circumstances. For example, our R&D costs in total, and in the periods presented, may have been different; our speed to commercialization and resulting revenue, if any, may have been different; or our costs to manufacture may have been different. In addition, our marketing efforts may have been received differently by our customers. As such, in total, there can be no assurance that our adjusted net income amounts would have been the same as presented had we discovered and developed the acquired intangible assets.

### ***Acquisition and divestiture-related costs***

Adjusted net income is calculated prior to considering transaction, integration and disintegration costs associated with significant business combinations, net asset acquisitions and divestitures. These incremental costs are excluded as they are incurred to acquire and integrate, or dispose and disintegrate, certain businesses as a result of the acquisition or disposal decision and are unique to each transaction. We have made no adjustments for the resulting synergies from these transactions.

We believe that viewing income prior to considering these charges provides investors with a useful additional perspective because the significant costs incurred in a business combination, net asset acquisition or divestiture result primarily from the need to eliminate duplicate assets, activities or employees—a natural result of acquiring or disposing of a fully integrated set of activities. For this reason, we believe that the costs incurred to convert disparate systems, to close duplicative facilities or to eliminate duplicate positions (for example, in the context of a business combination) can be viewed differently from those costs incurred in the ordinary course of business.

The integration and disintegration costs associated with a business combination, asset acquisition or divestiture may occur over several years, with the more significant impacts generally ending within three years of the transaction. Because of the need for certain external approvals for some actions, the span of time needed to achieve certain restructuring, integration or disintegration activities can be lengthy. For example, due to the regulated nature of the animal health medicines, vaccines and diagnostic business, the closure of excess facilities can take several years, as all manufacturing changes are subject to extensive validation and testing and must be approved by the U.S. Food and Drug Administration and/or other regulatory authorities.

### ***Certain significant items***

Adjusted net income is calculated excluding certain significant items. Certain significant items represent substantive, unusual items that are evaluated on an individual basis. Such evaluation considers both the quantitative and the qualitative aspect of their unusual nature. Unusual, in this context, may represent items that are not part of our ongoing business; items that, either as a result of their nature or size, we would not expect to occur as part

of our normal business on a regular basis; items that would be nonrecurring; or items that relate to products that we no longer sell. While not all-inclusive, examples of items that could be included as certain significant items would be costs related to a major non-acquisition or divestiture-related restructuring charge and associated implementation costs for a program that is specific in nature with a defined term, such as those related to our non-acquisition or divestiture-related cost-reduction and productivity initiatives; costs related to our business process transformation program; amounts related to disposals of products or facilities that do not qualify as discontinued operations as defined by U.S. GAAP; certain asset impairment charges; adjustments related to the resolution of certain tax positions; significant currency devaluation; the impact of adopting certain significant, event-driven tax legislation; or charges related to legal matters. See Notes to Condensed Consolidated Financial Statements—*Note 15. Commitments and Contingencies*. Our normal, ongoing defense costs or settlements of and accruals on legal matters made in the normal course of our business would not be considered certain significant items.

### Reconciliation

A reconciliation of net income attributable to Zoetis, as reported under U.S. GAAP, to adjusted net income follows:

(MILLIONS OF DOLLARS)	Three Months Ended			%	Six Months Ended		
	June 30,		Change		June 30,		%
	2025	2024			2025	2024	
GAAP reported net income attributable to Zoetis	\$ 718	\$ 624	15	\$ 1,349	\$ 1,223	10	
Purchase accounting adjustments—net of tax	26	27	(4)	51	56	(9)	
Acquisition and divestiture-related costs—net of tax	1	4	(75)	1	4	(75)	
Certain significant items—net of tax	38	56	(32)	44	62	(29)	
Non-GAAP adjusted net income <sup>(a)</sup>	\$ 783	\$ 711	10	\$ 1,445	\$ 1,345	7	

<sup>(a)</sup> The effective tax rate on adjusted pre-tax income was 20.3% and 20.1% for the three months ended June 30, 2025 and 2024, respectively, and 21.1% and 19.9% for the six months ended June 30, 2025 and 2024, respectively.

The higher effective tax rate for the three and six months ended June 30, 2025, compared with the three and six months ended June 30, 2024, was primarily attributable to a lower benefit in the U.S. related to foreign-derived intangible income, higher net discrete tax expenses, partially offset by a more favorable jurisdictional mix of earnings (which includes the impact of the location of pre-tax earnings, tax impact of permanent differences and repatriation decisions).

A reconciliation of reported diluted earnings per share (EPS), as reported under U.S. GAAP, to non-GAAP adjusted diluted EPS follows:

Earnings per share—diluted <sup>(a)</sup> :	Three Months Ended			%	Six Months Ended		
	June 30,		Change		June 30,		%
	2025	2024			2025	2024	
GAAP reported EPS attributable to Zoetis—diluted	\$ 1.61	\$ 1.37	18	\$ 3.02	\$ 2.67	13	
Purchase accounting adjustments—net of tax	0.06	0.06	—	0.11	0.12	(8)	
Acquisition and divestiture-related costs—net of tax	—	0.01	*	—	0.01	*	
Certain significant items—net of tax	0.09	0.12	(25)	0.10	0.14	(29)	
Non-GAAP adjusted EPS—diluted	\$ 1.76	\$ 1.56	13	\$ 3.23	\$ 2.94	10	

\* Calculation not meaningful

<sup>(a)</sup> Diluted earnings per share was computed using the weighted-average common shares outstanding during the period plus the common stock equivalents related to stock options, restricted stock units, performance-vesting restricted stock units and deferred stock units.

Adjusted net income includes the following charges for each of the periods presented:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Interest expense, net of capitalized interest	\$ 53	\$ 59	\$ 107	\$ 117
Interest income	19	24	42	56
Income taxes	200	179	386	335
Depreciation	81	82	160	163
Amortization	9	10	17	18

Adjusted net income, as shown above, excludes the following items:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>Purchase accounting adjustments:</b>				
Amortization and depreciation	\$ 33	\$ 35	\$ 65	\$ 72
Total purchase accounting adjustments—pre-tax	33	35	65	72
Income taxes <sup>(a)</sup>	7	8	14	16
Total purchase accounting adjustments—net of tax	26	27	51	56
<b>Acquisition and divestiture-related costs:</b>				
Acquisition-related costs	1	1	1	1
Divestiture-related costs	—	4	—	4
Total acquisition and divestiture-related costs—pre-tax	1	5	1	5
Income taxes <sup>(a)</sup>	—	1	—	1
Total acquisition and divestiture-related costs—net of tax	1	4	1	4
<b>Certain significant items:</b>				
Other restructuring charges and cost-reduction/productivity initiatives <sup>(b)</sup>	7	37	7	41
Business process transformation program <sup>(c)</sup>	11	—	18	—
Certain asset impairment charges <sup>(d)</sup>	27	11	27	11
Net loss on sale of business <sup>(e)</sup>	3	22	3	22
Other	(1)	—	(2)	2
Total certain significant items—pre-tax	47	70	53	76
Income taxes <sup>(a)</sup>	9	14	9	14
Total certain significant items—net of tax	38	56	44	62
<b>Total purchase accounting adjustments, acquisition and divestiture-related costs, and certain significant items—net of tax</b>	<b>\$ 65</b>	<b>\$ 87</b>	<b>\$ 96</b>	<b>\$ 122</b>

<sup>(a)</sup> Income taxes include the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that jurisdiction's applicable tax rate.

<sup>(b)</sup> For the three and six months ended June 30, 2025, primarily consisted of employee termination costs related to a transition from internal to external innovation and manufacturing of certain products and the closure of a related site.

For the three and six months ended June 30, 2024, primarily consisted of employee termination costs related to organizational structure refinements. For the six months ended June 30, 2024, charges were partially offset by a reversal of certain employee termination costs as a result of a change in strategy from our 2015 operational efficiency initiative.

<sup>(c)</sup> Represents costs related to our multi-year business process transformation program, which includes the implementation of a new enterprise resource planning (ERP) system, related digital technology solutions and other related costs. This comprehensive program is a major global and cross-functional company-wide effort that we believe will transform how we work across our business and contribute to all of our strategic priorities. Due to the nature, scope and magnitude of this investment, these costs are incremental transformational costs that are far in excess of the historical normal level of spending to support operations and are not expected to recur in the foreseeable future.

<sup>(d)</sup> For the three and six months ended June 30, 2025, represents certain asset impairment charges related to a transition from internal to external innovation and manufacturing of certain products and the closure of a related site, as well as charges related to our aquaculture product portfolio.

For the three and six months ended June 30, 2024, represents certain asset impairment charges related to our aquaculture product portfolio.

<sup>(e)</sup> Represents a net loss related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets sold in 2024.

The classification of the above items excluded from adjusted net income are as follows:

(MILLIONS OF DOLLARS)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>Cost of sales:</b>				
Purchase accounting adjustments	\$ 1	\$ 1	\$ 2	\$ 2
Business process transformation program	2	—	3	—
Other	(1)	—	(1)	—
<i>Total Cost of sales</i>	2	1	4	2
<b>Selling, general &amp; administrative expenses:</b>				
Purchase accounting adjustments	3	3	6	6
Business process transformation program	9	—	15	—
<i>Total Selling, general &amp; administrative expenses</i>	12	3	21	6
<b>Research &amp; development expenses:</b>				
Purchase accounting adjustments	1	—	1	1
<i>Total Research &amp; development expenses</i>	1	—	1	1
<b>Amortization of intangible assets:</b>				
Purchase accounting adjustments	28	31	56	63
<i>Total Amortization of intangible assets</i>	28	31	56	63
<b>Restructuring charges and certain acquisition and divestiture-related costs:</b>				
Acquisition-related costs	1	1	1	1
Divestiture-related costs	—	4	—	4
Employee termination costs	5	37	5	41
Asset impairments	22	—	22	—
Exit costs	2	—	2	—
<i>Total Restructuring charges and certain acquisition and divestiture-related costs</i>	30	42	30	46
<b>Other (income)/deductions—net:</b>				
Net loss on sale of business	3	22	3	22
Asset impairment charges	5	11	5	11
Other	—	—	(1)	2
<i>Total Other (income)/deductions—net</i>	8	33	7	35
<b>Provision for taxes on income</b>	<b>16</b>	<b>23</b>	<b>23</b>	<b>31</b>
<b>Total purchase accounting adjustments, acquisition and divestiture-related costs, and certain significant items—net of tax</b>	<b>\$ 65</b>	<b>\$ 87</b>	<b>\$ 96</b>	<b>\$ 122</b>

## Analysis of the condensed consolidated statements of comprehensive income

Changes in other comprehensive income for the periods presented are primarily related to foreign currency translation adjustments and unrealized gains/(losses) on derivative instruments. The foreign currency translation adjustment changes result from the strengthening or weakening of the U.S. dollar as compared to the currencies in the countries in which we do business. Unrealized gains/(losses) on the changes in the fair value of derivative instruments are recorded within *Accumulated other comprehensive income/(loss)* and reclassified into earnings depending on the nature and purpose of the financial instrument, as described in *Note 9. Financial Instruments* of the Notes to Condensed Consolidated Financial Statements.

## Analysis of the condensed consolidated balance sheets

### June 30, 2025 vs. December 31, 2024

For a discussion about the changes in *Cash and cash equivalents*, *Short-term borrowings* and *Long-term debt, net of discount and issuance costs*, see “*Analysis of financial condition, liquidity and capital resources*” below.

*Accounts receivable, less allowance for doubtful accounts* increased primarily as a result of higher net sales in the period.

*Inventories* increased as a result of inventory build-up to support production for the forecasted demand of certain products.

*Other current assets* increased primarily due to the timing of income taxes paid and the jurisdictional netting of income taxes receivable and income taxes payable, as well as an increase in collateral posted related to derivative contracts, partially offset by the mark-to-market adjustments of derivative instruments.

The increase in *Operating lease right-of-use assets* reflects assets acquired through new and amended lease agreements, partially offset by lease amortization, while the increase in *Operating lease liabilities* primarily reflects an amended lease obligation in the current period, partially offset by lease payments.

The net changes in *Noncurrent deferred tax assets*, *Noncurrent deferred tax liabilities*, *Income taxes payable* and *Other taxes payable* primarily reflect adjustments to the accrual for the income tax provision, the timing of income tax payments and the tax impact of various acquisitions.

*Other noncurrent assets* increased primarily due to capitalized cloud computing arrangements implementation costs, partially offset by the mark-to-market adjustments of derivative instruments.

*Accounts payable* increased as a result of the timing of vendor and value-added tax payments.

*Accrued compensation and related items* decreased primarily due to the payments of 2024 annual incentive bonuses, savings plan contributions to eligible employees and payments for sales incentive bonuses, partially offset by the accrual of 2025 annual incentive bonuses, sales incentive bonuses and savings plan contributions to eligible employees.

*Other noncurrent liabilities* increased primarily due to the mark-to-market adjustments of derivative instruments.

For an analysis of the changes in *Total Equity*, see the Condensed Consolidated Statements of Equity and Notes to Condensed Consolidated Financial Statements— *Note 13. Stockholders' Equity*.

## Analysis of the condensed consolidated statements of cash flows

(MILLIONS OF DOLLARS)	Six Months Ended		\$ Change
	June 30,		
	2025	2024	
Net cash provided by (used in):			
Operating activities	\$ 1,073	\$ 1,097	\$ (24)
Investing activities	(422)	(263)	(159)
Financing activities	(1,241)	(1,287)	46
Effect of exchange-rate changes on cash and cash equivalents	38	(14)	52
Net decrease in cash and cash equivalents	\$ (552)	\$ (467)	\$ (85)

### Operating activities

#### Six months ended June 30, 2025 vs. six months ended June 30, 2024

Net cash provided by operating activities was \$1,073 million for the six months ended June 30, 2025, compared with \$1,097 million for the six months ended June 30, 2024. The decrease in operating cash flows was primarily attributable to the timing of income taxes paid, the timing of receipts and payments in the ordinary course of business and higher inventory build-up of certain products due to increased demand, partially offset by higher net income adjusted by non-cash items.

### Investing activities

#### Six months ended June 30, 2025 vs. six months ended June 30, 2024

Our net cash used in investing activities was \$422 million for the six months ended June 30, 2025, compared with net cash used in investing activities of \$263 million for the six months ended June 30, 2024. The net cash used in investing activities for the six months ended June 30, 2025 was primarily due to capital expenditures and net payments of derivative instrument activity. The net cash used in investing activities for the six months ended June 30, 2024 was primarily due to capital expenditures, partially offset by net proceeds from derivative instrument activity.

### Financing activities

#### Six months ended June 30, 2025 vs. six months ended June 30, 2024

Our net cash used in financing activities was \$1,241 million for the six months ended June 30, 2025, compared with net cash used in financing activities of \$1,287 million for the six months ended June 30, 2024. The net cash used in financing activities for the six months ended June 30, 2025 and 2024 was primarily attributable to the purchase of treasury shares, the payment of dividends and taxes paid on withholding shares, partially offset by proceeds in connection with the issuance of common stock under our equity incentive plan.

## Analysis of financial condition, liquidity and capital resources

While we believe our cash and cash equivalents on hand, our operating cash flows and our existing financing arrangements will be sufficient to support our cash needs for the next twelve months and beyond, this may be subject to the environment in which we operate. Risks to our meeting future funding requirements are described in *Global economic conditions* below.

**Selected measures of liquidity and capital resources**

Certain relevant measures of our liquidity and capital resources follow:

(MILLIONS OF DOLLARS)	June 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 1,435	\$ 1,987
Accounts receivable, net <sup>(a)</sup>	1,540	1,316
Current portion of long-term debt	1,350	1,350
Long-term debt	5,231	5,220
Working capital	2,557	2,574
Ratio of current assets to current liabilities	1.76:1	1.75:1

<sup>(a)</sup> Accounts receivable are usually collected over a period of 45 to 75 days. For the six months ended June 30, 2025 and December 31, 2024, the number of days that accounts receivables were outstanding remained within this range. We regularly monitor our accounts receivable for collectability, particularly in markets where economic conditions remain uncertain. We believe that our allowance for doubtful accounts is appropriate. Our assessment is based on such factors as past due aging, historical and expected collection patterns, the financial condition of our customers, the robust nature of our credit and collection practices and the economic environment.

For additional information about the sources and uses of our funds, see the *Analysis of the condensed consolidated balance sheets* and *Analysis of the condensed consolidated statements of cash flows* sections of this MD&A.

**Credit facility and other lines of credit**

In December 2022, we entered into an amended and restated revolving credit agreement with a syndicate of banks providing for a multi-year \$1.0 billion senior unsecured revolving credit facility (the credit facility), which expires in December 2027. Subject to certain conditions, we have the right to increase the credit facility to up to \$1.5 billion. The credit facility contains a financial covenant requiring us to not exceed a maximum total leverage ratio (the ratio of consolidated net debt as of the end of the period to consolidated Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) for such period) of 3.50:1. Upon entering into a material acquisition, the maximum total leverage ratio increases to 4.00:1, and extends until the fourth full consecutive fiscal quarter ended immediately following the consummation of a material acquisition. In addition, the credit facility contains other customary covenants.

We were in compliance with all financial covenants as of June 30, 2025 and December 31, 2024. There were no amounts drawn under the credit facility as of June 30, 2025 or December 31, 2024.

We have additional lines of credit and other credit arrangements with a group of banks and other financial intermediaries for general corporate purposes. We maintain cash and cash equivalent balances in excess of our outstanding short-term borrowings. As of June 30, 2025, we had access to \$53 million of lines of credit which expire at various times and are generally renewed annually. There were no borrowings outstanding related to these facilities as of June 30, 2025 and December 31, 2024.

**Domestic and international short-term funds**

Many of our operations are conducted outside the U.S. The amount of funds held in the U.S. will fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of U.S. and international cash flows (both inflows and outflows). Actual repatriation of overseas funds can result in additional U.S. and local income taxes, such as U.S. state income taxes, local withholding taxes, and taxes on currency gains and losses.

**Global economic conditions**

Global financial markets may be impacted by macroeconomic, business and financial volatility. Challenging economic conditions in recent years have not had, nor do we anticipate that it will have, a significant impact on our liquidity. Due to our operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have the ability to meet our liquidity needs for the foreseeable future. As markets change, we continue to monitor our liquidity position. There can be no assurance that a challenging economic environment or an economic downturn will not impact our liquidity or our ability to obtain financing in the future.

**Debt securities**

Our senior notes are governed by an indenture and supplemental indentures (collectively, the indenture) between us and Deutsche Bank Trust Company Americas, as trustee. The indenture contains certain covenants, including limitations on our and certain of our subsidiaries' ability to incur liens or engage in sale lease-back transactions. The indenture also contains restrictions on our ability to consolidate, merge or sell substantially all of our assets. In addition, the indenture contains other customary terms, including certain events of default, upon the occurrence of which, the senior notes may be declared immediately due and payable.

Pursuant to the indenture, we are able to redeem the senior notes of any series, in whole or in part, at any time by paying a "make whole" premium, plus accrued and unpaid interest to, but excluding, the date of redemption. Upon the occurrence of a change of control of us and a downgrade of the senior notes below an investment grade rating by each of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, we are, in certain circumstances, required to make an offer to repurchase all of the outstanding senior notes at a price equal to 101% of the aggregate principal amount of the senior notes together with accrued and unpaid interest to, but excluding, the date of repurchase.

Our outstanding debt securities are as follows:

Description	Principal Amount	Interest Rate	Terms
2015 Senior Notes due 2025	\$750 million	4.500%	Interest due semi annually, not subject to amortization, aggregate principal due on November 13, 2025
2022 Senior Notes due 2025	\$600 million	5.400%	Interest due semi annually, not subject to amortization, aggregate principal due on November 14, 2025
2017 Senior Notes due 2027	\$750 million	3.000%	Interest due semi annually, not subject to amortization, aggregate principal due on September 12, 2027
2018 Senior Notes due 2028	\$500 million	3.900%	Interest due semi annually, not subject to amortization, aggregate principal due on August 20, 2028
2020 Senior Notes due 2030	\$750 million	2.000%	Interest due semi annually, not subject to amortization, aggregate principal due on May 15, 2030
2022 Senior Notes due 2032	\$750 million	5.600%	Interest due semi annually, not subject to amortization, aggregate principal due on November 16, 2032
2013 Senior Notes due 2043	\$1,150 million	4.700%	Interest due semi annually, not subject to amortization, aggregate principal due on February 1, 2043
2017 Senior Notes due 2047	\$500 million	3.950%	Interest due semi annually, not subject to amortization, aggregate principal due on September 12, 2047
2018 Senior Notes due 2048	\$400 million	4.450%	Interest due semi annually, not subject to amortization, aggregate principal due on August 20, 2048
2020 Senior Notes due 2050	\$500 million	3.000%	Interest due semi annually, not subject to amortization, aggregate principal due on May 15, 2050

### Credit ratings

Two major corporate debt-rating organizations, Moody's and S&P, assign ratings to our short-term and long-term debt. A security rating is not a recommendation to buy, sell or hold securities and the rating is subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating.

The following table provides the current ratings assigned by these rating agencies to our commercial paper and senior unsecured non-credit-enhanced long-term debt:

Name of Rating Agency	Commercial Paper	Long-term Debt		
	Rating	Rating	Outlook	Date of Last Action
Moody's	P-2	A3	Stable	January 2025
S&P	A-2	BBB+	Stable	April 2025

### Share repurchase program

In August 2024, our Board of Directors authorized a multi-year share repurchase program of up to \$6 billion of our outstanding common stock. As of June 30, 2025, there was \$4.9 billion remaining under this authorization. Purchases of Zoetis shares may be made at the discretion of management, depending on market conditions and business needs. Share repurchases may be executed through various means, including open market or privately negotiated transactions. During the first six months of 2025, 4.8 million shares were repurchased for \$781 million, which excludes a \$7 million accrual for excise tax on net share repurchases.

### Off-balance sheet arrangements

In the ordinary course of business and in connection with the sale of assets and businesses, we may indemnify our counterparties against certain liabilities that may arise in connection with a transaction or that are related to activities prior to a transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters, and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications are generally subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of June 30, 2025 and December 31, 2024, recorded amounts for the estimated fair value of these indemnifications are not material.

### New accounting standards

See Note 3. *Significant Accounting Policies* in the Notes to Condensed Consolidated Financial Statements for discussion of recent accounting pronouncements, including the respective dates of adoption or expected adoption and effects or expected effects on our consolidated financial position, results of operations and cash flows.

### Forward-looking statements and factors that may affect future results

This report contains "forward-looking" statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We generally identify forward-looking statements by using words such as "anticipate," "estimate," "could," "expect," "intend," "project," "plan," "predict," "believe," "seek," "continue," "outlook," "forecast," "objective," "target," "may," "might," "will," "should," "can have," "likely" or the negative version of these words or comparable words or by using future dates in connection with any discussion of future performance, actions or events.

In particular, forward-looking statements include statements relating to our future actions, business plans or prospects, prospective products, product approvals or products under development, product and supply chain disruption, R&D costs, timing and likelihood of success, future operating or financial performance, future results of current and anticipated products and services, product strategies, sales efforts, expenses, production efficiencies, production margins, anticipated timing of generic market entries, integration of acquired businesses, anticipated impact of timing of divestitures, interest rates, tax rates, tariffs, changes in tax regimes and laws, foreign exchange rates, growth in emerging markets, the outcome of contingencies, such as legal proceedings, plans related to share repurchases and dividends, government regulation, taxes and financial results. These statements are not guarantees of future performance, actions or events. Forward-looking statements are subject to risks and uncertainties, many of which are beyond our control, and are based on assumptions that could prove to be inaccurate. Among the factors that could cause actual results to differ materially from past results and future plans and projected future results are the following:

- the possible impact and timing of competing products, including generic alternatives, on our products and our ability to compete against such products;
- unanticipated safety, quality or efficacy concerns or issues about our products;
- the economic, political, legal and business environment of the foreign jurisdictions in which we do business;
- the decline in global economic conditions, economic weakness in China and inflation;
- consolidation of our customers and distributors;
- changes in the distribution channel for companion animal products;
- an outbreak of infectious disease carried by animals;
- disruptive innovations and advances in medical practices and technologies;
- failure to successfully acquire businesses, license rights or products, integrate businesses, form and manage alliances or divest businesses;
- restrictions and bans on the use of and consumer preferences regarding antibacterials in food-producing animals;
- perceived adverse effects linked to the consumption of food derived from animals that utilize our products or animals generally;
- increased regulation or decreased governmental support relating to the raising, processing or consumption of food-producing animals;
- modification of foreign trade policy by the U.S. or other countries, including the imposition of increased tariffs on imported or exported goods;
- adverse weather conditions and the availability of natural resources;
- the impact of climate change on our activities and the activities of our customers and suppliers;
- an inability to hire and retain executive officers and other key personnel;
- product launch delays, inventory shortages, recalls or unanticipated costs caused by manufacturing problems and capacity imbalances;
- availability constraints and price volatility caused by changes in supply conditions, government regulations, tariffs, economic climate and other factors, including with products, materials and services provided to us by third parties;
- failure of our R&D, acquisition and licensing efforts to generate new products and product lifecycle innovations;
- difficulties or delays in the development or commercialization of new products;
- illegal distribution and/or sale of our products or the misuse or off-label use of our products;
- legal factors, including product liability claims, antitrust litigation and governmental investigations, including tax disputes, environmental concerns, laws and regulations regarding data privacy, commercial disputes and patent disputes with branded and generic competitors, any of which could preclude commercialization of products or negatively affect the profitability of existing products;
- fluctuations in foreign exchange rates and potential currency controls;
- a cyberattack, information security breach or other misappropriation of our data;
- governmental laws and regulations affecting domestic and foreign operations, including without limitation, delays in the United States resulting from federal workforce reductions or hiring freezes, federal agency reorganizations or deregulatory efforts, or existing, new and proposed tax laws and regulations affecting the U.S. or foreign taxation of our business activities, including the imposition of, or increase in, taxes based on gross revenues;
- failure to protect our intellectual property rights or to operate our business without infringing the intellectual property rights of others;
- failure to generate sufficient cash to service our substantial indebtedness; and
- the other factors set forth under “Risk Factors” in Item 1A. of Part I of our 2024 Annual Report on Form 10-K and Item 1A. of Part II in this Form 10-Q.

However, there may also be other risks that we are unable to predict at this time. These risks or uncertainties may cause actual results to differ materially from those contemplated by a forward-looking statement. You should not put undue reliance on forward-looking statements. Forward-looking statements speak only as of the date on which they are made. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or by the rules and regulations of the SEC. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q and 8-K reports and our other filings with the SEC. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the above to be a complete discussion of all potential risks or uncertainties.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

A significant portion of our revenue and costs are exposed to changes in foreign exchange rates. In addition, our outstanding borrowings may be subject to risk from changes in interest rates and foreign exchange rates. The overall objective of our financial risk management program is to seek to manage the impact of foreign exchange rate movements and interest rate movements on our earnings. We manage these financial exposures through operational means and by using certain financial instruments. These practices may change as economic conditions change.

For a complete discussion of our exposure to interest rate and foreign exchange risk, refer to *Item 7A. Quantitative and Qualitative Disclosures About Market Risk* in our Annual Report on Form 10-K for the year ended December 31, 2024. There have been no material changes from the information discussed therein.

## **Item 4. Controls and Procedures**

### **Disclosure Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of the company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation as of June 30, 2025, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures are effective at a reasonable level of assurance in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

### **Changes in Internal Control over Financial Reporting**

During our most recent fiscal quarter, there has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to Notes to Condensed Consolidated Financial Statements—*Note 15. Commitments and Contingencies* in *Part I—Item 1*, of this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in the "Our operating environment" and "Forward-looking statements and factors that may affect future results" sections of the MD&A and in Part I, Item 1A. "Risk Factors," of our 2024 Annual Report on Form 10-K, which could materially affect our business, financial condition, or future results and which are incorporated by reference herein. Set forth below are updates to certain of the risk factors disclosed in our 2024 Annual Report on Form 10-K.

#### Risks related to our business and the animal health industry

##### *Modification of foreign trade policy by the U.S. or other countries or the imposition of tariffs on imported goods may harm our business.*

The U.S. and other countries in which our products are sourced or sold, or we or our customers do business, may from time to time modify existing or impose new quotas, duties (including antidumping or countervailing duties), tariffs or other restrictions in a manner that adversely affects us. For example, the recent announcements of substantial new tariffs and other restrictive trade policies have created a dynamic and unpredictable trade landscape.

Current or future tariffs or other restrictive trade measures may raise the costs of raw materials, components or finished goods, which may adversely impact both our product offerings and our operational expenses. Our manufacturers, suppliers and distribution channels are also affected by the current trade environment, and we may experience supply chain disruptions as a result of increased costs and uncertainty. Tariff and other trade-related cost pressures and supply chain disruptions may lead to reputational harm if we are unable to deliver products or services on expected timelines or if any price increases are poorly received by customers or business partners.

Additional tariffs on imports could result in a negative perception and/or an increased cost of goods and higher prices which may reduce customer demand for products, or extended sales cycles as customers assess the impact of evolving trade policies on their operations and face increased costs or decreased revenue due to tariffs and trade restrictions. Additionally, a number of our customers, particularly U.S.-based livestock producers, benefit from free trade agreements, the loss of which could impact their operating results and spending power.

In addition, retaliatory trade policies or anti-U.S. sentiment in certain regions whether driven by trade tensions, political disagreements or regulatory concerns may make customers, governments and investors more hesitant to engage with, purchase from or invest in U.S. companies. This may lead to increased preference for local competitors, changes to government procurement policies or heightened regulatory scrutiny, which may result in heightened operational risks and difficulties for us in attracting and retaining non-U.S. customers, suppliers, partners and investors.

While the scope and duration of any tariffs remains uncertain, tariffs imposed by the U.S. or other governments on our products or the active pharmaceutical ingredients or other components thereof could negatively impact our financial condition and results of operations.

#### Risks related to manufacturing and supply

##### *We rely on third parties to provide us with products, materials and services, and are subject to increased labor and material costs and potential disruptions in supply.*

The materials used to manufacture our products may be subject to availability constraints and price volatility caused by changes in demand, weather conditions, supply conditions, government regulations, tariffs, economic climate and other factors. In addition, labor costs may be subject to volatility caused by the supply of labor, governmental regulations, tariffs, economic climate and other factors. Increases in the demand for, availability or the price of, materials used to manufacture our products and increases in labor costs could increase the costs to manufacture our products, result in product delivery delays or shortages, and impact our ability to launch new products on a timely basis or at all. We may not be able to pass all or a material portion of any higher product, material, transportation or labor costs on to our customers, which could materially adversely affect our operating results and financial condition.

Certain third-party suppliers are the sole or exclusive source of certain products, materials and services necessary for production of our products. We may be unable to meet demand for certain of our products if any of our third-party suppliers cease or interrupt operations due to, among other things, escalating tensions or trade disputes in their region, restrictions on the import/export of goods or services, contract manufacturing or supply chain disruptions due to contract manufacturer or supplier financial distress, our failure to mutually renew contract terms, or some other failure of a contractor or supplier to meet their obligations to us. In such a case, we may be required to renegotiate the terms of our agreement or pursue a strategic transaction or other alternative arrangement with that supplier or others.

#### Risks related to legal matters and regulation

##### *Our business is subject to substantial regulation.*

As a global company, we are subject to various state, federal and international laws and regulations, including regulations relating to the research, development, quality assurance, manufacturing, importation, exportation, distribution, marketing and sale of our products, including our *in vitro* diagnostic products used in human health. In addition, our manufacturing facilities are subject to periodic inspections by regulatory agencies, such as the FDA, the USDA and foreign equivalents. Our failure, or the failure of third parties we rely on, including CMOs, to comply with these regulatory requirements, allegations of such non-compliance or the discovery of previously unknown problems with a product or manufacturer could result in, among other things, inspectional observation notices, label changes, untitled or warning letters or other public regulatory communications or correspondence, fines, a partial or total shutdown of production in one or more of our facilities while an alleged violation is remediated, withdrawals or suspensions of current products from the market, product seizures, injunctions and civil or criminal prosecution, as well as decreased sales as a

result of negative publicity and product liability claims. Any one of these consequences could materially adversely affect our operating results and financial condition.

In addition, we will not be able to market new products unless and until we have obtained all required regulatory approvals in each jurisdiction where we propose to market those products. Even after a product reaches market, it may be subject to re-review and may lose its approvals. We have changed, and may in the future change, the locations of where certain of our products are manufactured and, because of these changes, we may be required to obtain new regulatory approvals. Our failure to obtain approvals, delays in the approval process, including any delays in the United States resulting from federal workforce reductions or hiring freezes, federal agency reorganizations or deregulatory efforts, or any prolonged shutdown of the U.S. government, or our failure to maintain approvals in any jurisdiction, may prevent us from selling products in that jurisdiction until approval or reapproval is obtained, if ever.

The OFAC at the U.S. Treasury Department and the Bureau of Industry and Security at the U.S. Department of Commerce (BIS), and similar agencies in other countries and territories outside the U.S., administer certain laws and regulations that restrict its persons and, in some instances, extraterritorial persons, in conducting activities, transacting business with or making investments in certain countries, governments, entities and individuals subject to economic sanctions. Our international operations subject us to these laws and regulations, which are complex, restrict our business dealings with certain countries, governments, entities, and individuals, and are constantly changing. For example, we sell limited humanitarian animal health products, including medicines, diagnostics and vaccines, to Russia and Iran, in compliance with economic sanctions affecting these countries. Violations of sanctions regulations may be punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment, which could adversely affect our reputation, business, financial condition, results of operations and cash flows. In addition, our internal control policies and procedures may not protect us from reckless or criminal acts committed by our employees and agents. For example, in December 2020, we submitted a final voluntary disclosure to OFAC and the U.S. Department of Justice regarding certain transactions involving sales of food, medicine or devices to individuals or entities who may have been resident in or had ties to Iran potentially in violation of the ITSR administered by OFAC. The sales were made by our Platinum Performance business, which we acquired in August 2019. In July 2023, OFAC provided a No Action letter confirming a final determination that no further action would be taken in the matter. We do not anticipate further communication from the Department of Justice as the statutory response period has lapsed without a response.

A failure to comply with the environmental, health and safety laws and regulations to which we are subject, including any permits issued thereunder, may result in environmental remediation costs, loss of permits, public regulatory communications or announcements, fines, penalties or other adverse governmental or private actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial measures. We cannot assure you that our costs of complying with current and future environmental, health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous materials will not materially adversely affect our business, results of operations or financial condition.

There has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. Such regulations apply or could apply in countries where we have interests or could have interests in the future. The EU adopted the European Sustainability Reporting Standards (ESRS) and the Corporate Sustainability Reporting Directive (CSRD) that will require disclosure by EU entities, including certain EU subsidiaries of non-EU entities, regarding the risks and opportunities arising from environmental, social and corporate governance issues, and on the impact of companies' activities on people and the environment. Similarly, the State of California passed the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act that imposes broad climate-related disclosure obligations on certain companies doing business in California, including us. Any new regulation could take several forms that could result in additional costs in the form of investments of capital to maintain compliance with laws and regulations and taxes. Climate change regulation continues to evolve, and it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation.

We are also subject to chemical regulation in the United States and internationally. For example, governmental authorities in the EU and the United States are increasingly focused on preventing environmental contamination from per- and polyfluoroalkyl substances (PFAS), which may be contained in certain of our products or product packaging. Federal and state governments and regulatory agencies, like the European Chemicals Agency, are in various stages of considering and/or implementing laws and regulations requiring the reporting, restriction and/or phase-out of PFAS-containing products (subject to applicable product exceptions).

Furthermore, we cannot predict the nature of future laws, regulations, or changes in tax laws and tariffs, nor can we determine the effect that additional laws or regulations or changes in existing laws or regulations could have on our business when and if promulgated. Changes in applicable federal, state, local and foreign laws and regulations could have a material adverse effect on our operating results and financial condition.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In August 2024, our Board of Directors authorized a multi-year share repurchase program of up to \$6 billion of our outstanding common stock. As of June 30, 2025, there was \$4.9 billion remaining under this program.

The following table provides information with respect to the shares of the company's common stock repurchased during the three months ended June 30, 2025:

	Issuer Purchases of Equity Securities <sup>(a)</sup>			
	Total Number of Shares Purchased <sup>(b)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs
April 1 - April 30, 2025	813,748	\$151.49	812,772	\$5,080,779,779
May 1 - May 31, 2025	537,006	\$158.86	536,803	\$4,995,501,564
June 1 - June 30, 2025	790,407	\$162.72	790,031	\$4,866,452,211
	<u>2,141,161</u>	<u>\$157.48</u>	<u>2,139,606</u>	<u>\$4,866,452,211</u>

<sup>(a)</sup> Amounts exclude the impact of excise tax on net share repurchases.

<sup>(b)</sup> The company repurchased 1,555 shares during the three-month period ended June 30, 2025 that were not part of the publicly announced multi-year share repurchase authorization. These shares were reacquired from employees to satisfy tax withholding requirements on the vesting of restricted shares from equity-based awards.

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

None

**Item 5. Other Information**

We are reporting the following information in lieu of reporting on a Current Report on Form 8-K under Item 5.02 Compensatory Arrangements of Certain Officers.

Following a periodic review of market terms, on July 31, 2025, the Zoetis Inc. (the "Company") Board of Directors approved an amendment and restatement of the Zoetis Executive Severance Plan (the "Plan"), in which each of the Company's named executive officers is a participant. Upon a qualifying termination absent a "change of control," the material changes to the Plan include increases to the number of months of base salary severance, the multiple applied to the participant's target bonus to determine the amount of target bonus severance and the number of months of Company-paid health and life insurance benefits provided to the participant. Upon a qualifying termination that occurs on or within 24 months of a "change of control," the material changes to the Plan include increases to the number of months of Company-paid health and life insurance coverage provided to the participant and the addition of a pro-rata annual bonus for the year of termination based on the target bonus pro-rated for the length of service and through the date of termination. The Plan also provides for a new "better-net" cutback that provides that any payments and benefits under the Plan will be reduced to the extent that they would be subject to an excise tax under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended, unless the executive officer would be better off on an after-tax basis receiving all such payments and benefits and paying his or her own excise tax.

The foregoing description of the Plan is qualified in its entirety by reference to the full text of the Plan, which is filed herewith as Exhibit 10.1.

**Item 6. Exhibits**

<a href="#">Exhibit 10.1</a>	Zoetis Executive Severance Plan, as amended and restated effective July 31, 2025 *
<a href="#">Exhibit 31.1</a>	Chief Executive Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 302
<a href="#">Exhibit 31.2</a>	Chief Financial Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 302
<a href="#">Exhibit 32.1</a>	Chief Executive Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 906
<a href="#">Exhibit 32.2</a>	Chief Financial Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 906
EX-101.INS	Inline XBRL INSTANCE DOCUMENT
<a href="#">EX-101.SCH</a>	Inline XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
<a href="#">EX-101.CAL</a>	Inline XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
<a href="#">EX-101.LAB</a>	Inline XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
<a href="#">EX-101.PRE</a>	Inline XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT
<a href="#">EX-101.DEF</a>	Inline XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
EX-104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Management contracts or compensatory plans or arrangements



**ZOETIS**  
**EXECUTIVE SEVERANCE PLAN**

**INTRODUCTION**

The purpose of the Zoetis Executive Severance Plan (the “Plan”) is to provide severance benefits to certain executives of Zoetis Inc. and its subsidiaries and affiliates (collectively, the “Company”), in each case, selected for participation in the Plan by the Plan Administrator, whose employment is involuntarily terminated. The Plan is designed to be an unfunded “employee welfare benefit plan,” as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Plan initially became effective as of June 24, 2013 and is amended and restated effective as of July 31, 2025 (the “Effective Date”).

**I. DEFINITIONS**

For purposes of the Plan, the following terms are defined as follows:

1.1. “Base Salary” means the total amount of annual base salary payable to a Participant at the annualized salary rate in effect immediately prior to Participant’s Involuntary Separation with the Company (disregarding any reduction giving rise to a claim for Good Reason). Base Salary shall not include any other compensation, including, but not limited to, bonuses (including holiday bonuses), sales commissions, reimbursements or expense allowances, overtime, shift differentials, premium pay, one-time payments, contest awards, stock options or other equity awards, any other similar payments or any other compensation payable in a form other than cash.

1.2. “Board of Directors” shall mean the Zoetis Inc. Board of Directors.

1.3. “Cause” means (i) an act of dishonesty, fraud or misrepresentation made by Participant in connection with Participant’s responsibilities to the Company, (ii) Participant’s willful, material violation of any law or regulation applicable to the business of the Company; (iii) Participant’s conviction of, or plea of nolo contendere to, a felony or any crime that, in either case, has resulted in or is reasonably expected to result in material injury to the business or reputation of the Company, (iv) Participant’s willful misconduct or gross negligence in connection with carrying out Participant’s job responsibilities to the Company, (v) Participant’s unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom Participant owes an obligation of nondisclosure as a result of Participant’s relationship with the Company; (vi) Participant’s willful breach of any obligations under any written agreement or covenant with the Company that is detrimental or injurious to the Company; (vii) Participant’s violation or disregard of any Company policy that has resulted in or is reasonably expected to result in material injury to the business or reputation of the Company; (viii) Participant’s failure or refusal to perform Participant’s duties and responsibilities to the Company; or (ix) prior to a Change of Control, Participant’s neglect or persistent unsatisfactory performance of Participant’s duties and Participant’s failure to cure

such condition within thirty (30) days after receiving written notice thereof. For purposes of clarity, all references herein to the Company shall include references to any successor to the Company, and a termination without “Cause” does not include any termination that occurs as a result of Participant’s death or disability. For purposes of determining whether “Cause” exists, no act or failure to act, on the part of Participant, shall be considered “willful” unless it is done, or omitted to be done, by Participant in bad faith or without reasonable belief that Participant’s action or omission was in the best interests of the Company and its subsidiaries and affiliates. Following a Change of Control, Participant shall not be deemed to be discharged for Cause unless and until there is delivered to Participant a copy of a resolution duly adopted by the affirmative vote of not less than three quarters (3/4) of the entire membership of the Board or the board of directors (or equivalent governing body) of the ultimate parent entity of the Company or its successor (the “Applicable Board”) (excluding Participant, if Participant is then a member of the Applicable Board), at a meeting called and duly held for such purpose (after notice of at least fifteen (15) days is provided to Participant and Participant is given an opportunity, together with counsel, to be heard before the Applicable Board), finding in good faith that Participant is guilty of the conduct set forth above and specifying the particulars thereof in detail. For purposes of the foregoing sentence, any such determination shall be made by the Applicable Board and, notwithstanding Article VI, shall be subject to *de novo* review by a court of law.

1.4. “Change of Control” shall mean a “change in control,” “change of control” or term of similar import as defined in the Zoetis Inc. 2013 Equity and Incentive Plan or its successor, provided that a Change of Control shall not include any liquidation or dissolution in connection with any act of bankruptcy by the Company.

1.5. “General Release” means a full and complete general waiver and release of all claims that a Participant may have against the Company or persons affiliated with the Company in a form provided by the Company.

1.6. “Good Reason” means Participant’s resignation upon the consummation of, or within twenty four (24) months following, a Change of Control due to the occurrence of any of the following conditions which occurs without Participant’s written consent, provided that the requirements regarding advance notice and an opportunity to cure set forth below are satisfied: (i) a material reduction of Participant’s base compensation, target annual cash incentive opportunity or target annual equity incentive award opportunity or employee benefits; (ii) a material reduction of Participant’s position, duties, authority, responsibilities or reporting relationship, relative to Participant’s position, duties, authority, responsibilities or reporting relationship as in effect immediately prior to such reduction; or (iii) the Company (or a successor, if appropriate) requires Participant to relocate to a facility or location more than twenty-five (25) miles away from the location at which Participant was working immediately prior to the required relocation, provided that such change in location also increases the distance of Participant’s one-way commute by twenty-five (25) or more miles; or (iv) the Company’s material breach of any written agreement with Participant. In order for Participant to resign for Good Reason, Participant must provide written notice to the Company of the existence of the Good Reason condition within sixty (60) days of the initial existence of such Good Reason

condition. Upon receipt of such notice, the Company will have thirty (30) days during which it may remedy the Good Reason condition. If the Good Reason condition is not remedied within such thirty (30) day period, Participant may resign based on the Good Reason condition specified in the notice effective no later than thirty (30) days following the expiration of the Company's thirty (30) day cure period.

1.7. "HR Committee" means the Human Resources Committee of the Board of Directors.

1.8. "Involuntary Separation" shall mean an involuntary separation from service as defined in Treasury Regulation 1.409A-1(n).

1.9. "Participant" means each employee of the Company who, at the time of the employee's Involuntary Separation, is (i) the Chief Executive Officer ("CEO") or (ii) a member of the Zoetis Executive Team (other than the CEO); provided, however, that if the Involuntary Separation occurs upon the consummation of, or within twenty-four (24) months following, a Change of Control, each employee who, as of immediately prior to the Change of Control, was (x) the CEO or (y) a member of the Zoetis Executive Team (other than the CEO) shall be a Participant even if such employee does not hold such position as of the date of the Involuntary Separation.

1.10. "Plan Administrator" means the Zoetis Health and Welfare Plans Committee or any delegate thereof.

1.11. "Target Bonus" means a Participant's annual target bonus (expressed as a percentage of Base Salary) under the Zoetis Annual Incentive Plan in effect for the fiscal year in which Participant's Involuntary Separation occurs (disregarding any reduction giving rise to a claim for Good Reason).

## II. ELIGIBILITY FOR BENEFITS

A Participant will be eligible for severance benefits under the Plan if:

- (a) the terms and conditions of Participant’s employment are not covered by a collective bargaining agreement (unless such agreement specifically provides for coverage under the Plan);
- (b) Participant experiences an Involuntary Separation;
- (c) Participant has returned all Company property in his or her possession within ten (10) calendar days following Participant’s Involuntary Separation; and
- (d) Participant signs a General Release that becomes effective no later than the thirtieth (30th) day (or sixtieth (60th) day if a longer period is required by law) after Participant’s Involuntary Separation (the “Release Deadline Date”).

For any and all purposes under this Plan, the term “employee” does not include a person hired as an independent contractor, leased employee or consultant or a person otherwise designated by the Company at the time of hire as not on Company payroll or not eligible to participate in or receive benefits under the Plan, even if any such person is subsequently determined to be an “employee” by any governmental or judicial authority.

## III. SEVERANCE BENEFITS

3.1. Termination without Cause Apart from a Change of Control. If a Participant experiences an Involuntary Separation (i) prior to and apart from a Change of Control or more than twenty-four (24) months following a Change of Control and (ii) such termination is by the Company without Cause, and provided Participant complies with the requirements set forth in Section II above, Participant will receive the severance payments and benefits as set forth below.

### **Chief Executive Officer:**

	<b>Severance (Base Salary)</b>	<b>Severance Benefits (Health and Life Insurance)</b>	<b>Target Bonus Percentage</b>
Section 3.1: Non-Change of Control Severance	24 months	24 months	200%

### **Zoetis Executive Team (Other than Chief Executive Officer):**

	<b>Severance (Base Salary)</b>	<b>Severance Benefits (Health and Life Insurance)</b>	<b>Target Bonus Percentage</b>
Section 3.1: Non-Change of Control Severance	18 months	18 months	150%

Notwithstanding anything to the contrary in the Plan, in the event Participant is eligible for severance benefits under any other arrangement, plan, agreement, policy, program or local practice or law (“Other Severance Plan”), Participant shall be eligible to receive only the greater of (x) the severance benefits under the Plan or (y) the severance benefits under the Other Severance Plan. For the avoidance of doubt, the forgoing shall not result in the duplication of severance benefits.

(a) Base Salary Severance. The Company will pay Participant an amount equal to the number of months of Participant’s Base Salary set forth in the table above (the “Severance Period”), subject to all applicable withholdings and other required deductions.

Severance benefits pursuant to this Section 3.1(a) will be paid to Participant in cash, in equal installments on each regularly scheduled payroll date of the Company over a period of time equal to the Severance Period, commencing with the first regularly scheduled payroll date that occurs on or after the Release Deadline Date, with the first payment being equal to the number of regularly scheduled payroll dates that occurred between Participant’s Involuntary Separation and the date of the first payment multiplied by the rate of Participant’s Base Salary per payroll.

(b) Continued Benefits.

i. Health Insurance. If Participant elects to continue health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act (“COBRA”) following Participant’s Involuntary Separation for Participant and/or Participant’s spouse and dependents, the Company will pay the portion of the monthly COBRA premiums due for such coverage above the active employee rate for such coverage from the first date on which Participant loses health coverage as an employee of the Company until the earliest of (x) the date that the Company has paid such COBRA premiums for the number of months following the date of Participant’s Involuntary Separation equal to the Severance Benefits period set forth in the table above, (y) the expiration of Participant’s continuation coverage under COBRA, or (z) the date when Participant becomes eligible for health insurance coverage in connection with new employment or self-employment (even if such coverage is declined).

ii. Life Insurance. Participant’s coverage under the Company-sponsored basic group term life insurance plan will continue at no cost to Participant until the earlier of (x) the number of months following the date of Participant’s Involuntary Separation equal to the Severance Benefits period as set forth in the table above or (y) the date when Participant becomes eligible for group life insurance coverage under another employer’s plan (even if such coverage is declined).

(c) **Target Bonus Severance.** The Company will pay Participant an amount equal to (i) Participant’s Target Bonus multiplied by (ii) the Target Bonus percentage set forth in the table above, which amount will be paid to Participant in a single lump sum cash payment, subject to all applicable withholdings and other required deductions, within thirty (30) days following the Release Deadline Date and in no event later than March 15 of the year following the year in which the Involuntary Separation occurs.

(d) **Outplacement.** Participant will be eligible to receive outplacement services as offered by the Company. In no case will the Company provide a payment to Participant in lieu of these services.

3.2. **Change of Control Termination.** If a Participant experiences an Involuntary Separation (i) upon the consummation of, or within twenty-four (24) months following, a Change of Control and (ii) such termination is by the Company without Cause or as a result of Participant’s resignation for Good Reason, and provided Participant complies with the requirements set forth in Section II above, Participant will receive the severance payments and benefits as set forth below.

**Chief Executive Officer:**

	<b>Severance (Base Salary)</b>	<b>Severance Benefits (Health and Life Insurance)</b>	<b>Target Bonus Percentage</b>	<b>Bonus in Year of Termination</b>
Section 3.2: Change of Control Severance	30 months	24 months	250%	Pro-rated

**Zoetis Executive Team (Other than Chief Executive Officer):**

	<b>Severance (Base Salary)</b>	<b>Severance Benefits (Health and Life Insurance)</b>	<b>Target Bonus Percentage</b>	<b>Bonus in Year of Termination</b>
Section 3.2: Change of Control Severance	24 months	24 months	200%	Pro-rated

Notwithstanding anything to the contrary in the Plan, in the event Participant is eligible for severance benefits under any Other Severance Plan, Participant shall be eligible to receive only the greater of (x) the severance benefits under the Plan or (y) the severance benefits under the Other Severance Plan. For the avoidance of doubt, the forgoing shall not result in the duplication of severance benefits.

(a) **Base Salary Severance.** The Company will pay Participant an amount equal to the number of months of Participant’s Base Salary set forth in the table above (the “CIC Severance Period”), subject to all applicable withholdings and other required deductions.

Severance benefits pursuant to this Section 3.2(a) will be paid to Participant in cash, in a single lump sum payment, within thirty (30) days following the Release Deadline Date and in no event later than March 15 of the year following the year in which the Involuntary Separation occurs.

(b) Continued Benefits.

i. Health Insurance. If Participant elects to continue health insurance coverage under the COBRA following Participant's Involuntary Separation for Participant and/or Participant's spouse and dependents, the Company will pay the portion of the monthly COBRA premiums due for such coverage above the active employee rate for such coverage from the first date on which Participant loses health coverage as an employee of the Company until the earliest of (i) the date that the Company has paid such COBRA premiums for the number of months following the date of Participant's Involuntary Separation equal to the Severance Benefits period set forth in the table above, (ii) the expiration of Participant's continuation coverage under COBRA, and (iii) the date when Participant becomes eligible for health insurance coverage in connection with new employment or self-employment (even if such coverage is declined).

ii. Life Insurance. Participant's coverage under the Company-sponsored basic group term life insurance plan will continue at no cost to Participant until the earlier of (x) the number of months following the date of Participant's Involuntary Separation equal to the Severance Benefits period as set forth in the table above or (y) the date when Participant becomes eligible for group life insurance coverage under another employer's plan (even if such coverage is declined).

(c) Target Bonus Severance. The Company will pay Participant an amount equal to (i) Participant's Target Bonus multiplied by (ii) the Target Bonus percentage set forth in the table above. Such amount will be paid to Participant in a single lump sum cash payment, subject to all applicable withholdings and other required deductions, within thirty (30) days following the Release Deadline Date and in no event later than March 15 of the year following the year in which the Involuntary Separation occurs.

(d) Pro-Rata Bonus. The Company will pay Participant an amount equal to (i) the Participant's Target Bonus multiplied by (ii) a fraction, the numerator of which is the number of days in the current year through (and including) the date of Participant's Involuntary Separation, and the denominator of which is the total number of days in such year. Such amount will be paid to Participant in a single lump sum cash payment, subject to all applicable withholdings and other required deductions, within thirty (30) days following the Release Deadline Date and in no event later than March 15 of the year following the year in which the Involuntary Separation occurs.

(e) Outplacement. Participant will be eligible to receive outplacement services as offered by the Company. In no case will the Company provide a payment to Participant in lieu of these services.

3.3. Termination for Cause, Death or Disability; Voluntary Resignation. If a Participant's employment is terminated at any time or for any reason not covered by Sections 3.1 or 3.2 above, including, without limitation, by the Company for Cause, as a result of Participant's death or disability, or by Participant's voluntary resignation (including retirement) (other than for Good Reason), Participant shall not be entitled to any severance payments or benefits under the Plan.

3.4. Offset/Mitigation. Any severance payments or benefits to which Participant may be entitled, whether at law, tort or contract, in equity, or under any other plan or agreement (which, for clarity, shall not include payments made pursuant to the Zoetis Annual Incentive Plan or payments in respect of or related to equity awards and/or accelerated vesting of equity awards) shall reduce any severance payments or benefits provided pursuant to this Plan. In addition, if Participant is indebted to the Company, then the Company reserves the right to offset any severance payment or benefit by any amount of such indebtedness to the full extent permitted by law. Participant's severance payments or benefits will cease and/or be subject to repayment, as applicable, if Participant violates or breaches the provisions of the General Release or any other applicable post-employment covenants and restrictions, including, but not limited to, any non-compete, non-disclosure, non-solicitation and/or non-disparagement covenants. Further, Participant's severance payments or benefits under this Plan shall be subject to any clawback or recoupment policy that the Company may adopt from time to time, to the extent any such policy is applicable to Participant, as well as any recoupment provisions required under applicable law. In no event will a Participant be entitled to benefits under the Plan that are duplicative of severance benefits provided by the Company under any other plan, policy, practice, agreement or arrangement. No Participant will be required to mitigate the amount of any severance payments and benefits under the Plan. For the avoidance of doubt, any severance payments and benefits provided under the Plan shall not be considered or included as earnings under any benefit plan sponsored or maintained by the Company.

#### **IV. SECTION 409A**

For purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment that is paid pursuant to this Plan is hereby designated as a separate payment. The parties intend that all payments and benefits made or to be made under this Plan comply with, or are exempt from, the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be so exempt. Specifically, any severance payments made or benefits provided in connection with Participant's Involuntary Separation under this Plan and paid on or before the 15<sup>th</sup> day of the 3<sup>rd</sup> month following the end of Participant's first tax year in which Participant's Involuntary Separation occurs or, if later, the 15<sup>th</sup> day of the 3<sup>rd</sup> month following the end of the Company's first tax year in which Participant's Involuntary Separation occurs, shall be exempt from Section 409A to the maximum extent permitted pursuant to Treasury Regulation Section 1.409A-1(b)(4) and any additional severance payments made or benefits provided in connection with Participant's

Involuntary Separation under this Plan shall be exempt from Section 409A to the maximum extent permitted pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) (to the extent it is exempt pursuant to such section it will in any event be paid no later than the last day of Participant's second taxable year following the taxable year in which Participant's Involuntary Separation occurs). Notwithstanding the foregoing, if any of the severance payments made or benefits provided in connection with Participant's Involuntary Separation do not qualify for any reason to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(4), Treasury Regulation Section 1.409A-1(b)(9)(iii), or any other applicable exemption and Participant is, at the time of Participant's Involuntary Separation, a "Key Employee" as defined under the Zoetis Supplemental Savings Plan, each such payment or benefit will not be made until the first regularly scheduled payroll date of the 7<sup>th</sup> month after Participant's Involuntary Separation (or, if earlier, the date of Participant's death) and, on such date (or, if earlier, the date of Participant's death), Participant will receive all payments or benefits that would have been provided during such period in a single lump sum. Any remaining payments or benefits due under the Plan shall be provided as otherwise provided herein. The determination of whether Participant is a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i) as of the time of such Involuntary Separation shall be made by the Company in accordance with the terms of Section 409A and the provisions of this Plan. In no event may any Participant, directly or indirectly, designate the calendar year of any payment under the Plan.

## **V. TREATMENT OF CERTAIN PAYMENTS**

5.1 Anything in the Plan or any other agreement with a Participant to the contrary notwithstanding, in the event the Accounting Firm (as defined below) shall determine that receipt of all Payments (as defined below) would subject a Participant to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Payments paid or payable pursuant to the Plan (the "Plan Payments") so that the Parachute Value (as defined below) of all Payments, in the aggregate, equals the Safe Harbor Amount (as defined below). The Plan Payments shall be so reduced only if the Accounting Firm determines that a Participant would have a greater Net After-Tax Receipt (as defined below) of aggregate Payments if the Plan Payments were so reduced. If the Accounting Firm determines that Participant would not have a greater Net After-Tax Receipt of aggregate Payments if the Plan Payments were so reduced, Participant shall receive all Plan Payments to which Participant is entitled hereunder.

5.2 If the Accounting Firm determines that aggregate Plan Payments should be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, the Company shall promptly give Participant notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section V shall be binding upon the Company and Participant and shall be made as soon as reasonably practicable and in no event later than fifteen (15) days following the date of Participant's Involuntary Separation. For purposes of reducing the Plan Payments so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount, only amounts payable under the Plan (and no other Payments) shall be reduced. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the

following sections in the following order: (i) cash payments that may not be valued under Treas. Reg. § 1.280G-1, Q&A-24(c) (“24(c)”), (ii) equity-based payments that may not be valued under 24(c), (iii) cash payments that may be valued under 24(c), (iv) equity-based payments that may be valued under 24(c) and (v) other types of benefits. With respect to each category of the foregoing, such reduction shall occur first with respect to amounts that are not “deferred compensation” within the meaning of Section 409A and next with respect to payments that are deferred compensation, in each case, beginning with payments or benefits that are to be paid the farthest in time from the Accounting Firm’s determination. All fees and expenses of the Accounting Firm shall be borne solely by the Company.

5.3 To the extent requested by a Participant, the Company shall cooperate with Participant in good faith in valuing, and the Accounting Firm shall take into account the value of, services provided or to be provided by Participant (including Participant’s agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant, before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of the final regulations under Section 280G of the Code)), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of the final regulations under Section 280G of the Code and/or exempt from the definition of the term “parachute payment” within the meaning of Q&A-2(a) of the final regulations under Section 280G of the Code in accordance with Q&A-5(a) of the final regulations under Section 280G of the Code.

5.4 The following terms shall have the following meanings for purposes of this Section V:

(a) “Accounting Firm” shall mean a nationally recognized certified public accounting firm or other professional organization that is a certified public accounting firm recognized as an expert in determinations and calculations for purposes of Section 280G of the Code that is selected by the Company prior to a Change of Control for purposes of making the applicable determinations hereunder and is reasonably acceptable to Participant, which firm shall not, without Participant’s consent, be a firm serving as accountant or auditor for the individual, entity or group effecting the Change of Control.

(b) “Net After-Tax Receipt” shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on Participant with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to Participant’s taxable income for the immediately preceding taxable year, or such other rate(s) as the Accounting Firm determines to be likely to apply to Participant in the relevant tax year(s).

(c) “Parachute Value” of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2) of the Code, as determined by the

Accounting Firm for purposes of determining whether and to what extent the excise tax under Section 4999 of the Code will apply to such Payment.

(d) “Payment” shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Participant, whether paid or payable pursuant to the Plan or otherwise.

(e) “Safe Harbor Amount” shall mean 2.99 multiplied by Participant’s “base amount,” within the meaning of Section 280G(b)(3) of the Code.

## **VI. EMPLOYMENT STATUS**

6.1 Right to Terminate Employment. This Plan shall not be deemed to constitute an employment contract between the Company and any Participant. Nothing contained herein shall give any Participant the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge Participant at any time, nor shall it give the Company the right to require Participant to remain in its employ or to interfere with Participant’s right to terminate employment at any time.

6.2 Restriction on Re-Employment. If Participant receives severance payments or benefits under the Plan, except as otherwise specifically authorized by the Company as an exception to this Section 6.2, Participant shall not provide services to the Company, or apply for, be eligible for or accept a position or an assignment with the Company, whether as an employee, consultant, or in any other capacity for the length of the Severance Period or CIC Severance Period, as applicable. Further, if Participant provides services to, becomes employed by or obtains an assignment with the Company in violation of this Section 6.2, and Participant is subsequently terminated, Participant shall have no right to any additional severance payments or benefits or other remedies as a consequence of such termination pursuant to this Plan.

## **VII. CLAIMS AND REVIEW PROCEDURES**

7.1 Claims Procedure. Severance payments and benefits will be provided to each Participant in the amount determined hereunder by the Company. If a Participant believes he or she has not been provided with the severance payments or benefits to which he or she is entitled under this Plan, then Participant may file a request for review within ninety (90) days after the date he or she should have received such payments or benefits according to the Plan. The request for review must be submitted to the Plan Administrator. The Plan Administrator will respond to the request for review within ninety (90) days after it is received, setting forth the reasons for its determination in writing. If special circumstances require extra time to process a Participant’s claim, Participant will receive written notice of an extension of the Plan Administrator’s review period and the reasons for it before the end of the initial ninety (90) day period. The extension will not exceed a period of ninety (90) days from the end of the initial ninety (90) day period (for a total of one hundred eighty (180) days). If a Participant does not receive a response to Participant’s claim within the applicable review period, the Plan Administrator will be deemed to have denied the claim. If Participant’s request for review is

denied, Participant or Participant's duly authorized representative may, within sixty (60) days after receiving written notice of such denial, file a written appeal with the Plan Administrator setting forth the reasons for disagreeing with the initial determination including any documents or records which support Participant's appeal. The Plan Administrator shall respond to this appeal within sixty (60) days after it is received, setting forth the reasons for its determination in writing. If special circumstances require extra time to process a Participant's appeal, Participant will receive written notice of an extension of the Plan Administrator's review period and the reasons for it before the end of the initial sixty (60) day period. The extension will not exceed a period of sixty (60) days from the end of the initial sixty (60) day period (for a total of one hundred twenty (120) days). If a Participant does not receive a response to Participant's claim within the applicable review period, the Plan Administrator will be deemed to have denied the claim. Participant may review pertinent Plan documents and his or her employment records and as part of the written request for review may submit issues and comments concerning the claim.

7.2 Authority. In determining whether to approve or deny any claim or any appeal from a denied claim, the Plan Administrator shall exercise its discretionary authority to interpret the Plan and the facts presented with respect to the claim, and its discretionary authority to determine eligibility for benefits under the Plan. Any approval or denial shall be final and conclusive upon all persons.

7.3 Exhaustion of Remedies. Except as required by applicable law, no action at law or equity shall be brought to recover any payments or benefits under the Plan unless such action is filed within three (3) years of Participant's receipt of a final adverse determination and unless and until Participant has: (a) submitted a claim for such payments or benefits, (b) been notified by the Plan Administrator that the payments or benefits (or a portion thereof) are denied, (c) filed a written request for a review of denial with the Plan Administrator, and (d) been notified in writing that the denial has been affirmed.

## **VIII. INFORMATION REQUIRED BY ERISA**

8.1 Plan Information. The Plan is sponsored by Zoetis Inc. and administered by the Zoetis Health and Welfare Plans Committee or any delegate thereof. The Plan sponsor's and Plan Administrator's name, address, telephone number, employer identification number and Plan number are as follows:

Name: Zoetis Executive Severance Plan

Plan Sponsor/ Administrator: Zoetis Inc.  
c/o Zoetis Health and Welfare Plans Committee  
10 Sylvan Way  
Parsippany, New Jersey 07054

Telephone No.: 973-822-7000

Employer I.D. No.: 46-0696167

Plan No.: 503

Plan Year: January 1 through December 31

Effective Date: June 24, 2013

8.2 Type of Plan. This is an unfunded welfare benefit severance plan. The Company provides benefits from its general assets.

8.3 Agent for Service of Legal Process. The name and address of the person designated as agent for service of legal process is the same as the name and address of the Plan Administrator.

8.4 Statement of ERISA Rights. Participants in this Plan are entitled to certain rights and protections under ERISA. ERISA provides that all Plan Participants shall be entitled to:

(a) Examine, without charge, at the Plan Administrator's office, all Plan documents, including the Plan instrument (which is this document) and copies of all documents filed by the Plan Administrator with the Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

(b) Copies of all Plan documents and other Plan information may also be obtained upon written request to the Plan Administrator; provided, however, that a reasonable charge may be made for copies.

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of this Plan. The people who operate the Plan have a duty to do so prudently and in the interest of Plan Participants and beneficiaries. However, certain employees and agents of the Company carrying out their responsibilities with respect to the Plan are acting as representatives of the Company and not as fiduciaries in their own right. No one, including a Participant's employer or any other person, may fire a Participant or otherwise discriminate against a Participant in any way to prevent a Participant from obtaining payments or benefits or exercising Participant's rights under ERISA. If a Participant's claim for payments or benefits is denied in whole or in part, Participant must receive a written explanation of the reason for this denial. A Participant has the right to have the Plan Administrator review and reconsider Participant's claim, as described elsewhere in this document.

Under ERISA, there are several steps a Participant can take to enforce the above rights. For instance, if a Participant requests certain materials required to be furnished by the Plan and Participant does not receive them within 30 days, a Participant may file suit in federal court. In such a case, the court may require that the Participant be provided with the materials and may fine the Company up to \$110 a day until Participant receives them, unless the materials were not sent because of reasons beyond the Plan Administrator's control. If a Participant has a claim for payments or benefits which is denied or ignored in whole or in part, the Participant may file suit in a state or federal court, provided that such action must be filed within three (3) years of Participant's receipt of a final adverse determination or, if no such determination is made, within three (3) years of the date Participant files a claim for payments or benefits. If a

Participant is discriminated against for asserting Participant's rights, the Participant may seek assistance from the United States Department of Labor or the Participant may file suit in federal court. The court will decide who should pay the court costs and legal fees. If a Participant is successful, the court may order the person Participant has sued to pay these costs and fees. If a Participant loses, the court may order Participant to pay these costs and fees (if, for example, it finds the Participant's claim is frivolous). Notwithstanding the foregoing, following a Change of Control, the Company will pay as incurred (within ten (10) days following the Company's receipt of an invoice from Participant), to the full extent permitted by applicable law, court costs and legal fees that Participant may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, Participant or others of the validity or enforceability of, or liability under, any provision of this Plan or any guarantee of performance thereof, whether such contest is between the Company and Participant or between either of them and any third party (including as a result of any contest by Participant about the amount of any payment pursuant to this Plan); provided, however, that the payment of such fees shall not exceed \$50,000 in the aggregate; and provided, further, that Participant shall reimburse the Company for such amounts if it is finally determined by a court of competent jurisdiction that a majority of Participant's claims or defenses were frivolous.

If any Participant has any questions about this Plan, Participant should contact the Plan Administrator. If any Participant has any questions about this statement or about Participant's rights under ERISA, Participant should contact the nearest office of the Employee Benefits Security Administration, United States Department of Labor. A Participant may also obtain certain publications about Participant's rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

8.5 Plan Administration and Interpretations. The Plan Administrator is responsible for the general administration and management of the Plan and shall have all powers and duties necessary to fulfill its responsibilities, including, but not limited to, the discretion to make such rules, regulations and computations and take such other actions to administer the Plan as the Plan Administrator may deem appropriate. The Plan Administrator shall have sole and complete discretion to interpret and administer the terms of the Plan and to determine eligibility for payments or benefits and the amount of any such benefits pursuant to the terms of the Plan. In administering the Plan, the Plan Administrator shall act in a nondiscriminatory manner to the extent legally required and shall at all times discharge its duties with respect to the Plan in accordance with the standards set forth in Section 404(a)(1) and other applicable sections of ERISA.

## **IX. AMENDMENT AND TERMINATION**

It is intended that the Plan shall continue from year to year. However, the Board of Directors and the HR Committee each reserves the right to modify, amend or terminate the Plan at any time; provided that (a) no amendment or termination may be made on or after the consummation of a Change of Control and (b) no amendment or termination may be made at any time that would materially and adversely affect the rights of any Participant without his or her consent (for purposes of clarity, no amendment or termination that occurs prior to a Participant's

Involuntary Separation shall be considered a material and adverse amendment or termination with respect to that Participant).

**X. MISCELLANEOUS**

10.1 Benefits Non-Assignable. No right or interest of a Participant in this Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy, assignments for the benefit of creditors, receiverships, or in any other manner, excluding transfer by operation of law as a result solely of mental incompetency. Notwithstanding the foregoing, if any Participant satisfies the requirements set forth in Section II and is entitled to severance payments or benefits pursuant to Section 3.1 or 3.2 but dies prior to the receipt of all such severance payments and benefits, the balance of such severance payments and benefits shall be provided to Participant's beneficiary on file with the Company for this Plan or, if none is on file, the person or entity who is the "Beneficiary" under the Zoetis Savings Plan; provided that any cash severance benefits provided pursuant to the Plan shall be paid in a single lump sum cash payment as soon as practicable after Participant's death. A Participant may designate a beneficiary to receive Participant's severance payments and benefits under the Plan by properly filing a beneficiary form with the Plan Administrator or its authorized designee in accordance with the rules established by the Plan Administrator.

10.2 Entire Agreement; Prior Plans Superseded. This Plan contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any and all prior or contemporaneous agreements, arrangements, programs and plans related to the subject matter hereof that may previously have been offered by, or entered into with, the Company on or prior to the Effective Date.

10.3 Notices.

(a) Any notice required to be delivered to the Company by a Participant hereunder shall be given by electronic mail, hand delivery to the Company or by registered or certified mail, return receipt requested, postage prepaid, at the electronic mail or physical address below, or at such other address as the Company may hereafter designate in writing:

Zoetis Inc.  
10 Sylvan Way  
Parsippany, New Jersey 07054  
Attention: General Counsel  
Email: [●]

(b) Any notice required to be delivered to a Participant by the Company hereunder shall be given by electronic mail, hand delivery to such Participant or by registered or certified mail, return receipt requested, postage prepaid, to the most recent electronic mail or physical address on file with the Company.

(c) All notices shall be deemed given and effective if delivered personally, by e-mail transmission (provided no “error” message or other notification of non-delivery is generated), by registered or certified mail (return receipt requested) or by an express courier (with confirmation) to the parties at the addresses above.

10.4 Withholding and Required Deductions. The severance benefits payable under this Plan are subject to all withholding and any other deductions required by applicable law.

10.5 Applicable Law. This Plan is a welfare plan subject to ERISA and it shall be interpreted, administered, and enforced in accordance with that law.

10.6 Severability. If any provision of this Plan is held invalid or unenforceable by a court of competent jurisdiction, all remaining provisions shall continue to be fully effective.

10.7 Binding Agreement. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Participants and their heirs, executors, administrators and legal representatives. Further, any successor to the Company (whether direct or indirect and whether by purchase, merger (including forward or reverse triangular), consolidation, liquidation or otherwise) or to all or substantially all of the Company’s business and/or assets (including the ultimate parent entity in any reverse triangular merger or similar transaction) shall assume the obligations under this Plan and agree expressly to perform the obligations under this Plan in the same manner and to the same extent as the Company would be required to perform such obligations.







