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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, 2026

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	**46-0696167**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10 Sylvan Way, Parsippany, New Jersey	**07054**
(Address of principal executive offices)	(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
Common Stock, par value $0.01 per share	**ZTS**	**New York Stock Exchange**

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 July 31, 2026, there were 413,223,602 shares of common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS AND SHARES, EXCEPT PER SHARE DATA)	**2026**	2025[a]	**2026**	2025[a]
Revenue	**$ 2,468**	$ 2,474	**$ 4,730**	$ 4,672
Costs and expenses:				
Cost of sales	**673**	664	**1,314**	1,282
Selling, general and administrative expenses	**592**	614	**1,180**	1,188
Research and development expenses	**173**	166	**353**	328
Amortization of intangible assets	**31**	33	**62**	65
Restructuring charges and certain acquisition and divestiture-related costs	**77**	30	**99**	30
Interest expense, net of capitalized interest	**61**	53	**123**	107
Other (income)/deductions—net	**(5)**	2	**(25)**	(13)
Income before provision for taxes on income	**866**	912	**1,624**	1,685
Provision for taxes on income	**175**	186	**332**	357
Net income before allocation to noncontrolling interests	**691**	726	**1,292**	1,328
Less: Net income/(loss) attributable to noncontrolling interests	**—**	—	**—**	—
Net income attributable to Zoetis Inc.	**$ 691**	$ 726	**$ 1,292**	$ 1,328
Earnings per share attributable to Zoetis Inc. stockholders:				
Basic	**$ 1.65**	$ 1.63	**$ 3.08**	$ 2.98
Diluted	**$ 1.65**	$ 1.63	**$ 3.08**	$ 2.97
Weighted-average common shares outstanding:				
Basic	**417.6**	445.1	**419.9**	446.3
Diluted	**417.7**	445.5	**420.1**	446.7
Dividends declared per common share	**$ 0.530**	$ 0.500	**$ 1.060**	$ 1.000

[a] See *Note 2. Basis of Presentation* for further detail regarding the Fiscal Year Alignment.

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025[a]	**2026**	2025[a]
Net income before allocation to noncontrolling interests	**$ 691**	$ 726	**$ 1,292**	$ 1,328
Other comprehensive (loss)/income, net of tax[b]:				
Unrealized losses on derivatives for cash flow hedges, net of tax of $0 and $(1) for the three months ended June 30, 2026 and 2025, respectively and $(1) and $(5) for the six months ended June 30, 2026 and 2025, respectively	**(2)**	(4)	**(4)**	(17)
Unrealized gains/(losses) on derivatives for net investment hedges, net of tax of $2 and $(21) for the three months ended June 30, 2026 and 2025, respectively and $6 and $(31) for the six months ended June 30, 2026 and 2025, respectively	**6**	(74)	**20**	(107)
Foreign currency translation adjustments	**(28)**	182	**(8)**	314
Benefit plans: Actuarial gains, net of tax of $0 for the three and six months ended June 30, 2026 and 2025	**—**	—	**—**	2
Total other comprehensive (loss)/income, net of tax	**(24)**	104	**8**	192
Comprehensive income before allocation to noncontrolling interests	**667**	830	**1,300**	1,520
Less: Comprehensive income/(loss) attributable to noncontrolling interests	**—**	—	**—**	—
Comprehensive income attributable to Zoetis Inc.	**$ 667**	$ 830	**$ 1,300**	$ 1,520

[a] See *Note 2. Basis of Presentation* for further detail regarding the Fiscal Year Alignment.

[b] 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
(UNAUDITED)

(MILLIONS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA)	June 30, 2026	December 31, 2025[a]
Assets		
Cash and cash equivalents[b]	$ 1,476	$ 2,450
Short-term investments	200	—
Accounts receivable, less allowance for doubtful accounts of $14 in 2026 and $17 in 2025	1,571	1,409
Inventories	2,574	2,464
Other current assets	535	450
Total current assets	6,356	6,773
Property, plant and equipment, less accumulated depreciation of $3,066 in 2026 and $2,935 in 2025	3,756	3,693
Operating lease right-of-use assets	275	289
Goodwill	2,771	2,774
Identifiable intangible assets, less accumulated amortization	918	998
Noncurrent deferred tax assets	617	636
Other noncurrent assets	384	327
Total assets	$ 15,077	$ 15,490
Liabilities and Equity		
Accounts payable	$ 452	$ 445
Dividends payable	221	232
Accrued expenses	856	841
Accrued compensation and related items	269	401
Income taxes payable	138	145
Other current liabilities	125	109
Total current liabilities	2,061	2,173
Long-term debt, net of discount and issuance costs	9,048	9,042
Noncurrent deferred tax liabilities	122	137
Operating lease liabilities	190	197
Other taxes payable	288	276
Other noncurrent liabilities	220	250
Total liabilities	11,929	12,075
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, $0.01 par value: 6,000,000,000 authorized; 501,891,243 and 501,891,243 shares issued; 414,154,046 and 424,927,535 shares outstanding at June 30, 2026, and December 31, 2025, respectively	5	5
Treasury stock, at cost, 87,737,197 and 76,963,708 shares of common stock at June 30, 2026 and December 31, 2025, respectively	(11,845)	(10,685)
Additional paid-in capital	1,131	1,101
Retained earnings	14,653	13,798
Accumulated other comprehensive loss	(796)	(804)
Total Zoetis Inc. equity	3,148	3,415
Equity attributable to noncontrolling interests	—	—
Total equity	3,148	3,415
Total liabilities and equity	$ 15,077	$ 15,490

[a] See *Note 2. Basis of Presentation* for further detail regarding the Fiscal Year Alignment.

[b] As of June 30, 2026 and December 31, 2025, includes $3 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, 2026

	Zoetis							
	Common Stock		Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Equity Attributable to Noncontrolling	Total
(MILLIONS OF DOLLARS AND SHARES)	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Interests	Equity
Balance, March 31, 2026	501.9	$ 5	81.5	$ (11,288)	$ 1,105	$ 14,183	$ (772)	$ —	$ 3,233
Net income	—	—	—	—	—	**691**	—	—	**691**
Other comprehensive loss	—	—	—	—	—	—	**(24)**	—	**(24)**
Share-based compensation awards[a]	—	—	—	**1**	**26**	**(1)**	—	—	**26**
Treasury stock acquired[b]	—	—	**6.2**	**(558)**	—	—	—	—	**(558)**
Dividends declared	—	—	—	—	—	**(220)**	—	—	**(220)**
Balance, June 30, 2026	**501.9**	**$ 5**	**87.7**	**$ (11,845)**	**$ 1,131**	**$ 14,653**	**$ (796)**	**$ —**	**$ 3,148**

Three months ended June 30, 2025[c]

	Zoetis							
	Common Stock		Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Equity Attributable to Noncontrolling	Total
(MILLIONS OF DOLLARS AND SHARES)	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Interests	Equity
Balance, March 31, 2025[c]	501.9	$ 5	55.8	$ (7,888)	$ 1,180	$ 12,490	$ (922)	$ —	$ 4,865
Net income	—	—	—	—	—	726	—	—	726
Other comprehensive income	—	—	—	—	—	—	104	—	104
Share-based compensation awards[a]	—	—	—	3	23	—	—	—	26
Treasury stock acquired[b]	—	—	2.1	(341)	—	—	—	—	(341)
Dividends declared	—	—	—	—	—	(221)	—	—	(221)
Balance, June 30, 2025[c]	501.9	$ 5	57.9	$ (8,226)	$ 1,203	$ 12,995	$ (818)	$ —	$ 5,159

[a] 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*.

[b] 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*.

[c] See *Note 2. Basis of Presentation* for further detail regarding the Fiscal Year Alignment.

See notes to condensed consolidated financial statements.

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

Six months ended June 30, 2026

	Zoetis								
	Common Stock		Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Equity Attributable to Noncontrolling	Total
(MILLIONS OF DOLLARS AND SHARES)	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Interests	Equity
Balance, December 31, 2025[a]	501.9	$ 5	77.0	$ (10,685)	$ 1,101	$ 13,798	$ (804)	$ —	$ 3,415
Net income	—	—	—	—	—	**1,292**	—	—	**1,292**
Other comprehensive income	—	—	—	—	—	—	**8**	—	**8**
Share-based compensation awards[b]	—	—	**(0.3)**	**10**	**30**	**(1)**	—	—	**39**
Treasury stock acquired[c]	—	—	**11.0**	**(1,170)**	—	—	—	—	**(1,170)**
Dividends declared	—	—	—	—	—	**(436)**	—	—	**(436)**
Balance, June 30, 2026	**501.9**	**$ 5**	**87.7**	**$ (11,845)**	**$ 1,131**	**$ 14,653**	**$ (796)**	**$ —**	**$ 3,148**

Six months ended June 30, 2025[a]

	Zoetis								
	Common Stock		Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Equity Attributable to Noncontrolling	Total
(MILLIONS OF DOLLARS AND SHARES)	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Interests	Equity
Balance, December 31, 2024[a]	501.9	$ 5	53.4	$ (7,445)	$ 1,182	$ 12,112	$ (1,010)	$ —	$ 4,844
Net income	—	—	—	—	—	1,328	—	—	1,328
Other comprehensive income	—	—	—	—	—	—	192	—	192
Share-based compensation awards[b]	—	—	(0.3)	7	21	—	—	—	28
Treasury stock acquired[c]	—	—	4.8	(788)	—	—	—	—	(788)
Dividends declared	—	—	—	—	—	(445)	—	—	(445)
Balance, June 30, 2025[a]	501.9	$ 5	57.9	$ (8,226)	$ 1,203	$ 12,995	$ (818)	$ —	$ 5,159

[a] See *Note 2. Basis of Presentation* for further detail regarding the Fiscal Year Alignment.

[b] 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*.

[c] 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, 2026	2025[a]
Operating Activities		
Net income before allocation to noncontrolling interests	**$ 1,292**	$ 1,328
Adjustments to reconcile net income before noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization expense	**238**	243
Share-based compensation expense	**51**	39
Asset write-offs and asset impairments	**—**	33
Net loss on sale of business, excluding transaction costs	**—**	3
Net gain on sale of assets	**(7)**	—
Provision for losses on inventory	**26**	35
Deferred taxes	**1**	12
Other non-cash adjustments	**(2)**	(2)
Other changes in assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	**(172)**	(152)
Inventories	**(137)**	(167)
Other assets	**(158)**	(181)
Accounts payable	**9**	15
Other liabilities	**(92)**	(61)
Other tax accounts, net	**7**	(25)
Net cash provided by operating activities	**1,056**	1,120
Investing Activities		
Capital expenditures	**(227)**	(324)
Acquisitions, net of cash acquired	**—**	(10)
Purchase of investments	**(208)**	(3)
Proceeds from/(payments of) derivative instrument activity, net	**36**	(76)
Proceeds from sale of business, net of cash sold and working capital adjustments	**—**	(4)
Net proceeds from sale of assets	**11**	—
Other investing activities	**1**	2
Net cash used in investing activities	**(387)**	(415)
Financing Activities		
Share-based compensation-related proceeds, net of taxes paid on withholding shares	**(12)**	(12)
Purchases of treasury stock, including excise taxes paid	**(1,190)**	(781)
Cash dividends paid	**(447)**	(447)
Other financing activities	**(4)**	(1)
Net cash used in financing activities	**(1,653)**	(1,241)
Effect of exchange-rate changes on cash and cash equivalents	**10**	54
Net decrease in cash and cash equivalents	**(974)**	(482)
Cash and cash equivalents at beginning of period	**2,450**	2,114
Cash and cash equivalents at end of period	**$ 1,476**	$ 1,632
Supplemental cash flow information		
Cash paid during the period for:		
Income taxes[b]	**$ 430**	$ 472
Interest, net of capitalized interest	**148**	137
Amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	**36**	34
Financing cash flows - finance leases	**—**	2
Non-cash transactions:		
Capital expenditures	**2**	3
Excise tax accrued on net share repurchases, not paid	**11**	7
Lease obligations obtained in exchange for right-of-use assets - operating	**17**	58
Lease obligations obtained in exchange for right-of-use assets - finance	**—**	1
Dividends declared, not paid	**221**	222

[a] See *Note 2. Basis of Presentation* for further detail regarding the Fiscal Year Alignment.

[b] 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, swine, poultry, 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.

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.

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.

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 2025 Annual Report on Form 10-K.

Prior to fiscal 2026, our consolidated financial statements, which have a year-end of December 31, have reflected results of subsidiaries operating outside the U.S. on a one-month financial reporting lag with a year-end of November 30. Effective January 1, 2026, we eliminated the one-month financial reporting lag for our subsidiaries operating outside of the U.S. and adjusted their year-end to December 31 (the “Fiscal Year Alignment”). The elimination of this financial reporting lag represented a change in accounting principle which the company considers preferable because it provides investors with more timely access to financial information about these subsidiaries. This change in accounting principle was applied retrospectively to all periods prior to January 1, 2026. The condensed consolidated financial statements as of and for the three and six months ended June 30, 2025, the Condensed Consolidated Balance Sheet as of December 31, 2025 and the related Notes to Condensed Consolidated Financial Statements have been recast to reflect this change in accounting principle. In addition, we plan to recast the condensed consolidated financial statements as of and for the three and nine months ended September 30, 2025 and the consolidated financial statements as of and for the twelve months ended December 31, 2025 and 2024 when they are presented as comparatives in future financial statements.

The following table presents a summary of the changes to the quarterly results:

	Three months ended June 30, 2025			Six months ended June 30, 2025		
(MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)	As previously reported	Increase/ (decrease)	As recast	As previously reported	Increase/ (decrease)	As recast
Revenue	$ 2,460	$ 14	$ 2,474	$ 4,680	$ (8)	$ 4,672
Income before provision for taxes on income	$ 902	$ 10	$ 912	$ 1,712	$ (27)	$ 1,685
Provision for taxes on income	$ 184	$ 2	$ 186	$ 363	$ (6)	$ 357
Net income attributable to Zoetis Inc.	$ 718	$ 8	$ 726	$ 1,349	$ (21)	$ 1,328
Earnings per share - Basic	$ 1.61	$ 0.02	$ 1.63	$ 3.02	$ (0.04)	$ 2.98
Earnings per share - Diluted	$ 1.61	$ 0.02	$ 1.63	$ 3.02	$ (0.05)	$ 2.97

The following table presents a summary of the changes to total assets, liabilities and equity:

(MILLIONS OF DOLLARS)	As previously reported	Increase/ (decrease)	As recast
Total assets as of December 31, 2025	$ 15,467	$ 23	$ 15,490
Total liabilities as of December 31, 2025	$ 12,136	$ (61)	$ 12,075
Total equity as of January 1, 2025	$ 4,770	$ 74	$ 4,844
Total equity as of December 31, 2025	$ 3,331	$ 84	$ 3,415

The following table presents a summary of the changes to the results of the Condensed Consolidated Statement of Cash Flows:

	Six months ended June 30, 2025		
(MILLIONS OF DOLLARS)	As previously reported	Increase/ (decrease)	As recast
Net cash provided by operating activities	$ 1,073	$ 47	$ 1,120
Net cash used in investing activities	$ (422)	$ 7	$ (415)
Net cash used in financing activities	$ (1,241)	$ —	$ (1,241)

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

3. Accounting Standards

Recently Issued Accounting Standards

In May 2026, the FASB issued ASU No. 2026-02, Environmental Credits and Environmental Credit Obligations (Topic 818). The amendments in this update provide recognition, measurement, presentation and disclosure requirements for all entities that generate, purchase, or receive environmental credits or have a regulatory compliance obligation that may be settled with environmental credits. This guidance is effective for public business entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. The amendments in this ASU should be applied on a retrospective basis. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In November 2025, the FASB issued ASU No. 2025-09, Derivatives and Hedging (Topic 815), to more closely align financial reporting with the economics of an entity's risk management activities. The amendments in this update are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The amendments in this ASU should be applied prospectively with an option to adopt the amendments for hedging relationships existing as of the date of adoption. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In September 2025, the FASB issued ASU No. 2025-07, Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606). The guidance amendments add a new scope exception in ASC 815 for certain contracts and clarifies the accounting for share-based payments to a customer. The amendments in this update are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In September 2025, the FASB issued ASU No. 2025-06, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40). The guidance amendments remove all references to a prescriptive and sequential software development method, also referred to as "project stages" throughout Subtopic 350-40, and specify new requirements for determining when to begin capitalization of capitalizable project costs. The amendments in this update are effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

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. We are currently evaluating the impact that the new guidance will have on our notes to the 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. A majority 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 that deliver solutions across the continuum of care, including medicines, vaccines and diagnostics, complemented by biodevices, genetic tests and a range of services. We typically refer to all products with the same primary active pharmaceutical or biological ingredient(s) as a single product line even if such products include different brands, dosages, formulations or indicated species. For vaccines, we typically consider a group of vaccines as a single product line if they share the same brand. We have approximately 300 comprehensive product lines, including products for both companion animals and livestock, within each of our major product categories.

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:** hormones, cardiopulmonary, topical and oral hygiene therapeutics, central nervous system drugs, diuretics, antiemetic, euthanasia, hepato-digestive products and other categories; 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 testing 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

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
United States	**$ 1,266**	$ 1,356	**$ 2,356**	$ 2,539
Australia	**94**	83	**183**	162
Brazil	**103**	93	**193**	174
Canada	**72**	71	**145**	141
Chile	**34**	34	**72**	69
China	**62**	67	**125**	122
France	**40**	42	**77**	81
Germany	**69**	57	**128**	112
Italy	**40**	37	**79**	67
Japan	**41**	43	**76**	75
Mexico	**47**	39	**95**	74
Spain	**43**	40	**83**	69
United Kingdom	**72**	81	**150**	155
Other developed markets	**187**	175	**356**	308
Other emerging markets	**269**	223	**560**	461
	2,439	2,441	**4,678**	4,609
Contract manufacturing & human health	**29**	33	**52**	63
Total Revenue	**$ 2,468**	$ 2,474	**$ 4,730**	$ 4,672

Revenue by major species

(MILLIONS OF DOLLARS)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
U.S.				
Companion animal	**$ 1,044**	$ 1,176	**$ 1,909**	$ 2,149
Livestock	**222**	180	**447**	390
	1,266	1,356	**2,356**	2,539
International				
Companion animal	**664**	614	**1,318**	1,182
Livestock	**509**	471	**1,004**	888
	1,173	1,085	**2,322**	2,070
Total				
Companion animal	**1,708**	1,790	**3,227**	3,331
Livestock	**731**	651	**1,451**	1,278
Contract manufacturing & human health	**29**	33	**52**	63
Total Revenue	**$ 2,468**	$ 2,474	**$ 4,730**	$ 4,672

Revenue by species

(MILLIONS OF DOLLARS)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Companion Animal:				
Dogs and Cats	**$ 1,634**	$ 1,719	**$ 3,077**	$ 3,196
Horses	**74**	71	**150**	135
	1,708	1,790	**3,227**	3,331
Livestock:				
Cattle	**390**	323	**782**	664
Swine	**117**	118	**240**	223
Poultry	**115**	104	**233**	210
Fish	**83**	81	**149**	136
Sheep and other	**26**	25	**47**	45
	731	651	**1,451**	1,278
Contract manufacturing & human health	**29**	33	**52**	63
Total Revenue	**$ 2,468**	$ 2,474	**$ 4,730**	$ 4,672

Revenue by major product category

(MILLIONS OF DOLLARS)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Parasiticides	**$ 698**	$ 660	**$ 1,284**	$ 1,232
Vaccines	**521**	510	**1,040**	949
Dermatology	**398**	473	**747**	852
Anti-infectives	**244**	222	**485**	460
Pain and sedation	**217**	223	**420**	430
Other pharmaceutical	**168**	175	**326**	333
Animal health diagnostics	**123**	110	**240**	214
Other non-pharmaceutical	**70**	68	**136**	139
	2,439	2,441	**4,678**	4,609
Contract manufacturing & human health	**29**	33	**52**	63
Total Revenue	**$ 2,468**	$ 2,474	**$ 4,730**	$ 4,672

B. Revenue from Contracts with Customers

Contract liabilities reflected within *Other current liabilities* as of December 31, 2025 and 2024, and subsequently recognized as revenue during each of the first six months of 2026 and 2025 were $11 million and $5 million, respectively. Contract liabilities as of June 30, 2026 and December 31, 2025 were $21 million and $16 million, respectively.

Estimated future revenue expected to be generated from long-term contracts with unsatisfied performance obligations as of June 30, 2026 is not material.

5. Acquisitions

In the first quarter of 2026, we entered into a definitive agreement with Neogen Corporation to acquire Neogen's animal genomics business. The transaction is subject to customary closing conditions and the satisfaction of regulatory requirements. We expect to complete the acquisition in the second half of 2026.

During 2025, we acquired Veterinary Pathology Group (VPG), a leading veterinary diagnostic laboratory group with multiple locations across the U.K. and Ireland. This transaction did not have a material impact on our consolidated financial statements.

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

In connection with our cost-reduction/productivity initiatives, we typically incur restructuring costs and charges associated with workforce reductions and site closings. In connection with our acquisition and divestiture activities, we typically incur costs and charges 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 functions.

The components of costs incurred in connection with restructuring initiatives, acquisitions, divestitures and cost-reduction/productivity initiatives are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
Restructuring charges and certain acquisition and divestiture-related costs:				
Acquisition-related costs	**$ 2**	$ 1	**$ 4**	$ 1
Restructuring charges, net[(a)]:				
Employee termination costs, net	**74**	5	**94**	5
Asset impairment charges	**—**	22	**—**	22
Exit costs	**1**	2	**1**	2
Total Restructuring charges and certain acquisition and divestiture-related costs	**$ 77**	$ 30	**$ 99**	$ 30

[(a)] Restructuring charges for the three and six months ended June 30, 2026 were primarily driven by employee termination costs under a comprehensive cost and productivity program, with the six-month period also reflecting employee termination costs from additional organizational structure refinements.

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.

The change in our restructuring accrual is as follows:

(MILLIONS OF DOLLARS)	Accrual
Balance, December 31, 2025[(a)]	$ 25
Provision	**95**
Utilization and other[(b)]	**(25)**
Balance, June 30, 2026[(a)]	**$ 95**

[(a)] At June 30, 2026 and December 31, 2025, included in *Accrued expenses* ($93 million and $23 million, respectively) and *Other noncurrent liabilities* ($2 million).

[(b)] Includes adjustments for foreign currency translation.

7. Other (Income)/Deductions—Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
Interest income	**$ (16)**	$ (20)	**$ (37)**	$ (42)
Identifiable intangible asset impairment charges[a]	**—**	5	**—**	5
Net gain on sale of assets	**(1)**	—	**(7)**	—
Net loss on sale of business[b]	**—**	3	**—**	3
Foreign currency loss[c]	**10**	13	**16**	23
Other, net	**2**	1	**3**	(2)
Other (income)/deductions—net	**$ (5)**	$ 2	**$ (25)**	$ (13)

[a] For the three and six months ended June 30, 2025, represents asset impairment charges related to our aquaculture business.

[b] 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.

[c] Primarily driven by costs related to hedging and exposures to certain emerging and developed market currencies.

8. Income Taxes

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. OBBBA did not have a material impact on our financial results in 2025 or in 2026 to date, including the effect on our effective tax rate and deferred tax assets and liabilities, and we do not expect it to have a material impact on the remainder of 2026 and future periods.

A. Taxes on Income

Our effective tax rate was 20.2% and 20.4% for the three months ended June 30, 2026 and 2025, respectively. The lower effective tax rate for the three months ended June 30, 2026, compared with the three months ended June 30, 2025, was primarily attributable to lower net discrete tax expenses, partially offset by a less favorable jurisdictional mix of earnings (which includes the impact of the location of pre-tax earnings, tax impact of permanent differences and repatriation decisions).

Our effective tax rate was 20.4% and 21.2% for the six months ended June 30, 2026 and 2025, respectively. The lower effective tax rate for the six months ended June 30, 2026, compared with the six months ended June 30, 2025, was primarily attributable to 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) and lower net discrete tax expenses.

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, under then-applicable law, qualified as foreign-derived intangible income and, under OBBBA, now qualifies as foreign-derived deduction eligible 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, 2026 and 2025. The remaining deferred benefit is included in *Other current assets* on our Condensed Consolidated Balance Sheets as of June 30, 2026 in the amount of $10 million.

B. Deferred Taxes

As of June 30, 2026, the total net deferred income tax asset of $495 million is included in *Noncurrent deferred tax assets* ($617 million) and *Noncurrent deferred tax liabilities* ($122 million).

As of December 31, 2025, the total net deferred income tax asset of $499 million is included in *Noncurrent deferred tax assets* ($636 million) and *Noncurrent deferred tax liabilities* ($137 million).

C. Tax Contingencies

Uncertain Tax Positions

As of June 30, 2026, the net tax liabilities associated with uncertain tax positions of $226 million (exclusive of interest and penalties related to uncertain tax positions of $60 million) are included in *Other taxes payable*.

As of December 31, 2025, the net tax liabilities associated with uncertain tax positions of $222 million (exclusive of interest and penalties related to uncertain tax positions of $52 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. 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, 2026, the additional tax liability, based on the income adjustment proposed by the IRS under the RAR, is approximately $450 million, excluding interest and penalties. This matter is currently under appeal with the IRS.

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 August 2025, we entered into a new revolving credit agreement with a syndicate of banks providing for a multi-year $1.25 billion senior unsecured revolving credit facility (the credit facility), which expires in August 2030. Subject to certain conditions, we have the right to increase the credit facility to up to $1.75 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, 2026 and December 31, 2025. There were no amounts drawn under the credit facility as of June 30, 2026 and December 31, 2025.

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, 2026, we had access to $46 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, 2026 and December 31, 2025.

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, 2026 and December 31, 2025, there was no commercial paper outstanding under this program.

Convertible Senior Notes

On December 18, 2025, we completed a private offering (the "offering") of 0.250% convertible senior notes (the "convertible senior notes") with a maturity date of June 15, 2029, unless earlier repurchased, redeemed or converted. The aggregate principal amount of the convertible senior notes sold in the offering was $2.0 billion, which includes $250 million in aggregate principal amount of convertible senior notes issued pursuant to the initial purchasers' option to purchase additional convertible senior notes on the same terms and conditions, which the initial purchasers exercised in full for settlement on December 18, 2025.

The convertible senior notes were issued pursuant to an indenture, dated as of December 18, 2025, between us and Deutsche Bank Trust Company Americas, as trustee. If we call any convertible senior notes for redemption, a "make-whole fundamental change" will occur under the indenture with respect to those convertible senior notes, in which case the conversion rate applicable to the conversion of those convertible senior notes will be increased if they are converted during a specified period of time after they are called for redemption. The convertible senior notes are convertible at an initial conversion price of approximately $148.20 per share of common stock. Prior to March 15, 2029, the convertible senior notes are convertible during certain periods only: (i) if the trading price of our common stock is greater than or equal to 130% of the conversion price for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days prior to the end of a calendar quarter, (ii) the trading price per $1,000 principal amount of convertible senior notes for each trading day of the specified measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day, (iii) if we call the notes for redemption and (iv) upon the occurrence of certain corporate events, as set forth in the indenture. On or after March 15, 2029, holders may convert all or any portion of their notes, regardless of the foregoing conditions. Upon any conversion of the convertible senior notes, we will pay cash up to the aggregate principal amount of the notes to be converted and pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof, at our election, in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted.

The net proceeds from the offering were $1,970 million, after deducting the initial purchasers' discounts and expenses of $30 million. We used the net proceeds from the offering as follows: (i) $187 million to fund the cost of entering into the capped call transactions described below, (ii) $248 million to purchase approximately 2.1 million shares of Zoetis' common stock, par value $0.01 per share (the "common stock"), in privately negotiated transactions entered into concurrently with the pricing of the offering effected with or through one of the initial purchasers or its affiliate and (iii) the remaining $1,535 million for additional repurchases of 12.3 million shares of common stock following the date of the offering, which repurchases were completed as of March 31, 2026.

In connection with the issuance of the convertible senior notes, we also entered into privately negotiated capped call transactions with certain

counterparties (the "capped calls"). The capped calls each have a strike price of approximately $148.20 per share, subject to certain adjustments, which correspond to the initial conversion price of the convertible senior notes. The capped calls have initial cap prices of approximately $211.72 per share, subject to certain adjustments. The capped calls cover, subject to anti-dilution adjustments, approximately 13.5 million shares of our common stock. We have the option to settle the capped calls in either shares, cash or a combination thereof. The capped calls are generally intended to reduce or offset the potential dilution to our common stock upon any conversion of the convertible senior notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. However, if the market price per share of our common stock, as measured under the terms of the capped calls, exceeds the cap prices of the capped calls, there would nevertheless be dilution and/or there would not be an offset of such cash payments, in each case, to the extent that such market price exceeds the cap price of the capped calls. The capped calls are separate transactions, and not part of the terms of the convertible senior notes. We analyzed the transactions under ASC 815, Derivatives and Hedging, and determined that the capped calls met the criteria for classification as an equity transaction with no subsequent remeasurement, as long as they continue to meet the conditions for equity classification. These capped calls are recorded in stockholders' equity on our balance sheet and are not accounted for as a bifurcated derivative. The cost of the capped calls of $187 million, net of $42 million in deferred tax assets, was recorded as a decrease to *Additional paid-in capital* on our Consolidated Balance Sheets as of December 31, 2025.

On December 17, 2025, we and the lenders under the credit facility entered into the First Waiver to the Revolving Credit Agreement, dated as of December 17, 2025 (the "waiver"), among us, the lenders party thereto, the issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent. The waiver waived a technical provision in the credit facility and explicitly permits early conversions of the convertible senior notes pursuant to their terms.

Senior Notes and Other Long-Term Debt

On August 18, 2025, we issued $850 million aggregate principal amount of 4.150% senior notes due 2028 and $1.00 billion aggregate principal amount of 5.000% senior notes due 2035 (collectively, 2025 senior notes), with an original issue discount of $2 million. The net proceeds were used to redeem in full the $600 million aggregate principal amount of our 5.400% 2022 senior notes due 2025 and the $750 million aggregate principal amount of our 4.500% 2015 senior notes due 2025 on August 28, 2025 and September 17, 2025, respectively, and the remainder is being used for general corporate purposes.

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, 2026**	December 31, 2025
3.000% 2017 senior notes due 2027	**$ 750**	$ 750
3.900% 2018 senior notes due 2028	**500**	500
4.150% 2025 senior notes due 2028	**850**	850
0.250% 2025 convertible senior notes due 2029	**2,000**	2,000
2.000% 2020 senior notes due 2030	**750**	750
5.600% 2022 senior notes due 2032	**750**	750
5.000% 2025 senior notes due 2035	**1,000**	1,000
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
	9,150	9,150
Unamortized debt discount / debt issuance costs	**(85)**	(93)
Cumulative fair value adjustment for interest rate swap contracts	**(17)**	(15)
Long-term debt, net of discount and issuance costs	**$ 9,048**	$ 9,042

The fair value of our long-term debt was $8,456 million and $8,842 million as of June 30, 2026 and December 31, 2025, 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, 2026, by scheduled maturity date:

(MILLIONS OF DOLLARS)	2026	2027	2028	2029	2030	After 2030	Total
Maturities	$ —	$ 750	$ 1,350	$ 2,000	$ 750	$ 4,300	$ 9,150

Interest Expense

Interest expense, net of capitalized interest, was $61 million and $123 million for the three and six months ended June 30, 2026, respectively and $53 million and $107 million for the three and six months ended June 30, 2025, respectively. Capitalized interest expense was $9 million and $19 million for the three and six months ended June 30, 2026, respectively and $11 million and $22 million for the three and six months ended June 30, 2025, 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, Chinese renminbi, Danish krone, 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 two 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. If 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 August 2025, we entered into forward-starting interest rate swaps with an aggregate notional value of $700 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 senior notes due in 2025. Upon issuance of our 2025 senior notes, we terminated these contracts and received $11 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 5.000% 2025 senior notes due 2035.
- 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, 2026, 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, 2026 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:

	Notional	
(MILLIONS)	**June 30, 2026**	December 31, 2025
Derivatives not Designated as Hedging Instruments:		
Foreign currency forward-exchange contracts	**$ 2,231**	$ 2,198
Derivatives Designated as Hedging Instruments:		
Foreign exchange derivative instruments (in foreign currency):		
Euro	**1,025**	925
Danish krone	**400**	400
Swiss franc	**35**	—
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:

		Fair Value of Derivatives	
(MILLIONS OF DOLLARS)	Balance Sheet Location	**June 30, 2026**	December 31, 2025
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward-exchange contracts	Other current assets	**$ 9**	$ 8
Foreign currency forward-exchange contracts	Other current liabilities	**(25)**	(9)
Foreign currency forward-exchange contracts	Other noncurrent liabilities	**(1)**	—
Total derivatives not designated as hedging instruments		**$ (17)**	$ (1)
Derivatives Designated as Hedging Instruments:			
Foreign exchange derivative instruments	Other current assets	**$ 10**	$ 6
Foreign exchange derivative instruments	Other noncurrent assets	**3**	—
Foreign exchange derivative instruments	Other current liabilities	**(21)**	(25)
Foreign exchange derivative instruments	Other noncurrent liabilities	**(16)**	(39)
Fixed-to-floating interest rate swap contracts	Other noncurrent liabilities	**(17)**	(16)
Total derivatives designated as hedging instruments		**(41)**	(74)
Total derivatives		**$ (58)**	$ (75)

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, 2026, there was no collateral received and $36 million posted related to derivative instruments recorded in *Other current liabilities* and *Other current assets*, respectively. At December 31, 2025, there was no collateral received and $70 million 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 (losses)/gains on derivative instruments not designated as hedging instruments, recorded in *Other (income)/deductions—net*, are as follows:

	Three Months Ended		Six Months Ended	
	June 30,		**June 30,**	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
Foreign currency forward-exchange contracts	**$ (22)**	$ 28	**$ (13)**	$ 58

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
Forward-starting interest rate swap contracts	**$ —**	$ (2)	**$ —**	$ (13)
Foreign exchange derivative instruments	**$ 6**	$ (74)	**$ 20**	$ (107)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
Foreign exchange derivative instruments	**$ 6**	$ 5	**$ 11**	$ 10

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, 2026**	December 31, 2025
Finished goods	**$ 1,147**	$ 1,094
Work-in-process	**1,069**	991
Raw materials and supplies	**358**	379
Inventories	**$ 2,574**	**$ 2,464**

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, 2025	$ 1,515	$ 1,259	$ 2,774
Other[(a)]	—	**(3)**	**(3)**
Balance, June 30, 2026	**$ 1,515**	**$ 1,256**	**$ 2,771**

(a) Includes adjustments for foreign currency translation.

The gross goodwill balance was $3,307 million and $3,310 million as of June 30, 2026 and December 31, 2025, respectively. Accumulated goodwill impairment losses were $536 million as of June 30, 2026 and December 31, 2025.

B. Other Intangible Assets

The components of identifiable intangible assets are as follows:

	As of June 30, 2026			As of December 31, 2025		
(MILLIONS OF DOLLARS)	**Gross Carrying Amount**	**Accumulated Amortization**	**Identifiable Intangible Assets Less Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets Less Accumulated Amortization
Finite-lived intangible assets:						
Developed technology rights	**$ 1,932**	**$ (1,410)**	**$ 522**	$ 1,940	$ (1,352)	$ 588
Brands and tradenames	**362**	**(256)**	**106**	362	(251)	111
Other	**292**	**(216)**	**76**	293	(211)	82
Total finite-lived intangible assets	**2,586**	**(1,882)**	**704**	2,595	(1,814)	781
Indefinite-lived intangible assets:						
Brands and tradenames	**67**	**—**	**67**	67	—	67
In-process research and development	**141**	**—**	**141**	144	—	144
Product rights	**6**	**—**	**6**	6	—	6
Total indefinite-lived intangible assets	**214**	**—**	**214**	217	—	217
Identifiable intangible assets	**$ 2,800**	**$ (1,882)**	**$ 918**	$ 2,812	$ (1,814)	$ 998

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 $38 million and $77 million for the three and six months ended June 30, 2026, respectively and $40 million and $80 million for the three and six months ended June 30, 2025, 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
Stock options / stock appreciation rights	**$ 4**	$ 3	**$ 8**	$ 6
RSUs / DSUs	**19**	13	**35**	24
PSUs	**3**	6	**8**	9
Share-based compensation expense—total[(a)]	**$ 26**	$ 22	**$ 51**	$ 39

[(a)] For the three and six months ended June 30, 2026 and 2025, we capitalized less than $1 million of share-based compensation expense to inventory.

During the six months ended June 30, 2026, the company granted 437,889 stock options with a weighted-average exercise price of $129.13 per stock option and a weighted-average fair value of $32.64 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 3.64%; expected dividend yield of 1.63%; expected stock price volatility of 28.81%; and expected term of 4.4 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, 2026, the company granted 830,588 RSUs with a weighted-average grant date fair value of $127.96 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, 2026, the company granted 183,488 PSUs with a weighted-average grant date fair value of $156.44 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 26.3% and 30.7%, 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, 2026, there was $1.3 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)	Cash Flow Hedges	Currency Translation Adjustments: Net Investment Hedges	Currency Translation Adjustments: Other Currency Translation Adjustments	Benefit Plans Actuarial Gains/(Losses)	Accumulated Other Comprehensive Loss
Balance, December 31, 2025	$ 70	$ (39)	$ (838)	$ 3	$ (804)
Other comprehensive (loss)/income, net of tax	**(4)**	**20**	**(8)**	**—**	**8**
Balance, June 30, 2026	**$ 66**	**$ (19)**	**$ (846)**	**$ 3**	**$ (796)**
Balance, December 31, 2024	$ 89	$ 62	$ (1,160)	$ (1)	$ (1,010)
Other comprehensive (loss)/income, net of tax	(17)	(107)	314	2	192
Balance, June 30, 2025	$ 72	$ (45)	$ (846)	$ 1	$ (818)

14. Earnings per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS AND SHARES, EXCEPT PER SHARE DATA)	**2026**	2025	**2026**	2025
Numerator				
Net income before allocation to noncontrolling interests	**$ 691**	$ 726	**$ 1,292**	$ 1,328
Less: Net income/(loss) attributable to noncontrolling interests	**—**	—	**—**	—
Net income attributable to Zoetis Inc.	**$ 691**	$ 726	**$ 1,292**	$ 1,328
Denominator				
Weighted-average common shares outstanding	**417.6**	445.1	**419.9**	446.3
Common stock equivalents: stock options, RSUs, PSUs and DSUs	**0.1**	0.4	**0.2**	0.4
Weighted-average common and potential dilutive shares outstanding	**417.7**	445.5	**420.1**	446.7
Earnings per share attributable to Zoetis Inc. stockholders—basic	**$ 1.65**	$ 1.63	**$ 3.08**	$ 2.98
Earnings per share attributable to Zoetis Inc. stockholders—diluted	**$ 1.65**	$ 1.63	**$ 3.08**	$ 2.97

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, 2026 and 2025.

For the convertible senior notes, we are required to settle the principal amount in cash and any conversion premium in excess of the principal amount in cash, shares of common stock, or a combination of cash and shares of common stock, at our election. As such, the convertible senior notes only have an impact on diluted earnings per share when the average share price of our common stock exceeds the conversion price. See *Note 9. Financial Instruments*.

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, and the parties, the Prosecutor's Office, the Municipality, and their technical teams have been collaborating to evaluate options for waste removal and disposal. A formal Phase II report was submitted to the Prosecutor's Office in May 2025 outlining potential alternatives. On June 12, 2026, the Prosecutor's Office issued an order acknowledging the plan's overall adequacy and requesting additional implementation information from the defendants. The defendants have requested a meeting with the Prosecutor to discuss next steps..

Securities Class Action and Related Derivative Matters

On May 27, 2026, a securities class action complaint was filed in federal court in New York against the company and certain of the company's officers. (City of Ann Arbor Retiree Health Care Benefit Plan & Trust v. Zoetis Inc., et al., Case No. 1:26-cv-04401 (S.D.N.Y.)) The complaint was filed by a company shareholder on behalf of a proposed class of shareholders who purchased or otherwise acquired common stock from January 14, 2025, through May 6, 2026. The complaint asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Exchange Act Rule 10b-5 based on allegedly false or misleading statements regarding, among other things, the safety, competitive positioning, and market share of the company's Companion Animal products, including Librela®, Simparica Trio®, Apoquel®, and Cytopoint®. The complaint seeks certification as a class action and unspecified compensatory damages plus interest and attorneys' fees. The lawsuit is in the early stages and the company and named officers have not yet responded to the complaint. The company and the named officers believe they have substantial defenses and intend to defend the lawsuit vigorously.

In June 2026, several related shareholder derivative actions were also filed against the company as a nominal defendant and certain of the company's current and former officers and directors. The complaints assert claims for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust enrichment, waste of corporate assets, gross mismanagement, and violations of Sections 10(b), 14(a), 20(a) and 21D of the Exchange Act, in connection with factual assertions similar to those in the securities class action complaint described above. The complaints seek to recover for the company damages allegedly sustained as a result of the acts and omissions of the named officers and directors, disgorgement of profits, and orders directing the company to reform and improve its corporate governance. Three cases have been consolidated in the U.S. District Court for the

Southern District of New York under the caption In re Zoetis Inc. Stockholder Derivative Litigation and docket number 1:26-cv-04709, and two have been consolidated in the U.S. District Court for the District of New Jersey under the caption In re Zoetis Inc. Shareholder Derivative Litigation and docket number 2:26-cv-07479. The derivative cases are in early stages and the company and the named directors and officers have not yet responded to the complaints.

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, 2026, 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.

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 Three Months Ended June 30, 2026	Earnings Three Months Ended June 30, 2025	Depreciation and Amortization[a] Three Months Ended June 30, 2026	Depreciation and Amortization[a] Three Months Ended June 30, 2025
U.S.				
Revenue	**$ 1,266**	$ 1,356		
Cost of sales	**214**	208		
Gross profit	**1,052**	1,148		
Gross margin	**83.1 %**	84.7 %		
Operating expenses[b]	**215**	218		
Other (income)/deductions-net	**—**	—		
U.S. Earnings	**837**	930	**$ 24**	$ 22
International				
Revenue[c]	**1,173**	1,085		
Cost of sales	**340**	321		
Gross profit	**833**	764		
Gross margin	**71.0 %**	70.4 %		
Operating expenses[b]	**172**	171		
Other (income)/deductions-net	**—**	1		
International Earnings	**661**	592	**25**	26
Total operating segments	**1,498**	1,522	**49**	48
Other business activities	**(135)**	(129)	**13**	13
Reconciling Items:				
Corporate	**(315)**	(324)	**26**	29
Purchase accounting adjustments	**(30)**	(33)	**30**	33
Acquisition and divestiture-related costs	**(2)**	(1)	**—**	—
Certain significant items	**(81)**	(48)	**—**	—
Other unallocated	**(69)**	(75)	**1**	1
Total Earnings[d]	**$ 866**	$ 912	**$ 119**	$ 124

[a] 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.

[b] Operating expenses primarily consisted of field selling, advertising and promotions, other marketing expenses, and freight and logistics costs.

[c] Revenue denominated in euros was $282 million and $255 million for the three months ended June 30, 2026 and 2025, respectively.

[d] Defined as income before provision for taxes on income.

(MILLIONS OF DOLLARS)	Earnings Six Months Ended June 30, 2026	Earnings Six Months Ended June 30, 2025	Depreciation and Amortization[a] Six Months Ended June 30, 2026	Depreciation and Amortization[a] Six Months Ended June 30, 2025
U.S.				
Revenue	**$ 2,356**	$ 2,539		
Cost of sales	**408**	407		
Gross profit	**1,948**	2,132		
Gross margin	**82.7 %**	84.0 %		
Operating expenses[b]	**414**	423		
Other (income)/deductions-net	**—**	—		
U.S. Earnings	**1,534**	1,709	**$ 47**	$ 45
International				
Revenue[c]	**2,322**	2,070		
Cost of sales	**674**	616		
Gross profit	**1,648**	1,454		
Gross margin	**71.0 %**	70.2 %		
Operating expenses[b]	**347**	334		
Other (income)/deductions-net	**1**	1		
International Earnings	**1,300**	1,119	**51**	49
Total operating segments	**2,834**	2,828	**98**	94
Other business activities	**(276)**	(262)	**26**	24
Reconciling Items:				
Corporate	**(630)**	(602)	**51**	58
Purchase accounting adjustments	**(58)**	(65)	**61**	65
Acquisition and divestiture-related costs	**(4)**	(1)	**—**	—
Certain significant items	**(108)**	(54)	**—**	—
Other unallocated	**(134)**	(159)	**2**	2
Total Earnings[d]	**$ 1,624**	$ 1,685	**$ 238**	$ 243

[a] 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.

[b] Operating expenses primarily consisted of field selling, advertising and promotions, other marketing expenses, and freight and logistics costs.

[c] Revenue denominated in euros was $545 million and $480 million for the six months ended June 30, 2026 and 2025, respectively.

[d] Defined as income before provision for taxes on income.

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. With a legacy of nearly 75 years, we continue to pioneer ways to predict, prevent, detect, and treat animal illness, supporting 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 diverse products for both companion animals 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. 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 2026 performance compared with the comparable 2025 periods follows:

	Three Months Ended June 30,		% Change		
				Related to	
(MILLIONS OF DOLLARS)	**2026**	2025[a]	Total	Foreign Exchange	Operational[b]
Revenue	**$ 2,468**	$ 2,474	—	2	(2)
Net income attributable to Zoetis	**691**	726	(5)	1	(6)
Adjusted net income[b]	**781**	791	(1)	1	(2)

	Six Months Ended June 30,		% Change		
				Related to	
(MILLIONS OF DOLLARS)	**2026**	2025[a]	Total	Foreign Exchange	Operational[b]
Revenue	**$ 4,730**	$ 4,672	1	2	(1)
Net income attributable to Zoetis	**1,292**	1,328	(3)	1	(4)
Adjusted net income[b]	**1,427**	1,424	—	1	(1)

[a] See *Fiscal year alignment of international subsidiaries* section of this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) for further detail regarding the Fiscal Year Alignment.

[b] Operational results and adjusted net income are non-GAAP financial measures. See *Non-GAAP financial measures* section of this MD&A for more information.

Our operating environment

For a description of our operating environment, including factors that could materially affect our business, financial condition, or future results, see "Our Operating Environment" in the MD&A of our 2025 Annual Report on Form 10-K. Set forth below are updates to certain of the factors disclosed in our 2025 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 and supply availability, variability in distributor inventory stocking levels including 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 customer expectations related to the same, timing of investment decisions and operational and other changes made in connection with the change in accounting principle to eliminate the one-month financial reporting lag in 2026 for our subsidiaries operating outside the U.S.

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 I., Item 1A, Risk Factors* in our 2025 Annual Report on Form 10-K.

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, 2026, approximately 46% 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, 2026, approximately 54% of our total revenue was in U.S. dollars. Our year-over-year total revenue growth was favorably 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 provides 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 *Adjusted Net Income* section below for more information.

Fiscal year alignment of international subsidiaries

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Historically our consolidated financial statements, which have a year-end of December 31, have reflected financial information of subsidiaries operating outside the U.S. (the “International Subsidiaries”) on a one-month financial reporting lag with a year-end of November 30. In

connection with our multi-year process to transition our enterprise resource planning (ERP) system, effective January 1, 2026, we eliminated the one-month financial reporting lag by our International Subsidiaries and adjusted their year-end to December 31 (the "Fiscal Year Alignment").

The elimination of this financial reporting lag represented a change in accounting principle which the company considers preferable because it provides investors more timely access to financial information about these subsidiaries. This change in accounting principle was applied retrospectively to all periods since January 1, 2024. The condensed consolidated financial statements as of and for the three and six months ended June 30, 2025, the Condensed Consolidated Balance Sheet as of December 31, 2025 and the related Notes to Condensed Consolidated Financial Statements have been recast to reflect this change in accounting principle. In addition, we plan to recast the condensed consolidated financial statements as of and for the three and nine months ended September 30, 2025 and the consolidated financial statements as of and for the twelve months ended December 31, 2025 and 2024 when they are presented as comparatives in future financial statements.

As a result of the Fiscal Year Alignment, the results of operations of our International Subsidiaries for the month of December 2025 will not be included in our consolidated results of operations for fiscal year 2026 but will be included in the retrospective application of the new accounting principle to prior financial statement periods. This alignment is an important preliminary step in the process to transition our ERP system because it contributes to more seamless financial consolidation, regulatory compliance and consistent reporting.

The operational changes in connection with the Fiscal Year Alignment to date included a shift implemented in the first quarter of 2026 to the timing of annual price increases in certain International Subsidiaries so that the price increase and anticipated customer buying preceding the price increase would occur in the same calendar year. In addition, processing of certain customer orders from December 2025 was delayed to the first quarter of 2026.

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.

	Three Months Ended June 30,			Six Months Ended June 30,		
(MILLIONS OF DOLLARS)	**2026**	2025	% Change	**2026**	2025	% Change
Revenue	**$ 2,468**	$ 2,474	—	**$ 4,730**	$ 4,672	1
Costs and expenses:						
Cost of sales	**673**	664	1	**1,314**	1,282	2
% of revenue	***27.3 %***	*26.8 %*		***27.8 %***	*27.4 %*	
Selling, general and administrative expenses	**592**	614	(4)	**1,180**	1,188	(1)
% of revenue	***24 %***	*25 %*		***25 %***	*25 %*	
Research and development expenses	**173**	166	4	**353**	328	8
% of revenue	***7 %***	*7 %*		***7 %***	*7 %*	
Amortization of intangible assets	**31**	33	(6)	**62**	65	(5)
Restructuring charges and certain acquisition and divestiture-related costs	**77**	30	*	**99**	30	*
Interest expense, net of capitalized interest	**61**	53	15	**123**	107	15
Other (income)/deductions—net	**(5)**	2	*	**(25)**	(13)	92
Income before provision for taxes on income	**866**	912	(5)	**1,624**	1,685	(4)
% of revenue	***35 %***	*37 %*		***34 %***	*36 %*	
Provision for taxes on income	**175**	186	(6)	**332**	357	(7)
Effective tax rate	***20.2 %***	*20.4 %*		***20.4 %***	*21.2 %*	
Net income before allocation to noncontrolling interests	**691**	726	(5)	**1,292**	1,328	(3)
Less: Net income/(loss) attributable to noncontrolling interests	**—**	—	—	**—**	—	—
Net income attributable to Zoetis	**$ 691**	$ 726	(5)	**$ 1,292**	$ 1,328	(3)
% of revenue	***28 %***	*29 %*		***27 %***	*28 %*	

* Calculation not meaningful

Revenue

Three months ended June 30, 2026 vs. three months ended June 30, 2025

Total revenue decreased by $6 million, which was relatively flat, for the three months ended June 30, 2026, compared with the three months ended June 30, 2025, a decrease of $41 million, or 2%, on an operational basis. The decrease in operational revenue was primarily due to the following:

- volume decrease from key franchises of approximately 3%; and
- volume decrease related to the impact of the divestiture of our medicated feed additive portfolio, certain water soluble products and related assets (MFA divestiture) of approximately 1%,

partially offset by:

- volume growth from other in-line products of approximately 2%.

Foreign exchange favorably impacted total revenue by approximately $35 million, or 2%.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Total revenue increased by $58 million, or 1%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, a decrease of $53 million, or 1%, on an operational basis. The decrease in operational revenue was primarily due to the following:

- volume decrease from key franchises of approximately 3%,

partially offset by:

- price growth of approximately 1%; and
- volume growth from other in-line products of approximately 1%.

Foreign exchange favorably impacted total revenue by approximately $111 million, or 2%.

Costs and Expenses

Cost of sales

	Three Months Ended June 30,			Six Months Ended June 30,		
(MILLIONS OF DOLLARS)	**2026**	2025	% Change	**2026**	2025	% Change
Cost of sales	**$ 673**	$ 664	1	**$ 1,314**	$ 1,282	2
% of revenue	**27.3 %**	26.8 %		**27.8 %**	27.4 %	

Three months ended June 30, 2026 vs. three months ended June 30, 2025

Cost of sales as a percentage of revenue was 27.3% in the three months ended June 30, 2026, compared with 26.8% in the three months ended June 30, 2025. The increase was primarily a result of:

- unfavorable product mix; and
- unfavorable foreign exchange,

partially offset by:

- favorable manufacturing costs.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Cost of sales as a percentage of revenue was 27.8% in the six months ended June 30, 2026, compared with 27.4% in the six months ended June 30, 2025. The increase was primarily a result of:

- unfavorable product mix; and
- unfavorable foreign exchange,

partially offset by:

- favorable manufacturing and other costs; and
- price increases.

Selling, general and administrative expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
(MILLIONS OF DOLLARS)	**2026**	2025	% Change	**2026**	2025	% Change
Selling, general and administrative expenses	**$ 592**	$ 614	(4)	**$ 1,180**	$ 1,188	(1)
% of revenue	**24 %**	25 %		**25 %**	25 %	

Three months ended June 30, 2026 vs. three months ended June 30, 2025

SG&A expenses decreased by $22 million, or 4%, in the three months ended June 30, 2026, compared with the three months ended June 30, 2025, primarily as a result of:

- lower compensation-related costs;
- lower charitable contributions;
- lower certain significant items; and
- lower depreciation expense,

partially offset by:

- unfavorable foreign exchange; and
- higher professional and consulting expense.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

SG&A expenses decreased by $8 million, or 1%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, primarily as a result of:

- lower depreciation expense;
- lower certain significant items; and

- lower charitable contributions,

partially offset by:

- unfavorable foreign exchange; and
- an increase in professional and consulting expense.

Research and development expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
(MILLIONS OF DOLLARS)	**2026**	2025	% Change	**2026**	2025	% Change
Research and development expenses	**$ 173**	$ 166	4	**$ 353**	$ 328	8
% of revenue	**7 %**	7 %		**7 %**	7 %	

Three months ended June 30, 2026 vs. three months ended June 30, 2025

R&D expenses increased by $7 million, or 4%, in the three months ended June 30, 2026, compared with the three months ended June 30, 2025, primarily as a result of:

- higher spend in project investments; and
- an increase in compensation-related costs to support innovation and portfolio progression.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

R&D expenses increased by $25 million, or 8%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, primarily as a result of:

- higher spend in project investments;
- an increase in compensation-related costs to support innovation and portfolio progression; and
- unfavorable foreign exchange.

Amortization of intangible assets

	Three Months Ended June 30,			Six Months Ended June 30,		
(MILLIONS OF DOLLARS)	**2026**	2025	% Change	**2026**	2025	% Change
Amortization of intangible assets	**$ 31**	$ 33	(6)	**$ 62**	$ 65	(5)

Amortization of intangible assets decreased in the three and six months ended June 30, 2026 versus the comparable prior year period primarily due to assets that became fully amortized in the prior year.

Restructuring charges and certain acquisition and divestiture-related costs

	Three Months Ended June 30,			Six Months Ended June 30,		
(MILLIONS OF DOLLARS)	**2026**	2025	% Change	**2026**	2025	% Change
Restructuring charges and certain acquisition and divestiture-related costs	**$ 77**	$ 30	*	**$ 99**	$ 30	*

* Calculation not meaningful

Restructuring charges and certain acquisition and divestiture-related costs in the three and six months ended June 30, 2026 were primarily driven by employee termination costs under a comprehensive cost and productivity program, with the six-month period also reflecting employee termination costs from additional organizational structure refinements.

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.

Interest expense, net of capitalized interest

	Three Months Ended June 30,			Six Months Ended June 30,		
(MILLIONS OF DOLLARS)	**2026**	2025	% Change	**2026**	2025	% Change
Interest expense, net of capitalized interest	**$ 61**	$ 53	15	**$ 123**	$ 107	15

Interest expense, net of capitalized interest, increased in the three and six months ended June 30, 2026 versus the comparable prior year periods primarily as a result of a higher average debt balance in the current periods.

Other (income)/deductions—net

(MILLIONS OF DOLLARS)	Three Months Ended June 30, 2026	2025	% Change	Six Months Ended June 30, 2026	2025	% Change
Other (income)/deductions—net	**$ (5)**	$ 2	*	**$ (25)**	$ (13)	92

Three months ended June 30, 2026 vs. three months ended June 30, 2025

The change in Other (income)/deductions—net in the three months ended June 30, 2026 versus the comparable prior year period was primarily as a result of asset impairment charges in the prior year period, partially offset by lower interest income in the current period.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

The change in Other (income)/deductions—net in the six months ended June 30, 2026 versus the comparable prior year period was primarily as a result of lower foreign currency losses and the gain on sale of a distribution facility in the current period, as well as asset impairment charges in the prior year period, partially offset by lower interest income in the current period.

Provision for taxes on income

(MILLIONS OF DOLLARS)	Three Months Ended June 30, 2026	2025	% Change	Six Months Ended June 30, 2026	2025	% Change
Provision for taxes on income	**$ 175**	$ 186	(6)	**$ 332**	$ 357	(7)
Effective tax rate	**20.2 %**	20.4 %		**20.4 %**	21.2 %	

Three months ended June 30, 2026 vs. three months ended June 30, 2025

Our effective tax rate was 20.2% and 20.4% for the three months ended June 30, 2026 and 2025, respectively. The lower effective tax rate for the three months ended June 30, 2026, compared with the three months ended June 30, 2025, was primarily attributable to lower discrete tax expenses, partially offset by a less favorable jurisdictional mix of earnings (which includes the impact of the location of pre-tax earnings, tax impact of permanent differences and repatriation decisions).

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Our effective tax rate was 20.4% and 21.2% for the six months ended June 30, 2026 and 2025, respectively. The lower effective tax rate for the six months ended June 30, 2026, compared with the six months ended June 30, 2025, was primarily attributable to 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) and lower net discrete tax expenses.

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, 2026	2025	% Change Total	% Change Related to Foreign Exchange	% Change Related to Operational
U.S.					
Companion animal	**$ 1,044**	$ 1,176	(11)	—	(11)
Livestock	**222**	180	23	—	23
	1,266	1,356	(7)	—	(7)
International					
Companion animal	**664**	614	8	3	5
Livestock	**509**	471	8	4	4
	1,173	1,085	8	3	5
Total					
Companion animal	**1,708**	1,790	(5)	1	(6)
Livestock	**731**	651	12	2	10
Contract manufacturing & human health	**29**	33	(12)	1	(13)
	$ 2,468	$ 2,474	—	2	(2)

(MILLIONS OF DOLLARS)	Six Months Ended June 30, 2026	2025	% Change Total	% Change Related to Foreign Exchange	% Change Related to Operational
U.S.					
Companion animal	**$ 1,909**	$ 2,149	(11)	—	(11)
Livestock	**447**	390	15	—	15
	2,356	2,539	(7)	—	(7)
International					
Companion animal	**1,318**	1,182	12	6	6
Livestock	**1,004**	888	13	5	8
	2,322	2,070	12	5	7
Total					
Companion animal	**3,227**	3,331	(3)	2	(5)
Livestock	**1,451**	1,278	14	4	10
Contract manufacturing & human health	**52**	63	(17)	1	(18)
	$ 4,730	$ 4,672	1	2	(1)

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, 2026	2025	% Change Total	% Change Related to Foreign Exchange	% Change Related to Operational
U.S.					
Revenue	**$ 1,266**	$ 1,356	(7)	—	(7)
Cost of Sales	**214**	208	3	—	3
Gross Profit	**1,052**	1,148	(8)	—	(8)
Gross Margin	***83.1 %***	*84.7 %*			
Operating Expenses	**215**	218	(1)	—	(1)
Other (income)/deductions-net	**—**	—	*	*	*
U.S. Earnings	**837**	930	(10)	—	(10)
International					
Revenue	**1,173**	1,085	8	3	5
Cost of Sales	**340**	321	6	4	2
Gross Profit	**833**	764	9	3	6
Gross Margin	***71.0 %***	*70.4 %*			
Operating Expenses	**172**	171	1	3	(2)
Other (income)/deductions-net	**—**	1	*	*	*
International Earnings	**661**	592	12	4	8
Total operating segments	**1,498**	1,522	(2)	1	(3)
Other business activities	**(135)**	(129)	5		
Reconciling Items:					
Corporate	**(315)**	(324)	(3)		
Purchase accounting adjustments	**(30)**	(33)	(9)		
Acquisition and divestiture-related costs	**(2)**	(1)	*		
Certain significant items	**(81)**	(48)	69		
Other unallocated	**(69)**	(75)	(8)		
Total Earnings	**$ 866**	$ 912	(5)		

* Calculation not meaningful

(MILLIONS OF DOLLARS)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	% Change Total	% Change Related to Foreign Exchange	% Change Related to Operational
U.S.					
Revenue	**$ 2,356**	$ 2,539	(7)	—	(7)
Cost of Sales	**408**	407	—	—	—
Gross Profit	**1,948**	2,132	(9)	—	(9)
Gross Margin	***82.7 %***	*84.0 %*			
Operating Expenses	**414**	423	(2)	—	(2)
Other (income)/deductions-net	**—**	—	*	*	*
U.S. Earnings	**1,534**	1,709	(10)	—	(10)
International					
Revenue	**2,322**	2,070	12	5	7
Cost of Sales	**674**	616	9	6	3
Gross Profit	**1,648**	1,454	13	4	9
Gross Margin	***71.0 %***	*70.2 %*			
Operating Expenses	**347**	334	4	5	(1)
Other (income)/deductions-net	**1**	1	*	*	*
International Earnings	**1,300**	1,119	16	5	11
Total operating segments	**2,834**	2,828	—	2	(2)
Other business activities	**(276)**	(262)	5		
Reconciling Items:					
Corporate	**(630)**	(602)	5		
Purchase accounting adjustments	**(58)**	(65)	(11)		
Acquisition and divestiture-related costs	**(4)**	(1)	*		
Certain significant items	**(108)**	(54)	*		
Other unallocated	**(134)**	(159)	(16)		
Total Earnings	**$ 1,624**	$ 1,685	(4)		

* Calculation not meaningful

Three months ended June 30, 2026 vs. three months ended June 30, 2025

U.S. operating segment

U.S. segment revenue decreased by $90 million, or 7%, in the three months ended June 30, 2026, compared with the three months ended June 30, 2025, reflecting a decrease of $132 million in companion animal products, partially offset by an increase of $42 million in livestock products.

- Companion animal revenue decreased primarily due to softer end-market demand and an increasingly competitive landscape. The company's key dermatology franchise and Simparica Trio faced heightened competitive pressure and persistent macroeconomic-driven price sensitivity. Also contributing to the decline was the impact of generic competition on Cerenia and Convenia, as well as lower sales of Librela.
- Livestock revenue growth was primarily due to increased demand for our cattle products. Sales of cattle products grew due to improved supply availability and elevated demand in response to the New World screwworm outbreak.

U.S. segment earnings decreased by $93 million, or 10%, in the three months ended June 30, 2026, compared with the three months ended June 30, 2025, primarily due to lower gross profit, partially offset by lower operating expenses.

International operating segment

International segment revenue increased by $88 million, or 8%, in the three months ended June 30, 2026 compared with the three months ended June 30, 2025. Operational revenue increased by $53 million, or 5%, driven by growth of $33 million in companion animal products and $20 million in livestock products.

- Companion animal operational revenue growth was driven primarily by increased sales of our parasiticides portfolio, as well as an increase in demand for small animal diagnostics and our mAb products for pain with the launch of Lenivia® and Portela™, the company's long-acting monoclonal antibody pain products, partially offset by decreased sales of key dermatology products.
- Livestock operational revenue growth was due to increased sales in our cattle and poultry products. Sales of cattle products grew largely due to increased demand and price. Sales of poultry products grew due to increased demand, geographic expansion and price.
- Additionally, International segment revenue was favorably impacted by foreign exchange which increased revenue by $35 million, or 3%, primarily driven by the Brazilian real, Australian dollar, euro and Mexican peso.

International segment earnings increased by $69 million, or 12%, in the three months ended June 30, 2026, compared with the three months ended June 30, 2025. Operational earnings increased by $48 million, or 8%, primarily due to higher gross profit.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

U.S. operating segment

U.S. segment revenue decreased by $183 million, or 7%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, reflecting a decrease of $240 million in companion animal products, partially offset by an increase of $57 million in livestock products.

- Companion animal revenue declined primarily due to softer end-market demand and an increasingly competitive landscape. The company's key dermatology franchise and Simparica Trio faced heightened competitive pressure and persistent macroeconomic-driven price sensitivity. Also contributing to the decline was the impact of generic competition on Convenia and Cerenia, as well as lower sales of Librela.
- Livestock revenue growth was primarily due to increased demand for our cattle, poultry and swine products. Cattle products grew due to improved supply availability and elevated demand in response to the New World screwworm outbreak. Poultry products grew due to increased demand for vaccines, as well as price. Sales of our swine products grew due to increased demand for vaccine products.

U.S. segment earnings decreased by $175 million, or 10%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, primarily due to lower gross profit, partially offset by lower operating expenses.

International operating segment

International segment revenue increased by $252 million, or 12%, in the six months ended June 30, 2026 compared with the six months ended June 30, 2025. Operational revenue increased by $141 million, or 7%, driven by growth of $72 million in companion animal products and $69 million in livestock products. Growth in the current period was positively impacted by operational changes made in connection with the Fiscal Year Alignment.

- Companion animal operational revenue growth was driven primarily by increased sales of our parasiticides portfolio, as well as an increase in demand for small animal diagnostics and vaccines, partially offset by decreased sales of key dermatology products.
- Livestock operational revenue growth was due to increased sales in our cattle, swine, poultry and fish products. Sales of cattle products grew largely due to a mix of volume and price. Sales of poultry products grew due to increased demand, key account penetration, geographic expansion and price. Sales of swine products were volume-driven due to momentum across our key brands. Sales of our fish products grew due to increased pricing.
- Additionally, International segment revenue was favorably impacted by foreign exchange which increased revenue by $111 million, or 5%, primarily driven by the euro, Brazilian real, Australian dollar, and Mexican peso.

International segment earnings increased by $181 million, or 16%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025. Operational earnings increased by $127 million, or 11%, primarily due to higher gross profit, partially offset by higher operating expenses.

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, 2026 vs. three months ended June 30, 2025

Other business activities net loss increased by $6 million in the three months ended June 30, 2026, compared with the three months ended June 30, 2025, reflecting lower revenue from client supply services and an increase in R&D costs related to projects and other strategic investments.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Other business activities net loss increased by $14 million in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, reflecting an increase in R&D costs related to projects and other strategic investments and lower revenue from client supply services.

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, 2026 vs. three months ended June 30, 2025

Corporate expenses decreased by $9 million, or 3%, in the three months ended June 30, 2026, compared with the three months ended June 30, 2025, primarily due to a decrease in compensation-related costs and technology investments, partially offset by higher expenses in global diagnostics.

Other unallocated expenses decreased by $6 million, or 8%, in the three months ended June 30, 2026, compared with the three months ended June 30, 2025, primarily due to lower manufacturing costs and other charges, partially offset by unfavorable foreign exchange and freight charges.

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Corporate expenses increased by $28 million, or 5%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, primarily due to unfavorable foreign exchange, higher expenses in global diagnostics and an increase in compensation-related costs.

Other unallocated expenses decreased by $25 million, or 16%, in the six months ended June 30, 2026, compared with the six months ended June 30, 2025, primarily due to lower manufacturing costs and other charges, as well as lower inventory obsolescence, partially offset by unfavorable foreign exchange and freight charges.

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 purchase accounting impacts that result from business combinations and net asset acquisitions. These impacts, primarily associated with 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 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:

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
(MILLIONS OF DOLLARS)	**2026**	2025	Change	**2026**	2025	Change
GAAP reported net income attributable to Zoetis	**$ 691**	$ 726	(5)	**$ 1,292**	$ 1,328	(3)
Purchase accounting adjustments—net of tax	**24**	25	(4)	**45**	50	(10)
Acquisition and divestiture-related costs—net of tax	**2**	1	*	**3**	1	*
Certain significant items—net of tax	**64**	39	64	**87**	45	93
Non-GAAP adjusted net income[(a)]	**$ 781**	$ 791	(1)	**$ 1,427**	$ 1,424	—

* Calculation not meaningful

(a) The effective tax rate on adjusted pre-tax income was 20.2% and 20.4% for the three months ended June 30, 2026 and 2025, respectively and 20.5% and 21.1% for the six months ended June 30, 2026 and 2025, respectively.

The lower effective tax rate for the three months ended June 30, 2026, compared with the three months ended June 30, 2025, was primarily attributable to lower net discrete tax expenses, partially offset by a less favorable jurisdictional mix of earnings (which includes the impact of the location of pre-tax earnings, tax impact of permanent differences and repatriation decisions).

The lower effective tax rate for the six months ended June 30, 2026, compared with the six months ended June 30, 2025, was primarily attributable to 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) and lower net discrete tax expenses.

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

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
	2026	2025	Change	**2026**	2025	Change
Earnings per share—diluted[(a)]:						
GAAP reported EPS attributable to Zoetis—diluted	**$ 1.65**	$ 1.63	1	**$ 3.08**	$ 2.97	4
Purchase accounting adjustments—net of tax	**0.06**	0.06	—	**0.11**	0.12	(8)
Acquisition and divestiture-related costs—net of tax	**—**	—	*	**—**	—	*
Certain significant items—net of tax	**0.16**	0.09	78	**0.21**	0.10	*
Non-GAAP adjusted EPS—diluted	**$ 1.87**	$ 1.78	5	**$ 3.40**	$ 3.19	7

* Calculation not meaningful

(a) 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(MILLIONS OF DOLLARS)	**2026**	2025	**2026**	2025
Interest expense, net of capitalized interest	**$ 61**	$ 53	**$ 123**	$ 107
Interest income	**16**	20	**37**	42
Income taxes	**198**	203	**367**	381
Depreciation	**81**	83	**160**	161
Amortization	**8**	8	**17**	17

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

(MILLIONS OF DOLLARS)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Purchase accounting adjustments:				
Amortization and depreciation	**$ 30**	$ 33	**$ 61**	$ 65
Other	**—**	—	**(3)**	—
Total purchase accounting adjustments—pre-tax	**30**	33	**58**	65
Income taxes[a]	**6**	8	**13**	15
Total purchase accounting adjustments—net of tax	**24**	25	**45**	50
Acquisition and divestiture-related costs:				
Acquisition-related costs	**2**	1	**4**	1
Total acquisition and divestiture-related costs—pre-tax	**2**	1	**4**	1
Income taxes[a]	**—**	—	**1**	—
Total acquisition and divestiture-related costs—net of tax	**2**	1	**3**	1
Certain significant items:				
Other restructuring charges and cost-reduction/productivity initiatives[b]	**75**	7	**95**	7
Business process transformation program[c]	**6**	11	**11**	18
Certain asset impairment charges[d]	**—**	27	**—**	27
Net loss on sale of business	**—**	3	**—**	3
Other	**—**	—	**2**	(1)
Total certain significant items—pre-tax	**81**	48	**108**	54
Income taxes[a]	**17**	9	**21**	9
Total certain significant items—net of tax	**64**	39	**87**	45
Total purchase accounting adjustments, acquisition and divestiture-related costs, and certain significant items—net of tax	**$ 90**	$ 65	**$ 135**	$ 96

[a] 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.

[b] For the three and six months ended June 30, 2026, primarily driven by employee termination costs under a comprehensive cost and productivity program, with the six-month period also reflecting employee termination costs from additional organizational structure refinements.

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.

[c] Represents costs related to our multi-year business process transformation program, which includes the implementation of a new ERP system, related digital technology solutions and other related costs. This comprehensive program is a major global and cross-functional company-wide effort, of which the Fiscal Year Alignment is a part, 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.

[d] 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.

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

(MILLIONS OF DOLLARS)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cost of sales:				
Purchase accounting adjustments	**$ 1**	$ 1	**$ 2**	$ 2
Business process transformation program	**3**	2	**4**	3
Other	**—**	—	**1**	(1)
Total Cost of sales	**4**	3	**7**	4
Selling, general and administrative expenses:				
Purchase accounting adjustments	**3**	2	**5**	5
Business process transformation program	**3**	9	**7**	15
Other	**—**	—	**(3)**	—
Total Selling, general and administrative expenses	**6**	11	**9**	20
Research and development expenses:				
Purchase accounting adjustments	**—**	1	**1**	1
Total Research and development expenses	**—**	1	**1**	1
Amortization of intangible assets:				
Purchase accounting adjustments	**26**	29	**53**	57
Total Amortization of intangible assets	**26**	29	**53**	57
Restructuring charges and certain acquisition and divestiture-related costs:				
Acquisition-related costs	**2**	1	**4**	1
Employee termination costs	**74**	5	**94**	5
Asset impairments	**—**	22	**—**	22
Exit costs	**1**	2	**1**	2
Total Restructuring charges and certain acquisition and divestiture-related costs	**77**	30	**99**	30
Other (income)/deductions—net:				
Net loss on sale of business	**—**	3	**—**	3
Asset impairment charges	**—**	5	**—**	5
Other	**—**	—	**1**	—
Total Other (income)/deductions—net	**—**	8	**1**	8
Provision for taxes on income	**23**	17	**35**	24
Total purchase accounting adjustments, acquisition and divestiture-related costs, and certain significant items—net of tax	**$ 90**	$ 65	**$ 135**	$ 96

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, 2026 vs. December 31, 2025

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

Short-term investments increased as a result of the purchase of time deposits.

Accounts receivable, less allowance for doubtful accounts increased primarily as a result of the timing of net sales in the period, partially offset by the timing of customer payments.

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, partially offset by a decrease in collateral posted related to derivative contracts.

The decrease in *Operating lease right-of-use assets* reflects lease amortization in the current period.

Identifiable intangible assets, less accumulated amortization decreased primarily due to amortization expense. See *Note 11. Goodwill and Other Intangible Assets* of the Notes to Condensed Consolidated Financial Statements.

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.

Accrued compensation and related items decreased primarily due to the payments of 2025 annual incentive bonuses, savings plan contributions to eligible employees and payments for sales incentive bonuses, partially offset by the accrual of 2026 annual incentive bonuses, sales incentive bonuses and savings plan contributions to eligible employees.

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

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

For an analysis of the changes in *Total Equity*, see 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

	Six Months Ended June 30,		$
(MILLIONS OF DOLLARS)	**2026**	2025	Change
Net cash provided by (used in):			
Operating activities	**$ 1,056**	$ 1,120	$ (64)
Investing activities	**(387)**	(415)	28
Financing activities	**(1,653)**	(1,241)	(412)
Effect of exchange-rate changes on cash and cash equivalents	**10**	54	(44)
Net decrease in cash and cash equivalents	**$ (974)**	$ (482)	$ (492)

Operating activities

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Net cash provided by operating activities was $1,056 million for the six months ended June 30, 2026, compared with $1,120 million for the six months ended June 30, 2025. The decrease in operating cash flows was primarily attributable to lower net income adjusted by non-cash items and the timing of receipts and payments in the ordinary course of business, partially offset by the timing of income taxes paid and lower inventory build-up of certain products versus the comparable prior year period.

Investing activities

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Our net cash used in investing activities was $387 million for the six months ended June 30, 2026, compared with $415 million for the six months ended June 30, 2025. The net cash used in investing activities for the six months ended June 30, 2026 was primarily due to capital expenditures and the purchase of short-term investments, partially offset by net proceeds from derivative instrument activity. 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.

Financing activities

Six months ended June 30, 2026 vs. six months ended June 30, 2025

Our net cash used in financing activities was $1,653 million for the six months ended June 30, 2026, compared with $1,241 million for the six months ended June 30, 2025. The net cash used in financing activities for the six months ended June 30, 2026 and 2025 was primarily attributable to the purchase of treasury shares and the payment of dividends.

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, 2026**	December 31, 2025
Cash and cash equivalents	**$ 1,476**	$ 2,450
Short-term investments	**200**	—
Accounts receivable, net[(a)]	**1,571**	1,409
Long-term debt	**9,048**	9,042
Working capital	**4,295**	4,600
Ratio of current assets to current liabilities	**3.08:1**	3.12:1

[(a)] Accounts receivable are usually collected over a period of 45 to 75 days. For the periods ended June 30, 2026 and December 31, 2025, 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 *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 August 2025, we entered into a new revolving credit agreement with a syndicate of banks providing for a multi-year $1.25 billion senior unsecured revolving credit facility (the credit facility), which expires in August 2030. Subject to certain conditions, we have the right to increase the credit facility to up to $1.75 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, 2026 and December 31, 2025. There were no amounts drawn under the credit facility as of June 30, 2026 and December 31, 2025.

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, 2026, we had access to $46 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, 2026 and December 31, 2025.

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

Convertible Senior Notes

On December 18, 2025, we completed a private offering (the “offering”) of 0.250% convertible senior notes (the “convertible senior notes”) with a maturity date of June 15, 2029, unless earlier repurchased, redeemed or converted. The aggregate principal amount of the convertible senior notes sold in the offering was $2.0 billion, which includes $250 million in aggregate principal amount of convertible senior notes issued pursuant to the initial purchasers’ option to purchase additional convertible senior notes on the same terms and conditions, which the initial purchasers exercised in full for settlement on December 18, 2025.

The convertible senior notes were issued pursuant to an indenture, dated as of December 18, 2025, between us and Deutsche Bank Trust Company Americas, as trustee. If we call any convertible senior notes for redemption, a "make-whole fundamental change" will occur under the indenture with respect to those convertible senior notes, in which case the conversion rate applicable to the conversion of those convertible senior notes will be increased if they are converted during a specified period of time after they are called for redemption. The convertible senior notes are convertible at an initial conversion price of approximately $148.20 per share of common stock. Prior to March 15, 2029, the convertible senior notes are convertible during certain periods only: (i) if the trading price of our common stock is greater than or equal to 130% of the conversion price for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days prior to the end of a calendar quarter, (ii) the trading price per $1,000 principal amount of convertible senior notes for each trading day of the specified measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day, (iii) if we call the notes for redemption and (iv) upon the occurrence of certain corporate events, as set forth in the indenture. On or after March 15, 2029, holders may convert all or any portion of their notes,

regardless of the foregoing conditions. Upon any conversion of the convertible senior notes, we will pay cash up to the aggregate principal amount of the notes to be converted and pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof, at our election, in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted.

The net proceeds from the offering were $1,970 million, after deducting the initial purchasers' discounts and expenses of $30 million. We used the net proceeds from the offering as follows: (i) $187 million to fund the cost of entering into the capped call transactions described below, (ii) $248 million to purchase approximately 2.1 million shares of Zoetis' common stock, par value $0.01 per share (the "common stock"), in privately negotiated transactions entered into concurrently with the pricing of the offering effected with or through one of the initial purchasers or its affiliate and (iii) the remaining $1,535 million for additional repurchases of 12.3 million shares of common stock following the date of the offering, which repurchases were completed as of March 31, 2026.

In connection with the issuance of the convertible senior notes, we also entered into privately negotiated capped call transactions with certain counterparties (the "capped calls"). The capped calls each have a strike price of approximately $148.20 per share, subject to certain adjustments, which correspond to the initial conversion price of the convertible senior notes. The capped calls have initial cap prices of approximately $211.72 per share, subject to certain adjustments. The capped calls cover, subject to anti-dilution adjustments, approximately 13.5 million shares of our common stock. We have the option to settle the capped calls in either shares, cash or a combination thereof. The capped calls are generally intended to reduce or offset the potential dilution to our common stock upon any conversion of the convertible senior notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. However, if the market price per share of our common stock, as measured under the terms of the capped calls, exceeds the cap prices of the capped calls, there would nevertheless be dilution and/or there would not be an offset of such cash payments, in each case, to the extent that such market price exceeds the cap price of the capped calls. The capped calls are separate transactions, and not part of the terms of the convertible senior notes. We analyzed the transactions under ASC 815, Derivatives and Hedging, and determined that the capped calls met the criteria for classification as an equity transaction with no subsequent remeasurement, as long as they continue to meet the conditions for equity classification. These capped calls are recorded in stockholders' equity on our balance sheet and are not accounted for as a bifurcated derivative. The cost of the capped calls of $187 million, net of $42 million in deferred tax assets, was recorded as a decrease to *Additional paid-in capital* on our Consolidated Balance Sheets as of December 31, 2025.

On December 17, 2025, we and the lenders under the credit facility entered into the First Waiver to the Revolving Credit Agreement, dated as of December 17, 2025 (the "waiver"), among us, the lenders party thereto, the issuing banks party thereto and JPMorgan Chase Bank, N.A., as administrative agent. The waiver waived a technical provision in the credit facility and explicitly permits early conversions of the convertible senior notes pursuant to their terms.

Senior Notes and Other Long-Term Debt

On August 18, 2025, we issued $850 million aggregate principal amount of 4.150% senior notes due 2028 and $1.00 billion aggregate principal amount of 5.000% senior notes due 2035 (collectively, 2025 senior notes), with an original issue discount of $2 million. The net proceeds were used to redeem in full the $600 million aggregate principal amount of our 5.400% 2022 senior notes due 2025 and the $750 million aggregate principal amount of our 4.500% 2015 senior notes due 2025 on August 28, 2025 and September 17, 2025, respectively, and the remainder is being used for general corporate purposes.

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
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
2025 Senior Notes due 2028	$850 million	4.150%	Interest due semi annually, not subject to amortization, aggregate principal due on August 17, 2028
2025 Convertible Senior Notes due 2029	$2,000 million	0.250%	Interest due semi annually, not subject to amortization, aggregate principal due on June 15, 2029
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
2025 Senior Notes due 2035	$1,000 million	5.000%	Interest due semi annually, not subject to amortization, aggregate principal due on August 17, 2035
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:

	Commercial Paper	Long-term Debt		
Name of Rating Agency	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. In connection with the December 18, 2025 private offering of 0.250% convertible senior notes, we purchased approximately 2.1 million shares of Zoetis' common stock, par value $0.01 per share, for $248 million in privately negotiated transactions entered into concurrently with the pricing of the convertible senior notes offering effected with or through one of the initial purchasers or its affiliate. Following the date of the offering, we used $1,535 million of the remaining proceeds from the offering for additional repurchases of 12.3 million shares of common stock which repurchases were completed as of March 31, 2026. As of June 30, 2026, there was $1.3 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 2026, 11.0 million shares were repurchased for $1,159 million, which excludes an $11 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, 2026 and December 31, 2025, 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, as amended (the Exchange Act). 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 disruptions, R&D costs, timing and likelihood of success, future operating or financial performance, future results of current and anticipated products and services, strategies, sales efforts, expenses, production efficiencies, production margins, anticipated timing of generic market entries, integration of acquired businesses, anticipated impact or timing of divestitures, interest rates, tax rates, tariffs, changes in tax regimes and laws, impacts of the timing and processing of sales in the International segment, possible impacts of the Fiscal Year Alignment, 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, including the ongoing conflicts and rising tensions in various parts of the world, 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 or the imposition of 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;
- 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, tax obligations and changes affecting the tax treatment by the U.S. of income earned outside the U.S. that may result from pending or possible future proposals;
- 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 2025 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, 2025. 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 Exchange Act). Based upon that evaluation as of June 30, 2026, 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 Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We are currently in the process of a multi-year implementation to update our ERP system to a new fully cloud-based system that will replace our existing system. As the phased implementation occurs, it may result in changes to our processes and procedures which may result in changes to our internal controls over financial reporting. As such changes occur, we will evaluate quarterly whether they 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 2025 Annual Report on Form 10-K, which could materially affect our business, financial condition, or future results and which are incorporated by reference herein. There have been no material changes from the risk factors disclosed in our 2025 Annual Report on Form 10-K.

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, 2026, there was $1.3 billion remaining under this authorization. The program does not have a stated expiration date. Purchases of Zoetis shares may be made at the discretion of management, depending on market conditions and business needs. We repurchase shares pursuant to Rules 10b5-1 and 10b-18 under the Exchange Act, through repurchase agreements established with several brokers.

In connection with the December 18, 2025 private offering of 0.250% convertible senior notes, we used $248 million of the net proceeds from the offering to purchase approximately 2.1 million shares of Zoetis' common stock. Following the date of the offering, we used the remaining $1,535 million of net proceeds for additional repurchases of 12.3 million shares of common stock, which were completed as of March 31, 2026.

The following table provides information with respect to the shares of the company's common stock repurchased during the three months ended June 30, 2026:

	Issuer Purchases of Equity Securities[a]			
	Total Number of Shares Purchased[b]	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, 2026	1,106,685	$117.95	1,104,403	$1,692,204,404
May 1 - May 31, 2026	3,095,163	$84.21	3,094,152	$1,431,673,210
June 1 - June 30, 2026	2,008,999	$79.18	2,008,321	$1,269,956,803
	6,210,847	$88.59	6,206,876	$1,269,956,803

[a] Amounts exclude the impact of excise tax on net share repurchases.

[b] The company repurchased 3,971 shares during the three-month period ended June 30, 2026 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

During the three months ended June 30, 2026, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit 31.1	Chief Executive Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 302
Exhibit 31.2	Chief Financial Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 302
Exhibit 32.1	Chief Executive Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 906
Exhibit 32.2	Chief Financial Officer–Certification pursuant to Sarbanes-Oxley Act of 2002 Section 906
EX-101.INS	Inline XBRL INSTANCE DOCUMENT
EX-101.SCH	Inline XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
EX-101.CAL	Inline XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
EX-101.LAB	Inline XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
EX-101.PRE	Inline XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT
EX-101.DEF	Inline XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
EX-104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Zoetis Inc.

August 6, 2026 By: /S/ KRISTIN C. PECK
Kristin C. Peck
Chief Executive Officer and Director

August 6, 2026 By: /S/ WETTENY JOSEPH
Wetteny Joseph
Executive Vice President and
Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kristin C. Peck, certify that:

1. I have reviewed this Quarterly Report of Zoetis Inc. on Form 10-Q for the period ending June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 6, 2026

By: /S/ KRISTIN C. PECK

Kristin C. Peck
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wetteny Joseph, certify that:

1. I have reviewed this Quarterly Report of Zoetis Inc. on Form 10-Q for the period ending June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 6, 2026

By: /s/ WETTENY JOSEPH

Wetteny Joseph
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350, I, Kristin C. Peck, Chief Executive Officer, hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Zoetis Inc. for the period ended June 30, 2026 (the "Report") (1) fully complies with Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Zoetis Inc.

August 6, 2026

By: /s/ KRISTIN C. PECK

Kristin C. Peck
Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350, I, Wetteny Joseph, Executive Vice President and Chief Financial Officer, hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Zoetis Inc. for the period ended June 30, 2026 (the "Report") (1) fully complies with Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Zoetis Inc.

August 6, 2026

By: /s/ WETTENY JOSEPH

Wetteny Joseph

Executive Vice President and Chief Financial Officer