

FOURTH QUARTER AND FULL YEAR 2018 FINANCIAL RESULTS

February 14, 2019



FORWARD-LOOKING STATEMENTS

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

NON-GAAP FINANCIAL INFORMATION

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

JUAN RAMÓN ALAIX

CHIEF EXECUTIVE OFFICER

KEY TAKEAWAYS

ZOETIS DELIVERS STRONG FULL YEAR RESULTS FOR 2018

- Generated 10% operational¹ growth in revenue for the full year including the acquisition of Abaxis, with 31% operational¹ increase in adjusted net income²
- Operational revenue growth across all core species, major markets and therapeutic areas
- Primary growth drivers were key dermatology portfolio, vaccines, and parasiticides – along with acquisition of Abaxis in diagnostics
- Returned more than \$900M to shareholders in 2018 through dividends and share repurchases

COMMITTED TO OUR LONG-TERM VALUE PROPOSITION

- Provided full-year 2019 guidance consistent with our value proposition of growing organic operational revenue in-line with or faster than the market, and growing adjusted net income faster than revenue
- Performance will be driven by solid growth in our core business and increased contributions from the legacy Abaxis portfolio of diagnostic products
- Continue to invest internally and externally to generate short and long term profitable growth

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

²Adjusted net income (a non-GAAP financial measure) is defined as reported U.S. generally accepted accounting principles (GAAP) net income, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

GLENN DAVID CHIEF FINANCIAL OFFICER

INCOME STATEMENT HIGHLIGHTS

	Fourth Quarter		
	2018*	2017*	Change
Revenue	\$1,564	\$1,460	7%
Reported Net Income	345	81	**
Reported Diluted Earnings Per Share	\$0.71	\$0.16	**
Adjusted Net Income ¹	382	341	12%
Adjusted Diluted Earnings Per Share ^{1,2}	\$0.79	\$0.69	14%

* Millions of dollars, except per share data , **Calculation not meaningful

¹Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

²Adjusted diluted earnings per share growth of 14% includes 11% unfavorable foreign exchange impact, and operational growth of 25%.

INCOME STATEMENT HIGHLIGHTS

	Full Year		
	2018*	2017*	Change
Revenue	\$5,825	\$5,307	10%
Reported Net Income	1,428	864	65%
Reported Diluted Earnings Per Share	\$2.93	\$1.75	67%
Adjusted Net Income ¹	1,525	1,185	29%
Adjusted Diluted Earnings Per Share ^{1,2}	\$3.13	\$2.40	30%

* Millions of dollars, except per share data

¹Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

²Adjusted diluted earnings per share growth of 30% includes 3% unfavorable foreign exchange impact, and operational growth of 33%.



ADJUSTED INCOME STATEMENT HIGHLIGHTS

	Fourth Quarter				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Revenue	\$1,564	\$1,460	7%	(4)%	11%
Adjusted Cost of Sales ²	526	454	16%	1%	15%
<i>as a percent of revenue³</i>	33.6%	31.1%	NA	NA	NA
Adjusted SG&A Expenses ²	401	359	12%	(3)%	15%
Adjusted R&D Expenses ²	124	110	13%	(1)%	14%
Adjusted Operating Expenses ⁴	530	473	12%	(3)%	15%
Effective Tax Rate on Adjusted Income ²	17.3%	27.5%	NA	NA	NA
Adjusted Net Income ²	382	341	12%	(9)%	21%

* Millions of dollars

NA – Not applicable

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

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

³Adjusted gross margin (a non-GAAP financial measure) was 66.4% in the fourth quarter of 2018, and 68.9% in the fourth quarter of 2017.

⁴Adjusted operating expenses (a non-GAAP financial measure) of \$530 million in the fourth quarter of 2018, and \$473 million in the fourth quarter of 2017 include adjusted amortization of intangible assets of \$5 million in 2018 and \$4 million in 2017.



ADJUSTED INCOME STATEMENT HIGHLIGHTS

	Full Year				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Revenue	\$5,825	\$5,307	10%	-	10%
Adjusted Cost of Sales ²	1,876	1,761	7%	2%	5%
<i>as a percent of revenue³</i>	32.2%	33.2%	NA	NA	NA
Adjusted SG&A Expenses ²	1,450	1,325	9%	-	9%
Adjusted R&D Expenses ²	430	380	13%	-	13%
Adjusted Operating Expenses ⁴	1,896	1,722	10%	-	10%
Effective Tax Rate on Adjusted Income ²	18.8%	28.2%	NA	NA	NA
Adjusted Net Income ²	1,525	1,185	29%	(2)%	31%

* Millions of dollars

NA – Not applicable

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

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

³Adjusted gross margin (a non-GAAP financial measure) was 67.8% for the full year 2018, and 66.8% for the full year 2017.

⁴Adjusted operating expenses (a non-GAAP financial measure) of \$1,896 million for the full year 2018, and \$1,722 million for the full year 2017 include adjusted amortization of intangible assets of \$16 million in 2018 and \$17 million in 2017.



US SEGMENT PERFORMANCE

	Fourth Quarter				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Revenue	\$809	\$712	14%	-	14%
Livestock	384	374	3%	-	3%
Companion Animal	425	338	26%	-	26%
Cost of Sales	175	153	14%	-	14%
Gross Profit	634	559	13%	-	13%
<i>Gross Margin</i>	78.4%	78.5%	NA	-	NA
Operating Expenses	128	109	17%	-	17%
Other (Income)/Deductions	-	(3)	-	-	-
Earnings ²	506	453	12%	-	12%

* Millions of dollars, NA – Not applicable

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

²Defined as income before provision for taxes on income.

US SEGMENT PERFORMANCE

	Full Year				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Revenue	\$2,877	\$2,620	10%	-	10%
Livestock	1,269	1,244	2%	-	2%
Companion Animal	1,608	1,376	17%	-	17%
Cost of Sales	606	565	7%	-	7%
Gross Profit	2,271	2,055	11%	-	11%
<i>Gross Margin</i>	78.9%	78.4%	NA	-	NA
Operating Expenses	456	421	8%	-	8%
Other (Income)/Deductions	-	(3)	-	-	-
Earnings ²	1,815	1,637	11%	-	11%

* Millions of dollars, NA – Not applicable

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

²Defined as income before provision for taxes on income.



INTERNATIONAL SEGMENT PERFORMANCE

	Fourth Quarter				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Revenue	\$727	\$740	(2)%	(7)%	5%
Livestock	488	517	(6)%	(8)%	2%
Companion Animal	239	223	7%	(7)%	14%
Cost of Sales	240	244	(2)%	(5)%	3%
Gross Profit	487	496	(2)%	(9)%	7%
<i>Gross Margin</i>	67.0%	67.0%	NA	NA	NA
Operating Expenses	148	143	3%	(7)%	10%
Other (Income)/Deductions	1	-	**	**	**
Earnings ²	338	353	(4)%	(9)%	5%

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

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

²Defined as income before provision for taxes on income.

INTERNATIONAL SEGMENT PERFORMANCE

	Full Year				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Revenue	\$2,890	\$2,643	9%	-	9%
Livestock	1,885	1,793	5%	(1)%	6%
Companion Animal	1,005	850	18%	1%	17%
Cost of Sales	929	889	4%	-	4%
Gross Profit	1,961	1,754	12%	-	12%
<i>Gross Margin</i>	67.9%	66.4%	NA	NA	NA
Operating Expenses	559	515	9%	-	9%
Other (Income)/Deductions	3	(1)	**	**	**
Earnings ²	1,399	1,240	13%	-	13%

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

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

²Defined as income before provision for taxes on income.

INTERNATIONAL MARKET REVENUE

	Fourth Quarter				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Total International	\$727.2	\$739.5	(2)%	(7)%	5%
Australia	36.8	41.5	(11)%	(7)%	(4)%
Brazil	84.6	95.2	(11)%	(19)%	8%
Canada	64.4	61.3	5%	(5)%	10%
China	41.3	37.2	11%	(5)%	16%
France	38.3	36.3	6%	(2)%	8%
Germany	34.9	41.0	(15)%	(2)%	(13)%
Italy	24.5	23.6	4%	(2)%	6%
Japan	34.9	36.6	(5)%	(1)%	(4)%
Mexico	26.2	25.5	3%	(6)%	9%
Spain	26.8	25.5	5%	(3)%	8%
United Kingdom	46.1	44.2	4%	(2)%	6%
Other Developed	95.5	99.4	(4)%	(3)%	(1)%
Other Emerging	172.9	172.2	-	(11)%	11%

* Millions of dollars

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

INTERNATIONAL MARKET REVENUE

	Full Year				
	2018*	2017*	Change	Foreign Exchange	Operational ¹
Total International	\$2,889.8	\$2,642.9	9%	-	9%
Australia	188.6	175.6	7%	(2)%	9%
Brazil	294.7	299.8	(2)%	(13)%	11%
Canada	202.8	184.4	10%	1%	9%
China	211.4	174.4	21%	4%	17%
France	129.8	121.0	7%	5%	2%
Germany	146.8	137.2	7%	6%	1%
Italy	104.0	88.8	17%	6%	11%
Japan	149.0	137.8	8%	2%	6%
Mexico	100.0	85.8	17%	-	17%
Spain	109.9	92.7	19%	7%	12%
United Kingdom	181.2	149.2	21%	5%	16%
Other Developed	361.4	339.4	6%	2%	4%
Other Emerging	710.2	656.8	8%	(3)%	11%

* Millions of dollars

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



FINANCIAL GUIDANCE

Selected Line Items (millions of dollars, except per share amounts)	Full Year 2019
Revenue	\$6,175 to \$6,300
Operational growth ¹	7.5% to 9.5%
Organic Operational growth ²	4.5% to 6.5%
Adjusted cost of sales as a percentage of revenue ³	31% to 32%
Adjusted SG&A expenses ³	\$1,470 to \$1,520
Adjusted R&D expenses ³	\$445 to \$465
Adjusted interest expense and other (income) / deductions ³	Approximately \$220
Effective tax rate on adjusted income ³	20% to 21%
Adjusted diluted EPS ³	\$3.42 to \$3.52
Adjusted net income ³	\$1,650 to \$1,700
Operational growth ^{1,4}	8% to 11%
Certain significant items and acquisition-related costs ⁵	\$90 to \$120
Reported diluted EPS	\$2.83 to \$2.99

Exchange rates as of late January 2019

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

²Organic operational growth (a non-GAAP financial measure) excludes the impact of the acquisition of Abaxis as well as foreign exchange.

³Adjusted net income and its components and adjusted diluted EPS are defined as reported U.S. generally accepted accounting principles (GAAP) net income and its components and reported diluted EPS excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Adjusted cost of sales, adjusted selling, general and administrative (SG&A) expenses, adjusted research and development (R&D) expenses, and adjusted interest expense and other (income)/deductions are income statement line items prepared on the same basis, and, therefore, components of the overall adjusted income measure. Effective tax rate on adjusted income (a non-GAAP financial measure) equals the adjusted provision for taxes on income (a non-GAAP financial measure) divided by adjusted income before provision for taxes on income (a non-GAAP financial measure). Adjusted net income and its components, adjusted diluted EPS, and the effective tax rate on adjusted net income, are presented solely to permit investors to more fully understand how management assesses performance. Adjusted net income and its components and adjusted diluted EPS are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components and diluted EPS.

⁴We do not provide a reconciliation of forward-looking non-GAAP adjusted net income operational growth to the most directly comparable GAAP reported financial measure because we are unable to calculate with reasonable certainty the foreign exchange impact of unusual gains and losses, acquisition-related expenses, potential future asset impairments and other certain significant items, without unreasonable effort. The foreign exchange impacts of these items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period.

⁵Primarily includes certain nonrecurring costs related to the acquisition of Abaxis and other charges.



Q&A

RECONCILIATION OF ADJUSTED NET INCOME TO ADJUSTED EBIT

2013 – 2018

<i>in USD millions</i>	2013	2014	2015	2016	2017	2018
Adjusted Net Income Before Allocation to Noncontrolling Interests ¹	\$708	\$794	\$889	\$973	\$1,183	\$1,521
Interest Expense ²	113	117	124	166	175	206
Interest Income ²	(3)	(6)	(6)	(8)	(13)	(31)
Income Taxes ²	292	290	326	415	465	351
Adjusted EBIT ³	\$1,110	\$1,195	\$1,333	\$1,546	\$1,810	\$2,047
<i>% of revenue⁴</i>	24.3%	25.0%	28.0%	31.6%	34.1%	35.1%

¹ Adjusted Net Income Before Allocation to Noncontrolling Interests (a non-GAAP financial measure) is defined as the corresponding reported U.S. generally accepted accounting principles (GAAP) income statement line item, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. The adjusted net income measure is not, and should not be viewed as, a substitute for U.S. GAAP reported net income before allocation to noncontrolling interests.

² As included in adjusted net income.

³ Adjusted Earnings Before Interest and Taxes (EBIT) (a non-GAAP financial measure) is calculated before the impact of purchase accounting adjustments, acquisition-related costs and certain significant items and is a non-GAAP financial measure.

⁴ Adjusted EBIT margin (a non-GAAP financial measure).



RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION

2018

<i>in USD millions, except per share data</i>	GAAP ¹ Reported	Purchase Accounting	Acquisition Related Costs	Certain Significant Items	Non-GAAP Adjusted ²
Cost of Sales	1,911	(27)	-	(8)	1,876
Gross Profit	3,914	27	-	8	3,949
Selling, General and Administrative expenses	1,484	(32)	-	(2)	1,450
Research & Development Expenses	432	(2)	-	-	430
Amortization of Intangible Assets	117	(101)	-	-	16
Total Operating Expenses	2,033	(135)	-	(2)	1,896
Restructuring Charges and Certain Acquisition Related Costs	68	-	(63)	(5)	-
Other (Income) / Expenses	(83)	-	-	58	(25)
Income before Provision for Taxes on Income	1,690	162	63	(43)	1,872
Provision for Taxes on Income	266	43	13	29	351
Income from Continuing Operations	1,424	119	50	(72)	1,521
Net Income attributable to Zoetis	1,428	119	50	(72)	1,525
Diluted Earnings Per Share	2.93	0.24	0.10	(0.14)	3.13

¹ U.S. generally accepted accounting principles.

² Non-GAAP adjusted net income and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION

2017

<i>in USD millions, except per share data</i>	GAAP ¹ Reported	Purchase Accounting	Acquisition Related Costs	Certain Significant Items	Non-GAAP Adjusted ²
Cost of Sales	1,775	(7)	-	(7)	1,761
Gross Profit	3,532	7	-	7	3,546
Selling, General and Administrative expenses	1,334	(5)	-	(4)	1,325
Research & Development Expenses	382	(2)	-	-	380
Amortization of Intangible Assets	91	(74)	-	-	17
Total Operating Expenses	1,807	(81)	-	(4)	1,722
Restructuring Charges and Certain Acquisition Related Costs	19	-	(10)	(9)	-
Other (Income) / Expenses	6	-	-	(5)	1
Income before Provision for Taxes on Income	1,525	88	10	25	1,648
Provision for Taxes on Income	663	37	3	(238)	465
Income from Continuing Operations	862	51	7	263	1,183
Net Income attributable to Zoetis	864	51	7	263	1,185
Diluted Earnings Per Share	1.75	0.10	0.01	0.54	2.40

¹ U.S. generally accepted accounting principles.

² Non-GAAP adjusted net income and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION

2016

<i>in USD millions, except per share data</i>	GAAP ¹ Reported	Purchase Accounting	Acquisition Related Costs	Certain Significant Items	Non-GAAP Adjusted ²
Cost of Sales	1,666	(23)	-	(19)	1,624
Gross Profit	3,222	23	-	19	3,264
Selling, General and Administrative expenses	1,364	(5)	-	(47)	1,312
Research & Development Expenses	376	(2)	-	-	374
Amortization of Intangible Assets	85	(69)	-	-	16
Total Operating Expenses	1,825	(76)	-	(47)	1,702
Restructuring Charges and Certain Acquisition Related Costs	5	-	(3)	(2)	-
Other (Income) / Expenses	(2)	-	(1)	11	8
Income before Provision for Taxes on Income	1,228	99	4	57	1,388
Provision for Taxes on Income	409	39	-	(33)	415
Income from Continuing Operations	819	60	4	90	973
Net Income attributable to Zoetis	821	60	4	90	975
Diluted Earnings Per Share	1.65	0.12	0.01	0.18	1.96

¹ U.S. generally accepted accounting principles.

² Non-GAAP adjusted net income and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION

2015

<i>in USD millions, except per share data</i>	GAAP ¹ Reported	Purchase Accounting	Acquisition Related Costs	Certain Significant Items	Non-GAAP Adjusted ²
Cost of Sales	1,738	(9)	-	(62)	1,667
Gross Profit	3,027	9	-	62	3,098
Selling, General and Administrative expenses	1,532	-	-	(133)	1,399
Research & Development Expenses	364	(2)	-	(2)	360
Amortization of Intangible Assets	61	(46)	-	-	15
Total Operating Expenses	1,957	(48)	-	(135)	1,774
Restructuring Charges and Certain Acquisition Related Costs	320	-	(19)	(301)	-
Other (Income) / Expenses	81	-	(2)	(94)	(15)
Income before Provision for Taxes on Income	545	57	21	592	1,215
Provision for Taxes on Income	206	18	(1)	103	326
Income from Continuing Operations	339	39	22	489	889
Net Income attributable to Zoetis	339	39	22	489	889
Diluted Earnings Per Share	0.68	0.08	0.04	0.97	1.77

¹ U.S. generally accepted accounting principles.

² Non-GAAP adjusted net income and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION

2014

<i>in USD millions, except per share data</i>	GAAP ¹ Reported	Purchase Accounting	Acquisition Related Costs	Certain Significant Items	Non-GAAP Adjusted ²
Cost of Sales	1,717	(4)	-	(33)	1,680
Gross Profit	3,068	4	-	33	3,105
Selling, General and Administrative expenses	1,643	-	-	(136)	1,507
Research & Development Expenses	396	(2)	-	(1)	393
Amortization of Intangible Assets	60	(45)	-	-	15
Total Operating Expenses	2,099	(47)	-	(137)	1,915
Restructuring Charges and Certain Acquisition Related Costs	25	-	(8)	(17)	-
Other (Income) / Expenses	7	-	-	(18)	(11)
Income before Provision for Taxes on Income	820	51	8	205	1,084
Provision for Taxes on Income	233	17	3	37	290
Income from Continuing Operations	587	34	5	168	794
Net Income attributable to Zoetis	583	34	5	168	790
Diluted Earnings Per Share	1.16	0.07	0.01	0.33	1.57

¹ U.S. generally accepted accounting principles.

² Non-GAAP adjusted net income and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION

2013

<i>in USD millions, except per share data</i>	GAAP ¹ Reported	Purchase Accounting	Acquisition Related Costs	Certain Significant Items	Non-GAAP Adjusted ²
Cost of Sales	1,669	(2)	-	(42)	1,625
Gross Profit	2,892	2	-	42	2,936
Selling, General and Administrative expenses	1,613	1	-	(188)	1,426
Research & Development Expenses	399	(1)	-	(7)	391
Amortization of Intangible Assets	60	(46)	-	-	14
Total Operating Expenses	2,072	(46)	-	(195)	1,831
Restructuring Charges and Certain Acquisition Related Costs	26	-	(22)	(4)	-
Other (Income) / Expenses	(9)	-	-	1	(8)
Income before Provision for Taxes on Income	690	48	22	240	1,000
Provision for Taxes on Income	187	16	8	81	292
Income from Continuing Operations	503	32	14	159	708
Net Income attributable to Zoetis	504	32	14	159	709
Diluted Earnings Per Share	1.01	0.06	0.03	0.32	1.42

¹ U.S. generally accepted accounting principles.

² Non-GAAP adjusted net income and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

ADJUSTED INCOME STATEMENT HIGHLIGHTS

<i>in USD millions</i>	2013	2014	Change	Foreign Exchange	Operational Growth ¹
Revenue	4,561	4,785	5%	(2)%	7%
Adjusted Net Income ²	709	790	11%	(2)%	13%
<i>in USD millions</i>	2014	2015	Change	Foreign Exchange	Operational Growth ¹
Revenue	4,785	4,765	-	(8)%	8%
Adjusted Net Income ²	790	889	13%	(11)%	24%
<i>in USD millions</i>	2015	2016	Change	Foreign Exchange	Operational Growth ¹
Revenue	4,765	4,888	3%	(2)%	5%
Adjusted Net Income ²	889	975	10%	(7)%	17%
<i>in USD millions</i>	2016	2017	Change	Foreign Exchange	Operational Growth ¹
Revenue	4,888	5,307	9%	1%	8%
Adjusted Net Income ²	975	1,185	22%	1%	21%
<i>in USD millions</i>	2017	2018	Change	Foreign Exchange	Operational Growth ¹
Revenue	5,307	5,825	10%	-	10%
Adjusted Net Income ²	1,185	1,525	29%	(2)%	31%

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

²Adjusted net income (a non-GAAP financial measure) is defined as reported U.S. generally accepted accounting principles (GAAP) net income, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

zoetis