



**Zoetis 2018 Annual Meeting of Shareholders
Remarks from Juan Ramón Alaix, CEO
May 15, 2018**

- Thank you, Mike, and good morning everyone.
- This year, Zoetis marked its fifth anniversary since becoming a public company, and we have much to be proud of.
- Today, the animal health industry is appreciated as a growing sector and an attractive area for investment, and Zoetis has earned its place as the clear leader.
- There are four main drivers of this success and leadership.

FACTORS DRIVING OUR SUCCESS

- First, our diverse portfolio and market presence. Every quarter, we have continued to show the strength and stability that our diverse portfolio of approximately 300 product lines gives us. We commercialize our products in more than 100 countries with direct sales in 45, and this gives us global scope and scale.
- Second, our three interconnected capabilities. We have demonstrated that the combination of our direct customer relationships, highly productive research and development, and high quality manufacturing are the foundation for the Zoetis business model and represent a clear competitive advantage.
- Third, financial strength. We have improved our cost structure and resource allocation becoming a more efficient and profitable business with increased cash flow to support future investments.
- And, fourth, our execution and track record of delivering our value proposition. For five consecutive years, we have grown our revenue in line with or faster than the market; ...

increased adjusted net income faster than revenue; targeted value-added investments; and returned excess capital to shareholders.

FIVE YEARS OF STRONG PERFORMANCE

- During the past five years, we grew our annual revenue an average of 7 percent on an operational basis faster than the animal health market of 5 to 6 percent compound annual growth.
- We improved our growth in adjusted net income an average of 22 percent operationally over that period, consistently faster than our rate of revenue growth.
- During our first five years, we have launched innovative new products that have become top sellers for Zoetis, and we have enhanced our current portfolio with new approvals that keep our products updated and competitive. This all speaks to addressing customer needs and our highly productive investment in R&D.
- We also made targeted investments to help drive our growth.
- For example, we extended our core product portfolio into aquaculture with the purchase of PHARMAQ, the leader in vaccines for farmed fish. We expanded our presence in fast-growing complementary areas such as biodevices, digital analytics, genetics and diagnostics with other acquisitions like Scandinavian Micro Biodevices and KL Products.
- And during the past five years, we consistently delivered on our pledge to return excess capital to you, our shareholders. We returned a total of \$1.8 billion dollars in excess capital with \$800 million dollars in cash in the form of dividends and \$1 billion dollars in share repurchases.

2017: OPERATIONAL REVENUE GROWTH AND IMPROVED PROFITABILITY

- Looking at our performance in 2017, we reported \$5.3 billion dollars in revenue -- the first animal health company to earn more than \$5 billion dollars in annual revenue.

- Our operational revenue increased by 8 percent, which was significantly faster than the estimated, animal health market growth of 4 to 5 percent in 2017.
- We also grew adjusted net income faster than revenue at 21 percent on an operational basis.
- What's more, we achieved an adjusted EBIT margin of 34 percent, an improvement of 900 basis points in the past three years.

INVESTMENT DRIVING FUTURE GROWTH

- As we improved our profitability and nearly doubled our operating cash flow, we have invested in our three interconnected capabilities and placed our business on a trajectory for continued growth.
- In our commercial area, we expanded our field force in the high growth markets of Brazil and China.
- And, we increased the promotion of key companion animal products Apoquel and Simparica with direct to consumer advertising in the United States and Brazil.
- We have continued investing in research and development to bring our customers integrated solutions to predict, prevent, detect, and treat diseases in animals.
- In 2017 we received more than 200 approvals for new and enhanced products, and successfully executed many important product launches. These included:
- Cytopoint,... a monoclonal antibody therapy, which controls the clinical signs of atopic dermatitis in dogs, such as itching.
- Stronghold Plus, a once-monthly topical product that kills fleas and ticks and prevents heartworm disease in cats. It combines our proven antiparasitics,... selamectin and

sarolaner.

- And Suvaxyn PRRS MLV, an additional vaccine in our Suvaxyn line for swine. It helps protect swine from the common and costly porcine reproductive and respiratory syndrome.
- We also initiated expansions in our global manufacturing and supply network which we see as a critical element of supporting profitable growth.
- For example, in China, we approved plans for construction of a new facility in Suzhou, where we will develop and produce vaccines for swine, cattle, fish and companion animal tailored to the needs of the Chinese market. We also acquired sole ownership of our joint venture in Jilin, where we have manufactured vaccines for swine since 2011.
- We purchased a manufacturing site in Rathdrum, Ireland, where we will manufacture active pharmaceutical ingredient.
- And, we initiated expansions at our manufacturing sites in Kalamazoo, Michigan, and Charles City, Iowa.
- In terms of strategic acquisitions in 2017, we completed the purchase of Nexvet Biopharma. This transaction strengthened our platform to develop monoclonal antibodies and added potential new alternatives to treat chronic pain associated with osteoarthritis in companion animals,... which is an area of high need.
- And, we continue investing in our people,... and we are proud to be recognized by Forbes and Working Mother Magazine as an admired employer with colleagues who live Our Core Beliefs.
- We remain focused on using our resources, the expertise of our people, and our diverse portfolio to help build a better business and bring value to our customers, our shareholders, and to society.

SHAPING FUTURE SUCCESS

- As we look to the future, we are energized by the growth opportunities in animal health and excited by the prospect of expanding our presence in the areas of genetics, biodevices, diagnostics, and data analytics.
- We have placed Zoetis on firm footing for continued industry leadership and profitable growth.
- We are a growing, resilient, and competitive business ... with increasing financial strength, strategic vision and management expertise.
- Our colleagues are passionate about solving our customers most pressing challenges and helping their businesses succeed.
- And, we are firmly committed to delivering on our value proposition to grow revenue in line with or faster than the market; to increase adjusted net income faster than revenue; to target value added investments; and to return excess capital to shareholders.

CLOSING AND QUESTIONS

- I want to thank all of our colleagues for their many contributions in 2017.
- And, I know I speak for everyone at Zoetis, when I say THANK YOU for your confidence in our company.
- We look forward to sharing our continued success with you.
- I would be glad to take questions about the business before we close the meeting.

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