ANIMAL HEALTH PERSPECTIVES ON INNOVATION FOOD AND AGRICULTURE

Rob Kelly
President International Operations
Zoetis
NON-GAAP FINANCIAL INFORMATION

We use non-GAAP financial measures, such as adjusted net income, adjusted diluted earnings per share, operational results (which exclude the impact of foreign exchange), and free cash flow, to assess and analyze our operational 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.
ANIMAL HEALTH INDUSTRY: STEADY, PREDICTABLE AND GROWING

AT THE CORE OF A $150+ BILLION\(^1\) INDUSTRY

COMPANION ANIMALS
- Pet Supplies
- Vet Services
- Diagnostics
- OTC Health

LIVESTOCK
- Nutrition
- Genetics
- Food Safety
- Diagnostics
- Herd Health Management

ANIMAL HEALTH MARKET
CAGR\(^3\) = 5 - 6%

$26B \rightarrow $31B \rightarrow $42B

1 Based on internal estimates
2 Vetnosis 2018 forecast
3 Operational revenue growth is defined as revenue growth excluding the impact of foreign exchange
THE WORLD DEPENDS ON ANIMALS

3 POWERFUL TRENDS CREATE A GROWING DEMAND FOR ANIMAL HEALTH

POPULATION GROWTH  A GROWING MIDDLE CLASS  INCREASING URBANIZATION
A GROWING NEED FOR ANIMAL HEALTH

ESTIMATED RISE IN PET MEDICALIZATION¹ AND PROTEIN CONSUMPTION BY 2026

43M
more dogs
treated

18M
more cats
treated

9M
more horses
treated

12%
more meat²

21%
more milk³

30%
more farmed fish⁴

18M
more meat²

+171
million tonnes

23M
more milk³

+23
million tonnes

9M
more farmed fish⁴

+37
million tonnes

Source: OECD Food & Agriculture Organisation, 2016-2026 projections
² Includes beef, veal, pork, poultry and sheep
³ Includes milk production for all dairy products
⁴ Farmed fish production

¹ Medicalization=CAGR of Treatable Units

Source: Vetnosis
KEY TRENDS IN ANIMAL HEALTH

NEW OPPORTUNITIES FOR INNOVATION AND PARTNERSHIPS

1. Enhanced focus on livestock productivity & disease detection
2. Continuing customer evolution
3. Greater pet owner & consumer influence
4. Rising value of innovation
5. Growth in developing markets
6. Data & digital enablement
OUR CUSTOMERS ARE SEEKING INNOVATIVE DIGITAL SOLUTIONS TO MEET THEIR NEEDS

Productivity, labor, regulatory and environmental pressures

LIVESTOCK

Health tools  Workflow tools  Production tools

COMPANION ANIMAL

Shifting channels and pet owner influence

Telemedicine  eCommerce  Remote monitoring
INNOVATING ACROSS THE CONTINUUM OF CARE

PREDICT

GENETICS

VACCINES, ROBOTICS & AUTOMATION

PREVENT

DATA ANALYTICS & SENSORS

DETECT

DIAGNOSTICS

TREAT

MEDICINES

INTERNAL CAPABILITIES COMPLEMENTED WITH EXTERNAL PARTNERSHIPS
EXAMPLE OF INTEGRATED APPROACH FOR DAIRY CATTLE

Genetic testing to predict traits for good reproductive performance & health

Effective vaccination & diagnostic test kits make it easier for farmers to work with their veterinarians to prevent and detect diseases

Radio frequency tags & data analytics for real-time localization, heat detection and health monitoring

Responsible use of antibiotics to treat post-partum infections