



## **Zoetis Reports Third Quarter 2013 Results**

- **Third Quarter 2013 Revenue of \$1.1 Billion Increased 8% Compared to Third Quarter 2012**
- **Third Quarter 2013 Reported Net Income of \$131 Million, or Diluted EPS of \$0.26, Decreased 19%, Compared to Third Quarter 2012**
- **Third Quarter 2013 Adjusted Net Income of \$172 Million, or Adjusted Diluted EPS<sup>1</sup> of \$0.34, Increased 12% and 10%, Respectively, Compared to Third Quarter 2012**
- **Narrows Full-Year 2013 Adjusted Diluted EPS<sup>1</sup> Guidance to \$1.38 - \$1.42**

FLORHAM PARK, NJ, Nov. 5, 2013 - Zoetis Inc. (NYSE: ZTS) today reported its financial results for the third quarter of 2013. The company reported revenue of \$1.1 billion for the third quarter of 2013, an increase of 8% from the third quarter of 2012. Revenue reflected an operational<sup>2</sup> increase of 9%, with foreign currency having a negative impact of 1 percentage point.

Net income for the third quarter of 2013 was \$131 million, or \$0.26 per diluted share, a decrease of 19%, compared to the third quarter of 2012. Adjusted net income<sup>1</sup> for the third quarter of 2013 was \$172 million, or \$0.34 per diluted share, an increase of 12% and 10%, respectively, compared to the adjusted third quarter of 2012. Adjusted net income<sup>1</sup> for the third quarter of 2013 excludes the net impact of \$41 million, or \$0.08 per diluted share, for purchase accounting adjustments, acquisition-related costs and certain significant items.

### EXECUTIVE COMMENTARY

“With three quarters now reported in our first year, I am pleased with how we are meeting our commitments to customers, delivering financial results and setting a solid foundation for our future,” said Zoetis Chief Executive Officer Juan Ramón Alaix. “We continue to build on the commercial performance, innovative R&D and reliable supply chain that have been critical to our success, while managing through all the changes that come with standing up a new company.”

“This quarter, our diverse portfolio of products was once again a key factor in delivering revenue growth across all of our regions, while our scope and scale helped us grow our adjusted earnings faster than sales,” said Alaix. “We saw significant growth in the U.S., our largest market, which reflects strong sales in both companion animal and livestock products. And, as expected, the growth

in U.S. livestock products reflects the impact of drought conditions that were experienced in the year-ago quarter. We also saw balanced performance across our other regions based on continued market acceptance of new products, growth in emerging markets, and steady performance of our core product lines.”

“Through the first nine months of the year, we’ve made significant progress toward completing the build-out of our own infrastructure and meeting our full-year financial objectives,” said Rick Passov, Executive Vice President and Chief Financial Officer of Zoetis. “In light of our year-to-date financial performance, we are narrowing the range of components of our 2013 financial guidance.”

### QUARTERLY HIGHLIGHTS

Zoetis organizes and manages its business across four regional operating segments: the United States (U.S.); Europe/Africa/Middle East (EuAfME); Canada/Latin America (CLAR); and Asia/Pacific (APAC). Within each of these regional segments, the company delivers a diverse portfolio of products for livestock and companion animals tailored to local trends and customer needs.

In the third quarter of 2013:

- Revenue in the U.S. was \$495 million, an increase of 10% over the third quarter of 2012. Sales of livestock products grew 11%, driven by cattle, poultry and swine. Sales of cattle products increased, benefiting from a weak year-ago quarter when the impact of the drought was most evident. Sales of poultry and swine products increased as well, driven primarily by medicated feed additives and continued customer acceptance of new products. Sales of companion animal products grew 10%, showing positive performance across our key products.
- Revenue in EuAfME was \$270 million, an increase of 9% operationally over the third quarter of 2012. Sales of livestock products grew 7% operationally. This growth reflects an increase in cattle product sales across many emerging markets, partially offset by a continued decline in cattle product sales in Western Europe. Sales of swine products continued to benefit from customer acceptance of a new vaccine across many markets. Sales of companion animal products grew 15% operationally, and benefited again this quarter from increased sales associated with third-party manufacturing agreements. Excluding these sales, companion animal product sales grew 5% operationally, driven by sales of anti-infective and parasiticide products.
- Revenue in CLAR was \$171 million, an increase of 9% operationally over the third quarter of 2012. Sales of livestock products grew 6% operationally, driven by poultry products, primarily in Brazil. Sales of cattle products also increased based on growth in Venezuela, Mexico and Canada. Sales of companion animal products grew 19% operationally, largely due to a later start in 2013 of the parasiticide season in Canada as well as increased demand in Brazil.
- Revenue in APAC was \$167 million, an increase of 7% operationally over the third quarter of 2012. Sales of livestock products grew 8% operationally, driven by the launch of new products for swine. Increased poultry product sales benefited from sales to emerging markets

as well as the resolution of a license registration issue in India. Sales of cattle products grew, driven by performance in New Zealand, which was partially offset by the negative impact of the drought in Australia. Sales of companion animal products grew 3% operationally, based on increases in developed markets such as Taiwan and Japan and in emerging markets such as China.

Zoetis continues to drive demand and strengthen its diverse portfolio of products through brand lifecycle management, strong customer relationships and access to new markets and technologies. With its product portfolio, the company focuses on improving the performance and delivery of its current product lines; expanding product indications across species; and pursuing approvals across new geographies. Some recent highlights include:

- Regulatory approvals -- [FACTREL®](#) (gonadorelin injection) was approved in the U.S. with [LUTALYSE®](#) for fixed-time artificial insemination for dairy cattle, one of only two products in the U.S. approved for use in this way; the approval of FACTREL allows producers to improve the reproductive performance of their herds in a manner that is compliant with FDA regulations. [EXCENEL® RTU EZ](#) (ceftiofur hydrochloride), an antibiotic for cattle and swine, was approved for use in the U.S.; this reformulation makes the product easier to use.
- Expanding our portfolio's reach - Building on approvals announced last quarter, [APOQUEL®](#) (ocloacitinib tablet) has now also been approved by the European Commission, joining New Zealand and the U.S. as markets granting approval of the product for the control of pruritus associated with allergic dermatitis and the control of atopic dermatitis in dogs at least 12 months of age. Similarly, [BOVI-SHIELD GOLD ONE SHOT™](#) was approved for use in cattle in Canada, joining the U.S. as markets for this vaccine to help prevent certain bovine respiratory diseases.
- Branching into beta-agonists - Zoetis also received approval in the U.S. for two branded generic ractopamine products that add to our strong portfolio for swine and cattle. Ractopamine is a feed additive that helps cattle and pigs direct their food energy toward producing high-quality lean meat rather than fat, and it is part of the beta-agonist class of drugs. [ENGAIN™](#) (ractopamine hydrochloride) for swine and [ACTOGAIN™](#) (ractopamine hydrochloride) for cattle were approved in the U.S. Zoetis plans to launch ENGAIN by the first quarter of 2014 and ACTOGAIN later in 2014.

## FINANCIAL GUIDANCE AND COMMENTARY

Zoetis's guidance for full-year 2013 reflects the company's confidence in the diversity of its portfolio, the strength of its business model, and its view of the evolving market conditions for animal health products this year.

Zoetis narrowed the ranges of its financial guidance for full-year 2013 to reflect its performance year-to-date. The company now expects to achieve revenue of between \$4.475 billion to \$4.525 billion, reflecting current views on foreign exchange impact for the year. The company also expects to achieve reported diluted EPS for the full year of between \$0.98 to \$1.02 per share. This guidance includes the impact of nonrecurring costs of \$220 million to \$240 million, primarily associated with

becoming a standalone public company. Adjusted diluted EPS<sup>1</sup> for the full year is expected to be between \$1.38 to \$1.42 per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items such as costs associated with becoming a standalone public company. Additional guidance on other items such as tax rate and expenses are included in the financial tables and will be discussed on the company's conference call.

#### WEBCAST & CONFERENCE CALL DETAILS

Zoetis will host a webcast and conference call at 8:30 a.m. (EST) today, during which company executives will review third quarter financial results, discuss 2013 financial guidance, and respond to questions from financial analysts. Investors and the public may access the live webcast by visiting the Zoetis website at <http://www.zoetis.com/events-and-presentations>. A replay of the webcast will be archived and made available on Nov. 5, 2013.

#### **About Zoetis**

[Zoetis](#) (zō-EH-tis) is the leading animal health company, dedicated to supporting its customers and their businesses. Building on a 60-year history as the animal health business of Pfizer, Zoetis discovers, develops, manufactures and markets veterinary vaccines and medicines, with a focus on both farm and companion animals. In 2012, the company generated annual revenues of \$4.3 billion. With approximately 9,300 employees worldwide at the beginning of 2013, Zoetis has a local presence in approximately 70 countries, including 29 manufacturing facilities in 11 countries. Its products serve veterinarians, livestock producers and people who raise and care for farm and companion animals in 120 countries. For more information on the company, visit [www.zoetis.com](http://www.zoetis.com).

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

<sup>2</sup> *Operational revenue growth is defined as revenue growth excluding the impact of foreign exchange.*

#### DISCLOSURE NOTICES

***Forward-Looking Statements:*** *This press release contains forward-looking statements, which reflect Zoetis's current views with respect to business plans or prospects, future operating or financial performance, and other future events. These statements are not guarantees of future performance. 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2012, including in the sections thereof captioned "Forward-Looking Information 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](http://www.sec.gov), [www.zoetis.com](http://www.zoetis.com), or on request from Zoetis.

Use of Non-GAAP Financial Measures: We use non-GAAP financial measures, such as adjusted net income and adjusted diluted earnings per share, 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 press release 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 this press release and are posted on our website at [www.zoetis.com](http://www.zoetis.com).

Internet Posting of Information: We routinely post information that may be important to investors in the 'Investors' section of our web site at [www.zoetis.com](http://www.zoetis.com), on our Facebook page at <https://www.facebook.com/Zoetis> and on Twitter [@zoetis](https://twitter.com/zoetis). We encourage investors and potential investors to consult our website regularly and to follow us on Facebook and Twitter for important information about us.

Media Contacts:

Bill Price  
1-973-443-2742 (o)  
[william.price@zoetis.com](mailto:william.price@zoetis.com)

Elinore White  
1-973-443-2835 (o)  
[elinore.y.white@zoetis.com](mailto:elinore.y.white@zoetis.com)

Investor Contacts:

Dina Fede  
1-973-443-2929 (o)

John O'Connor  
1-973-822-7088 (o)