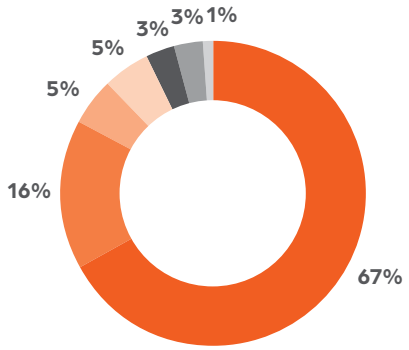
2025 Annual Report

Nurturing our world and humankind by advancing care for animals

zoetis

2025 Financial Highlights

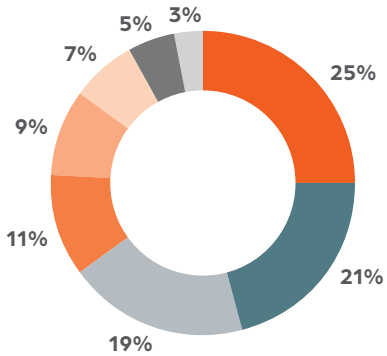
Revenue by Species*



- Dogs and Cats[1] 67%
- Cattle[2] 16%
- Poultry[2] 5%
- Swine[2] 5%
- Horses[1] 3%
- Fish[2] 3%
- Sheep and Other[2] 1%

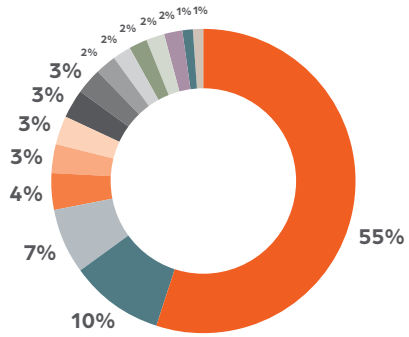
[1] Companion Animal 70%
[2] Livestock 30%

Revenue by Product Category*



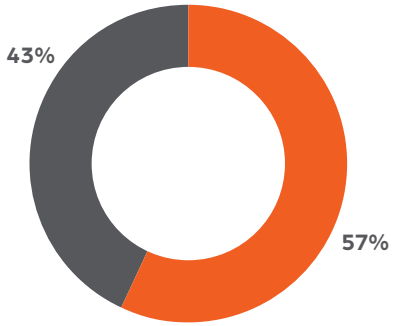
- Parasiticides 25%
- Vaccines 21%
- Dermatology 19%
- Anti-Infectives 11%
- Pain and Sedation 9%
- Other Pharmaceuticals 7%
- Animal Health Diagnostics 5%
- Other Non-Pharmaceuticals 3%

Revenue by Markets*



- United States 55%
- Brazil 4%
- Australia 3%
- United Kingdom 3%
- Canada 3%
- Germany 3%
- China 2%
- France 2%
- Mexico 2%
- Japan 2%
- Spain 2%
- Chile 1%
- Italy 1%
- Other Emerging Markets 10%
- Other Developed Markets 7%

Revenue by Product Concentration



- Top Ten Product Lines 57% (Top Five make up 42%)
- All Other 43%

Organic Operational Revenue Growth

* Revenue charts by species, product category and market exclude revenues associated with Client Supply Services and Human Health, which represented 1% of total 2025 revenue.

† Represents organic operational growth (a non-GAAP financial measure), which is defined as growth excluding the impact of foreign exchange and certain acquisitions and divestitures. Reported revenue growth, including the impact of foreign exchange and certain acquisitions and divestitures, was 6% for 2023, 8% for 2024 and 2% for 2025. Page 15 of Exhibit 99.1 in our Current Report on Form 8-K, filed with the Securities and Exchange Commission (the "SEC") on February 12, 2026, contains a reconciliation of operational revenue results (a non-GAAP financial measure) to reported revenue growth under GAAP for 2025.

‡ Adjusted net income and its components 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 and divestiture-related costs, and certain significant items. Page 10 of Exhibit 99.1 in our Current Report on Form 8-K, filed with the SEC on February 12, 2026, contains a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2025.

$Millions (except per share data)	2023	2024	2025
Revenue	$ 8,544	$ 9,256	**$ 9,467**
Net Income Attributable to Zoetis	$ 2,344	$ 2,486	**$ 2,673**
Adjusted Net Income Attributable to Zoetis‡	$ 2,457	$ 2,693	**$ 2,847**
Diluted Earnings Per Share	$ 5.07	$ 5.47	**$ 6.02**
Adjusted Diluted Earnings Per Share‡	$ 5.32	$ 5.92	**$ 6.41**
Net Cash Provided by Operating Activities	$ 2,353	$ 2,953	**$ 2,904**
Research & Development Expense	$ 614	$ 686	**$ 698**
Capital Expenditures	$ 732	$ 655	**$ 621**

A MESSAGE FROM CHIEF EXECUTIVE OFFICER

Kristin Peck

Dear Shareholders,

Animal health is evolving rapidly, with 2025 shaped by scientific breakthroughs, shifting customer behavior, and a dynamic operating environment. Against this backdrop, Zoetis continued to define the next era of animal health by furthering our robust pipeline, extending our reach, and positioning the company for long-term sustainable growth and value creation.

Guided by our purpose to nurture our world and humankind by advancing care for animals, we made meaningful progress across our portfolio and pipeline, delivered important innovations to customers, and invested in the long-term strength of the company. None of this would be possible without the dedication of our colleagues around the world, whose commitment to customers and communities is unwavering.

During the year, we expanded our portfolio through approximately 185 geographic expansions, lifecycle enhancements, and new product innovations, reaching customers in more than 100 countries. We achieved solid financial results in 2025 – growing revenue and adjusted net income on an organic operational basis and generating strong cash flow, while continuing to return capital to shareholders. We also reinvested in the business across science, digital capabilities, and operational resilience – positioning Zoetis to compete effectively and drive durable growth as our industry continues to evolve.

Accelerating Progress Across Six Strategic Priorities

1. Lead through Innovation Across our Diverse Portfolio

Since becoming an independent company, Zoetis has invested $6 billion in research and development, translating science into practical solutions across 15 therapeutic areas and eight species. Our close relationships with veterinarians and producers keep our innovation grounded in real-world needs and outcomes.

In 2025, we achieved significant innovation milestones, expanding key franchises and advancing healthcare and disease prevention for pets and livestock:

- In companion animals, we broadened our osteoarthritis (OA) pain portfolio with regulatory approvals in the EU and Canada for **Lenivia**® for dogs and **Portela**® for cats – the first long-acting anti-nerve growth factor (NGF) monoclonal antibody therapies, providing three months of OA pain relief with a single injection. These approvals reflect the depth of our pipeline and continued leadership in biologics. At the same time, we broadened the reach and impact of our key franchises including **Apoquel**® **Chewable**, **Cytopoint**®, and **Simparica Trio**®.
- In livestock, we helped defend against emerging infectious diseases with conditional approvals for **Dectomax**® **CA1-Injectable** for New World screwworm in U.S. cattle, Avian Influenza vaccines for chickens in the U.S. and Canada, and for lactating cattle in the U.S. We also introduced **Synovex**® **Primer**™, a low-dosage implant for cattle and expanded our vaccine portfolio such as **Poulvac**® **Procerta**® in poultry, **Suvaxyn**® **PRRS** and **Fostera**® **Gold** in swine, and aquaculture vaccines across markets. These innovations support the growing global demand for safe, sustainable protein – demonstrating that livestock remains a durable growth platform for Zoetis.

Pioneering New Frontiers in Animal Health

Zoetis is shaping the future of animal health, boldly addressing the evolving needs of an aging pet population and setting new standards of care for generations to come. Through breakthrough innovation in chronic diseases, we're helping animals live healthier, longer lives – and bringing greater peace of mind to the people who love and depend on them.

Longevity is transforming veterinary medicine, as aging pets drive demand for advanced therapies and chronic disease management. Zoetis is pioneering solutions for some of the greatest unmet needs in animal health, including chronic kidney disease, oncology, cardiology, anxiety, and metabolic diseases. In chronic kidney disease alone, by age 13, nearly 80% of cats and up to 10% of elderly dogs are affected. We have seven active projects in development – including monoclonal antibodies and diagnostics biomarkers – with our first approval for dogs expected in 2027.

Cancer is another urgent frontier, with one in four dogs facing cancer in their lifetime. Zoetis is translating advances from human oncology into veterinary medicine, enabling earlier detection and targeted treatments, with initial approvals projected for 2028–2029. In cardiology, we are developing novel therapeutics for heart disease in pets, aiming for earlier intervention and improved outcomes.

These initiatives are part of our robust innovation pipeline, poised to transform care. By combining deep scientific expertise, customer insights, and disciplined execution, Zoetis is unlocking new growth opportunities and redefining what's possible in animal health.

2. Deliver an Exceptional Experience to Delight Our Customers

As veterinary professionals and livestock producers face increasing complexity, we made it easier to do business with Zoetis by enhancing scientific support, clinical education, and customer service. Our expanded Global Medical Affairs team delivers timely, evidence-based guidance and product education, helping customers access cutting-edge science and improve health outcomes.

We also invested in smarter listening, using AI to analyze nearly one million U.S. customer interactions in real time. These insights allowed us to target improvements that save time and reduce friction. Expanded reference laboratory services in the U.S., U.K., and Ireland now offer veterinarians greater access to board-certified specialists, while dual-temperature shipping streamlines deliveries. We further advanced product safety stewardship through more peer-reviewed research and expanded medical education in the U.S. and key international markets.

These efforts drove higher customer satisfaction and earned Zoetis recognition as the 2025 Life Sciences Customer Experience Leader by Qualtrics.

3. Power Our Business Through Digital Solutions and Data Insights

Digital transformation remains a critical enabler of our strategy. AI and advanced analytics are accelerating discovery, improving diagnostics, and enhancing decision-making across the business.

Today, AI is embedded across Zoetis, with more than 80 percent of computer–based colleagues actively using our enterprise AI platform.

Our Zoetis Innovation Capability Center in Hyderabad, India, plays a central role in this transformation – supporting AI-driven solutions like Dairy Wellness Optix, which helps dairy producers turn complex data into actionable insights; advancing our next-generation enterprise resource planning (ERP) initiative; and increasing speed and agility across global operations. These capabilities are delivering tangible benefits, from faster solution development to more efficient manufacturing and commercial execution.

Today, AI is embedded across Zoetis, with more than 80 percent of computer-based colleagues actively using our enterprise AI platform. This broad adoption reflects a culture of innovation that strengthens our ability to adapt, learn, and serve customers more effectively.

4. Support a Workplace Where Our Colleagues Can Thrive

Our colleagues are not only essential to Zoetis, they make the difference in everything we do. In 2025, we launched our first 'Thrive at Zoetis!' Month with programs for their career development, connection through our inclusive culture and shared purpose, and support for wellbeing. What's more, we expanded leadership and manager development programs with strong participation.

Zoetis was once again recognized as a great place to work in markets around the world, reflecting our ongoing commitment to a culture where people can do meaningful work and grow their careers.

Our annual colleague survey showed 87% engagement – exceeding industry benchmarks. And Zoetis was once again recognized as a great place to work in markets around the world, reflecting our ongoing commitment to a culture where people can do meaningful work and grow their careers.

5. Advance Sustainability in Animal Health for a Better Future

2025 marked the fifth year of our Driven to Care sustainability strategy with significant progress across communities, animals, and the planet. The Zoetis Foundation supported veterinary professionals and livestock farmers worldwide, advancing opportunities through its grant-making commitments.

A landmark study showed that our Dairy Wellness Profit Index delivers measurable gains for U.S. dairy producers, including improved herd health, greater longevity, and reduced methane intensity. Extending our impact beyond agriculture, we donated doses of our Avian Influenza vaccine for cattle to The Marine Mammal Center, supporting conservation of endangered Hawaiian monk seals.

The Power of AI: From Investment to Impact

For the past five years, Zoetis has made Artificial Intelligence (AI) a cornerstone of our strategy, transforming how we innovate, operate, and serve customers. Today, AI is embedded across our business, delivering value at every step – from accelerating breakthroughs in the research lab to optimizing production efficiency, empowering decision-making on the farm, and enhancing care in the veterinary clinic.

In R&D, AI speeds drug discovery and development, helping scientists identify promising targets, design new therapeutics, and streamline regulatory submissions – reducing time to market and extending product lifecycles. Generative AI automates study reports and regulatory dossiers, improving quality and compliance while saving months in approval timelines.

On the front lines of animal care, Zoetis uses AI to enable faster, more precise diagnostics for veterinary teams and provide producers with real-time insights to optimize herd health and productivity. Our expanded diagnostics use AI to analyze blood, urine, skin, fecal, subcutaneous masses, and cytology specimens, including advanced blood count analysis – helping veterinarians make faster, more confident decisions. In aquaculture, predictive AI models help farmers anticipate disease outbreaks, protecting animal well-being and business outcomes.

AI is also reshaping operations at Zoetis, driving measurable improvements in manufacturing and workforce capabilities. In 2025, we leveraged GenerativeAI, automation, and advanced analytics to boost manufacturing performance, reduce waste, improve reliability, and enhance process robustness. Additionally, enhanced data and analytics are enabling earlier issue detection, higher yields, and more consistent operations.

Across Zoetis, our AI Champion Network – comprising more than 300 colleagues in 30 countries – empowers teams to maximize the value of our enterprise AI platform, providing hands-on support and fostering innovation. This strong culture of adoption empowers teams to harness AI's full potential, making Zoetis more agile, efficient, and responsive – and driving better outcomes for animals and those who care for them.

Our Core Beliefs

- Our colleagues make the difference
- Always do the right thing
- Customer obsessed
- Run it like you own it
- We are one Zoetis

We also completed more than 30 carbon reduction projects at key sites, helping us reduce our environmental footprint, elevate facility performance, and advance our long-term climate goals.

6. Perform with Excellence and Agility

Rapid technological change and evolving regulatory and trade environments required continued agility in 2025. Our multi-year business process transformation program, which includes a next-generation ERP implementation, advanced core processes across finance, supply chain, and commercial operations – this unlocks new customer insights, and enhances forecast accuracy, inventory optimization, and customer service.

Zoetis is expanding into new therapeutic areas including chronic kidney disease, oncology, and cardiology, while reinforcing leadership in vaccines, parasiticides, and biologics.

We also strengthened public policy engagement and advocacy to support innovation pathways and ensure animal health remains a priority globally. In the U.S., changes to our commercial model enhanced clarity of accountability, improved customer coverage, and strengthened frontline execution.

Our Path Forward

The progress we made in 2025 reflects the strength of our strategy and the resilience of our company. As we look to 2026 and beyond, animal health continues to present meaningful opportunity – from chronic disease management in pets to sustainable protein production worldwide.

Zoetis is expanding into new therapeutic areas including chronic kidney disease, oncology, and cardiology, while reinforcing leadership in vaccines, parasiticides, and biologics. Our pipeline includes 12 potential blockbusters[1], and our science-to-scale model is designed to translate innovation into real-world impact responsibly and consistently.

The future of animal health will be defined by those who can combine science, data, and trust. With the dedication of our colleagues and the partnership of customers and stakeholders, Zoetis is well positioned to help shape that future.

Thank you for your continued engagement and confidence.

Sincerely,

Kristin Peck

Kristin Peck
Chief Executive Officer

[1] Products with expected future potential annual sales of $100M+.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended
December 31, 2025

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, $0.01 par value per share	**ZTS**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 the 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of June 30, 2025, the last business day of the registrant's most recently completed second fiscal quarter, was $69,233 million. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 6, 2026 was 422,127,709 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement for the 2026 Annual Meeting of Shareholders (hereinafter referred to as the "2026 Proxy Statement") are incorporated into Part III of this Form 10-K.

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PART I

Item 1. Business.

Overview

Zoetis Inc. 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 have a diversified business, commercializing 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. 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 were incorporated in Delaware in July 2012 and prior to that the company was a business unit of Pfizer Inc. (Pfizer). The address of our principal executive offices is 10 Sylvan Way, Parsippany, New Jersey 07054. Unless the context requires otherwise, references to “Zoetis,” “the company,” “we,” “us” or “our” in this Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (2025 Annual Report) refer to Zoetis Inc., a Delaware corporation, and its subsidiaries. In addition, unless the context requires otherwise, references to “Pfizer” in this 2025 Annual Report refer to Pfizer Inc., a Delaware corporation, and its subsidiaries.

Operating Segments

The animal health medicines, vaccines and diagnostics market is characterized by meaningful differences in customer needs across different regions. This is due to a variety of factors, including:

- economic differences, such as standards of living in developed markets as compared to emerging markets;
- cultural differences, such as dietary preferences for different animal proteins, pet ownership preferences and pet care standards;
- epidemiological differences, such as the prevalence of certain bacterial and viral strains and disease dynamics;
- treatment differences, such as utilization of different types of medicines and vaccines, as well as the pace of adoption of new technologies;
- environmental differences, such as seasonality, climate and the availability of arable land and fresh water; and
- regulatory differences, such as standards for product approval and manufacturing.

As a result of these differences, among other things, we organize and operate our business in two segments:

- **United States (U.S.)** with revenue of $5,097 million, or 54% of total revenue for the year ended December 31, 2025; and
- **International** with revenue of $4,254 million, or 45% of total revenue for the year ended December 31, 2025.

Within each of these operating segments, we offer a diversified product portfolio for both companion animal and livestock customers so that we can capitalize on local trends and customer needs.

In addition, our Client Supply Services (CSS) organization, which provides contract manufacturing services to third parties, and our human health products, together represented approximately 1% of our total revenue for the year ended December 31, 2025.

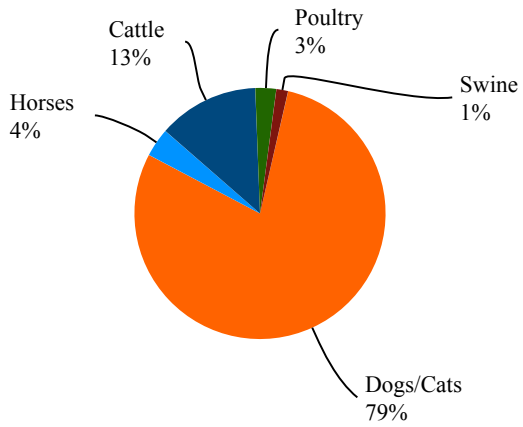
Our 2025 revenue for the U.S. and key international markets, together with the percentage of revenue attributable to companion animal and livestock products in those markets, is as follows:

(MILLIONS OF DOLLARS)	Revenue	Companion Animal	Livestock
United States	$5,097	83%	17%
Total International	$4,254	56%	44%
Australia	$329	53%	47%
Brazil	$393	38%	62%
Canada	$290	61%	39%
Chile	$139	24%	76%
China	$227	72%	28%
France	$165	68%	32%
Germany	$236	80%	20%
Italy	$137	81%	19%
Japan	$154	71%	29%
Mexico	$160	41%	59%
Spain	$145	60%	40%
United Kingdom	$325	79%	21%
Other Developed	$641	48%	52%
Other Emerging	$913	47%	53%

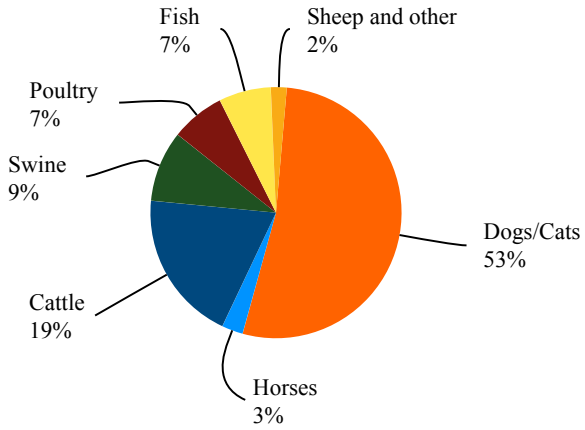
For additional information regarding our performance in each of our operating segments and the impact of foreign exchange rates, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements—Note 4. Revenue* and *Note 19. Segment Information.* In 2026, we expect to eliminate the one-month lag in reporting of our subsidiaries operating outside the U.S. and align the fiscal years of the subsidiaries within our U.S. segment and the subsidiaries within our International segment. For additional information regarding the expected fiscal year alignment of our subsidiaries operating outside the U.S. and the impact thereof, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8. Financial Statements and Supplementary Data: Notes to Consolidated Financial Statements-Note 2. Basis of Presentation.*

Our 2025 reported revenue for each segment, by species, is as follows:

2025 United States Segment Revenue - By Species



2025 International Segment Revenue - By Species



Products

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. 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 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 sectors is driven by increases in spending on pet care, economic development and related increases in disposable income. Companion animals are also living longer, deepening the human-animal bond, receiving increased medical treatment and benefiting from advances in animal health medicines, vaccines and diagnostics. Companion animal products represented approximately 70% of our revenue for the year ended December 31, 2025.

Our livestock products focus on predicting, preventing, detecting and treating diseases, with the understanding that veterinarians and livestock producers must have the tools at their disposal to treat disease expeditiously, which in turn enables the sustainable production of safe, high-quality animal protein. Human population growth and increased standards of living continue to drive demand for increased production of quality animal protein. Population growth leads to greater consumption of natural resources, driving a need for innovative solutions to increase sustainability and productivity. As global food security takes on heightened importance, producers are tasked with facilitating a high quality, safe and reliable food supply. Livestock products represented approximately 29% of our revenue for the year ended December 31, 2025.

In addition, our CSS organization, which provides contract manufacturing services to third parties, and our human health diagnostics products, together represented approximately 1% of our total revenue for the year ended December 31, 2025.

On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets, and, as a result, our major product categories no longer include the category of medicated feed additives. See Notes to Consolidated Financial Statements— *Note 5. Acquisitions and Divestitures*.

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.

As part of our growth strategy, we focus on the discovery and development of new chemical, biopharmaceutical and biological entities, as well as product lifecycle innovation, primarily through our research and development (R&D) group. Historically, a substantial portion of our products and revenue has been the result of product lifecycle innovation where we actively work to broaden the value of existing products by developing new claims, extending to additional species, developing more convenient formulations, modifications and combinations, and by expanding usage into more countries. For example, the first product in our Simparica® (sarolaner) product line, a monthly oral chewable tablet to prevent fleas and ticks, was launched in February 2016. In 2020, we expanded the franchise with Simparica Trio®, which combines sarolaner with moxidectin and pyrantel, expanding the spectrum of protection for dogs to include fleas, ticks, heartworm and gastro-intestinal nematodes. Over the years we have generated significant lifecycle enhancements for these brands including claims for the prevention of flea tapeworm infections and prevention of infections with Borrelia burgdorferi which causes Lyme disease in dogs. The active ingredient in our Simparica products (sarolaner) is also utilized in our Revolution® Plus/Stronghold® Plus (selamectin/sarolaner) brands which are indicated for the treatment of fleas, ticks, ear mites, ear mites, lice and gastrointestinal worms and the prevention of heartworm disease in cats.

The following are examples of our first-in-class and/or best-in-class products that we have launched and products that we believe may represent platforms for future product lifecycle innovation (listed alphabetically):

- Apoquel®, the first Janus kinase inhibitor for use in veterinary medicine, was approved in 2013 for the control of pruritus associated with allergic dermatitis and the control of atopic dermatitis in dogs at least 12 months of age. Since January 2014, we have launched Apoquel in many key markets globally. In 2021, a chewable version of Apoquel was approved in the European Union (EU) and the United Kingdom (U.K.), and has since been approved in other key markets globally, including the U.S. in 2023 and China in 2024;
- Core EQ Innovator®, the first and only vaccine for horses to contain all five core equine disease antigens - West Nile, Eastern and Western Equine encephalomyelitis, tetanus and rabies - in one combination, was approved in the U.S. in 2018 and in Canada in 2019;

- Cytopoint®, the first canine monoclonal antibody (mAb) to help reduce the clinical signs of atopic dermatitis (such as itching) in dogs of any age, was licensed in the U.S. in 2016 (and was later granted an expanded indication to treat allergic dermatitis in 2018). The product has since been approved in many key markets globally. An injection given once every four to eight weeks, Cytopoint neutralizes interleukin-31, a protein that has been demonstrated to trigger itching in dogs;
- Dectomax®-CA1 Injectable, the first parasite control product for the prevention and treatment of New World screwworm myiasis in cattle, received conditional approval in the U.S. from the FDA in 2025;
- Fostera® PCV MH was introduced in November 2013 in the U.S. and has since been approved in many key markets globally. It was developed to help protect pigs from porcine circovirus-associated disease (PCVAD) and enzootic pneumonia caused by M. hyopneumoniae (M. hyo). Fostera Gold PCV MH, the only vaccine to contain two PCV2 genotypes and long-lasting M. hyo coverage, was approved in the U.S. and Canada in 2018 and has since been approved in many key markets globally. The Fostera/Suvaxyn® product line also includes Fostera/Suvaxyn PRRS, which was approved in the U.S. in 2015 and has since been approved in many key markets globally. This vaccine offers protection against both the respiratory and reproductive forms of disease caused by porcine reproductive and respiratory syndrome (PRRS) virus;
- Lenivia® (izenivetmab), the first and only long-acting injectable mAb therapy, with a three-month dosing interval, for the alleviation of osteoarthritis (OA) pain in dogs, was approved in the EU and Canada in 2025;
- Librela® (bedinvetmab), the first and only injectable mAb therapy for monthly alleviation of OA pain in dogs, was approved in the EU in 2020 and has since been approved in other key markets globally, including the U.S. in 2023;
- Portela® (relfovetmab), the first and only long-acting injectable mAb therapy, with a three-month dosing interval, for the alleviation of OA pain in cats, was approved in the EU and Canada in 2025;
- Poulvac® Procerta® HVT-ND, our first vector vaccine that helps protect against Marek's disease and Newcastle disease, highly contagious viral infections affecting poultry, was approved in the U.S. in 2019. In 2020, we expanded our line of recombinant vector vaccines with the launch of Poulvac Procerta HVT-IBD, which helps protect against Marek's disease and provides early protection against the contemporary infectious bursal disease (IBD) viruses. We have since expanded Poulvac Procerta HVT-ND into other key markets globally. In 2022, we further expanded our line of recombinant vector vaccines with the launch of Poulvac Procerta HVT-IBD-ND in the U.S., which is an advanced trivalent vector vaccine that delivers powerful early protection against Marek's disease, infectious bursal disease and Newcastle disease in one dose;
- ProHeart® 6 (moxidectin), a twice a year injection to prevent heartworm disease in dogs 6 months of age and older, was approved in the U.S. in 2001; In 2019, ProHeart® 12 (moxidectin), a once-yearly injection to prevent heartworm disease in dogs 12 months of age and older was approved in the U.S.;
- Protivity®, a modified-live bacterial vaccine that is effective in protecting healthy beef and dairy cattle against respiratory disease caused by Mycoplasma bovis (M. bovis), was approved in the U.S. and Canada in 2022, the EU and Mexico in 2023 and the U.K. in 2024;
- Revolution Plus/Stronghold Plus (selamectin/sarolaner), a topical combination product that treats ticks, fleas, ear mites, lice and gastrointestinal worms and prevents heartworm disease in cats, received EU approval in 2017 and has since been approved in other key markets globally, including the U.S., and since 2024 has received approval in key markets globally for new claims related to the treatment and control of lone star tick infestations, flea tapeworm and efficacy against notoedres mange, making it the only parasiticide for cats on the market to defend against four types of ticks;
- Simparica (sarolaner) Chewables, a monthly chewable tablet for dogs to control fleas and ticks, was approved in the EU in 2015, the U.S. in 2016 and has since been approved in other key markets globally. Simparica Trio, a triple combination parasiticide for dogs, was approved in the EU and Canada in 2019, the U.S. in 2020 and has since been approved in other key markets globally. In 2024, Simparica Chewables and Simparica Trio received U.S. approval for new claims related to the treatment and control of lone star tick infestations. In 2025, Simparica Trio received approval in key markets globally for a new label indication to prevent flea tapeworm infections by killing fleas in treated dogs. This product is a key internal lifecycle innovation that combines flea and tick treatment (sarolaner) with the prevention of heartworm disease and treatment of gastrointestinal parasites;
- Solensia® (frunevetmab), the first injectable mAb therapy for monthly alleviation of OA pain in cats, was approved in Switzerland in 2020 and has since been approved in other key markets globally, including the EU and the U.S.; and
- Vanguard®/Versican® is a market leading vaccine line for dogs intended to help prevent a range of diseases. Since 2016, Zoetis has added new and innovative enhancements to this product line in the U.S. and other key markets with Vanguard crLyme, Vanguard Rapid Resp Intranasal, Vanguard B Oral, Vanguard CIV H3N2/H3N8, Vanguard Recombishield™ and Versican Plus Bb Oral.

We pursue the development of new vaccines for emerging infectious diseases, with an operating philosophy of "first to know and fast to market." Examples of the successful execution of this strategy include the first SARS-CoV-2 (COVID-19) vaccine to help protect the health and well-being of more than 300 mammalian species living in zoos, aquariums, conservatories and other animal organizations around the world; the first equine vaccine for West Nile virus in the U.S. and EU; the first swine vaccine for pandemic H1N1 influenza virus in the U.S.; the first conditionally licensed vaccine against the pandemic H5N1 bird flu in the U.S. and EU, which we provided to the U.S. Department of Agriculture when it recommended our vaccine be used by the U.S. Fish and Wildlife Service to help protect California condors in 2023; a conditional license for our Avian Influenza, H5N2, Subtype 2 vaccine for use in chickens; a conditionally licensed vaccine to help fight porcine epidemic diarrhea virus (PEDv) in the U.S.; and the first conditionally licensed vaccine to help prevent the H3N2 type of canine influenza that emerged in the U.S.; and the first and only conditionally licensed vaccine for H5N2 in lactating dairy cattle when it spread from poultry to cattle. The H5N2 vaccine is now being used by the National Oceanic and Atmospheric Administration to help protect endangered Hawaiian monk seals. Because approximately 60% of infectious diseases in humans originate in animals (according to Centers for Disease Control and Prevention), we take a "One Health" approach; vaccinating animals can help contain emerging infectious diseases and limit spread to other species, including humans. Since 2020, the company has partnered with Colorado State University to increase our understanding of the potential use of immunomodulators in livestock that could reduce the need for antibiotics, as well as advance our understanding of the biology of key diseases affecting companion animals, which could lead to new therapies that

can treat chronic health conditions in pets. In 2024, the company started a collaboration with Blacksmith Medicines to discover and develop novel antibiotics for animal health and provide new options for our customers to treat life-threatening infections in livestock.

Additionally, the Pharmaq business of Zoetis is the global leader in vaccines and innovation for aquatic health products. By preventing and treating diseases, we believe these products contribute to an increase in animal welfare and an improvement in food safety while lessening the burden on the environment.

Zoetis enhanced the portfolio of its diagnostic products with the acquisition in 2018 of Abaxis, Inc. (Abaxis), a leading provider of veterinary point-of-care diagnostic instruments, including the Vetscan® portfolio of benchtop and handheld diagnostic instruments and consumables. In 2023, the company enhanced its Vetscan Imagyst® platform by adding artificial intelligence (AI) dermatology and AI fecal for equine, which uses a combination of image recognition technology, algorithms and cloud-based AI to deliver rapid testing results to veterinary clinics. In 2024, the company added AI urine sediment analysis to the Vetscan Imagyst platform and launched Vetscan OptiCell™ a cartridge-based, AI powered hematology analyzer that provides advanced Complete Blood Count (CBC) analysis. In 2025, the company added AI Masses, which detects potentially neoplastic cells, to the Vetscan Imagyst platform. As Zoetis continues to develop additional innovative applications for Vetscan Imagyst, it plans to seamlessly integrate even more new capabilities into the platform, helping veterinarians provide the best possible care for animals.

In 2022, the company completed the acquisition of Jurox, an animal health company based in Australia, which brings the company a range of companion animal and livestock products and provides the company with future growth opportunities, manufacturing capacity and increased capabilities in Australia. Also in 2022, the company acquired Basepaws, a petcare genetics company that provides pet owners with genetic tests, analytics and early health risk assessments, which help pet owners and veterinarians understand an individual pet's risk for disease and helps Zoetis identify solutions to complex diseases by informing our research and innovation.

In 2023, the company completed the acquisition of PetMedix Ltd, a privately held research and development stage animal health biopharmaceutical company based in the U.K., which develops antibody-based therapeutics for companion animals. Also in 2023, the company completed the acquisition of adivo GmbH, a privately held research and development stage animal health biopharmaceutical company based in Germany.

In 2025, the company acquired Veterinary Pathology Group, a leading veterinary diagnostic laboratory group with multiple locations across the U.K. and Ireland.

In 2025, our two top-selling products and product lines, Simparica/Simparica Trio and Apoquel/Apoquel Chewable, contributed approximately 16% and 12%, respectively, of our revenue. Combined with our next three top-selling products and product lines, Cytopoint, Librela and our ceftiofur line, these five products and product lines contributed approximately 42% of our revenue. In 2025, our ten top-selling products and product lines contributed approximately 57% of our revenue.

Our products and product lines that represented approximately 1% or more of our revenue in 2025, which together comprised approximately 71% of our total revenue, are as follows (listed alphabetically by product category):

Companion animal products

Product / product line	Description	Primary species
Vaccines		
Vanguard® / Versican® line	Includes various individual and combination vaccines protecting against certain viral and bacterial diseases, including leptospirosis, Bordetella, influenza and parainfluenza, adenovirus, distemper, parvovirus and Lyme disease	Dogs
Anti-infectives		
Clavamox® / Synulox®	A broad-spectrum antibiotic approved for use in dogs and cats; available in both chewable tablets and drop form	Cats, dogs
Convenia®	Injectable anti-infective for the treatment of common bacterial skin infections	Cats, dogs
Parasiticides		
ProHeart®	An injection to prevent heartworm infestation given either annually or semi-annually based on formulation; also for treatment of existing larval and adult hookworm infections	Dogs
Revolution® / Revolution® Plus / Stronghold® / Stronghold® Plus	Revolution/Stronghold is a monthly topical antiparasitic for protection against fleas, lice, heartworm disease and ear mites in cats and dogs; sarcoptic mites and American dog tick in dogs and roundworms and hookworms for cats; Revolution Plus/Stronghold Plus, also a monthly topical solution, protects against fleas, lice, heartworm disease, ticks and ear mites and roundworms in cats	Cats, dogs
Simparica®/ Simparica Trio®	Simparica is a monthly chewable tablet for dogs to control fleas and ticks; Simparica Trio, also a monthly chewable tablet, is a triple combination parasiticide that delivers all-in-one protection from fleas and ticks, as well as heartworm disease, roundworms and hookworms	Dogs
Other Pharmaceutical		
Cerenia®	A medication that prevents and treats acute vomiting in dogs, treats acute vomiting in cats and prevents vomiting due to motion sickness in dogs; available in injectable or tablet form	Cats, dogs
Pain and Sedation		
Librela®	An injectable monthly antibody therapy to alleviate osteoarthritis pain in dogs	Dogs
Rimadyl®	For the relief of pain and inflammation associated with osteoarthritis and for the control of postoperative pain associated with soft tissue and orthopedic surgeries	Dogs
Solensia®	An injectable monthly antibody therapy to alleviate osteoarthritis pain in cats	Cats
Dermatology		
Apoquel® / Apoquel® Chewable	A selective inhibitor of the Janus Kinase 1 enzyme that controls pruritus associated with allergic dermatitis and control of atopic dermatitis in dogs at least 12 months of age; available in both tablet and chewable form	Dogs
Cytopoint®	An injectable to help reduce the clinical signs such as itching of atopic dermatitis in dogs of any age	Dogs
Animal Health Diagnostics		
Vetscan® Chemistry Analyzer	A benchtop diagnostic instrument with a test menu including chemistry, electrolytes, acid-base and immunoassay tests, and associated consumables	Cats, dogs

Livestock products

Product / product line	Description	Primary species
Vaccines		
Fostera® / Suvaxyn® line	Family of swine vaccines to prevent or control diseases associated with major pathogens such as Porcine Circovirus type 2 (PCV2), Porcine Reproductive and Respiratory Syndrome virus (PRRSv) and Mycoplasma hyopneumoniae (*M. hyo*), depending on formulation	Swine
Improvac® / Improvest® / Vivax®	Reduces boar taint, as an alternative to surgical castration and suppression of estrus in gilts	Swine
Poulvac® line	Family of poultry vaccines protecting against certain viral and bacterial, including E. coli, Salmonella, Marek's disease, infections bursal disease (IBD), Newcastle disease (ND), and infectious bronchitis virus and Avian Influenza virus, depending on formulation	Poultry
Rispoval® / Bovi-Shield® line	Family of cattle vaccines protecting against a variety of key respiratory and reproductive diseases, including infectious bovine rhinotracheitis (IBR), bovine viral diarrhea (BVD), parainfluenza 3 (PI3), bovine respiratory syncytial virus (BRSV), and leptosirosis, depending on formulation	Cattle
Anti-infectives		
Ceftiofur line	An injectable broad-spectrum cephalosporin antibiotic active against gram-positive and gram-negative bacteria, including ß-lactamase-producing strains; includes Excede®, Excenel® RTU EZ and Naxcel®. Also includes Spectramast® for the treatment of subclinical or clinical mastitis in dry or lactating dairy cattle, delivered via intramammary infusion	Cattle, sheep, swine
Draxxin® / Draxxin® KP	An injectable antibiotic for the treatment and prevention of bovine and swine respiratory disease, infectious bovine keratoconjunctivitis and bovine foot rot. This product line also includes Draxxin KP/Draxxin Plus, which combines the antimicrobial properties of Draxxin with the anti-inflammatory, analgesic and antipyretic properties of the non-steroidal Ketoprofen to rapidly reduce fever	Cattle, sheep, swine
Parasiticides		
Dectomax®	An injectable or pour-on endectocide, characterized by extended duration of activity, for the treatment and control of internal and external parasite infections	Cattle, swine

International Operations

We directly market our products in approximately 45 countries across North America, Europe, Africa, Asia, Australia and South America, and our products are sold in more than 100 countries. Operations outside the U.S. accounted for 45% of our total revenue for the year ended December 31, 2025.

Our international businesses are subject, in varying degrees, to a number of risks inherent in carrying on business in other countries. These include, among other things, currency fluctuations, capital and exchange control regulations, expropriation and other restrictive government actions. See *Item 1A. Risk Factors— Risks related to operating in foreign jurisdictions*.

Sales and Marketing

Our sales organization includes sales representatives and technical and veterinary operations specialists. We also contract with distributors that provide logistics and sales and marketing support for many of our products. In regions where we do not maintain a direct commercial presence, we rely solely on distributors for these services.

Our sales representatives visit our customers, including veterinarians and livestock producers, to provide information and to promote and sell our products and services. Our technical and veterinary operations specialists, who generally have advanced veterinary medicine degrees, provide scientific consulting focused on disease management and herd management, training and education on many topics, including responsible product use. These direct relationships with customers allow us to understand the needs of our customers. Additionally, our sales representatives and technical and veterinary operations specialists partner with customers to provide training and support in areas of disease awareness and treatment protocols, including the use of our products. As a result of these relationships, our sales and consulting visits are typically longer, more meaningful and provide us with better access to customer decision makers as compared to those in human health. In certain markets, including the U.S., pet owners are taking a more active role in product purchasing decisions, and as a result we are increasingly investing in direct-to-consumer marketing efforts. As of December 31, 2025, our sales organization consisted of approximately 3,900 employees.

Our companion animal and livestock products are primarily available by prescription through a veterinarian. In certain markets, we also sell certain products through retail and e-commerce outlets. We also market our products by advertising to veterinarians, pet owners and livestock producers.

Customers

We primarily sell our companion animal products to veterinarians or to third-party veterinary distributors that typically then sell our products to veterinarians, and in each case veterinarians then typically sell our products to pet owners. In certain markets, we also sell companion animal products through retail, including pharmacies, and e-commerce outlets. We sell our livestock products primarily to veterinarians and livestock producers, including beef and dairy farmers as well as pork and poultry operators, in addition to third-party veterinary distributors and retail outlets, who then typically sell the products to livestock producers. Sales to our largest customer, a U.S. veterinary distributor, represented approximately 16% of total revenue for 2025.

Research and Development

Our R&D operations are comprised of a dedicated veterinary medicine R&D organization, external alliances and other operations focused on the development, registration and regulatory maintenance of our products. In addition, we have R&D operations focused on diagnostics, devices, data, digital and other technological innovation. We incurred R&D expenses of $698 million in 2025, $686 million in 2024 and $614 million in 2023.

Our R&D efforts are comprised of more than 300 programs and reflect our commitment to develop solutions for unmet needs and advance the current standards of care. We create new insights for predicting, preventing, detecting and treating health conditions that result in the development of new platforms of knowledge which become the basis for continuous innovation. Leveraging internal discoveries, complemented by external research collaborations, results in the delivery of novel vaccine, pharmaceutical, biopharmaceutical, biodevice and diagnostic products and services to help our customers face their toughest challenges. While the development of new chemical, biopharmaceutical and biological entities through new product R&D plays a critical role in our growth strategies, a significant share of our R&D investment (including regulatory functions) is focused on product lifecycle innovation. A commitment to continuous innovation, based on customer need, ensures we actively work to broaden the value of existing products by developing claims in additional species, more convenient formulations, routes of administration and combinations, and by expanding usage into more countries. We also create opportunities by integrating product offerings to optimize solutions based on the totality of customer need.

We prioritize our R&D spending on an annual basis with the goal of aligning our research and business objectives, and do not disaggregate our R&D operations by research stage or by therapeutic area for purposes of managing our business. We make our strategic investments in R&D based on four criteria: strategic fit and importance to our current portfolio; technical feasibility of development and manufacture; return on investment; and the needs of customers and the market. A centralized portfolio management function links development plans with financial systems to build a comprehensive view of the status of project progression and spend. This view facilitates our ability to set targets for project timing and goals for investment efficiency. The allocation of our R&D investment between product lifecycle innovation and new product development, in addition to our ability to leverage the discoveries of our existing R&D and other industries, supports a cost-effective, efficient, sustainable and relatively predictable R&D process.

We regularly enter into agreements with external parties that enable us to collaborate on research programs or gain access to substrates and technologies (such as new devices). Some of our external partnerships involve funding from a non-governmental organization or a government grant. We are generally responsible for providing technical direction and supplemental expertise for, as well as investment in, such external partnerships. Depending on the nature of the agreement, we may act as the commercialization partner for discoveries that originate during the period of collaborative research, or we may own or have exclusive rights to any intellectual property that enables the development of proprietary products or models.

As of December 31, 2025, we employed approximately 1,700 employees in our global R&D operations. Our R&D headquarters is located in Kalamazoo, Michigan. We have R&D operations co-located with manufacturing sites in Rutherford, Australia; Louvain-la-Neuve, Belgium; Campinas, Brazil; Suzhou, China; Olot, Spain; and in the following U.S. locations: Charles City, Iowa; Kalamazoo, Michigan; Durham, North Carolina; and Lincoln, Nebraska. We co-locate R&D operations with manufacturing sites to facilitate the efficient transfer of production processes from our laboratories to manufacturing. In addition, we maintain R&D operations in Sydney, Australia; Zaventem, Belgium; Beijing, China; Puchheim, Germany; Thane, India; Oslo, Norway; Hong Ngu, Vietnam; Con Tho, Vietnam; Cambridge, U.K.; and Fort Collins, Colorado, U.S. Each site is designed to meet the regulatory requirements for working with chemical or infectious disease agents, as appropriate.

Manufacturing and Supply Chain

Our products are manufactured at sites operated by us and sites operated by third-party contract manufacturing organizations, which we refer to as CMOs. We have a global manufacturing network of 21 sites operated by us.

Our global manufacturing network is comprised of the following sites:

Site	Location	Site	Location
Buellton	California, U.S.	Overhalla	Norway
Campinas	Brazil	Rathdrum	Ireland
Catania	Italy	Rutherford	Australia
Charles City	Iowa, U.S.	San Diego	California, U.S.
Durham	North Carolina, U.S.	Suzhou	China
Kalamazoo	Michigan, U.S.	Tallaght	Ireland
Klofta	Norway	Tullamore	Ireland
Lincoln	Nebraska, U.S.	Union City	California, U.S.
Louvain-la-Neuve	Belgium	Wellington	New Zealand
Melbourne	Australia	White Hall	Illinois, U.S.
Olot	Spain		

We own the majority of these sites, with the exception of our facilities in Buellton, California (U.S.), Durham, North Carolina (U.S.), Klofta (Norway), Melbourne (Australia), San Diego, California (U.S.), and Union City, California (U.S.), which are leased sites. In addition, a portion of our facilities in Tullamore (Ireland) is leased.

We regularly evaluate the adequacy of our manufacturing capabilities. We are currently in the process of expanding these capabilities at certain existing sites. Additionally, we purchased a manufacturing site outside Atlanta, Georgia in 2023, where we plan to begin commercial production in the future.

Our global manufacturing and supply chain is supported by a network of CMOs. As of December 31, 2025, this network was comprised of over 90 CMOs, including those centrally-managed as well as locally-managed CMOs.

We select CMOs based on several factors: (i) their ability to reliably supply products or materials that meet our quality standards at an optimized cost; (ii) their access to niche products and technologies; (iii) capacity; and (iv) financial efficiency analyses. Our regional and global manufacturing teams seek to ensure that all of the CMOs we use adhere to our standards of manufacturing quality.

We purchase certain raw materials necessary for the commercial production of our products from a variety of third-party suppliers. We utilize logistics service providers as a part of our global supply chain, primarily for shipping and logistics support.

We intend to continue our efficiency improvement programs in our manufacturing and supply chain organization, including Six Sigma and Lean capabilities, which are processes intended to improve manufacturing efficiency. We have strong globally managed and coordinated quality control and quality assurance programs in place at our global manufacturing network sites, and we regularly inspect and audit our global manufacturing network and CMO sites.

Competition

Although our business is the largest based on revenue in the animal health industry (which includes medicines, vaccines and diagnostics), we face competition in the regions in which we compete. Principal drivers of competition vary depending on the particular region, species, product category and individual product, and include new product development, quality, price, service and promotion to veterinary professionals, pet owners and livestock producers.

Our primary competitors include animal health medicines, vaccines and diagnostic companies such as Boehringer Ingelheim Animal Health Inc., the animal health division of Boehringer Ingelheim GmbH; Merck Animal Health, the animal health division of Merck & Co., Inc.; Elanco Animal Health; and IDEXX Laboratories. There are also a number of mid-sized competitors in both companion animal and livestock, and further start-ups with narrower focuses working in the animal health area. In addition, we compete with hundreds of other producers of animal health products throughout the world.

The level of competition from generic products varies from market to market. Unlike in the human health market, there is no large, well-capitalized company focused on generic animal health products that exists as a global competitor in the industry. Historically, the reasons for this include the relatively smaller average market size of each product opportunity, the importance of direct distribution and education to veterinarians and livestock producers and the primarily self-pay nature of the business. In addition, companion animal health products are often directly prescribed and dispensed by veterinarians. Nonetheless, we continue to face increased competition from generic products and lower cost alternatives. For more information regarding the generic competition we have and expect to encounter as patents on certain of our key products expire, see *Item 1. Business - Intellectual Property*.

The importance of quality and safety concerns to veterinarians, pet owners and livestock producers also contributes to animal health brand loyalty. As a result, we believe that significant brand loyalty to products often continues after the loss of patent-based and regulatory exclusivity.

Intellectual Property

Our technology, brand, and other intellectual property are important elements of our business. We rely on patent, trademark, copyright, design and trade secret laws, as well as regulatory exclusivity periods and non-disclosure agreements to protect our intellectual property rights. Our policy is to vigorously protect, enforce and defend our rights to our intellectual property, as appropriate.

Our product portfolio enjoys the protection of more than 5,500 granted patents and 1,600 pending patent applications, filed in over 50 countries, with a focus on our major markets, including Australia, Brazil, Canada, China, Europe, Japan and the U.S., as well as other countries with strong patent systems. Many of the patents and patent applications in our portfolio are the result of our in-house research and development, while other patents and patent applications in our portfolio were wholly or partially developed by third parties and were acquired by or are licensed to Zoetis.

Patents for individual products expire at different times based on the date of the patent filing (or sometimes the date of patent grant) and the legal term of patents in the countries where such patents are obtained. Below is a summary of our recent and upcoming key patent expirations.

- Patents relating to the active ingredient (tulathromycin) and formulation of Draxxin have expired. Generic or other competing tulathromycin products are now marketed in most major markets as well as in many smaller markets. Additional marketing authorizations for generic tulathromycin products may be granted in various markets in the future. Sales of Draxxin have been negatively affected by generic competition in the markets where the patents have expired.
- All patents relating to the active ingredient of Excede/Naxcel (ceftiofur crystalline free acid) have expired. The patents covering the commercial formulation of Excede in Japan and Brazil extend to September 2026 and August 2027, respectively, but the corresponding patents in the U.S., Europe, Canada and Australia have expired. Generic versions of Excede have entered the market in Brazil, Mexico and Russia.
- The patent for the active ingredient of Cerenia has expired in all countries and the remaining formulation patents relevant to the injectable product line expire between 2025 and 2028. Generic versions of Cerenia injectable have been registered and marketed in Europe, Canada and Australia and one generic version of Cerenia injectable has been approved in the U.S.

Zoetis typically enforces its patents vigorously as appropriate globally, including by filing infringement claims against other parties and by defending claims it receives from third parties.

Additionally, many of our vaccine products are based on proprietary master seeds and proprietary or patented adjuvant formulations. We actively seek to protect our proprietary information, including our trade secrets and proprietary know-how, by seeking to require our employees, consultants, advisors and partners to enter into confidentiality agreements and other arrangements upon the commencement of their employment or engagement.

We seek to file and maintain trademarks around the world based on commercial activities in most regions where we have, or desire to have, a business presence for a particular product or service. We currently maintain more than 10,000 trademark applications and registrations in our market countries, identifying products and services dedicated to the care of companion animals and livestock.

Regulatory

The sale of animal health products is governed by the laws and regulations specific to each jurisdiction in which we market our products. To maintain compliance with these regulatory requirements, we have established processes, systems, and dedicated resources with end-to-end involvement from product concept to launch and maintenance in the market. Our regulatory function actively engages in dialogue with various global agencies regarding their requirements, policies, and guidance documents that relate to animal health products.

United States

United States Food and Drug Administration (FDA). The regulatory body that is responsible for the regulation of animal health pharmaceuticals in the U.S. is the Center for Veterinary Medicine (CVM), housed within the FDA. Generally, manufacturers of animal health pharmaceuticals must show their products to be safe, effective and produced by a consistent method of manufacture as defined under the Federal Food, Drug and Cosmetic Act. The FDA's basis for approving an animal drug application is documented in a Freedom of Information (FOI) Summary. Post-approval monitoring of products is required by law, with reports being provided to CVM's Office of Surveillance and Compliance. Reports of product quality defects, adverse events or unexpected results are submitted in accordance with the legal and agency requirements.

CVM also has regulatory oversight of medical devices (including certain *in vitro* diagnostics) intended for animal use and can take appropriate regulatory action if an animal device is misbranded or adulterated. Importantly, however, CVM exercises enforcement discretion and does not require pre-market review of animal medical devices. Animal medical device labeling should not be false or misleading, and such products must be adequately labeled for their intended use(s). But, there is no specific FDA regulation reflecting such requirements at this time.

As a result of our acquisition of Abaxis, our product portfolio includes human medical devices, specifically human *in vitro* diagnostics, which are subject to regulation in the U.S. by the FDA's Center for Devices and Radiological Health (CDRH) under the Federal Food, Drug, and Cosmetic Act and its implementing medical device regulations (21 CFR Chapter I, Subchapter H), including the Quality Management System Regulation, and the Center for Medicaid & Medicare Services (CMS) under the Clinical Laboratory Improvement Amendments of 1988 and its implementing regulations (42 CFR Part 493). Post-market surveillance is required, with reports provided to the FDA in accordance with agency requirements.

United States Department of Agriculture (USDA). The regulatory body in the U.S. for veterinary biological products is the USDA. The USDA's Center for Veterinary Biologics (CVB) is responsible for the regulation of animal health vaccines, including certain immunotherapeutics and certain diagnostic products. In December 2024, the CVB and CVM published a charter that details how the two agencies work together to determine the appropriate agency to regulate the small number of animal biologicals for which jurisdiction may be unclear. This is in addition to a 2013 Memorandum of Understanding (MOU) that outlines which animal biologicals each agency would regulate.

Manufacturers of animal health biological products must show their products to be pure, safe, effective and produced by a consistent method of manufacture as defined under the Virus-Serum-Toxin Act (VSTA) and its implementing regulations (9 CFR Chapter I, Subchapter E). Post-license monitoring of products is required. Reports of product quality defects, adverse events or unexpected results are submitted in accordance with agency requirements.

Environmental Protection Agency (EPA). The main regulatory body in the U.S. for veterinary pesticides is the EPA. The EPA's Office of Pesticide Programs is responsible for the regulation of pesticide products applied topically to animals. The EPA and FDA determine regulatory oversight of pesticides and animal drugs based on an MOU between the two agencies signed in 1971 and revised in 1973. In February 2023, the EPA and FDA released a whitepaper that outlined potential approaches for updating the agencies' oversight of such animal health products.

Currently, manufacturers of animal health pesticides must show their products, when used according to specifications, will not cause “unreasonable adverse effects to man or the environment” as stated in the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and its implementing regulations. Within the U.S., pesticide products that are registered by the EPA (including review and approval of product labeling) must also be registered by individual state pesticide authorities before distribution in that state. Post-approval monitoring of products is required, with reports provided to the EPA and some state regulatory agencies.

Anti Bribery, Anti Corruption. The U.S. Foreign Corrupt Practices Act (FCPA) prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate to obtain or retain business abroad. The scope of the FCPA includes interactions with certain animal healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and/or regulations.

Foreign Trade Controls. Zoetis is also subject to foreign trade controls administered by certain U.S. government agencies, including the Bureau of Industry and Security within the Commerce Department, Customs and Border Protection within the Department of Homeland Security and the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC). As a global animal health company, we conduct business in multiple jurisdictions throughout the world. This includes supplying medicines and medical products for use in, and the shipment of goods to, Iran and Russia, and conducting related activities, in accordance with a general license and specific licenses issued by OFAC and EU Member States and in line with our corporate policies.

Outside the United States / Global

EU. The European Medicines Agency (EMA) is the centralized medicines regulatory agency of the EU. The agency is responsible for the scientific evaluation of medicines developed by healthcare companies seeking centralized approval for use in the EU. The agency has a distinct veterinary review section. The Committee for Veterinary Medicinal Products (CVMP) is responsible for scientific and technical review of the submissions for innovative pharmaceuticals, biopharmaceuticals and vaccines. After the CVMP issues a positive opinion on the approvability of a product, the European Commission reviews the opinion and, if they agree with the CVMP, they grant the product market authorization. Once granted by the European Commission, a centralized marketing authorization is valid in all EU and European Economic Area-European Free Trade Association

states. The centralized procedure is mandatory for certain types of products, such as those developed by means of recombinant DNA technology or novel therapeutic veterinary medicinal products. Products (other than those covered by the mandatory scope of the centralized procedure) can also be registered in the EU via the decentralized or the mutual recognition routes under the supervision of the Co-ordination Group for Mutual Recognition and Decentralized Procedures for Veterinary Medicinal Products (CMDv). This co-ordination group is composed of one representative per member state from each national regulatory agency, including Norway, Iceland and Liechtenstein. A series of Regulations (including the Veterinary Medicinal Products Regulation (Regulation (EU) 2019/6)), Directives, Guidelines and EU Pharmacopeia Monographs provide the requirements for product approval in the EU. In general, these requirements are similar to those in the U.S., requiring demonstrated evidence of, safety, efficacy, and quality/consistency of manufacturing processes. We are also subject to the EU General Data Protection Regulation (GDPR) that requires us to meet enhanced requirements regarding the handling of personal data, including its use, protection and the rights of data subjects to request correction or deletion of their personal data.

Currently, there is no EU-specific Regulation regarding veterinary medical devices or veterinary *in vitro* diagnostics. In Europe, such animal health products are reviewed by national agencies based on national requirements, where such requirements exist. The EU-specific regulation regarding human *in vitro* diagnostics is the *In Vitro* Diagnostic Medical Devices Regulation (Regulation (EU) 2017/746) (IVDR).

United Kingdom. The making, updating and enforcing of U.K. legislation for veterinary medicinal products is the responsibility of the U.K.'s Veterinary Medicines Directorate (VMD).

China. The Ministry of Agriculture and Rural Affairs (MARA), a ministerial-level component of the State Council, drafts and implements policies related to agriculture, rural areas and rural residents, and regulates crop farming, animal husbandry, fisheries, agriculture mechanization and the quality of agriculture products. MARA is also the regulatory body responsible for the regulation and supervision of pharmaceuticals and biologicals for animal use. Regulatory requirements in China have become increasingly stringent, with MARA issuing new regulations and changes to the regulatory review process.

Brazil. The Ministry of Agriculture, Livestock and Food Supply (MAPA) is the regulatory body in Brazil that is responsible for the regulation and control of pharmaceuticals, biologicals and medicated feed additives for animal use. MAPA's regulatory activities are conducted through the Secretary of Agricultural Defense and its Livestock Products Inspection Department. In addition, regulatory activities are conducted at a local level through the Federal Agriculture Superintendence. These activities include the inspection and licensing of both manufacturing and commercial establishments for veterinary products, as well as the submission, review and approval of pharmaceuticals, biologicals, and medicated feed additives. MAPA is one of the most active regulatory agencies in Latin America, having permanent seats at several international animal health forums, such as Codex Alimentarius, World Organization for Animal Health and Committee of Veterinary Medicines for the Americas. MAPA was also invited to be a Latin American representative at meetings of the International Cooperation on Harmonisation of Technical Requirements for Registration of Veterinary Medicinal Products (VICH). Several normative instructions issued by MAPA have set regulatory trends in Latin America.

Australia. The Australian Pesticides and Veterinary Medicines Authority (APVMA) is an Australian government statutory authority established in 1993 to centralize the registration of all agricultural and veterinary products for the Australian marketplace. Previously each State and Territory government had its own system of registration. The APVMA assesses applications from companies and individuals seeking registration or a permit so they can supply their product to the marketplace. Applications undergo rigorous assessment using the expertise of the APVMA's scientific staff and drawing on the technical knowledge of other relevant scientific organizations, Commonwealth government departments and state agriculture departments. If the product works as intended and the scientific data confirms that when used as directed on the product label it will have no harmful or unintended effects on people, animals, the environment or international trade, the APVMA will register the product. As well as registering new agricultural and veterinary products, the APVMA receives and reviews adverse event information which may be submitted by registrants or members of the public. The APVMA also reviews registered products when particular concerns are raised about their safety and effectiveness. The review of a product may result in confirmation of its registration, or it may see registration continue with some changes to the way the product can be used. In some cases the review may result in the registration of a product being canceled and the product taken off the market.

Rest of world. Jurisdiction-specific regulatory laws may have provisions that include requirements for certain labeling, safety, efficacy, and manufacturers' quality control procedures (to assure the consistency of the products), as well as company records and reports. In certain regions and jurisdictions, regulatory agencies may generally refer to the FDA, USDA, EMA and other international animal health entities, including the World Organisation for Animal Health and Codex Alimentarius, in establishing standards or regulations for veterinary pharmaceuticals, immunotherapies and vaccines.

Advertising and promotion review. Promotion of regulated animal health products is controlled by laws and regulations in many jurisdictions. These laws and rules generally restrict advertising and promotion to those product claims and uses that have been reviewed and endorsed by the applicable regulatory agency. We conduct a review of promotional materials for compliance with the local and regional requirements in the markets where we sell animal health products.

Data Privacy and Protection Laws. Our business involves the collection, use, and processing of personal data from our customers. The global privacy landscape is rapidly evolving, with countries where we operate introducing and enforcing new privacy and data protection laws and regulations. Compliance with these laws is costly, complex and requires continuous updates to our privacy practices, systems, policies, training and monitoring. Failure to comply with these laws could result in litigation, significant fines, penalties and reputational damage, as well as restrictions on certain activities.

We collect and process personal information of our employees worldwide, which includes sensitive data such as health information, financial data and personal identifiers. We must comply with local labor and data protection laws concerning the privacy of employee information. In some jurisdictions, employee privacy protections are stricter, and any failure to comply with such laws could result in penalties, litigation or damage to our employer brand. Any changes to international data transfer mechanisms, including the invalidation of established frameworks or imposition of new restrictions, could disrupt our ability to transfer data and impede our business operations. See *Item 1A. Risk Factors--Risks related to legal matters and regulation--Our operations and reputation may be impacted if we do not comply with complex and continually evolving laws and regulations regarding data privacy, processing, and security and the use of AI.*

We are also subject to an increasingly complex and growing number of laws, regulations, and directive governing cybersecurity, data security, and the protection of information systems. These requirements apply across multiple jurisdictions in the U.S. and internationally. Compliance with these cybersecurity and data security laws and regulations require us to implement and continually enhance technical, administrative and organizational controls, conduct risk assessments and audits, maintain incident detection and response capabilities and provide training and oversight. These requirements may increase operating and compliance costs and require significant investment in systems and technology. Given the evolving and sometimes ambiguous standards in this area, there is a risk that we may not be able to anticipate or fully comply with all applicable requirements. In addition, cybersecurity incidents could result in unauthorized access and disclosure of sensitive or confidential information which could lead to regulatory enforcement and materially and adversely affect our business, financials, business operations, and reputation.

Artificial Intelligence Laws. Our business involves using AI to provide faster, more accurate in-clinic diagnostic results and improve research efficiency and accelerated animal health drug discovery. We also incorporate (and expect to continue incorporating) the use of AI in our operations. We are increasingly subject to a rapidly evolving legal and regulatory environment relating to the development, deployment, and use of AI, machine learning, automated decision-making systems, and related technologies. Governments and regulators in the US and internationally are considering adopting and implementing new laws, regulations, and standards governing AI, including with respect to cybersecurity, intellectual property, consumer protection, privacy, safety, and ethical use. Compliance with existing and future AI-related laws may require us to modify services and internal processes, data practices, and governance framework, and may increase our costs, reduce operational flexibility, delay, limit, and restrict certain uses of AI. See I*tem 1A. Risk Factors--We use machine learning and AI in various business operations, and inability to successfully monitor and manage its use could result in operational, competitive or reputational harm, regulatory enforcement, and legal liability.*

Global policy and guidance

Joint FAO/WHO Expert Committee on Food Additives (JECFA). The Joint FAO/WHO Expert Committee on Food Additives is an international expert scientific committee that is administered jointly by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO). The JECFA provides a risk assessment/safety evaluation of residues of veterinary drugs in animal products, exposure and residue definition and maximum residue limit proposals for veterinary drugs. We work with them to establish acceptable safe levels of residual product in food-producing animals after treatment. This in turn enables the calculation of appropriate withdrawal times for our products prior to an animal entering the food chain.

International Cooperation on Harmonisation of Technical Requirements for Registration of Veterinary Medicinal Products (VICH). VICH is a trilateral (EU-Japan-USA) program aimed at harmonizing technical requirements for veterinary product registration. The objectives of the VICH are as follows:

- Establish and implement harmonized technical requirements for the registration of veterinary medicinal products in the VICH regions, which meet high quality, safety and efficacy standards and minimize the use of test animals and costs of product development.
- Provide a basis for wider international harmonization of registration requirements through the VICH Outreach Forum.
- Monitor and maintain existing VICH guidelines, taking particular note of the VICH work program and, where necessary, update these VICH guidelines.
- Ensure efficient processes for maintaining and monitoring consistent interpretation of data requirements following the implementation of VICH guidelines.
- By means of a constructive dialogue between regulatory authorities and industry, provide technical guidance enabling response to significant emerging global issues and science that impact regulatory requirements within the VICH regions.

Human Capital Management

As of December 31, 2025, we had approximately 14,500 employees worldwide, which included approximately 6,800 employees in the U.S. and approximately 7,700 in other jurisdictions. We view the strength of our leadership team and our talented colleagues around the world as critical components of our past and future success. We remain committed to being a company our colleagues can be proud of and one where they can thrive. We achieve this by attracting, retaining and developing the best talent in the industry through our focus on workplace culture and engagement, inclusion, talent recruitment, development and retention, benefits and compensation, and employee well-being, health and safety. The Human Resources Committee of our Board of Directors is responsible for overseeing talent development, employee engagement programs and policies, and the Quality and Innovation Committee regularly reviews employee health and safety metrics.

Some of our employees are members of unions, works councils, trade associations or are otherwise subject to collective bargaining agreements in particular jurisdictions, including a small number of employees in the U.S.

Workplace Culture and Employee Engagement

We have established the following Core Beliefs that are the foundation of the commitments we make to each other, our customers and our stakeholders every day:

- Our Colleagues Make the Difference
- Always Do the Right Thing
- Customer Obsessed
- Run It Like You Own It
- We are One Zoetis

We value responsibility and integrity. Our Code of Conduct contains general guidelines for conducting business with the highest ethical standards. We are committed to an environment where open, honest communications are the expectation, not the exception. We have an Open Door Policy where colleagues are encouraged to present ideas, concerns, questions, issues or suggestions directly to any level of leadership within Zoetis, without fear of retaliation.

We assess colleague engagement and key drivers enabling organizational performance by regularly conducting employee engagement surveys. Our engagement rate, as measured by favorable responses to qualitative questions about alignment with Zoetis objectives and employment with Zoetis, was 87% in 2025. We are proud to continue to have an engagement rate in the high eighties for the last five years. Insights from the Company's engagement survey are used to develop both company-wide and business function level organizational and talent development plans.

We strive to create an environment where colleagues feel valued and cared for, as well as understand the important role we play in embracing diverse perspectives to improve the quality of our innovation, collaboration and relationships. We offer eight Colleague Resource Groups, which are open to all colleagues and serve as an important catalyst to fostering an inclusive environment, while positively impacting our business and community.

Talent Recruitment, Development and Retention

We employ a variety of career development, employee benefits, policies and compensation programs designed to attract, develop and retain our colleagues. Employee benefits and policies are designed for a variety of needs including generous parental leave policies and expanded adoption, fertility and surrogacy benefits for all colleagues equitably. We have internal programs designed to develop and retain talent, including a talent development portal, mentoring programs, career planning resources, leadership development programs, and performance management and training programs. In particular, our R&D team recruits scientists and research and development personnel from universities and scientific associations and forums and leverages a variety of R&D-specific talent tools. Our global voluntary attrition rate decreased to 7% in 2025 from 8% in 2024.

Compensation and Benefits

We strive to support our colleagues' well-being and enable them to achieve their best. Our compensation and benefits programs are designed to support colleague well-being including physical and mental health, financial wellness, and family and lifestyle resources. We recognize the needs of our colleagues around the world and have developed comprehensive programs that vary by country and region to best address them. In the U.S., these benefits include flexible work arrangements, educational assistance, mental health support, pet care benefits, and inclusive family-friendly benefits like fully paid parental leave, including for adoptions, parents of all genders and same sex partners, as well as fertility and surrogacy benefits. To support colleague well-being and work life balance, we continue to offer enhanced childcare benefits and flexible work arrangements to aid our colleagues in managing their work and family responsibilities.

We are proud of our continuing record as a top employer, as recognized by esteemed publications and organizations around the world.

Employee Health and Safety

We are committed to ensuring a safe working environment for our employees and our Global Environmental Health and Safety (EHS) Policy standards define EHS performance requirements for all sites, procedures and recommended practices. Our sites have injury prevention programs, and we strive to build a best-in-class safety culture. Our procedures emphasize the importance of investigating causes of injuries and action plans to be implemented to mitigate potential recurrence.

We track health and safety performance metrics including total injury rate (TIR), lost time injury rate (LTIR), restricted work injuries and medical treatment injuries on a monthly basis for all manufacturing and research and development sites, as well as for U.S. offices, field force, fleet and logistics. Since 2018, we have tracked TIR and LTIR for all our operations worldwide. Our safety programs have resulted in strong safety performance, with TIR and LTIR rates being lower than the industry averages.

Information about our Executive Officers

Kristin C. Peck
Age 54
Chief Executive Officer and Director

Ms. Peck has served as our Chief Executive Officer since January 2020 and as a director since October 2019. Prior to becoming CEO, Ms. Peck was Executive Vice President and Group President, U.S. Operations, Business Development and Strategy at Zoetis from March 2018 to December 2019. Ms. Peck previously served as our Executive Vice President and President, U.S. Operations from May 2015 to February 2018 and Executive Vice President and Group President from October 2012 through April 2015. In these roles, Ms. Peck helped usher Zoetis through its Initial Public Offering in 2013 and has been a driving force of change in areas including Global Manufacturing and Supply, Global Poultry, Global Diagnostics, Corporate Development, and New Product Marketing and Global Market Research. Ms. Peck joined Pfizer in 2004 and held various positions, including Executive Vice President, Worldwide Business Development and Innovation and as a member of Pfizer's Executive Leadership Team.

Wetteny Joseph
Age 53
Executive Vice President and Chief Financial Officer

Mr. Joseph has served as our Executive Vice President and Chief Financial Officer since June 2021. Mr. Joseph joined Zoetis from Catalent, where he served for 13 years, most recently as Senior Vice President and Chief Financial Officer of Catalent from February 2018 to May 2021. Mr. Joseph joined Catalent in September 2008 where he served as Corporate Controller until October 2012, then as Vice President Finance across multiple business units until October 2015, when he was named President, Clinical Supply Services, one of the company's principal business units. Before joining Catalent, Mr. Joseph held a variety of senior financial positions at the industrial distribution company HD Supply, including as CFO of its plumbing and HVAC business unit. He also served as Corporate Controller for Hughes Supply, a Fortune 500, NYSE-listed company that was acquired by Home Depot and became part of HD Supply. In his early career, Mr. Joseph spent six years at PricewaterhouseCoopers as an auditor and strategic financial advisor across a variety of industries.

Nick Ashton
Age 53
Executive Vice President and President, Global Manufacturing and Supply

Mr. Ashton has served as our Executive Vice President and President, Global Manufacturing and Supply since May 2022. Mr. Ashton joined Zoetis in 2020 as Head of Global External Supply, where he led all aspects of the company's global external manufacturing network, overseeing CMOs to keep pace with customer demand. Mr. Ashton brings more than 25 years of global experience in areas of production, supply chain, external manufacturing, procurement, network strategy and execution for major international companies including GSK, Babcock International and Merck.

Jamie Brannan
Age 53
Executive Vice President and Chief Commercial Officer

Mr. Brannan has served as our Executive Vice President and Chief Commercial Officer since November 2024. He served as our Executive Vice President, Group President International Operations, Aquaculture and Global Diagnostics from November 2022 to November 2024. He served as our President of International Operations from June 2021 to November 2022. He served as our Senior Vice President of the U.K., Ireland and Nordics Cluster from 2016 to 2021. Mr. Brannan joined Zoetis from Mölnlycke Health Care where he most recently served as the Surgical Business Director and General Manager for the U.K. and Ireland.

Rimma Driscoll
Age 53
Executive Vice President and Head of Global Strategy, Commercial and Business Development, and Global BioDevices

Ms. Driscoll has served as our Executive Vice President and Head of Global Strategy, Commercial and Business Development since November 2022. She also has had oversight for the company's Global BioDevices business since February 2023. Previously, she served as our Senior Vice President, Business Development from January 2020 to November 2022. She served as our Vice President, Business Development and Commercial Alliances from 2016 to January 2020. Ms. Driscoll joined Zoetis in February 2016, from Procter & Gamble Company, where she worked for more than 20 years running Global Business Development, Mergers & Acquisitions and Alliance organizations for their consumer healthcare and pharmaceuticals businesses.

Kevin Esch
Age 49
Executive Vice President and President, Research and Development

Dr. Esch has served as our Executive Vice President and President, Research and Development since January 2026. Previously, he served as our Senior Vice President of Global Therapeutics from May to December 2025. Dr. Esch joined Zoetis in 2014 and held various positions, including Vice President, Global Therapeutics and Executive Director, Research. Prior to Zoetis, Dr. Esch spent over 10 years as a practicing veterinarian and practice owner.

Jeannette Ferran Astorga
Age 51
Executive Vice President, Corporate Affairs and Chief Sustainability Officer

Ms. Ferran Astorga has served as our Executive Vice President, Corporate Affairs and Chief Sustainability Officer since January 2022 and also serves as President of the Zoetis Foundation. She joined Zoetis in September 2020 as Vice President, Head of Sustainability. Prior to joining Zoetis, Ms. Ferran Astorga was Vice President of Corporate Responsibility at the Ascena Retail Group where she served since 2015 leading the global team responsible for strategic enterprise initiatives, including supply chain compliance, sustainability and corporate philanthropy. Ms. Ferran Astorga held a variety of leadership roles with increasing responsibility at ANN INC., a women's fashion retail company that was acquired by Ascena Retail Group.

Julie Fuller
Age 52
Executive Vice President, Chief Human Resources Officer and Global Operations

Ms. Fuller has served as our Executive Vice President, Chief Human Resources Officer and Global Operations since August 2024. Prior to joining Zoetis, Ms. Fuller was Chief People Officer at PVH Corp. Prior to PVH, Ms. Fuller was the Vice President of Global Talent and Organizational Effectiveness for Nike, Inc. and held key leadership positions at Avon and PepsiCo.

Roxanne Lagano
Age 61
Executive Vice President, General Counsel and Corporate Secretary

Ms. Lagano has served as our Executive Vice President, General Counsel and Corporate Secretary since May 2024. She served as our Executive Vice President and Chief Human Resources Officer from November 2012 and in January 2020 she took on responsibility for Global Operations and Security functions. She previously had oversight of the company's Corporate Communications function from 2015 to 2019. Ms. Lagano joined Pfizer in 1997 and held various positions, including Senior Vice President, Global Compensation, Benefits and Wellness and Senior Director, Business Transactions, Pfizer Worldwide Human Resources.

Keith Sarbaugh
Age 47
Executive Vice President and Chief Digital & Technology Officer

Mr. Sarbaugh has served as our Executive Vice President and Chief Digital & Technology Officer since November 2024. He served as our Chief Information Officer from March 2023 to November 2024. Prior to joining Zoetis, he was VP, Information Technology at Biogen, overseeing all aspects of Infrastructure, IT Operations and Enterprise Architecture globally. Previously, he held various corporate leadership roles at Eli Lilly and Company, including Head of IT Infrastructure and Enabling Functions and Regional CIO for Lilly's U.S. Commercial, Southeastern and Central Eastern European businesses.

Environmental, Health and Safety

We are subject to various federal, state, local and foreign environmental, health and safety laws and regulations. These laws and regulations govern matters such as the emission and discharge of hazardous materials into the ground, air or water; the generation, use, storage, handling, treatment, packaging, transportation, exposure to, and disposal of hazardous and biological materials, including recordkeeping, reporting and registration requirements; and the health and safety of our employees. Due to our operations, these laws and regulations also require us to obtain and comply with permits, registrations or other authorizations issued by governmental authorities. These authorities can modify or revoke our permits, registrations or other authorizations and can enforce compliance through fines and injunctions.

Certain environmental laws, such as the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), impose joint and several liability, without regard to fault, for cleanup costs on persons who disposed of or released hazardous substances into the environment, including at third-party sites or offsite disposal locations, or those who currently own or operate (or formerly owned or operated) sites where such a release occurred. In addition to clean-up actions brought by federal, state, local and foreign governmental entities, private parties could raise personal injury or other claims against us due to the presence of, or exposure to, hazardous materials on, from or otherwise relating to such a property.

We have made, and intend to continue to make, necessary expenditures for compliance with applicable environmental, health and safety laws and regulations. We are also a party to proceedings in which the primary relief sought is the cost of past and/or future remediation, or remedial measures to mitigate or remediate pollution. In connection with such proceedings, and otherwise, we are investigating and cleaning up environmental contamination from past industrial activity at certain sites, or financing other parties' completion of such activities. As a result, we incurred capital and operational expenditures in 2025 for environmental compliance purposes and for the clean-up of certain past industrial activities as follows:

- environmental-related capital expenditures - approximately $1 million; and
- other environmental-related expenditures - approximately $17 million.

However, we may not have identified all of the potential environmental liabilities relating to our current and former properties, or those liabilities associated with off-site disposal locations. Such liability could have a material adverse effect on our operating results and financial condition. Furthermore, regulatory agencies are showing increasing concern over the impact of animal health products and livestock operations on the environment. This increased regulatory scrutiny may necessitate that additional time and resources be spent to address these concerns in both new and existing products.

In connection with past acquisitions and divestitures, we have undertaken certain indemnification obligations that require us, or may require us in the future, to conduct or finance environmental cleanups at sites that we no longer own or operate. We have also entered into indemnification agreements in which we are being indemnified for various environmental cleanups; however, such indemnities are limited in both time and scope and may be further limited in the presence of new information, or may not be available at all.

While we cannot predict with certainty our future capital expenditures or operating costs for environmental compliance or remediation of contaminated sites, we currently have no reason to believe that they will have a material adverse effect on our operating results or financial condition.

Available Information

The company's internet website address is www.zoetis.com. On our website, the company makes available, free of charge, its annual, quarterly and current reports, including amendments to such reports, as soon as reasonably practicable after the company electronically files such material with, or furnishes such material to, the Securities and Exchange Commission (SEC). The SEC maintains an internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Also available on our website is information relating to corporate governance at Zoetis and our Board of Directors, including as follows: our Corporate Governance Principles; Zoetis Code of Conduct (for all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and Controller); Board Committees membership and Committee Charters; and ways to communicate by email with our Directors. We will provide any of the foregoing information without charge upon written request to our Corporate Secretary, Zoetis Inc., 10 Sylvan Way, Parsippany, New Jersey 07054. Information relating to shareholder services is also available on our website. We will disclose any future amendments to, or waivers from, provisions of these ethics policies and standards affecting our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and Chief Accounting Officer on our website as promptly as practicable, as may be required under applicable SEC and New York Stock Exchange (NYSE) rules.

We use our website (www.zoetis.com) as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included in the "Investor Relations" and "News & Insights" sections of our website. Accordingly, investors should monitor these portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

The information contained on our website does not constitute, and shall not be deemed to constitute, a part of this 2025 Annual Report, or any other report we file with, or furnish to, the SEC. Our references to the URLs for websites are intended to be inactive textual references only.

Item 1A. Risk Factors.

In addition to the other information set forth in this 2025 Annual Report, any of the factors described below could materially adversely affect our operating results, financial condition and liquidity, which could cause the trading price of our securities to decline.

This report contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect our current views with respect to, among other things, future events and performance. 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. Forward-looking statements are based on beliefs and assumptions made by management using currently available information. These statements are not guarantees 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 expected fiscal year alignment of our subsidiaries operating outside the U.S., 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. Forward-looking statements are subject to risks and uncertainties, many of which are beyond our control, and potentially inaccurate assumptions. However, there may also be other risks that we are unable to predict at this time. If one or more of these risks or uncertainties materialize, or if management's underlying beliefs and assumptions prove to be incorrect, actual results may 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. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

Risks related to our business and the animal health industry

The animal health industry is highly competitive.

We believe many of our competitors are conducting R&D activities in areas served by our products and in areas in which we are developing products. Our competitors include standalone animal health businesses, start-up companies working in the animal health area and the animal health businesses of large pharmaceutical companies. These competitors may have access to greater financial, marketing, technical and other resources or have significant market share in particular areas. As a result, they may be able to devote more resources to researching, developing, manufacturing, marketing and selling their products, initiating or withstanding substantial price competition or more readily taking advantage of acquisitions, collaborations or other opportunities. In recent years, there has been an increase in consolidation in the animal health industry, which could result in existing competitors realizing additional efficiencies or improving portfolio bundling opportunities, thereby potentially increasing their market share and pricing power, which could lead to an increase in competition and a decrease in our revenue and profitability. We also face competition from lower-priced generic alternatives to our products that no longer have patent protection.

To the extent that any of our competitors are more successful with respect to any key competitive factor or we are forced to reduce, or are unable to raise, the price of any of our products in order to remain competitive, our operating results and financial condition could be materially adversely affected.

Our results of operations are dependent upon the success of our top-selling products.

There are many difficulties and uncertainties inherent in animal health research and development, the introduction of new products and indications, business development activities to enhance or refine our product pipeline and the commercialization of our products. There is a high rate of failure inherent in medicine and vaccine discovery and development. Failure can occur at any point in the process, including in later stages after substantial investment and following meaningful cost for manufacturing capabilities and inventory to prepare for launch. Some of our top-selling products or product lines have in the past or may in the future experience issues, such as loss of patent protection, material product liability litigation, new or unexpected side effects (or an increased frequency of serious, expected adverse events), manufacturing or supply chain disruptions, regulatory proceedings or enforcement, labeling changes, public regulatory communications, other regulatory correspondence, including "Dear Veterinarian" Letters, negative publicity or social media attention, changes to veterinarian or customer preferences, or ineffectiveness in connecting with veterinarians and customers and/or disruptive innovations or the introduction of competing and/or more effective products, our revenues could be negatively impacted, perhaps significantly. For example, our five top-selling products and product lines, Simparica/Simparica Trio, Apoquel/Apoquel Chewable, Cytopoint, Librela and our ceftiofur line, contributed approximately 42% of our revenue in 2025, and certain issues with these top-selling products and product lines could have a more significant impact to our results of operations.

Our products are subject to unanticipated safety, quality or efficacy concerns.

Our products generally receive regulatory approval based on data obtained in controlled clinical trials. After approval and launch, the products are used for longer periods of time by much larger numbers of animals worldwide, which may lead to identifying new safety or efficacy concerns. In addition, we or others may conduct post-marketing clinical studies on efficacy and safety of our marketed products. Unanticipated safety, quality or efficacy concerns have, and could in the future, arise with respect to our products, whether or not scientifically or clinically supported, which have in the past and could in the future lead to product recalls, label changes or other measures that could reduce the product's market acceptance, public

regulatory communications, negative publicity or social media attention, withdrawals from the market or suspended or declining sales. Safety issues have, and could in the future, result in costly product liability and other claims. Any of these outcomes could result in material financial, legal, commercial, or reputational harm to our business.

Regulatory actions based on these types of safety, quality or efficacy concerns could impact all or a significant portion of a product's sales and could, depending on the circumstances, materially adversely affect our operating results.

Since we depend on positive perceptions of the safety, quality and efficacy of our products, and animal health products generally, by our customers, veterinarians and end-users, any concerns as to the safety, quality or efficacy of our products, whether actual or perceived, has and in the future may harm our reputation or materially adversely affect our operating results and financial condition, regardless of whether such concerns are accurate. Public confidence in pharmaceuticals has been challenged in recent years by highly publicized debates about vaccine safety, the spread of misinformation and disinformation on traditional and social media, and increasing skepticism toward public health institutions including animal health institutions. These trends could materially and adversely impact our ability to successfully develop, obtain regulatory approval for, and commercialize our products.

Our business is subject to risk based on global economic and political conditions.

Macroeconomic, business, political and financial disruptions, including public health crises or pandemics, could have a material adverse effect on our operating results, financial condition and liquidity. Certain of our customers and suppliers may be affected directly by economic downturns and could face credit issues or cash flow problems that could give rise to payment delays, increased credit risk, bankruptcies and other financial hardships that could decrease the demand for our products or hinder our ability to collect amounts due from customers or goods from our suppliers. If one or more of our large customers, including distributors, discontinue their relationship with us as a result of economic conditions, public health conditions, sanctions or otherwise, our operating results and financial condition may be materially adversely affected. In addition, economic concerns and geopolitical instability may cause shortages in veterinary healthcare workers or some pet owners to forgo or defer visits to veterinary practices or could reduce their willingness to treat pet health conditions or even to continue to own a pet. Moreover, customers may seek lower price alternatives to our products if they are negatively impacted by the current poor economic conditions. Russia's invasion of Ukraine, ongoing conflicts and rising tensions in various parts of the world, economic weakness in China, future pandemics, as well as inflation, are examples of global economic conditions that could have an adverse effect on our operating results, financial condition and liquidity.

Infectious disease outbreaks, pandemics, sanctions, geopolitical instability and widespread fear of spreading disease through human contact can cause disruptions to or negatively impact our customers', our suppliers' and our distributors' business operations, which could materially adversely affect our operating results. Furthermore, our exposure to credit and collectability risk is higher in certain international markets, our ability to mitigate such risks may be limited. While we have procedures to monitor and limit exposure to credit and collectability risk and have defensive measures in place to prevent and mitigate cyberattacks, there can be no assurances that such procedures and measures will effectively limit such risks and avoid losses.

Generic and other products may be viewed as more cost-effective than our products.

We face competition from products produced by other companies, including generic alternatives to our products. We depend on patents and regulatory data exclusivity periods to provide us with exclusive marketing rights for some of our products. Patents for individual products expire at different times based on the date of the patent filing (or sometimes the date of patent grant) and the legal term of patents in the countries where such patents are obtained. The extent of protection afforded by our patents varies from country to country and is limited by the scope of the claimed subject matter of our patents, the term of the patent and the availability and enforcement of legal remedies in the applicable country and potential legislative or regulatory changes to the underlying patent framework. As a result, we face competition from lower-priced generic alternatives to many of our products that no longer have patent protection. In certain circumstances, our products have become subject to decreased sales and we have been forced to lower our prices and provide discounts or rebates in order to compete with generic products. Generic competitors are becoming more aggressive in terms of launching at risk before patent rights expire and, because of their pricing, are an increasing percentage of overall animal health sales in certain regions. For example, several companies have launched generic versions of our Rimadyl chewable and Draxxin products. In the years since the start of generic and other competition, sales of our Rimadyl chewable and Draxxin products have declined in the U.S., the largest market for these products, by 39% and 66%, respectively.

If animal health customers increase their use of new or existing generic products, our operating results and financial condition could be materially adversely affected.

Consolidation of our customers and distributors could negatively affect the pricing of our products.

Veterinarians and livestock producers are our primary customers. In recent years, there has been a trend towards the concentration of veterinarians in large clinics and hospitals. In addition, livestock producers, particularly swine and poultry producers, and our distributors, have seen consolidation in their industries. Furthermore, we have seen the expansion of larger cross-border corporate customers and an increase in the consolidation of buying groups (cooperatives of veterinary practices that leverage volume to pursue discounts from manufacturers). If these trends continue, these customers and distributors could attempt to improve their profitability by leveraging their buying power to obtain favorable pricing. The resulting decrease in our prices could have a material adverse effect on our operating results and financial condition.

Changes in distribution channels for companion animal products could negatively impact our market share, margins and distribution of our products.

In most markets, companion animal owners frequently purchase their animal health products directly from veterinarians. Companion animal owners increasingly have the option to purchase animal health products and, in some cases, veterinary services from sources other than veterinarians, such as internet-based retailers, "big-box" retail stores or other over-the-counter distribution channels. Companion animal owners also could decrease their reliance on veterinarians as they rely more on internet-based animal health information. Because we primarily market our companion animal products through the veterinarian distribution channel, any decrease in reliance on veterinarians by companion animal owners could reduce our market share for such products and materially adversely affect our operating results and financial condition. In addition, companion animal owners may substitute human health products for animal health products if human health products are deemed to be lower-cost alternatives.

In the U.S. and certain other markets, these and other competitive conditions have increased, and may continue to increase, our reliance on internet-based retailers, “big-box” retail stores or other over-the-counter distribution channels to sell our companion animal products. Over time we may be unable to sustain our current margins due to the increased purchasing power of such retailers as compared to traditional veterinary practices. Any of these events could materially adversely affect our operating results and financial condition.

An outbreak of infectious disease carried by animals could negatively affect the sale and production of our products.

Sales of our livestock products could be materially adversely affected by the outbreak of disease carried by animals, which could lead to the widespread death or precautionary destruction of animals as well as the reduced consumption and demand for animal protein. In addition, outbreaks of disease carried by animals 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 due to reduced herd or flock sizes. In recent years, outbreaks of various diseases, including African Swine Fever, avian influenza and highly pathogenic avian influenza, foot-and-mouth disease, bovine spongiform encephalopathy (otherwise known as BSE or mad cow disease), New World screwworm, and porcine epidemic diarrhea virus (otherwise known as PEDv), have impacted the animal health business. The discovery of additional or more severe cases of any of these, or new diseases may result in additional restrictions on animal proteins, reduced herd sizes, or reduced demand for animal protein, which may have a material adverse effect on our operating results and financial condition. 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.

Disruptive innovations and advances in medical practices and technologies could negatively affect the market for our products.

The market for our products could be impacted negatively by the introduction and/or broad market acceptance of newly-developed or alternative products that address the diseases and conditions for which we sell products, including “green” or “holistic” health products or specially bred disease-resistant animals. In addition, technological breakthroughs by others may obviate our technology and reduce or eliminate the market for our products. Introduction or acceptance of such products or technologies could materially adversely affect our operating results and financial condition.

Implementing new business lines or offering new products and services may subject us to additional risks.

From time to time, we may implement new business lines or offer new products and services within existing lines of business. There may be substantial risks and uncertainties associated with these efforts. We may invest significant time and resources in researching, developing, marketing, or acquiring new lines of business and/or offering new products and services. Initial timetables for the introduction and development or acquisition of new lines of business and/or the offering of new products or services may not be achieved, and price and profitability targets may prove to be unachievable. Our lack of experience or knowledge, as well as external factors, such as compliance with new or evolving regulations, legislative changes, regulatory interactions, competitive alternatives and shifting market preferences, may also impact the success of an acquisition or the implementation of a new line of business or a new product or service. New business lines or new products and services within existing lines of business could affect the sales and profitability of existing lines of business or products and services. Failure to successfully manage these risks in the implementation or acquisition of new lines of business or the offering of new products or services could have a material adverse effect on our reputation, business, results of operations, and financial condition.

Restrictions and bans on the use of and/or consumer preferences regarding antibacterials in food-producing animals may become more prevalent.

The issue of the potential transfer of increased antibacterial resistance in bacteria from food-producing animals to human pathogens, and the causality of that transfer, continue to be the subject of global scientific and regulatory discussion. In some countries, this issue has led to government restrictions and bans on the use of specific antibacterials in some food-producing animals. These restrictions are more prevalent in countries where animal protein is plentiful and governments are willing to take action even when there is scientific uncertainty. Our total revenue attributable to antibacterials for livestock was approximately $713 million for the year ended December 31, 2025.

For example, regulations regarding antibiotic usage in animals have been introduced in several markets, including the U.S., the EU, the U.K., China and Vietnam. In addition, certain jurisdictions like Italy have implemented the use of electronic prescriptions, which has caused more disciplined use of antibiotics and decreased the demand for our antibacterial products. Also, in certain markets, there has been an increase in consumer preference towards proteins produced without the use of antibiotics.

We cannot predict whether antibacterial resistance concerns will result in additional restrictions or bans, expanded regulations, public pressure to discontinue or reduce use of antibacterials in food-producing animals or increased consumer preference for antibiotic-free protein, any of which could materially adversely affect our operating results and financial condition.

Perceived adverse effects linked to the consumption of food derived from animals that utilize our products or animals generally could cause a decline in the sales of such products.

Our livestock business depends heavily on a healthy and growing livestock industry. If the public perceives a risk to human health from the consumption of the food derived from animals that utilize our products, there may be a decline in the production of such food products and, in turn, demand for our products. Furthermore, changing consumer preferences and increasing consumer interest in alternatives to animal-based protein and dairy products has driven the growth of plant-based substitutes. Any reputational harm to the livestock industry may also extend to companies in related industries, including our company. Adverse consumer views related to the use of one or more of our products, including vaccines, in livestock also may result in a decrease in the use of such products and could materially adversely affect our operating results and financial condition.

Increased regulation or decreased governmental financial support relating to the raising, processing or consumption of food-producing animals could reduce demand for our livestock products.

Companies in the livestock industries are subject to extensive and increasingly stringent regulations. If livestock producers are adversely affected by new regulations or changes to existing regulations, they may reduce herd sizes or become less profitable and, as a result, they may reduce their use of our products, which may materially adversely affect our operating results and financial condition. Also, many food-producing companies, including livestock producers, benefit from governmental subsidies, and if such subsidies were to be reduced or eliminated, these companies may become less

profitable and, as a result, may reduce their use of our products. Furthermore, new or more stringent regulations could, directly or indirectly, impact the use of one or more of our products. More stringent regulation of the livestock industry or our products could have a material adverse effect on our operating results and financial condition.

We may not successfully acquire and integrate other businesses, license rights to technologies or products, form and manage alliances or divest businesses.

We pursue acquisitions, technology licensing arrangements, strategic alliances or divestitures of some of our businesses as part of our business strategy. We may not complete these transactions in a timely manner, on a cost-effective basis, or at all, due to regulatory constraints or limitations or other unforeseen factors that prevent us from realizing the expected benefits. We may be unable to integrate acquisitions successfully into our existing business, and we may be unable to achieve expected sales, gross margin improvements or efficiencies. We may be subject to litigation or government investigations in connection with, or as a result of, acquisitions, dispositions, licenses or other alliances. While our evaluation of any potential transaction includes business, legal and financial due diligence with the goal of identifying and evaluating the material risks involved, our due diligence reviews may not identify all of the issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions or fines resulting from an acquisition target's previous activities, inadequate controls, or costs associated with any quality issues with an acquisition target's legacy products. Any of these events could cause us to incur significant expenses and could materially adversely affect our operating results and financial condition.

Changes in trade policies, including the imposition of tariffs, sanctions, and other trade restrictions, may adversely affect our business.

The U.S. and other countries in which our products are sourced or sold, or we or our customers do business, may from time to time modify existing or impose new quotas, duties (including antidumping or countervailing duties), tariffs, economic sanctions, export controls, or other restrictions in a manner that adversely affects us. Such measures could limit our ability to register our products, source materials, sell products, or conduct our business in certain markets. While the scope and duration of any existing trade policies remain uncertain, any new tariffs imposed by the U.S. or other governments on our products or the active pharmaceutical ingredients or other components thereof could negatively impact our financial condition and results of operations.

Current or future tariffs or other restrictive trade measures may raise the costs of raw materials, components or finished goods, which may adversely impact both our product offerings and our operational expenses. Our manufacturers, suppliers and distribution channels may also experience supply chain disruptions as a result of increased costs and uncertainty. Duties are assessed based on import value. Each jurisdiction applies its own rules and procedures for import valuation, increasing the complexity and risk of errors. While we maintain procedures to ensure compliance, there is no guarantee these will prevent all errors, and regulatory changes may heighten this risk.

Additional tariffs and other trade restrictions could result in a negative perception and/or an increased cost of goods and higher prices which may reduce demand for products and services, or extended sales cycles as customers assess the impact of evolving trade policies on their operations and face increased costs or decreased revenue. Additionally, a number of our customers, particularly U.S.-based livestock producers, benefit from free trade agreements, the loss of which could impact their operating results and spending power. Tariff and other trade-related cost pressures and supply chain disruptions may lead to reputational harm if we are unable to deliver products or services on expected timelines or if any price increases are poorly received by customers or business partners.

In addition, retaliatory trade policies or anti-U.S. sentiment in certain regions whether driven by trade tensions, political disagreements or regulatory concerns may make customers, governments and investors more hesitant to engage with, purchase from or invest in U.S. companies. This may lead to increased preference for local competitors, changes to government procurement policies or heightened regulatory scrutiny, which may result in heightened operational risks and difficulties for us in attracting and retaining non-U.S. customers, suppliers, partners and investors.

Our business may be negatively affected by weather conditions, natural disasters and the availability of natural resources.

Adverse weather events and natural disasters may interfere with and negatively impact operations at our manufacturing sites, research and development facilities and office buildings, which could have a material adverse effect on our operating results and financial condition, especially if such interruptions to regular operations are frequent or prolonged.

Weather conditions, including excessive cold or heat, natural disasters, floods, droughts and other events, could negatively impact our livestock customers by impairing the health or growth of their animals or the production or availability of feed. Such events could also interfere with our livestock customers' operations due to power outages, fuel shortages, damage to their farms or facilities or disruption of transportation channels, among other things. In the event of a natural disaster, adverse weather conditions, or a shortage of fresh water, veterinarians or livestock producers may purchase less of our products and our operating results and financial condition could be materially adversely affected.

In addition, veterinary hospitals and practitioners depend on visits from and access to animals under their care. Veterinarians' patient volume and ability to operate could be adversely affected if they experience natural disasters or adverse weather conditions, including floods, fires, earthquakes and hurricanes or other storms, or prolonged snow or ice, particularly in regions not accustomed to sustained inclement weather.

Climate change could have a material adverse impact on our and our customers' businesses.

We operate in many regions, countries and communities around the world where our businesses, our activities and the activities of our customers and suppliers, could be disrupted by climate change. Potential physical risks from climate change may include altered distribution and intensity of rainfall, prolonged droughts or flooding, increased frequency of wildfires and other natural disasters, rising sea levels, and a rising heat index, any of which could cause negative impacts to our and our customers' and suppliers' businesses. The physical changes caused by climate change may also prompt changes in regulations or consumer preferences which in turn could have negative consequences for our and our customers' businesses. Climate change may negatively impact our customers' operations, particularly those in the livestock industry, through climate-related impacts such as increased air and water temperatures, rising water levels and increased incidence of disease in livestock. In addition, concerns regarding greenhouse gas emissions and other potential environmental impacts from livestock production have led to some consumers opting to limit or avoid consuming animal products. If such events affect our customers' businesses, they may purchase fewer Zoetis products, and our revenues may be negatively impacted. Such climate driven changes could have a material adverse impact on the financial performance of our business, and on our customers.

The impacts from climate change may also impact Zoetis' and our suppliers' manufacturing processes. For example, clean water is needed to produce our products, and the effects from climate change could result in water supply interruptions and low water quality. In addition, increased frequency of natural disasters and adverse weather conditions as a result of climate change may disrupt our manufacturing processes or our supply chain. These disruptions may have a material adverse effect on our business, financial condition, results of operations and/or cash flows.

Our business is subject to risk based on customer exposure to rising costs and reduced customer income.

Concerns about the financial resources of pet owners could cause veterinarians to alter their treatment recommendation in favor of lower-cost alternatives to our products. Also, feed, fuel and transportation and other key costs for livestock producers may increase or animal protein prices or sales may decrease. These trends could result in a decrease in sales of our companion animal products, especially in developed countries where there is a higher rate of pet ownership, inhibit our livestock product customers from paying us for products delivered or reduce spending on our products.

Our business may be harmed if we are unable to retain and hire executive officers or other key personnel.

We depend on the efforts of our executive officers and certain key personnel, including research, technical, legal and regulatory, sales, security, marketing, manufacturing and administrative personnel. Our ability to recruit and retain such talent will depend on a number of factors, including compensation and benefits, work location and work environment. From time to time there may be shortages of skilled labor, which may make it more difficult for us to attract and retain qualified employees or lead to increased labor costs. In addition, we generally do not enter into employment agreements with our executive officers and other key personnel. If we cannot effectively recruit and retain qualified executives and employees, we may not be able to maintain or expand our operations, or our business could be otherwise adversely affected and could, at least temporarily, have a material adverse effect on our operating results and financial condition.

Our business could be adversely affected by labor disputes, strikes or work stoppages.

Some of our employees are members of unions, works councils, trade associations or are otherwise subject to collective bargaining agreements in certain jurisdictions, including the U.S. As a result, we are subject to the risk of labor disputes, strikes, work stoppages and other labor-relations matters. We may be unable to negotiate new collective bargaining agreements on similar or more favorable terms and may experience work stoppages or other labor problems in the future at our sites. We could experience a disruption of our operations or higher ongoing labor and other operational costs, which could have a material adverse effect on our operating results and financial condition, potentially resulting in canceled orders by customers, delays in fulfilling orders, unanticipated inventory accumulation or shortages and reduced revenue and net income. We may also experience difficulty or delays in implementing changes to our workforce in certain markets. In addition, labor problems at our suppliers, CMOs or other service providers could have a material adverse effect on our operating results and financial condition.

We may be required to write down goodwill or identifiable intangible assets.

Under accounting principles generally accepted in the United States of America (U.S. GAAP), if we determine goodwill or identifiable intangible assets are impaired, we will be required to write down these assets and record a non-cash impairment charge. As of December 31, 2025, we had goodwill of $2.8 billion and identifiable intangible assets, less accumulated amortization, of $1.0 billion. Identifiable intangible assets consist primarily of developed technology rights, brands, trademarks, license agreements, patents, acquired customer relationships and in-process R&D.

Determining whether an impairment exists and the amount of the potential impairment involves quantitative data and qualitative criteria that are based on estimates and assumptions requiring significant management judgment. Future events or new information may change management's valuation of an intangible asset in a short amount of time. The timing and amount of impairment charges recorded in our Consolidated Statements of Income and write-downs recorded in our Consolidated Balance Sheets could vary if management's conclusions change. Any impairment of goodwill or identifiable intangible assets could have a material adverse effect on our operating results and financial position.

Risks related to manufacturing and supply

Manufacturing problems and capacity imbalances may cause product launch delays, inventory shortages, recalls or unanticipated costs.

In order to sell our products, we must be able to produce and ship our products in sufficient quantities. On December 31, 2025, we had a global manufacturing network consisting of 21 manufacturing sites located in 10 countries. We also employ a network of over 90 third-party CMOs. Many of our products involve complex manufacturing processes and are sole-sourced from certain manufacturing sites.

Minor deviations in our or our suppliers' manufacturing or logistical processes, such as temperature excursions or improper package sealing, could result in delays, inventory shortages, unanticipated costs, product recalls, product liability and/or regulatory action. In addition, a number of factors could cause production interruptions, including:

- the failure of us or any of our vendors or suppliers, including logistical service providers, to comply with applicable regulations and quality assurance guidelines, including any changes to Good Manufacturing Practices (GMPs);
- the failure to accurately forecast demand for our products;
- mislabeling;
- construction delays;
- equipment malfunctions;
- shortages of materials;
- labor problems, including any pandemic-related impacts;
- delays in receiving any required governmental authorizations or regulatory approvals, including as a result of any prolonged shutdown of the U.S. government;
- natural disasters and adverse weather conditions;
- power outages;
- criminal and terrorist activities;

- changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in types of products produced, shipping distributions or physical limitations; and
- the outbreak of any highly contagious diseases at or near our production sites.

These interruptions could result in launch delays, inventory shortages, recalls, unanticipated costs or issues with our agreements under which we supply third parties, which may adversely affect our operating results and financial condition. For example, during the COVID-19 pandemic we experienced challenges in manufacturing certain products including Simparica Trio, and the component parts of certain products including Librela and Solensia, that have impacted our ability to meet customer demand. As a result, we had to take certain measures including placing limits on the amounts of product veterinarians could purchase and delayed the launch of the product in certain markets.

Our manufacturing network, including our CMOs, may be unable to meet the demand for our products or we may have excess capacity if demand for our products changes. The unpredictability of a product's regulatory or commercial success or failure, the lead time necessary to construct highly technical and complex manufacturing sites, and shifting customer demand (including as a result of market conditions or entry of branded or generic competition) increase the potential for capacity imbalances. In addition, construction of sites is expensive, and our ability to recover costs will depend on the market acceptance and success of the products produced at the new sites, which is uncertain.

We rely on third parties to provide us with products, materials and services, and are subject to increased labor and material costs and potential disruptions in supply.

Labor costs and the materials used to manufacture our products may be subject to availability constraints and price volatility caused by changes in demand, weather conditions, supply conditions, government regulations, evolving trade policies (including the imposition of tariffs), economic climate and other factors. Increases in the demand for, availability, or the price of materials used to manufacture our products and increases in labor costs could increase the costs to manufacture our products, result in product delivery delays or shortages, and impact our ability to launch new products on a timely basis or at all. We may not be able to pass all or a material portion of any higher product, material, transportation or labor costs on to our customers, which could materially adversely affect our operating results and financial condition.

Certain third-party suppliers may be the sole or exclusive source of certain products, materials and services necessary for production of our products. We may be unable to meet demand for certain of our products if any of our third-party suppliers cease or interrupt operations due to, among other things, escalating tensions or trade disputes in their region, restrictions on the import/export of goods or services, contract manufacturing or supply chain disruptions due to financial distress, our failure to mutually agree on contract terms, or some other failure of a contractor or supplier to meet their obligations to us. In such a case, we may be required to renegotiate the terms of our agreement or pursue a strategic transaction or other alternative arrangement with that supplier or others, which may result in increased cost to produce our products or supply disruption.

There may be delays and additional costs due to changes to our existing manufacturing facilities and the construction of new manufacturing plants.

As part of our supply network strategy, we have invested and will continue to invest in improvements to our existing manufacturing facilities and in new manufacturing plants. In addition, certain of our existing manufacturing facilities are in the process of being upgraded. These types of projects are subject to risks of delay or cost overruns inherent in any large construction project, and require licensure and/or inspection by various regulatory authorities. Significant cost overruns or delays in completing these projects could have an adverse effect on our return on investment.

Risks related to our research and development

Our R&D, acquisition and licensing efforts may fail to generate new products and product lifecycle innovations.

Our future success depends on both our existing product portfolio and our pipeline of new products, including new products that we may develop through joint ventures and products that we are able to obtain through license or acquisition. We commit substantial effort, funds and other resources to R&D, both through our own dedicated resources and through collaborations with third parties.

We may be unable to determine with accuracy when or whether any of our products now under development will be approved or launched, or we may be unable to develop, license or otherwise acquire product candidates or products. In addition, we cannot predict whether any products, once launched, will be commercially successful or will achieve sales and revenue that are consistent with our expectations. The animal health industry is subject to regional and local trends and regulations and, as a result, products that are successful in some of our markets may not achieve similar success when introduced into new markets. Furthermore, the timing and cost of our R&D may increase, and our R&D may become less predictable. If we are unable to generate new products or expand the use of our existing products, our business, financial condition and results of operations will be materially adversely affected.

New product R&D leverages discoveries of pharmaceutical and biotechnology R&D. We have and expect to continue to enter into collaboration or licensing arrangements with third parties to provide us with access to molecules, compounds and other technology for purposes of our business. Such agreements are typically complex and require time to negotiate and implement. If we enter into these arrangements, we may not be able to maintain these relationships or establish new ones in the future on acceptable terms or at all. In addition, any collaboration that we enter into may not be successful, and the success may depend on the efforts and actions of our collaborators, which we may not be able to control. If we are unable to access these technologies to conduct R&D on cost-effective terms, our ability to develop some types of new products could be limited.

We may experience difficulties or delays in the development and commercialization of new products.

New products may appear promising in development but fail to reach the market within the expected or optimal timeframe, or at all. In addition, product extensions or additional indications may not be approved by government regulators. Developing and commercializing new products subjects us to inherent risks and uncertainties, including (i) delayed or denied regulatory approvals or label changes, (ii) delays or challenges with producing products in accordance with regulatory requirements, on a commercial scale and at a reasonable cost; (iii) failure to accurately predict the market for new products; and (iv) efficacy, quality and safety concerns. In addition, a failure to continue to identify and develop products, both internally and through external sources, could impact our future success. Once necessary regulatory approvals are obtained, the commercial success of any new product depends upon, among other things, its acceptance by veterinarians and end customers, and on our ability to successfully manufacture, market,

and distribute products in sufficient quantities to meet actual demand. The inability to successfully bring a product to market could negatively impact our revenues and earnings.

Our R&D relies on evaluations in animals, which may become subject to bans or additional restrictive regulations.

The evaluation of our existing and new medicines and vaccines for animals is required in order to develop and commercialize them. Animal testing in certain countries and states has been the subject of increased regulation, controversy and adverse publicity. Our licenses or permits for animal testing could be revoked or put on hold due to animal welfare events that may occur. Some organizations and individuals have attempted to ban or limit animal testing or encourage the adoption of additional, and burdensome regulations applicable to animal testing and animal welfare at both federal and state levels. To the extent that the activities of such organizations and individuals are successful, our R&D, and by extension our operating results and financial condition, could be materially adversely affected. In addition, negative publicity about us or our industry could impact R&D projected timelines or harm our reputation or the reputation of our contract research organizations.

Risks related to legal matters and regulation

Our business is subject to substantial regulation.

As a global company, we are subject to various state, federal and international laws and regulations, including but not limited to, regulations relating to the research, development, quality assurance, manufacturing, data protection, environmental protection, importation, exportation, distribution, marketing and sale of our products, including our *in vitro* diagnostic products used in human health. In addition, our manufacturing facilities are subject to periodic inspections by regulatory agencies, such as the FDA, the USDA and foreign equivalents. Our failure, or the failure of third parties we rely on, including CMOs, to comply with these regulatory requirements, allegations of such non-compliance or the discovery of previously unknown problems with a product or manufacturer could result in, among other things, inspectional observation notices, label changes, untitled or warning letters or other public regulatory communications or correspondence, including "Dear Veterinarian" letters, fines, a partial or total shutdown of production in one or more of our facilities while an alleged violation is remediated, withdrawals or suspensions of current products from the market, product seizures, injunctions and civil or criminal prosecution, as well as decreased sales as a result of negative publicity and product liability claims. Any one of these consequences could materially adversely affect our operating results and financial condition. Furthermore, we cannot predict the nature of future laws, regulations, or changes in tax laws and tariffs, nor can we determine the effect that additional laws or regulations or changes in existing laws or regulations could have on our business when and if promulgated. Changes in applicable federal, state, local and foreign laws and regulations could have a material adverse effect on our operating results and financial condition.

In addition, we will not be able to market new products unless and until we have obtained all required regulatory approvals in each jurisdiction where we propose to market those products. Delays by government agencies in approving new products or product upgrades or taking action with respect to other regulatory matters could have a negative impact on our growth and profitability. The ability of government agencies to review and approve new products or product upgrades or take other actions can be affected by various factors, including government budget and funding levels, ability to hire and retain key and other personnel, staffing shortages, public health emergencies, and statutory, regulatory, and policy changes. If a prolonged government shutdown or other disruption of normal business operations occurs, it could significantly impact the ability of the USDA, FDA, EPA and other agencies to timely review and process our regulatory submissions, including with respect to new product candidates, which could have an adverse effect on our business. Even after a product reaches market, it may be subject to re-review and may lose its registrations or approvals. We have changed, and may in the future change, the locations of where certain of our products are manufactured and, because of these changes, we may be required to obtain new regulatory approvals. Our failure to obtain approvals, delays in the approval process, including any delays in the United States resulting from federal workforce reductions or hiring freezes, federal agency reorganizations or deregulatory efforts, or any prolonged shutdown of the U.S. government, or our failure to maintain approvals in any jurisdiction, may prevent us from selling products in that jurisdiction until approval or reapproval is obtained, if ever.

The OFAC at the U.S. Treasury Department and the Bureau of Industry and Security at the U.S. Department of Commerce (BIS), The Council of the EU and similar agencies in other countries and territories, administer certain laws and regulations that restrict its persons and, in some instances, extraterritorial persons, in conducting activities, transacting business with or making investments in certain countries, governments, entities and individuals subject to economic sanctions. Our international operations subject us to these laws and regulations, which are complex, restrict our business dealings with certain countries, governments, entities, and individuals, and are constantly changing. For example, we sell limited humanitarian animal health products, including medicines and vaccines, to Russia and Iran. Although we believe such activities are in compliance with economic sanctions affecting these countries, violations of sanctions regulations may be punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment, which could adversely affect our reputation, business, financial condition, results of operations and cash flows. In addition, our internal control policies and procedures may not protect us from reckless or criminal acts committed by our employees and agents or operational difficulties arising from counterparties or other intermediaries.

A failure to comply with the environmental, health and safety laws and regulations to which we are subject, including any permits issued thereunder, may result in environmental remediation costs, loss of permits, public regulatory communications or announcements, fines, penalties or other adverse governmental or private actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial measures. We cannot assure you that our costs of complying with current and future environmental, health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous materials will not materially adversely affect our business, results of operations or financial condition.

There has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. Such regulations apply or could apply in countries where we have interests or could have interests in the future. The EU adopted the European Sustainability Reporting Standards (ESRS) and the Corporate Sustainability Reporting Directive (CSRD) that will require disclosure by EU entities, including certain EU subsidiaries of non-EU entities, regarding the risks and opportunities arising from environmental, social and corporate governance issues, and on the impact of companies' activities on people and the environment. Similarly, the State of California passed the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act that imposes broad climate-related disclosure obligations on certain

companies doing business in California, including us. Any new regulation could result in additional costs in the form of investments of capital to maintain compliance with laws and regulations and taxes. Climate change regulation continues to evolve, and it is not possible to accurately estimate the timing for the emergence of new regulation, their scope or our future costs relating to implementation and compliance.

We are also subject to chemical regulation in the United States and internationally. For example, governmental authorities in the EU and the United States are increasingly focused on preventing environmental contamination from per- and polyfluoroalkyl substances (PFAS), which may be contained in certain of our products or product packaging. Federal and state governments and regulatory agencies, like the European Chemicals Agency, are in various stages of considering and/or implementing laws and regulations requiring the reporting, restriction and/or phase-out of PFAS-containing products (subject to applicable product exceptions).

Furthermore, we cannot predict the nature of future laws, regulations, or changes in tax laws and tariffs, nor can we determine the effect that additional laws or regulations or changes in existing laws or regulations could have on our business when and if promulgated. Changes in applicable federal, state, local and foreign laws and regulations could have a material adverse effect on our operating results and financial condition.

We may incur substantial costs and receive adverse outcomes in litigation and/or other legal matters.

Our operating results, financial condition and liquidity could be materially adversely affected by unfavorable results in pending or future litigation matters. In addition, changes in the interpretations of laws and regulations to which we are subject, or in legal standards in one or more of the jurisdictions in which we operate, could increase our exposure to liability. For example, in the U.S., attempts have been made to allow damages for emotional distress and pain and suffering in connection with the loss of, or injury to, a companion animal. If such attempts were successful, our exposure with respect to product liability claims could increase materially. We also sell certain *in vitro* diagnostic products used in human health that could increase the scope of our liability.

Litigation matters, regardless of their merits or their ultimate outcomes, are costly, divert management's attention and may materially adversely affect our reputation and demand for our products. We cannot predict with certainty the eventual outcome of pending or future litigation matters. An adverse outcome of litigation or legal matters could result in our being responsible for significant damages. Any of these negative effects resulting from litigation matters could materially adversely affect our operating results and financial condition.

The illegal distribution and sale by third parties of counterfeit or illegally compounded versions of our products or of stolen, diverted or relabeled products could have a negative impact on our reputation and business.

Third parties may illegally distribute and sell counterfeit or illegally compounded versions of our products that do not meet the exacting standards of our development, manufacturing and distribution processes. Counterfeit or illegally compounded medicines pose a significant risk to animal health and safety because of the conditions under which they are manufactured and the lack of regulation of their contents. Our reputation and business could suffer harm as a result of counterfeit or illegally compounded products which are alleged to be equivalent and/or which are sold under our brand name. We are aware of at least one pharmacy in Brazil that may be engaged in the practice of illegally compounding oclacitinib, the active pharmaceutical ingredient in our Apoquel product. We are also aware of some counterfeit versions of our Simparica and Apoquel products in Brazil and are coordinating with the local authorities. In addition, products stolen or unlawfully diverted from inventory, warehouses, plants or while in transit, which are not properly stored or which have an expired shelf life and which have been repackaged or relabeled and which are sold through unauthorized channels, could adversely impact animal health and safety, our reputation and our business. Public loss of confidence in the integrity of vaccines and/or pharmaceutical products as a result of counterfeiting, illegally compounding or theft could have a material adverse effect on our product sales, business and results of operations.

The misuse or off-label use of our products may harm our reputation or result in financial or other damages.

Our products have been approved for use under specific circumstances for the treatment of certain diseases and conditions in specific species. There may be increased risk of product liability claims and other liability if veterinarians, livestock producers, pet owners or others attempt to use our products off-label, including the use of our products in species (including humans) for which they have not been approved. In addition, certain of our products are regulated by the U.S. Drug Enforcement Administration as controlled substances because of their potential to be misused or abused by humans, which could expose us to liability. Furthermore, the use of our products for indications other than those indications for which our products have been approved may not be effective, which could harm our reputation and lead to an increased risk of litigation. If we are deemed by a governmental or regulatory agency to have engaged in the promotion of any of our products for off-label use, such agency could request that we modify our training or promotional materials and practices and we could be subject to significant fines and penalties, and the imposition of these sanctions could also affect our reputation and position within the industry. Additionally, if we fail to maintain effective controls against diversion of our products that are classified as controlled substances, we could be subject to significant fines and penalties as well as reputational damage. Any of these events could materially adversely affect our operating results and financial condition.

Our operations and reputation may be impacted if we do not comply with complex and continually evolving laws and regulations regarding data privacy information and the use of AI.

We collect, store and use personal data of our customers, employees and suppliers, including sensitive personal data, such as health information in our human health business, in a variety of ways. In addition, we continue to invest in data and digital capabilities and have expanded our diagnostics portfolio. Our customers, employees and suppliers expect that we will adequately protect their data.

Our collection, use, processing, retention, storage, disclosure, transfer, security and sharing of personal data is subject to a variety of data privacy laws and regulations in the United States and other jurisdictions globally where we operate. These laws and regulations are constantly evolving as regulators continue to adopt new measures addressing data privacy. Moreover, the interpretation and application of existing data protection laws and regulations are uncertain and may be inconsistent with our existing data management practices.

As a global company, we are faced with the challenge of how to manage a patchwork of laws, rules, regulations and industry standards, including, but not limited to, a growing number of U.S state privacy laws, the EU's General Data Protection Regulation, the U.K.'s General Data Protection Regulation, the Brazilian General Data Protection Law, China’s Personal Information Protection Law and India's Digital Personal data Protection (DPDP) Act.

These laws and regulations vary across countries, are complex and can be subject to significant change. Any new laws or regulations, changes to existing laws and regulations, or the interpretation or application of laws and regulations may impact our business operations, including our ability to effectively transfer data across borders. Any actual or perceived failure to comply with these current and future laws could result in significant consequences for Zoetis. This could include substantial fines and penalties, regulatory investigations, and civil lawsuits with damages, all of which could have a material adverse effect on our reputation and our business. In addition, with the growing number of new privacy, cybersecurity and AI laws and regulatory requirements, the costs associated with compliance with these legal and regulatory requirements are significant and likely to increase in the future.

Our aspirations, goals and disclosures related to sustainability matters expose us to numerous risks, including risks to our reputation.

Our Driven to Care sustainability program includes various aspirations and goals. These goal statements reflect our current plans and aspirations and are not guarantees that we, or third parties we rely on, including CMOs, will be able to achieve them. Our efforts to accomplish and accurately report on these goals and objectives present numerous operational, reputational, financial, legal and other risks, any of which could have a material negative impact, including on our reputation. Our ability to achieve any goal or objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include: (i) the availability and cost of low- or non-carbon-based energy sources and technologies, (ii) evolving regulatory requirements and rulings affecting sustainability standards or disclosures, (iii) our ability to recruit, develop and retain talent in our labor markets, (iv) our ability to rely on third-party CMOs to incorporate appropriate sustainability actions, and (v) the impact of our organic growth and acquisitions or dispositions of businesses or operations.

The standards for tracking and reporting on sustainability matters and continue to evolve. Our processes and controls may not always align with evolving standards for identifying, measuring and reporting sustainability metrics, our interpretation of reporting standards that may be required by the SEC, EU and other regulators may differ from those of others and such standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. If our sustainability practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees and our attractiveness as an investment, business partner or acquirer could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also have similar negative impacts and expose us to government enforcement actions and private litigation.

Risks related to information technology

We may be unable to adequately protect our information technology systems from cyberattacks, ransomware attacks, phishing attempts, social engineering schemes and other technology enabled threats, breaches of security, data loss or misappropriation of data, which could result in the disclosure of sensitive, personal, confidential or proprietary information, damage our reputation, and subject us to significant financial and legal exposure.

Our reputation as a global leader in animal health and our reliance on complex information systems and digital solutions make us inherently vulnerable to malicious cyber intrusion and attack, which have evolved in frequency and sophistication. In addition, we have been investing in data and digital capabilities, including incorporating the use of certain AI capabilities into the development of new technologies and products, and have expanded our diagnostics portfolio, and as a result, there could be an increased likelihood of a cyberattack, ransomware attacks, phishing attempts, social engineering schemes and other technology enabled threats, that could negatively impact us, our third-party partners or our customers. Cyberattacks, ransomware attacks, phishing attempts, social engineering schemes and other technology enabled threats are increasing in their frequency, sophistication and intensity, including through the use of AI and have become increasingly difficult to detect; and could include wrongful conduct by hostile foreign governments, industrial espionage, the deployment of harmful malware, ransomware, denial-of-service attacks, and other means to threaten data confidentiality, integrity and availability. In addition, despite our efforts to protect sensitive, confidential or personal data or information, we (or our third-party partners) may be vulnerable to material security breaches, theft, misplaced or lost data, programming errors, employee errors and/or malfeasance that could potentially lead to the compromise of sensitive, proprietary, confidential or personal data or information, improper use of our systems or networks, unauthorized access, theft, use, disclosure, modification or destruction of information (including confidential business information, proprietary information, trade secrets, intellectual property and corporate strategic plans), defective products, production downtimes and operational disruptions.

In support of our flexible work environment, many of our workforce work either part-time or full-time remotely, which could increase risks associated with cybersecurity, phishing attempts, information technology and systems which could have a material adverse effect on our business.

The security measures we implement may not always be effective, and our assessment of and response to security events may be inadequate. The costs imposed on us because of a cyberattack, ransomware attacks, phishing attempts, social engineering schemes, and other technology enabled threats or network disruption could be significant. Among others, such costs could include increased expenditures on cybersecurity measures, insurance premiums, litigation, regulatory investigations, ransomware payments, penalties, fines, and sanctions, lost revenues from business interruption, damage to the public's perception regarding our ability to keep our information secure and significant remediation costs. As a result, cyberattacks, ransomware attacks, phishing attempts, social engineering schemes, and other technology enabled threats, or network disruption could have a material adverse effect on our business, financial condition, and operating results.

We depend on sophisticated information technology and infrastructure.

We rely on the efficient and uninterrupted operation of complex information technology systems to manage our operations, to process, transmit and store electronic and financial information, and to comply with regulatory, legal and tax requirements. We also depend on our information technology infrastructure for digital marketing activities and for electronic communications among our personnel, customers and suppliers around the world. System failures or outages could compromise our ability to perform these functions in a timely manner, which could harm our ability to conduct business, hurt our relationships with our customers, or delay our financial reporting. Such failures could materially adversely affect our operating results and financial condition.

In addition, we depend on third parties and applications on virtualized (cloud) infrastructure to operate and support our information systems and are currently in the process of a multi-year implementation process to update our enterprise resource planning (ERP) system to a new fully cloud-based system. These third parties include large established vendors, as well as many small, privately owned companies. Failure by these providers to adequately support our operations or a change in control or insolvency of these providers could have an adverse effect on our business, which in turn may materially adversely affect our operating results and financial condition.

The current transition of our ERP system is a multi-year implementation process; transitioning to new systems, integrating new systems into current systems or any disruptions or malfunctions (including from circumstances beyond our control) affecting our information systems could cause critical information upon which we rely to be delayed, unreliable, corrupted, insufficient or inaccessible. Costs and risks inherent in this transition may include disruptions to business continuity, administrative and technical problems, interruptions or delays in sales processes, manufacturing or R&D processes, expenditure overruns, payment delays, and data migration issues. If we do not properly address or mitigate these issues, they could result in increased costs and diversion of resources, negatively impacting our operating results and ability to effectively manage our business. Any of these potential issues, individually or in aggregation, could have a material adverse effect on our operating results and financial condition.

We may be unable to successfully manage our online ordering sites.

In many markets around the world, such as the U.S. and Brazil, we provide online ordering sites to customers, often relying on third parties to host and support the application. The operation of our online business depends on our ability to maintain the efficient and uninterrupted operation of our online order-taking and fulfillment operations. Problems in any one or more of these areas could have a material adverse effect on our operating results and financial condition and could damage our reputation.

We use machine learning and AI in various business operations, and inability to successfully monitor and manage its use could result in operational, competitive or reputational harm, regulatory enforcement, and legal liability.

We incorporate (and expect to continue incorporating) AI capabilities in the development of new technologies and products and continue to expand the use of AI in our business and operations. Generative AI technologies are new and rapidly evolving technologies that could deliver significant benefits, but also present a number of operational, compliance, ethical, and reputational risks. AI algorithms are currently known to sometimes generate, among other things, irrelevant, nonsensical, deficient, factually inaccurate, biased or infringing content and results. In addition, if the manners in which we deploy and use AI become controversial, we may experience reputational harm to our brand, competitive harm or legal liability. In addition, we are subject to a growing number of cybersecurity and AI safety laws in markets in which we operate. For example, some of our European operations are subject to NIS2 which imposes cybersecurity requirements on “essential entities.” The EU AI Act prohibits certain AI systems that are categorized as “High Risk,” and requires certain disclosures about the use of AI tools. In the United States, there are emerging state AI laws and regulations that may impose additional requirements and restrictions in connection with the use of AI systems, including their use for "high risk" or "consequential" decision making. These rapidly changing regulatory complexities may increase our compliance costs. Moreover, there is risk that confidential information, including material non-public information, trade secrets or personal identifiable information, is input into AI applications, resulting in such information becoming accessible by third parties, including our competitors.

The use of AI tools in the development of new technologies and products presents significant IP challenges. Determining IP ownership for AI-generated content remains uncertain in some jurisdictions. Also, AI tools might also unintentionally access or use third party IP or generate output infringing, thereby heightening exposure to IP claims and disputes. Inventions or works of authorship created using AI may be based on or contain, materials that were used in the training of such AI technologies and are identical or similar to third-party intellectual property, which could further limit our ability to obtain intellectual property protection in such inventions or works of authorship.

Our competitors may incorporate AI into their operations more quickly or effectively than we do or with more successful outcomes. Additionally, we may not be able to attract or retain the necessary talent to support our AI technology investment or maintain our systems, which may affect our ability to remain competitive. Disruption or failure of our AI systems, or those of various third parties on whom we rely on, could lead to delays and operational challenges, as well as compliance and reputational issues which could materially adversely affect our business, financial condition and results of operations.

Risks related to operating in foreign jurisdictions

A significant portion of our operations are conducted in foreign jurisdictions, including jurisdictions presenting a high risk of bribery and corruption, and are subject to the economic, political, legal and business environments of the countries in which we do business.

Our international operations could be limited or disrupted by any of the following:

- volatility in the international financial markets;
- difficulties enforcing contractual and intellectual property rights;
- theft or compromise of technology, data and intellectual property;
- parallel trade in our products (importation of our products from EU countries where our products are sold at lower prices into EU countries where the products are sold at higher prices);
- compliance with a wide variety of potentially changing and conflicting laws and regulations, such as the FCPA, the U.K. Bribery Act of 2010 and similar anti-bribery and corruption-related laws globally;
- political and social instability, including crime, civil disturbance, terrorist activities and armed conflicts;
- trade restrictions and restrictions on direct investments by foreign entities, including restrictions administered by OFAC and the EU, in relation to our products or the products of farmers and other customers (e.g., restrictions on the importation of agricultural products from the EU to Russia);
- government limitations on foreign ownership or government takeover or nationalization of our business;
- imposition of anti-dumping and countervailing duties or other trade-related sanctions;

- costs and difficulties and compliance risks in staffing, managing and monitoring international operations, including the use of overseas third-party goods and service providers;
- longer payment cycles and increased exposure to counterparty risk; and
- additional limitations on transferring personal information between countries or other restrictions on the processing of personal information.

While the impact of these factors is difficult to predict, any of them could materially adversely affect our operating results and financial condition. Changes in any of these laws, regulations or requirements, or the political environment in a particular country, may affect our ability to engage in business transactions in certain markets, including investment, procurement and repatriation of earnings.

Foreign exchange rate fluctuations and potential currency controls affect our results of operations, as reported in our financial statements. We conduct operations in many areas of the world, involving transactions denominated in a variety of currencies. In 2025, we generated approximately 42% of our revenue in currencies other than the U.S. dollar, principally the euro, Brazilian real, Australian dollar, British pound, Canadian dollar and Chinese renminbi. We are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenue. In addition, because our financial statements are reported in U.S. dollars, changes in currency exchange rates, including changes in countries with highly inflationary economies, between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations. Although the Company employs a variety of techniques to mitigate the impact of exchange rate fluctuations, there cannot be a guarantee that such hedging and risk management strategies will be effective, and our results of operations could be adversely affected.

We also face risks arising from currency devaluations and the imposition of cash repatriation restrictions and exchange controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation. Cash repatriation restrictions and exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing restrictions or controls. We currently have substantial operations in countries that have cash repatriation restrictions or exchange controls in place, including China, and, if we were to need to repatriate or convert such cash, these controls and restrictions may have a material adverse effect on our operating results and financial condition.

We may not be able to realize the expected benefits of our investments in emerging markets and are subject to certain risks due to our presence in emerging markets, including political or economic instability and failure to adequately comply with legal and regulatory requirements.

We have been taking steps to increase our presence in emerging markets. Failure to continue to maintain and expand our business in emerging markets could materially adversely affect our operating results and financial condition.

Some countries within emerging markets may be especially vulnerable to periods of local, regional or global economic, political or social instability or crisis. Furthermore, we have also experienced lower than expected sales in certain emerging markets due to local, regional and global restrictions on banking and commercial activities in those countries. In addition, certain emerging markets have currencies that fluctuate substantially, which may impact our financial performance. For example, in the past, our revenue in certain emerging markets in Latin America has been adversely impacted by currency fluctuations and devaluations.

In addition, certain emerging markets have legal systems that are less developed or familiar to us. Compliance with myriad legal requirements is costly and time-consuming and requires significant resources. In the event we believe or have reason to believe our employees have or may have violated applicable laws or regulations, we may be subject to investigation costs, potential penalties and other related costs which in turn could negatively affect our reputation and our results of operations.

Risks related to tax matters

The Company could be subject to changes in its tax rates, the adoption of new U.S. or foreign tax legislation or exposure to additional tax liabilities.

The multinational nature of our business subjects us to taxation in the U.S. and numerous foreign jurisdictions. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. The company’s future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation.

For example, the Organisation for Economic Co-operation and Development (OECD) is continuing to work on fundamental changes in the allocation of profits among tax jurisdictions in which companies do business (Pillar One), as well as the implementation of a global minimum tax (Pillar Two). Global minimum tax legislation has been proposed and/or enacted in various jurisdictions. These two pillars combined represent a significant change in the international tax regime, and there is risk of an adverse impact to our effective tax rate as legislation becomes effective in countries in which we do business. We continue to monitor pending OECD guidance and legislation enactment and implementation by individual countries.

In addition, our effective tax rate is subject to potential risks that various taxing authorities may challenge the pricing of our cross-border arrangements and subject us to additional tax, adversely impacting our effective tax rate and our tax liability. The company is also subject to the examination of its tax positions, tax returns and other tax matters by the Internal Revenue Service (IRS) and other tax authorities and governmental bodies. For example, as disclosed in *Note 8. Tax Matters*, in September 2024, the IRS issued a Revenue Agent Report related to the one-time mandatory deemed repatriation tax. 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, however, there can be no assurance as to the outcome of this or other examinations. If the company’s effective tax rates were to increase, particularly in the U.S. or other material foreign jurisdictions, or if the company's tax positions are either not sustained upon examination or only partially sustained, the company’s operating results, cash flows and financial condition could be adversely affected.

Risks related to intellectual property

The alleged intellectual property rights of third parties may negatively affect our business.

A third party may sue us, our distributors or licensors, or otherwise make a claim, alleging infringement, misappropriation or other violation of the third-party's patents, trademarks, trade dress, copyrights, trade secrets, domain names or other intellectual property rights. The costs of defending an intellectual property action are often substantial and could materially adversely affect our operating results and financial condition, even if we successfully defend such action. Moreover, even if we believe that we do not infringe a validly existing third-party patent, we may choose to obtain a license to such patent, which would result in associated costs and obligations. We may also incur costs in connection with an obligation to compensate a distributor, licensor or other third party. The intellectual property positions of animal health medicines and vaccines businesses frequently involve complex legal and factual questions. We cannot guarantee that a competitor or other third party does not have or will not obtain rights to intellectual property that, in the absence of a license, may prevent us from manufacturing, developing or marketing certain of our products, regardless of whether we believe such intellectual property rights are valid and enforceable, which may harm our operating results and financial condition.

If our intellectual property rights are challenged or circumvented, competitors may be able to take advantage of our research and development efforts.

Our long-term success largely depends on our ability to market technologically competitive products. We rely and expect to continue to rely on a combination of intellectual property, including patent, trademark, trade dress, copyright, trade secret, data protection, and domain name protection laws, as well as confidentiality and license agreements with our employees and others, to protect our intellectual property and proprietary rights. In addition, many of our vaccine products and other products are based on or incorporate proprietary information, including proprietary master seeds and proprietary or patented adjuvant formulations.

However, we may not have sufficient protection or such protection might not be granted to us by the appropriate regulatory authority in every country where our products are available. If we are unable to obtain and maintain adequate intellectual property protection, we may not be able to prevent third parties from using our proprietary technologies or from marketing products that are very similar or identical to ours. The validity, enforceability, scope and effective term of our intellectual property can be highly uncertain and often involve complex legal, policy, regulatory and factual questions and proceedings that differ between jurisdictions. Our ability to enforce our intellectual property rights also depends on the laws, policies and regulations of individual countries and each country's practice with respect to enforcement of intellectual property rights. In addition, if we are unable to maintain our existing license agreements or other agreements pursuant to which third parties grant us rights to intellectual property, including because such agreements expire or are terminated, our operating results and financial condition could be adversely affected.

We are regularly party to patent litigation and other intellectual property rights claims that are expensive and time consuming, and if resolved adversely, could have a significant impact on our business and financial condition. Any claims relating to these issues, whether meritorious or not, could cause us to enter into costly litigation or settlements, potentially including royalty arrangements, awards of monetary damages or orders limiting our ability to sell our products. We may also be required to enter into licensing agreements as a result of such claims, which may be on terms that are unfavorable to us. Any of these circumstances could divert the attention of management and adversely affect our business, results of operations and financial situation.

Risks related to our indebtedness

We have substantial indebtedness.

We have a significant amount of indebtedness, which could materially adversely affect our operating results, financial condition and liquidity. As of December 31, 2025, we had approximately $9.2 billion of total unsecured indebtedness outstanding related to our senior notes and convertible senior notes. In addition, we currently have agreements for a $1.25 billion multi-year revolving credit facility and a $1.0 billion commercial paper program. While we currently do not have any amounts drawn under the credit facility nor any commercial paper issued under the commercial paper program, we may incur indebtedness under these arrangements in the future.

We may incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, business development or other general corporate requirements, including dividends;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings may in the future be at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the animal health industry;
- placing us at a competitive disadvantage to other, less leveraged competitors;
- impacting our effective tax rate; and
- increasing our cost of borrowing.

In addition, the instruments governing our indebtedness contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with such covenants could result in an event of default, which could result in the acceleration of all our debt.

Our credit ratings may not reflect all risks of an investment in our senior notes. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market prices of our securities and increase our borrowing costs.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, or to dispose of material assets or operations, alter our dividend policy, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

In addition, we conduct our operations through our subsidiaries. Accordingly, repayment of our indebtedness will depend on the generation of cash flow by our subsidiaries, including certain international subsidiaries, and their ability to make such cash available to us, by dividend, debt repayment or otherwise. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, may materially adversely affect our operating results, financial condition and liquidity and our ability to satisfy our obligations under our indebtedness or pay dividends on our common stock.

We may not have the funds necessary to finance the change of control offer required by the indenture governing our senior notes.

Upon the occurrence of a change of control of Zoetis and a downgrade below investment grade by Moody's Investor Services, Inc. and S&P Global Ratings, a division of S&P Global Inc., we will be required to offer to repurchase all of our outstanding senior notes. However, we may not have sufficient funds available at the time of the change of control to finance the required change of control offer or restrictions in our then-existing debt instruments will not allow such repurchases. Our failure to purchase the senior notes as required under the indenture would result in a default under the indenture, which could have material adverse consequences for us and the holders of the senior notes.

We may not have the ability to raise the funds necessary to settle conversions of our convertible senior notes in cash, or to repurchase the convertible senior notes upon a fundamental change, and our existing debt contains, and future debt may contain, limitations on our ability to pay cash upon conversion or repurchase of the convertible senior notes.

Holders of the convertible senior notes have the right, subject to certain conditions and limited exceptions, to require us to repurchase all or a portion of their convertible senior notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the convertible senior notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the convertible senior notes, we will be required to make cash payments in respect of the convertible senior notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the convertible senior notes surrendered therefor or pay cash with respect to the convertible senior notes being converted. In addition, our existing debt does not permit repurchase of the convertible senior notes upon a fundamental change and our ability to repurchase the convertible senior notes or to pay cash upon conversions of the convertible senior notes may be limited by law, by regulatory authority or by agreements governing our existing and future indebtedness. Our failure to repurchase the convertible senior notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the convertible senior notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the convertible senior notes or make cash payments upon conversions thereof.

The conditional conversion feature of our convertible senior notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the convertible senior notes is triggered, holders of convertible senior notes will be entitled to convert the convertible senior notes at any time during specified periods at their option. If one or more holders elect to convert their convertible senior notes, we would be required to settle any converted principal amount of such convertible senior notes through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their convertible senior notes, we would be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the convertible senior notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Conversion of our convertible senior notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of the convertible senior notes may dilute the ownership interests of our stockholders. Upon conversion of the convertible senior notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the convertible senior notes being converted. If we elect to settle the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the convertible senior notes being converted in shares of our common stock or a combination of cash and shares of our common stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the convertible senior notes may encourage short selling by market participants because the conversion of the convertible senior notes could be used to satisfy short positions, or anticipated conversion of the convertible senior notes into shares of our common stock could depress the price of our common stock.

Risks related to our relationship with Pfizer

Pfizer's rights as licensor under the patent and know-how license could limit our ability to develop and commercialize certain products.

Under the Patent and Know-How License Agreement (Pfizer as licensor) Pfizer licenses to us certain of its intellectual property. If we fail to comply with our obligations under this license agreement and Pfizer exercises its right to terminate it, our ability to continue to research, develop and commercialize products incorporating that intellectual property will be limited. In addition, in circumstances where Pfizer has an interest in the licensed intellectual property in connection with its human health development programs, our rights to use the licensed intellectual property are restricted and/or, in limited instances, subject to Pfizer's right to terminate such license at will. These limitations and termination rights may make it more difficult, time-consuming or expensive for us to develop and commercialize certain new products, or may result in our products being later to market than those of our competitors.

We are dependent on Pfizer to prosecute, maintain and enforce certain intellectual property.

Under the Patent and Know-How License Agreement, Pfizer is responsible for filing, prosecuting and maintaining patents that Pfizer licenses to us. In the animal health field, Pfizer has the first right, and in some cases the sole right, to enforce such licensed patents, and in the human health field, subject to certain exceptions, Pfizer has the sole right to enforce the licensed patents. If Pfizer fails to fulfill its obligations or chooses to not enforce the licensed patents under this agreement, we may not be able to prevent competitors from making, using and selling competitive products, which could have an adverse effect on our business.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

As a global leader in animal health, we are reliant on complex information systems and digital solutions that make us inherently vulnerable to malicious cyber intrusion and attack. In addition, we have expanded our data and digital capabilities including in our diagnostics portfolio, and as a result, there could be an increased likelihood of a cyberattack or breach of security that could negatively impact us or our customers. Despite the presence of these risks, to date, the identified risks of cybersecurity threats (including as a result of any previous cybersecurity incidents) have not materially affected us or our business strategy, results of operations, or financial condition. For a description of the risks from cybersecurity threats that may materially affect us and how they may do so, see our risk factors under P*art 1. Item 1A. Risk Factors* in this Annual Report on Form 10-K.

Cybersecurity Program

As part of our risk management processes, we have an enterprise-wide cybersecurity program aligned to the NIST Cybersecurity Framework (CSF). Our program is a risk-based program designed to protect our information systems through multiple defenses and layers of security, commonly referred to as a “Defense in Depth” approach. Key elements of our program include:

Independent Third-Party Assessments

We engage an independent third party to conduct comprehensive assessments of our cybersecurity program approximately every 18 months. This independent third-party assessment includes an evaluation of our cybersecurity controls based on the CSF.

Training

We have an information security training program that includes: monthly awareness articles, a phishing training program (with reports reviewed by the Executive Team), and both required and optional training modules for our employees and contractors in our Learning Management System.

Incident Response Procedure

We have a 24/7 managed Security Operations Center (SOC) for escalation of any critical events, including cybersecurity incidents. In the event of an incident, we use an Incident Response procedure leveraging NIST Standard 800-61 standards that we have customized for Zoetis. Additionally, we have in place disaster recovery and business continuity practices designed to provide for continuous business operations for our customers in the event of a cybersecurity incident. While we maintain cybersecurity insurance coverage, the costs related to cybersecurity threats or disruptions may not be fully insured.

Third Party Onboarding

We depend on third parties and applications on virtualized (cloud) infrastructure to operate and support our information systems and have a third-party risk management program and assessment process for onboarding third parties.

Management’s Role in Risk Oversight

Our information security team includes our Executive Vice President, Chief Digital & Technology Officer and our Chief Information Security Officer. Our Executive Vice President, Chief Digital & Technology Officer has over 20 years of information technology experience. Prior to Zoetis, he was the VP, Information Technology at Biogen, overseeing all aspects of Infrastructure, IT Operations, and Enterprise Architecture globally and held various corporate leadership roles at Eli Lilly and Company, including Head of IT Infrastructure and Enabling Functions. He holds a bachelor's degree in information systems and a master of business administration degree. Our Chief Information Security Officer, has over 20 years of experience in Information Security, with a specialized focus on Life Sciences and expertise in aligning cybersecurity strategies with enterprise objectives. He holds a bachelor's degree in electronic commerce and a master's degree in information systems.

We have established a cybersecurity governance program with clear roles for the executive management team as well as oversight by the Board of Directors and the Audit Committee. The Zoetis information security team provides regular cyber threat intelligence briefings to management and provides updates to our senior executives on the status of the Company’s security measures and our efforts to identify and mitigate risks from cybersecurity threats. The Zoetis information security team also works closely with the Zoetis Legal team, including the Chief Compliance Officer, to further enhance incident response procedures. For example, we have a corporate crisis management plan in place to govern our response to corporate crises, which could include cyber incidents, and we conduct periodic simulated programs to ensure readiness. This plan also includes a standard

framework for categorization of incidents based on risk level and severity, and requires escalation to Zoetis senior management and/or the Audit Committee of the Board of Directors if certain severity levels are met.

Role of the Board of Directors and Committees

The Board of Directors maintains an active role in the oversight of material risks. The Board of Directors utilizes its various Committees to oversee certain key risks, and has delegated responsibility to the Audit Committee for oversight of the Company's enterprise risk management process and information security risk management program. Management, with oversight from the Zoetis Board of Directors, is responsible for the Company's assessment and management of exposure to risk. The Audit Committee of the Board of Directors is also responsible for oversight of compliance with disclosure requirements under applicable laws and regulations, and would be consulted prior to the disclosure of any material cybersecurity incident.

The Zoetis information security team regularly provides an information security dashboard to the Audit Committee, covering the most active and relevant threats to Zoetis, relevant trends, and any notable events. The Zoetis information security team regularly presents updates to the Audit Committee with respect to the information security program, including the status of our security measures and our efforts to identify and mitigate information security risks. The Audit Committee also regularly reviews certain data privacy and cybersecurity metrics as part of the compliance update presented to the Audit Committee.

In addition, the Chief Information Security Officer presents updates at least annually to the Board of Directors with respect to the information security program, including the results of our independent, third-party assessment. The Board of Directors also participates in periodic table-top exercises involving simulated data security incidents and the Company's responses to those incidents.

Item 2. Properties.

We have approximately 173 owned and leased properties, amounting to approximately 11.5 million square feet, around the world for sales and marketing, customer service, regulatory compliance, R&D, manufacturing and distribution, and administrative support functions, which serve both our U.S. and International operating segments. In many locations, operations are co-located to achieve synergies and operational efficiencies. Our largest R&D and manufacturing facilities are located at our owned sites located in the Kalamazoo, Michigan area, which represents approximately 1.6 million square feet and largely supports the production of products for U.S. and global markets. The site represents approximately 0.9 million square feet dedicated to R&D and approximately 0.7 million square feet for manufacturing. In addition, our global manufacturing network continues to be supplemented by over 90 CMOs, which our International operating segment mainly relies on.

Our corporate headquarters are located at 10 Sylvan Way, Parsippany, New Jersey 07054. Our operations extend internationally to 56 countries.

We believe that our existing properties, as supplemented by sites operated by CMOs, are adequate for our current requirements and for our operations in the foreseeable future.

Item 3. Legal Proceedings.

We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of U.S. and foreign competition law, labor laws, consumer protection laws, and environmental laws and regulations, as well as claims or litigation relating to product liability, intellectual property, securities, breach of contract and tort. We operate in multiple jurisdictions and, as a result, a claim in one jurisdiction may lead to claims or regulatory penalties in other jurisdictions. We intend to defend vigorously against any pending or future claims and litigation.

At this time, in the opinion of management, the likelihood is remote that the impact of such proceedings, either individually or in the aggregate, would have a material adverse effect on our consolidated results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management's attention and may materially adversely affect our reputation, even if resolved in our favor.

Certain legal proceedings in which we are involved are discussed in Notes to Consolidated Financial Statements— *Note 18. Commitments and Contingencies*, and are incorporated by reference from such discussion.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our shares of common stock have been listed on the NYSE (symbol ZTS) since February 1, 2013. Prior to that time, there was no public market for our stock.

As of February 6, 2026, there were 422,127,709 shares of our common stock outstanding, held by 1,356 shareholders of record.

Additional information relating to our common stock is included in this Annual Report on Form 10-K in Notes to Consolidated Financial Statements — *Note 16. Stockholders' Equity*.

Purchases of Equity Securities by the Issuer

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 December 31, 2025, there was $2.4 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 Securities Exchange Act of 1934, as amended (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 common stock, which were substantially completed as of December 31, 2025.

Issuer purchases of equity securities for the three months ended December 31, 2025 were as follows:

	Issuer Purchases of Equity Securities[b]			
	Total Number of Shares Purchased[a]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs
October 1 - October 31, 2025	775,688	$144.58	773,904	$4,377,338,376
November 1 - November 30, 2025	2,342,900	$121.99	2,342,306	$4,091,597,203
December 1 - December 31, 2025	13,450,458	$123.54	13,449,877	$2,428,938,090
Total	16,569,046	$124.31	16,566,087	$2,428,938,090

(a) The company repurchased 2,959 shares during the three-month period ended December 31, 2025, that were not part of the publicly announced share repurchase authorization. These shares were purchased from employees to satisfy tax withholding requirements on the vesting of restricted shares from equity-based awards.

(b) Amounts exclude the impact of excise tax on net share repurchases.

Dividend Policy, Declaration and Payment

The declaration and payment of dividends to holders of our common stock will be at the discretion of our Board of Directors in accordance with applicable law after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, cash flows available in the U.S., impact on our effective tax rate, indebtedness, legal requirements and other factors that our Board of Directors deems relevant. In addition, the instruments governing our indebtedness may limit our ability to pay dividends. Therefore, no assurance is given that we will pay any dividends to our common stockholders or as to the amount of any such dividends if our Board of Directors determines to do so. Our quarterly cash dividend was $0.50 per share of common stock in fiscal year 2025. We currently expect to continue paying dividends consistent with our historic dividend payments.

Because we are a holding company, our ability to pay cash dividends on our common stock will depend on the receipt of dividends or other distributions from certain of our subsidiaries.

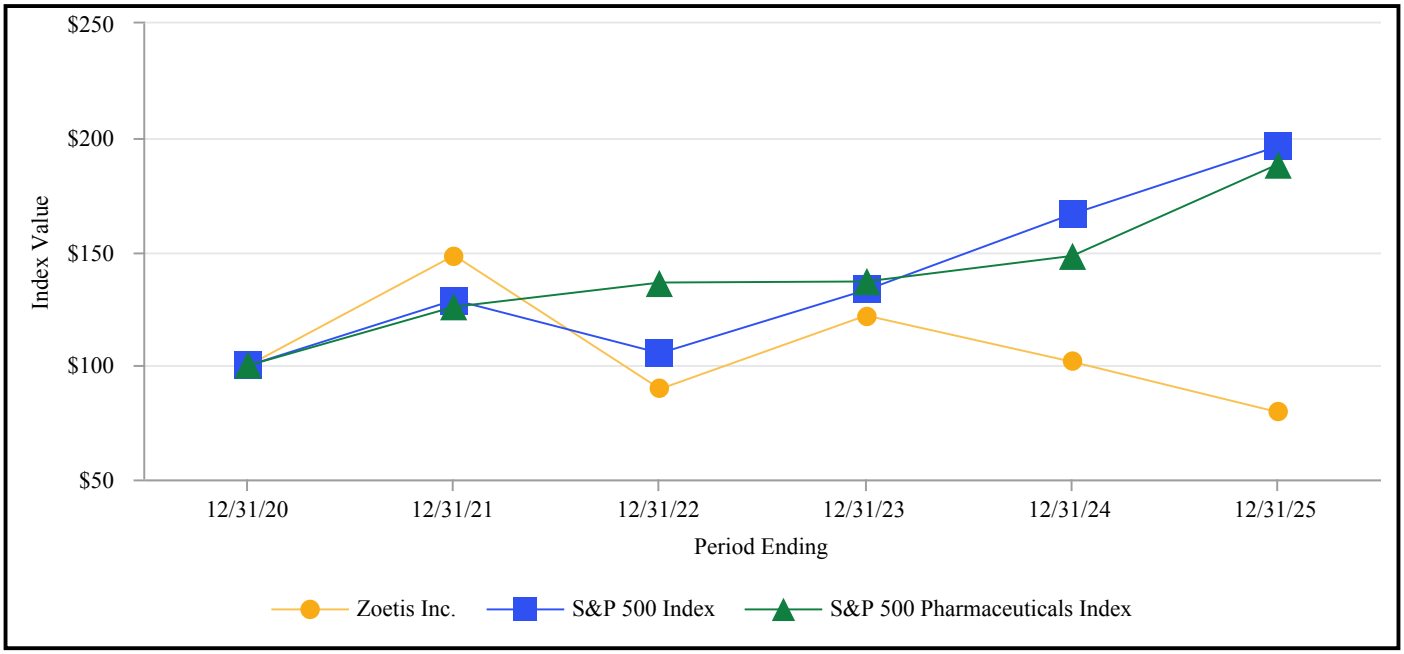
Stock Performance Graph[a]

The graph below compares the cumulative total shareholder return on an investment in our common stock, the S&P 500 Index and the S&P 500 Pharmaceuticals Index for the five fiscal years beginning with the close of trading on December 31, 2020 and ending December 31, 2025. The shareholder return shown on the graph is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future shareholder returns.

The graph assumes an investment of $100 on December 31, 2020, in our common stock, the S&P 500 Index and the S&P 500 Pharmaceuticals Index and assumes dividends, if any, were reinvested.

COMPARISON OF CUMULATIVE TOTAL RETURN

Among Zoetis Inc., the S&P 500 Index and the S&P 500 Pharmaceuticals Index



	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024	December 31, 2025
Zoetis Inc.	$100	$148.26	$89.69	$121.90	$101.62	$79.52
S&P 500 Index	$100	$128.71	$105.40	$133.10	$166.40	$196.16
S&P 500 Pharmaceuticals Index	$100	$125.75	$136.38	$136.84	$148.06	$188.27

[a] This section is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference in any filing of Zoetis under the Securities Act of 1933, as amended, or the Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language contained in any such filing.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

Our management's discussion and analysis of financial condition and results of operations (MD&A) is provided to assist readers in understanding our performance, as reflected in the results of our operations, our financial condition and our cash flows and should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included in *Item 8. Financial Statements and Supplementary Data*. The discussion in this MD&A contains forward-looking statements that involve substantial risks and uncertainties. Our objective is to also provide discussion of material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be indicative of future results, which could differ materially from historical performance and from those anticipated in the forward-looking statements as a result of various factors such as those discussed in *Item 1A. Risk Factors* and *Forward-looking statements and factors that may affect future results* sections of this MD&A.

A discussion regarding our financial condition and results of operations for fiscal 2025 compared to fiscal 2024 is presented below. A discussion regarding our financial condition and results of operations for fiscal 2024 compared to fiscal 2023 can be found under Item 7 of Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed with the SEC on February 13, 2025 (our "2024 Annual Report"), which is available free of charge on the SEC's website at www.sec.gov.

Overview of our business

We are 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 Consolidated Financial Statements—*Note 19. 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.

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 products 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 2025 performance compared with the comparable 2024 and 2023 periods follows:

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Revenue	**$ 9,467**	$ 9,256	$ 8,544	**2**	8
Net income attributable to Zoetis	**2,673**	2,486	2,344	**8**	6
Adjusted net income[(a)]	**2,847**	2,693	2,457	**6**	10

(a) Adjusted net income is a non-GAAP financial measure. See the *Non-GAAP financial measures* and *Adjusted net income* sections of this MD&A for more information.

Our operating environment

Industry

The animal health industry, which focuses on both companion animals and livestock, is a growing industry that impacts billions of people worldwide. The primary companion animal species are dogs, cats and horses. Factors influencing growth in demand for companion animal medicines, vaccines and diagnostics include:

- increasing pet owners' commitment to the health and well-being of their pets;
- economic development and related increases in disposable income, particularly in many emerging markets;
- companion animals living longer;
- increasing medical treatment of companion animals; and
- advances in companion animal medicines, vaccines and diagnostics.

The primary livestock species are cattle (both beef and dairy), swine, poultry, fish and sheep. Livestock health and production are essential to meeting the growing demand for animal protein of a global population. Factors influencing growth in demand for livestock medicines and vaccines include:

- human population growth and increasing standards of living, particularly in many emerging markets;

- increasing demand for improved nutrition, particularly animal protein;
- natural resource constraints, such as scarcity of arable land, fresh water and increased competition for cultivated land, resulting in fewer resources that will be available to meet an increasing demand for animal protein;
- increasing urbanization; and
- increased focus on food safety and food security.

The overall economic environment

In addition to industry-specific factors, we, like other businesses, face challenges related to global economic conditions, an economic downturn and high inflation. Growth in both the livestock and companion animal sectors is driven by overall economic development and related growth, particularly in many emerging markets. In the past, certain of our customers and suppliers have been affected directly by shortages in veterinary healthcare workers and economic downturns or inflation, which decreased the demand for our products and, in some cases, hindered our ability to collect amounts due from customers.

Industry sources have reported that pet owners indicated a preference for reducing spending on other aspects of their lifestyle, including entertainment, clothing and household goods, before reducing spending on pet healthcare. Similarly, the cost of medicines and vaccines to our livestock producer customers is small relative to other production costs, including feed, and the use of these products is intended to improve livestock producers' economic outcomes. As a result, demand for our products has historically been more stable than demand for other production inputs. Each of these factors, plus our broad and innovative portfolio, contributes to our ability to incorporate inflationary challenges into our product pricing and mitigate the impact on our results. While these factors have mitigated the impact of prior downturns in the global economy, economic challenges, including an economic downturn and inflation, could increase cost sensitivity among our customers, which may result in reduced demand for our products, which could have a material adverse effect on our operating results and financial condition.

Competition

The animal health industry is highly competitive. Although our business is the largest based on revenue in the animal health industry (which includes medicines, vaccines and diagnostics), we face competition in the regions in which we operate. Principal methods of competition vary depending on the particular region, species, product category or individual product. Some of these methods include new product development, quality, price, service and promotion to veterinary professionals, pet owners and livestock producers. Our competitors include standalone animal health businesses and the animal health businesses of large pharmaceutical companies. In recent years, there has been an increase in consolidation in the animal health industry. There are also many start-up companies working in the animal health area. In addition to competition from established market participants, there could be new entrants to the animal health medicines, vaccines and diagnostics industry in the future. We also compete with companies that produce generic products, following our products' loss of exclusivity in a given market. For example, Draxxin currently competes with generic products in key markets including the U.S., Europe, Canada, Mexico and Australia. Since 2021, the first year of generic competition, sales of Draxxin declined by 66% in the U.S., its largest market. For more information regarding the generic competition we expect to encounter as patents on certain of our key products expire, see *Item 1. Business – Intellectual Property*.

Manufacturing and supply

In order to sell our products, we must be able to produce and ship our products in sufficient quantities. Many of our products involve complex manufacturing processes and are sole-sourced from certain manufacturing sites. Minor deviations in our manufacturing or logistical processes, such as temperature excursions or improper package sealing, could result in delays, inventory shortages, unanticipated costs, product recalls, product liability and/or regulatory action. In addition, a number of factors could cause production interruptions that could result in launch delays, inventory shortages, recalls, unanticipated costs or issues with our supply agreements with third parties.

Our manufacturing network may be unable to meet the demand for our products or we may have excess capacity if demand for our products changes. The unpredictability of a product's regulatory or commercial success or failure, the lead time necessary to construct highly technical and complex manufacturing sites, and shifting customer demand increase the potential for capacity imbalances.

Perceptions of product quality, safety and reliability

We believe that animal health customers value high-quality manufacturing and reliability of supply. The importance of quality and safety concerns to pet owners, veterinarians and livestock producers also contributes to animal health brand loyalty, which often continues after the loss of patent-based and regulatory exclusivity. We depend on positive perceptions of the safety and quality of our products by our customers, veterinarians and end-users.

In addition, negative beliefs about animal health products generally could impact demand for our products. For example, the issue of the potential transfer of increased antibacterial resistance in bacteria from food-producing animals to human pathogens, and the causality of that transfer, continue to be the subject of global scientific and regulatory discussion. In some countries, this issue has led to government restrictions and bans on the use of specific antibacterials in some food-producing animals, regardless of the route of administration (in feed or injectable). In addition, consumer preferences in some markets have impacted the use of antibacterials in food producing animals. Such restrictions and consumer preferences in some cases may negatively impact sales of our antibacterial products, but in other instances may increase sales of our products that can be used as antibacterial alternatives. Our total revenue attributable to antibacterials for livestock was approximately $713 million for the year ended December 31, 2025.

Similarly, concerns regarding greenhouse gas emissions and other potential environmental impacts of livestock production have led to some consumers opting to limit or avoid consuming animal products. However, we believe the impact of this trend is limited as the livestock industry is still expected to continue to grow in order to feed a growing global population.

Product development initiatives

Our future success depends on both our existing products and our pipeline of new products, including new products that we may develop through joint ventures and products that we are able to obtain through license or acquisition. We believe we are an industry leader in animal health R&D, with a track record of generating new products and product lifecycle innovation, which is defined as R&D programs that leverage existing animal health products by adding new species or claims, achieving approvals in new markets or creating new reformulations, modifications and combinations. The majority of our R&D programs focus on new products. In addition to traditional medicines and vaccines, we develop products across additional categories to address the needs of veterinarians and producers to predict, prevent, detect and treat conditions in both companion animals and livestock, including products and services in diagnostics, genetics, precision animal health and digital and data analytics.

Changing distribution channels for companion animal products

In most markets, companion animal owners typically purchase their animal health products directly from veterinarians. However, in the U.S. and certain other markets, companion animal owners increasingly have the option to purchase animal health products from sources other than veterinarians, such as internet-based retailers, "big-box" retail stores or other over-the-counter distribution channels. We believe the ability of pet owners to purchase our products online and from retail stores may increase pet owner compliance and result in increased sales. However, over time, we may be unable to sustain our current margins due to the increased purchasing power of such retailers as compared to traditional veterinary practices.

In addition, this trend could negatively impact the sales of products we primarily sell through the veterinarian distribution channel, as any decrease in visits to veterinarians by companion animal owners could reduce our market share and sales of such products. A reduction in the number of pet owners who purchase our products directly from their veterinarian could also lead to increased use of generic alternatives to our products or the increased substitution of our products with other animal health products or human health products if such other products are deemed to be lower-cost alternatives.

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 year ended December 31, 2025, approximately 42% 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 year ended December 31, 2025, approximately 58% of our total revenue was in U.S. dollars. Our year-over-year total revenue growth was unfavorably impacted by 1% from changes in foreign currency values relative to the U.S. dollar.

Weather conditions, climate change and the availability of natural resources

The animal health industry and demand for many of our animal health products in a particular region are affected by weather conditions, as usage of our products follows varying weather patterns and weather-related pressures from pests, such as ticks. As a result, we may experience regional and seasonal fluctuations in our results of operations.

In addition, veterinary hospitals and practitioners depend on visits from and access to the animals under their care. Veterinarians' patient volume and ability to operate could be adversely affected if they experience prolonged snow, ice or other severe weather conditions, particularly in regions not accustomed to sustained inclement weather. Furthermore, weather conditions, including excessive cold or heat, natural disasters and other events, could negatively impact our livestock customers by impairing the health or growth of their animals or the production or availability of feed, as well as disrupting their normal operations. For example, livestock producers depend on the availability of natural resources, including large supplies of fresh water. Their animals' health and their ability to operate could be adversely affected if they experience a shortage of fresh water due to human population growth, climate change or floods, droughts or other weather conditions. In the event of adverse weather conditions, climate-change related impacts or a shortage of fresh water, veterinarians and livestock producers may purchase less of our products.

Adverse weather conditions, natural disasters and climate change may also impact the aquaculture business. Changes in water temperatures could affect the timing of reproduction and growth of various fish species, as well as trigger the outbreak of certain waterborne diseases.

Our strategic pillars

Our vision is to be the most trusted and valued animal health company, shaping the future of animal care through our innovation, customer obsession and purpose-driven colleagues. We have a global presence in both developed and emerging markets and across eight core species. We intend to grow our business by pursuing the following core strategies:

- ***Lead through innovation across our diverse portfolio -*** We seek to define the future of animal health by delivering new products and solutions as well as lifecycle innovations across the continuum of care that span from disease prediction and prevention to detection and treatment. We are focused on innovating across vaccines, pharmaceuticals, diagnostics, genetics, biodevices, and other product segments, and across all core species. Our internal R&D capabilities are differentiators, but we also collaborate across both academia and industry partners to ensure we are bringing the best possible innovations to our customers;

- ***Deliver an exceptional experience to delight our customers -*** We believe that our customers' success is our success and that the best way to realize that success is by enabling veterinarians, livestock producers and pet owners to provide the best possible care for animals. We are focused on providing greater value to our customers through the integration and connectedness of our portfolio and by reducing frictions in the way they engage with us and our products and solutions;
- ***Power our business through digital solutions and data insights -*** We believe that digital and data are no longer just enablers, but are core decision drivers for the future of animal health. We are leaders in the translation of digital solutions and data insights to positive outcomes for our customers and for the animals they care for, whether for better identification of health care solutions in pets or improved production capabilities in livestock;
- ***Support a workplace where our colleagues can thrive*** - We view the strength of our leadership team and our talented colleagues around the world as a critical component of our past and future success. We believe that by focusing on colleague well-being and providing all of our colleagues with supportive tools, training and environment that we are best positioned to succeed. With that, our colleagues are committed to our purpose, our customers and each other. We are committed to maintaining an inclusive workplace culture that attracts, retains and develops the best talent in the industry;
- ***Advance sustainability in animal health for a better future -*** As the world's leading animal health company, our business purpose is well aligned with our social purpose. We strive to make a meaningful difference in society through the three pillars of our sustainability approach: (1) by improving access to care for animals and by supporting the veterinary profession; (2) by leveraging our innovation capabilities to develop solutions that improve productivity, keep animals healthy, and fight emerging infectious diseases; and (3) by taking actions to protect our planet that reduce our footprint on the environment; and
- ***Perform with excellence and agility -*** We recognize the increasing uncertainty in our industry and more broadly across the world. While we aim to improve our ability to predict, we more importantly aim to be proactive in how we effectively manage our resources and how quickly we can redeploy focus to emerging themes or priorities. We actively: (1) review and manage our resource allocation; (2) continuously improve key operational processes; and (3) ensure strategic focus on our core business.

Components of revenue and costs and expenses

Our revenue, costs and expenses are reported for the year ended December 31 for each year presented, except for subsidiaries operating outside the U.S., for which the financial information is included in our consolidated financial statements for the fiscal year ended November 30 for each year presented.

Revenue

Our revenue is primarily derived from our diversified product portfolio of medicines, vaccines and diagnostic products and services used to treat and protect companion animals and livestock. 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. In 2025, our two top-selling products and product lines, Simparica/Simparica Trio and Apoquel/Apoquel Chewable, contributed approximately 16% and 12% of our revenue, respectively, and combined with our next three top-selling products and product lines, Cytopoint, Librela and our ceftiofur line, these five products and product lines contributed approximately 42% of our revenue. Our ten top-selling products and product lines contributed 57% of our revenue. For additional information regarding our products, including descriptions of our product lines that each represented approximately 1% or more of our revenue in 2025, see *Item 1. Business—Products*.

Costs and expenses

Costs of sales consist primarily of cost of materials, facilities and other infrastructure used to manufacture our medicine and vaccine products, as well as costs to operate our reference labs and royalty expenses associated with the intellectual property of our products, when relevant.

Selling, general and administrative (SG&A) expenses consist of, among other things, the internal and external costs of marketing, promotion, advertising and shipping and handling as well as certain costs related to business technology, facilities, legal, finance, human resources, business development, public affairs and procurement.

Research and development (R&D) expenses consist primarily of project costs specific to new product R&D and product lifecycle innovation, overhead costs associated with R&D operations and investments that support local market clinical trials for approved indications and expenses related to regulatory approvals for our products. We do not disaggregate R&D expenses by research stage or by therapeutic area for purposes of managing our business.

Amortization of intangible assets consists primarily of the amortization expense for identifiable finite-lived intangible assets that have been acquired through business combinations. These assets consist of, but are not limited to, developed technology, brands and trademarks.

Restructuring charges and certain acquisition and divestiture-related costs consist of all restructuring charges (those associated with cost reduction/productivity initiatives and those associated with acquisition activity) and costs associated with executing the transaction which include acquiring and integrating businesses and costs associated with divesting and disintegrating businesses. Restructuring charges are associated with employees, assets and activities that will not continue in the company. Acquisition and divestiture-related costs are associated with acquiring and integrating acquired businesses, which may include expenditures for consulting and the integration of systems and processes, product transfers, transaction costs and restructuring the company, as well as costs associated with divesting and disintegrating a portion of our business 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.

Other (income)/deductions—net consists of various items, primarily net (gains)/losses on business sales and divestitures, as well as asset disposals, interest income, royalty-related income, foreign exchange translation (gains)/losses and certain asset impairment charges.

Variability of Financial Results

Our 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 expected change in accounting principle to eliminate the one-month reporting lag in 2026 for our subsidiaries operating outside the U.S.

Significant accounting policies and application of critical accounting estimates

In presenting our financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. For a description of our significant accounting policies, see Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies*.

We believe that the following accounting policies are critical to an understanding of our consolidated financial statements as they require the application of the most difficult, subjective and complex judgments and, therefore, could have the greatest impact on our financial statements: (i) fair value; (ii) revenue; (iii) asset impairment reviews; and (iv) contingencies.

Below are some of our more critical accounting estimates. See Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies: Estimates and Assumptions* for a discussion about the risks associated with estimates and assumptions.

Fair value

For a discussion about the application of fair value to our long-term debt and financial instruments, see Notes to Consolidated Financial Statements—*Note 9. Financial Instruments*.

For a discussion about the application of fair value to our business combinations, see Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies: Fair Value*.

For a discussion about the application of fair value to our asset impairment reviews, see *Asset impairment reviews* below.

Revenue

Our gross product revenue is subject to deductions that are generally estimated and recorded in the same period that the revenue is recognized and primarily represents sales returns and revenue incentives. For example:

- for sales returns, we perform calculations in each market that incorporate the following, as appropriate: local returns policies and practices; past returns as a percentage of revenue; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, product recalls, discontinuation of products or a changing competitive environment; and
- for revenue incentives, we use our historical experience with similar incentives programs to estimate the impact of such programs on revenue.

If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. Although the amounts recorded for these revenue deductions are dependent on estimates and assumptions, historically our adjustments to actual results have not been material. The sensitivity of our estimates can vary by program, type of customer and geographic location.

Amounts recorded for revenue deductions can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For further information about the risks associated with estimates and assumptions, see Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies: Estimates and Assumptions*.

Asset impairment reviews

We review all of our long-lived assets for impairment indicators throughout the year and we perform detailed testing whenever impairment indicators are present. In addition, we perform impairment testing for goodwill and indefinite-lived intangible assets at least annually. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets.

Our impairment review processes are described below and in Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets* and, for deferred tax assets, in *Note 3. Significant Accounting Policies: Deferred Tax Assets and Liabilities and Income Tax Contingencies*.

Examples of events or circumstances that may be indicative of impairment include:

- a significant adverse change in the extent or manner in which an asset is used. For example, restrictions imposed by the regulatory authorities could affect our ability to manufacture or sell a product; and
- a projection or forecast that demonstrates losses or reduced profits associated with an asset. This could result, for example, from the introduction of a competitor's product that results in a significant loss of market share or the inability to achieve the previously projected revenue growth, or from the lack of acceptance of a product by customers.

For finite-lived identifiable intangible assets, such as developed technology rights, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.

Our impairment reviews of most of our long-lived assets depend on the determination of fair value, as defined by U.S. GAAP. A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions which can materially impact our results of operations. For information about the risks associated with estimates and assumptions, see Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies: Estimates and Assumptions*.

Intangible assets other than goodwill

We test indefinite-lived intangible assets for impairment at least annually, or more frequently if impairment indicators exist, by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If we conclude it is more likely than not that the fair value is less than the carrying amount, a quantitative test that compares the fair value of the indefinite-lived intangible asset with its carrying value is performed. If the fair value is less than the carrying amount, an impairment loss is recognized. Impairments of identifiable intangible assets other than goodwill, are recorded in *Restructuring charges and certain acquisition and divestiture-related costs* and *Other (income)/deductions—net*, as applicable. We did not have any material intangible asset impairment charges for the years ended December 31, 2025, 2024 and 2023.

When we are required to determine the fair value of intangible assets other than goodwill, we use an income approach, specifically the multi-period excess earnings method, also known as the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the asset, which includes the application of a terminal value for indefinite-lived assets, and then we apply an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the projections, the impact of technological risk associated with IPR&D assets, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the risks inherent in the projected cash flows; foreign currency fluctuations; and the effective tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

While all identifiable intangible assets can be impacted by events and thus lead to impairment, in general, identifiable intangible assets that are at the highest risk of impairment include IPR&D assets ($141 million as of December 31, 2025). IPR&D assets are higher-risk assets given the uncertain nature of R&D activity.

For a description of our accounting policy, see Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets*.

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of net assets of businesses purchased and is assigned to reporting units. We test goodwill for impairment on at least an annual basis, or more frequently if necessary, either by assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount or by performing a periodic quantitative assessment.

Factors considered in the qualitative assessment include general macroeconomic conditions, conditions specific to the industry and market, cost factors which could have a significant effect on earnings or cash flows, the overall financial performance of the reporting unit and whether there have been sustained declines in our share price. Additionally, we evaluate the extent to which the fair value exceeded the carrying value of the reporting unit at the date of the last quantitative assessment performed.

When performing a quantitative assessment to test for goodwill impairment we utilize the income approach, which is forward-looking, and relies primarily on internal forecasts. Within the income approach, the method that we use is the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then apply a reporting unit-specific discount rate to arrive at a net present value. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of technological risk and competitive, legal and/or regulatory forces on the projections, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the effective tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

We test goodwill for impairment on at least an annual basis, or more frequently if necessary, either by assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount or by performing a periodic quantitative assessment. In 2025, we performed a periodic qualitative impairment assessment as of September 30, 2025 and, in 2024, we performed a quantitative impairment assessment as of September 30, 2024, which did not result in the impairment of goodwill associated with any of our reporting units in either period.

For all of our reporting units, there are a number of future events and factors that may impact future results and that could potentially have an impact on the outcome of subsequent goodwill impairment testing. For a list of these factors, see *Forward-looking statements and factors that may affect future results.*

For a description of our accounting policy, see Notes to Consolidated Financial Statements—*Note 3. Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets*.

Contingencies

For a discussion about income tax contingencies, see Notes to Consolidated Financial Statements—*Note 8C. Tax Matters: Tax Contingencies*.

For a discussion about legal contingencies, guarantees and indemnifications, see Notes to Consolidated Financial Statement—*Note 18. Commitments and Contingencies*.

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 Growth

We believe that it is important to not only understand overall revenue and earnings growth, but also "operational growth." Operational growth is a non-GAAP financial measure defined as revenue or earnings growth 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 growth.

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 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 the *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). For subsidiaries operating outside the U.S. (the "International Subsidiaries"), the consolidated financial information is included as of and for the fiscal year ended November 30 for each year presented. As a result, results of operations of our International Subsidiaries for the month of December 2025 are not included in our consolidated results of operations for fiscal year 2025 (and results of operations of our International Subsidiaries for the month of December 2024 are included).

In connection with our multi-year process to transition our ERP system noted above, we expect to eliminate the one-month reporting lag in 2026 for our International Subsidiaries, effective beginning with the Company's first quarterly report in 2026, which would result in an alignment of the year-end for all subsidiaries and operations to December 31 (the "Expected Fiscal Year Alignment"). As a result of this alignment, the results of operations of our International Subsidiaries for the month of December 2025 would 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 will contribute to more seamless financial consolidation, regulatory compliance and consistent reporting.

In connection with the Expected Fiscal Year Alignment, revenue in the International segment for the reported fourth quarter of 2025 benefited from operational changes resulting in the acceleration of the timing of sales into the reported fourth quarter of 2025, which led to an approximate 2.5% to 3.5% increase in sales in the International segment in the reported fourth quarter of 2025, a trend that we do not expect to recur at the end of fiscal year 2026.

The operational changes in connection with the Expected Fiscal Year Alignment to date also included a shift implemented in early 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 calendar year 2026.

Analysis of the Consolidated Statements of Income

The following discussion and analysis of our Consolidated Statements of Income should be read along with our consolidated financial statements, and the notes thereto.

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Revenue	**$ 9,467**	$ 9,256	$ 8,544	**2**	8
Costs and expenses:					
Cost of sales[a]	**2,666**	2,719	2,561	**(2)**	6
% of revenue	***28.2 %***	*29.4 %*	*30.0 %*		
Selling, general and administrative expenses[a]	**2,378**	2,318	2,151	**3**	8
% of revenue	***25 %***	*25 %*	*25 %*		
Research and development expenses[a]	**698**	686	614	**2**	12
% of revenue	***7 %***	*7 %*	*7 %*		
Amortization of intangible assets[a]	**128**	141	149	**(9)**	(5)
Restructuring charges and certain acquisition and divestiture-related costs	**51**	53	53	**(4)**	—
Interest expense, net of capitalized interest	**222**	225	239	**(1)**	(6)
Other (income)/deductions—net	**(36)**	(19)	(159)	**89**	(88)
Income before provision for taxes on income	**3,360**	3,133	2,936	**7**	7
% of revenue	***35 %***	*34 %*	*34 %*		
Provision for taxes on income	**687**	637	596	**8**	7
Effective tax rate	***20.4 %***	*20.3 %*	*20.3 %*		
Net income before allocation to noncontrolling interests	**2,673**	2,496	2,340	**7**	7
Less: Net gain/(loss) attributable to noncontrolling interests	**—**	10	(4)	*****	*
Net income attributable to Zoetis	**$ 2,673**	$ 2,486	$ 2,344	**8**	6
% of revenue	***28 %***	*27 %*	*27 %*		

* Calculation not meaningful.

[a] 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 these intangible assets benefit 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.

Revenue

Total revenue by operating segment was as follows:

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
U.S.	**$ 5,097**	$ 5,074	$ 4,555	**—**	11
International	**4,254**	4,102	3,911	**4**	5
Total operating segments	**9,351**	9,176	8,466	**2**	8
Contract manufacturing & human health	**116**	80	78	**45**	3
Total Revenue	**$ 9,467**	$ 9,256	$ 8,544	**2**	8

On a global basis, the mix of revenue between companion animal and livestock products was as follows:

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Companion animal	**$ 6,587**	$ 6,278	$ 5,576	**5**	13
Livestock	**2,764**	2,898	2,890	**(5)**	—
Contract manufacturing & human health	**116**	80	78	**45**	3
Total Revenue	**$ 9,467**	$ 9,256	$ 8,544	**2**	8

2025 vs. 2024

Total revenue increased by $211 million, or 2%, in 2025 compared with 2024 reflecting operational revenue growth of $247 million, or 3%. Operational revenue growth was primarily due to the following:

- price growth of approximately 4%;
- volume growth from other in-line products of approximately 1%; and
- volume growth from key franchises of approximately 1%,

partially offset by:

- volume decrease related to the impact of the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets (MFA divestiture) of approximately 3%.

Foreign exchange decreased our reported revenue growth by approximately $36 million, or 1%.

Costs and Expenses

Cost of sales

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023	% Change 25/24	24/23
Cost of sales	**$ 2,666**	$ 2,719	$ 2,561	**(2)**	6
% of revenue	**28.2 %**	29.4 %	30.0 %		

2025 vs. 2024

Cost of sales as a percentage of revenue was 28.2% in 2025, compared with 29.4% in 2024. The decrease was primarily as a result of:

- favorable impact of the MFA divestiture;
- price increases;
- favorable foreign exchange; and
- lower inventory charges,

partially offset by:

- unfavorable manufacturing and other costs.

Selling, general and administrative expenses

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023	% Change 25/24	24/23
Selling, general and administrative expenses	**$ 2,378**	$ 2,318	$ 2,151	**3**	8
% of revenue	**25 %**	25 %	25 %		

2025 vs. 2024

SG&A expenses increased by $60 million, or 3%, in 2025 compared with 2024, primarily as a result of:

- an increase in software expense;
- higher charitable contributions;
- an increase in certain significant items;
- higher professional and consulting fees; and
- higher travel and entertainment expenses,

partially offset by:

- lower depreciation expense;
- favorable foreign exchange; and
- lower logistics and freight expense.

Research and development expenses

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023	% Change 25/24	24/23
Research and development expenses	**$ 698**	$ 686	$ 614	**2**	12
% of revenue	**7 %**	7 %	7 %		

2025 vs. 2024

R&D expenses increased by $12 million, or 2%, in 2025 compared with 2024, primarily as a result of:

- higher depreciation expense;
- an increase in certain compensation-related costs to support innovation and portfolio progression; and
- unfavorable impact from foreign exchange,

partially offset by:

- lower professional and consulting services.

Amortization of intangible assets

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023	% Change 25/24	24/23
Amortization of intangible assets	**$ 128**	$ 141	$ 149	**(9)**	(5)

2025 vs. 2024

Amortization of intangible assets decreased by $13 million, or 9%, in 2025 compared with 2024 primarily due to asset impairments taken in 2025 and 2024, as well as assets that became fully amortized, partially offset by intangible assets placed in service in 2025 and 2024.

Restructuring charges and certain acquisition and divestiture-related costs

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Restructuring charges and certain acquisition and divestiture-related costs	**$ 51**	$ 53	$ 53	**(4)**	—

* Calculation not meaningful.

2025 vs. 2024

Restructuring charges and certain acquisition and divestiture-related costs were $51 million in 2025 and $53 million in 2024. Restructuring charges and certain acquisition and divestiture-related costs in 2025 primarily consisted of 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 employee termination costs related to organizational structure refinements. Restructuring charges and certain acquisition and divestiture-related costs in 2024 primarily consisted of employee termination costs related to organizational structure refinements, as well as costs related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets, partially offset by a reversal of certain employee termination costs as a result of a change in strategy from our 2015 operational efficiency initiative.

For additional information regarding restructuring charges and acquisition and divestiture-related costs, see Notes to Consolidated Financial Statements— *Note 6. Restructuring Charges and Other Costs Associated with Acquisitions and Divestitures.*

Interest expense, net of capitalized interest

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Interest expense, net of capitalized interest	**$ 222**	$ 225	$ 239	**(1)**	(6)

2025 vs. 2024

Interest expense, net of capitalized interest, decreased by $3 million, or 1%, in 2025 compared with 2024, primarily as a result of higher capitalized interest in the current period associated with capital projects to support our future growth and higher gains on foreign exchange derivative instruments, partially offset by a higher average debt balance during a portion of the current year.

Other (income)/deductions—net

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Other (income)/deductions—net	**$ (36)**	$ (19)	$ (159)	**89**	(88)

* Calculation not meaningful.

2025 vs. 2024

The change in *Other (income)/deductions—net* is primarily as a result of the net loss on the sale of our medicated feed additive product portfolio, certain water soluble products and related assets in 2024, as well as lower asset impairment charges in the current period, partially offset by lower interest income in the current period.

Provision for taxes on income

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Provision for taxes on income	**$ 687**	$ 637	$ 596	**8**	7
Effective tax rate	**20.4%**	20.3%	20.3%		

The income tax provision in the Consolidated Statements of Income includes tax costs and benefits, such as uncertain tax positions, repatriation decisions and audit settlements, among others.

2025 vs. 2024

Our effective tax rate was 20.4% for 2025 and 20.3% for 2024. The higher effective tax rate for 2025, as compared to 2024, was primarily attributable to a lower benefit in the U.S. related to foreign-derived intangible income, partially offset by 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 activity) and higher net discrete tax benefits.

Operating Segment Results

The mix of revenue between companion animal and livestock products was as follows:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023	% Change 25/24 Total	25/24 Related to Foreign Exchange	25/24 Related to Operational	24/23 Total	24/23 Related to Foreign Exchange	24/23 Related to Operational
U.S.									
Companion animal	**$ 4,220**	$ 4,054	$ 3,529	**4**	**—**	**4**	15	—	15
Livestock	**877**	1,020	1,026	**(14)**	**—**	**(14)**	(1)	—	(1)
	5,097	5,074	4,555	**—**	**—**	**—**	11	—	11
International									
Companion animal	**2,367**	2,224	2,047	**6**	**(1)**	**7**	9	(4)	13
Livestock	**1,887**	1,878	1,864	**—**	**(2)**	**2**	1	(7)	8
	4,254	4,102	3,911	**4**	**(1)**	**5**	5	(5)	10
Total									
Companion animal	**6,587**	6,278	5,576	**5**	**—**	**5**	13	(1)	14
Livestock	**2,764**	2,898	2,890	**(5)**	**(2)**	**(3)**	—	(5)	5
Contract manufacturing & human health	**116**	80	78	**45**	**—**	**45**	3	—	3
	$ 9,467	$ 9,256	$ 8,544	**2**	**(1)**	**3**	8	(3)	11

Earnings by segment and the operational and foreign exchange changes versus the comparable prior year period were as follows:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023	% Change 25/24 Total	25/24 Related to Foreign Exchange	25/24 Related to Operational	24/23 Total	24/23 Related to Foreign Exchange	24/23 Related to Operational
U.S.	**$ 3,438**	$ 3,336	$ 2,863	**3**	**—**	**3**	17	—	17
International	**2,264**	2,118	2,037	**7**	**2**	**5**	4	(7)	11
Total reportable segments	**5,702**	5,454	4,900	**5**	**1**	**4**	11	(3)	14
Other business activities	**(562)**	(562)	(496)	**—**			13		
Reconciling Items:									
Corporate	**(1,240)**	(1,213)	(1,042)	**2**			16		
Purchase accounting adjustments	**(128)**	(140)	(159)	**(9)**			(12)		
Acquisition and divestiture-related costs	**(2)**	(18)	(9)	**(89)**			*		
Certain significant items	**(82)**	(79)	33	**4**			*		
Other unallocated	**(328)**	(309)	(291)	**6**			6		
Income before income taxes	**$ 3,360**	$ 3,133	$ 2,936	**7**			7		

* Calculation not meaningful.

2025 vs. 2024

U.S. operating segment

U.S. segment revenue increased by $23 million in 2025, which was relatively flat compared with 2024, of which $166 million resulted from growth in companion animal products, partially offset by a $143 million decline in livestock products.

- Companion animal revenue growth was primarily due to increased sales of Simparica Trio, key dermatology products and small animal diagnostics, partially offset by lower sales of Librela.
- Livestock revenue declined due to the impact of the MFA divestiture across cattle, poultry and swine products. Excluding the impact of the MFA divestiture, livestock revenue increased primarily due to higher demand for vaccines in our cattle and poultry markets, partially offset by a decrease in demand for certain swine products.

U.S. segment earnings increased by $102 million, or 3%, in 2025 compared with 2024, primarily due to higher revenue and lower cost of sales, partially offset by higher operating expenses.

International operating segment

International segment revenue increased by $152 million, or 4%, in 2025 compared with 2024. Operational revenue growth was $188 million, or 5%, reflecting growth of $145 million in companion animal products and $43 million in livestock products.

- Companion animal operational revenue growth was driven primarily by increased sales of our Simparica franchise products, key dermatology products and our mAb products for OA pain, Librela and Solensia.

- Livestock operational revenue growth was due to increased sales in our cattle and fish products, partially offset by lower sales of poultry products. Excluding the impact of the MFA divestiture, livestock revenue increased across all species. Sales of cattle products grew largely due to price and sales of poultry products grew due to higher demand for vaccines in key poultry markets and price. Sales of our fish products grew due to increased vaccine sales in Norway and Chile. Sales of swine products increased due to higher demand for vaccines and geographic expansion.
- International segment revenue was positively impacted by operational changes made in connection with the Expected Fiscal Year Alignment, leading to an approximate 2.5% to 3.5% increase in sales in the International segment in the reported fourth quarter 2025 due to an acceleration of the timing of sales into the reported fourth quarter of 2025, a trend that we do not expect to recur.
- Additionally, International segment revenue was unfavorably impacted by foreign exchange which decreased revenue by approximately $36 million, or 1%, primarily driven by the Brazilian real, Argentinian peso, Turkish lira, Mexican peso, Australian dollar and Canadian dollar.

International segment earnings increased by $146 million, or 7%, in 2025 compared with 2024. Operational earnings growth was $106 million, or 5%, primarily due to higher revenue, partially offset by higher cost of sales and 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.

2025 vs. 2024

Other business activities net loss was flat in 2025 compared with 2024, reflecting a decrease in R&D costs primarily due to timing of spend related to projects and other strategic investments, as well as contract manufacturing results, offset by an increase in certain compensation-related costs and depreciation expense.

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 diagnostics 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 activities*** 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.

2025 vs. 2024

Corporate expenses increased by $27 million, or 2%, in 2025 compared with 2024, primarily due to an increase in compensation-related costs, partially offset by favorable foreign exchange.

Other unallocated expenses increased by $19 million, or 6%, in 2025 compared with 2024, primarily due to higher manufacturing costs and other charges, partially offset by lower inventory obsolescence, freight charges and favorable foreign exchange.

See Notes to Consolidated Financial Statements— *Note 19. 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 significant purchase accounting impacts that result from business combinations and net asset acquisitions. These impacts, primarily associated with certain 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 significant 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 and 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 Consolidated Financial Statements— *Note 18. 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:

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
GAAP reported net income attributable to Zoetis	**$ 2,673**	$ 2,486	$ 2,344	**8**	6
Purchase accounting adjustments—net of tax	**99**	109	127	**(9)**	(14)
Acquisition and divestiture-related costs—net of tax	**2**	14	7	**(86)**	*
Certain significant items—net of tax	**73**	84	(21)	**(13)**	*
Non-GAAP adjusted net income[(a)]	**$ 2,847**	$ 2,693	$ 2,457	**6**	10

* Calculation not meaningful.

(a) The effective tax rate on adjusted pretax income was 20.3%, 19.8% and 20.1% in 2025, 2024 and 2023, respectively.

The higher effective tax rate on adjusted pretax income for 2025, as compared to 2024, was primarily attributable to a lower benefit in the U.S related to foreign-derived intangible income and 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 activity), partially offset by higher net discrete benefits.

The lower effective tax rate on adjusted pretax income for 2024, as compared to 2023, was primarily attributable to a higher benefit in the U.S. related to foreign-derived intangible income and lower net discrete tax expenses, partially offset by a less favorable jurisdictional mix of earnings (which includes the impact of the location of earnings, repatriation costs and Pillar Two global minimum tax). Jurisdictional mix of earnings can vary depending on repatriation decisions, operating fluctuations in the normal course of business and the impact of non-deductible and non-taxable items.

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

	Year Ended December 31,			% Change	
	2025	2024	2023	**25/24**	24/23
Earnings per share—diluted[a]:					
GAAP reported EPS attributable to Zoetis—diluted	**$ 6.02**	$ 5.47	$ 5.07	**10**	8
Purchase accounting adjustments—net of tax	**0.22**	0.24	0.28	**(8)**	(14)
Acquisition and divestiture-related costs—net of tax	**—**	0.03	0.02	*****	50
Certain significant items—net of tax	**0.17**	0.18	(0.05)	**(6)**	*
Non-GAAP adjusted EPS—diluted	**$ 6.41**	$ 5.92	$ 5.32	**8**	11

* 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 for each of the periods presented:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
Interest expense, net of capitalized interest	**$ 222**	$ 225	$ 239
Interest income	**(93)**	(106)	(103)
Income taxes	**725**	667	618
Depreciation	**325**	323	302
Amortization	**34**	34	36

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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
Purchase accounting adjustments:			
Amortization and depreciation	**$ 128**	$ 140	$ 153
Cost of sales	**—**	—	6
Total purchase accounting adjustments—pre-tax	**128**	140	159
Income taxes[a]	**29**	31	32
Total purchase accounting adjustments—net of tax	**99**	109	127
Acquisition and divestiture-related costs:			
Acquisition-related costs	**2**	1	7
Divestiture-related costs[b]	**—**	16	—
Restructuring costs	**—**	1	2
Total acquisition and divestiture-related costs—pre-tax	**2**	18	9
Income taxes[a]	**—**	4	2
Total acquisition and divestiture-related costs—net of tax	**2**	14	7
Certain significant items:			
Other restructuring charges and cost-reduction/productivity initiatives[c]	**27**	35	44
Business process transformation costs[d]	**29**	—	—
Certain asset impairment charges[e]	**27**	11	24
Net loss/(gain) on sale of businesses[f]	**3**	25	(101)
Other	**(4)**	8	—
Total certain significant items—pre-tax	**82**	79	(33)
Income taxes[a]	**9**	(5)	(12)
Total certain significant items—net of tax	**73**	84	(21)
Total purchase accounting adjustments, acquisition and divestiture-related costs, and certain significant items—net of tax	**$ 174**	$ 207	$ 113

(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.

Income taxes in *Certain significant items* also includes:
- For 2024, a tax expense related to the divestiture of the medicated feed additive product portfolio, certain water soluble products and related assets.
- For 2023, a benefit from the tax loss on the divestiture of Performance Livestock Analytics, partially offset by a tax expense related to changes to prior years' tax positions with regard to the one-time mandatory deemed repatriation tax under the Tax Cuts and Jobs Act.

(b) Represents costs related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets.

(c) For 2025, primarily consisted of employee termination costs related to organizational structure refinements, as well as costs related to a transition from internal to external innovation and manufacturing of certain products and the closure of a related site.

For 2024, primarily consisted of employee termination costs related to organizational structure refinements, partially offset by a reversal of certain employee termination costs as a result of a change in strategy from our 2015 operational efficiency initiative.

For 2023, primarily represents employee termination and exit costs related to organizational structure refinements and other cost-reduction and productivity initiatives.

(d) Represents costs related to our multi-year business process transformation program, which includes the implementation of a new enterprise resource planning (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 Expected 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.

(e) For 2025, represents 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.

For 2024, represents certain asset impairment charges related to our aquaculture business.

For 2023, primarily represents certain asset impairment charges related to our precision animal health and diagnostics businesses.

(f) For 2025 and 2024, represents a net loss related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets in 2024.

For 2023, primarily represents a net gain on the sale of a majority interest in our pet insurance business.

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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
Cost of sales:			
Purchase accounting adjustments	**$ 4**	$ 4	$ 10
Inventory write-offs	**—**	—	2
Business process transformation costs	**6**	—	—
Other	**(1)**	1	1
Total Cost of sales	**9**	5	13
Selling, general & administrative expenses:			
Purchase accounting adjustments	**11**	11	21
Business process transformation costs	**23**	—	—
Other	**—**	6	—
Total Selling, general & administrative expenses	**34**	17	21
Research & development expenses:			
Purchase accounting adjustments	**2**	2	1
Total Research & development expenses	**2**	2	1
Amortization of intangible assets:			
Purchase accounting adjustments	**111**	123	127
Total Amortization of intangible assets	**111**	123	127
Restructuring charges and certain acquisition and divestiture-related costs:			
Acquisition-related costs	**2**	1	7
Divestiture-related costs	**—**	16	—
Employee termination costs	**20**	36	41
Asset impairments	**22**	—	1
Exit costs	**7**	—	4
Total Restructuring charges and certain acquisition and divestiture-related costs	**51**	53	53
Other (income)/deductions—net:			
Asset impairments	**5**	11	21
Net loss/(gain) on sale of businesses	**3**	25	(101)
Other	**(3)**	1	—
Total Other (income)/deductions—net	**5**	37	(80)
Provision for taxes on income	**38**	30	22
Total purchase accounting adjustments, acquisition and divestiture-related costs, and certain significant items—net of tax	**$ 174**	$ 207	$ 113

Analysis of the 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 Consolidated Financial Statements.

Analysis of the Consolidated Balance Sheets

December 31, 2025 vs. December 31, 2024

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

Accounts receivable, less allowance for doubtful accounts increased primarily as a result of higher net sales in the period.

Inventories increased primarily as a result of inventory build-up to support production for the forecasted demand of certain products. See Notes to Consolidated Financial Statements - *Note 11. Inventories.*

Other current assets increased primarily due to an increase in collateral posted related to derivative contracts, the deferral of a prepaid tax benefit in connection with a prepayment from a related foreign entity in Belgium, as well as higher value-added tax receivables, partially offset by the mark-to-market adjustments of derivative instruments.

Property, plant and equipment less accumulated depreciation increased primarily as a result of capital spending, partially offset by depreciation expense. See Notes to Consolidated Financial Statements - *Note 12. Property, Plant and Equipment.*

The increase in *Operating lease right-of-use assets* reflects assets acquired through new and amended lease agreements, partially offset by lease amortization, while the increase in *Operating lease liabilities* primarily reflects an amended lease obligation in the current period, partially offset by lease payments. See Notes to Consolidated Financial Statements—*Note 10. Leases*.

Identifiable intangible assets, less accumulated amortization decreased primarily due to amortization expense. See Notes to Consolidated Financial Statements - *Note 13. Goodwill and Other Intangible Assets.*

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 and divestitures.

Other noncurrent assets increased primarily due to capitalized cloud computing arrangements implementation costs, partially offset by the mark-to-market adjustments of derivative instruments.

Accounts payable increased as a result of the timing of vendor and value-added tax payments.

Accrued expenses increased primarily as a result of increases in accrued contract rebates, interest and third-party inventory.

Accrued compensation and related items decreased primarily due to the payments of 2024 annual incentive bonuses, payments for sales incentive bonuses and savings plan contributions to eligible employees, partially offset by the accrual of 2025 annual incentive bonuses, savings plan contributions to eligible employees and sales incentive bonuses.

Other current liabilities decreased primarily due to a decrease in collateral received related to derivative contracts, partially offset by the mark-to-market adjustments of derivative instruments.

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

For an analysis of the changes in *Total Equity*, see the Consolidated Statements of Equity and Notes to Consolidated Financial Statements— *Note 16. Stockholders' Equity*.

Analysis of the Consolidated Statements of Cash Flows

	Year Ended December 31,			$ Change	
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**25/24**	24/23
Net cash provided by (used in):					
Operating activities	**$ 2,904**	$ 2,953	$ 2,353	**$ (49)**	$ 600
Investing activities	**(748)**	(315)	(777)	**(433)**	462
Financing activities	**(1,870)**	(2,660)	(3,109)	**790**	449
Effect of exchange-rate changes on cash and cash equivalents	**39**	(32)	(7)	**71**	(25)
Net increase/(decrease) in cash and cash equivalents	**$ 325**	$ (54)	$ (1,540)	**$ 379**	$ 1,486

Operating activities

2025 vs. 2024

Net cash provided by operating activities was $2,904 million in 2025 compared with $2,953 million in 2024. The decrease in operating cash flows was primarily attributable to the timing of receipts and payments in the ordinary course of business and higher inventory build-up of certain products due to increased demand, partially offset by higher net income adjusted by non-cash items and the timing of income taxes paid.

Investing activities

2025 vs. 2024

Net cash used in investing activities was $748 million in 2025 compared with $315 million in 2024. The net cash used in investing activities for 2025 was primarily due to capital expenditures and net payments of derivative instrument activity. The net cash used in investing activities for 2024 was primarily due to capital expenditures, partially offset by net proceeds on the sale of our medicated feed additive product portfolio, certain water soluble products and related assets, as well as net proceeds from derivative instrument activity.

Financing activities

2025 vs. 2024

Net cash used in financing activities was $1,870 million in 2025 compared with $2,660 million in 2024. The net cash used in financing activities for 2025 was primarily attributable to the purchase of treasury shares and related excise taxes, the repayment of the aggregate principal amounts of our 2015 and 2022 senior notes due 2025, the payment of dividends and payment of the capped calls related to the convertible senior notes, partially offset by proceeds from the issuance of the convertible senior notes in December 2025 and senior notes in August 2025. The net cash used in financing activities for 2024 was primarily attributable to the purchase of treasury shares and related payment of excise taxes, the payment of dividends and taxes paid on withholding shares, partially offset by proceeds in connection with the issuance of common stock under our equity incentive plan.

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:

	December 31,	
(MILLIONS OF DOLLARS)	2025	2024
Cash and cash equivalents	$ 2,312	$ 1,987
Accounts receivable, net[(a)]	1,590	1,316
Current portion of long-term debt	—	1,350
Long-term debt	9,042	5,220
Working capital	4,533	2,574
Ratio of current assets to current liabilities	3.03:1	1.75:1

(a) Accounts receivable are usually collected over a period of 45 to 75 days. For the years ended December 31, 2025 and 2024, the number of days that accounts receivables were outstanding have 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 the *Analysis of the Consolidated Balance Sheets* and *Analysis of the 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 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 December 31, 2025 and December 31, 2024. There were no amounts drawn under the credit facility as of December 31, 2025 or December 31, 2024.

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 December 31, 2025, we had access to $51 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 December 31, 2025 or December 31, 2024.

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. See Notes to Consolidated Financial Statements—*Note 8. Tax Matters*.

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.

Contractual obligations

In the normal course of business, we enter into contracts and commitments that obligate us to make payments in the future. These obligations include long-term debt, including interest obligations, purchase obligations, lease commitments, other liabilities, benefit plan obligations and uncertain tax positions. See Notes to Consolidated Financial Statements—*Note 9. Financial Instruments*, *Note 18. Commitments and Contingencies, Note 10. Leases*, *Note 6. Restructuring Charges and Other Costs Associated with Acquisitions and Divestitures, Note 14. Benefit Plans* and *Note 8. Tax Matters* for further information on material cash requirements from known contractual and other obligations.

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 common stock following the date of the offering, which repurchases were substantially completed as of December 31, 2025.

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

Pension obligations

We maintain pension obligations associated with certain international defined benefit plans and expect to contribute a total of $8 million to these plans in 2026. As of December 31, 2025, the supplemental savings plan liability was $47 million. For additional information, see Notes to Consolidated Financial Statements— *Note 14. Benefit Plans.*

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, 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 common stock which repurchases were substantially completed as of December 31, 2025. As of December 31, 2025, there was $2.4 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 2025, 23.9 million shares were repurchased for $3.2 billion, which excludes a $31 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 December 31, 2025 and 2024, 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 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. 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 expected 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 this 2025 Annual Report.

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 7A. 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.

Foreign exchange risk

Our primary net foreign currency translation exposures are the Australian dollar, Brazilian real, British pound, Canadian dollar, Chinese renminbi and euro. 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.

We use foreign exchange derivative instruments designated as net investment hedges to hedge the foreign currency risks related to our investment in foreign subsidiaries. These foreign exchange derivative instruments serve to offset the foreign currency translation risk from certain of our foreign operations.

Our foreign exchange derivative instruments at December 31, 2025 were analyzed to determine their sensitivity to foreign exchange rate changes. If the U.S. dollar were to strengthen or weaken against all other currencies by 10%, the amount recorded in cumulative translation adjustment (CTA) within *Accumulated other comprehensive loss* related to our net investment hedge would increase or decrease, respectively, by approximately $112 million. The change in value recorded to CTA would be expected to offset a corresponding foreign currency translation gain or loss from our investment in foreign subsidiaries. See Notes to Consolidated Financial Statements—*Note 9. Financial Instruments*: *B. Derivative Financial Instruments*.

Foreign exchange risk is also managed through the use of foreign currency forward-exchange contracts. These contracts are used to offset the potential earnings effects from mostly intercompany short-term foreign currency assets and liabilities that arise from operations but are not designated as hedges.

Our foreign currency forward-exchange contracts at December 31, 2025 were analyzed to determine their sensitivity to foreign exchange rate changes. If the U.S. dollar were to strengthen or weaken against all other currencies by 10%, the fair value of these contracts would decrease or increase, respectively, by $53 million. The foreign currency gains and losses on the assets and liabilities are recorded in *Other (income)/deductions-net*. See Notes to Consolidated Financial Statements—*Note 9. Financial Instruments: B. Derivative Financial Instruments*.

Interest rate risk

Our outstanding debt balances are predominantly fixed rate debt. While changes in interest rates will have no impact on the interest we pay on our fixed rate debt, interest on our commercial paper and revolving credit facility will be exposed to interest rate fluctuations. Additionally, as of December 31, 2025, because we held certain interest rate swap agreements that have the economic effect of modifying the fixed-interest obligations associated with our 3.900% Senior Notes due 2028 and our 2.00% Senior Notes due 2030, a portion of the fixed-rate interest payable on these senior notes effectively became variable based on SOFR. At December 31, 2025, there were no commercial paper borrowings outstanding and no outstanding principal balance under our revolving credit facility.

By entering into the aforementioned swap arrangements, we have assumed risks associated with variable interest rates based upon SOFR. Changes in the overall level of interest rates affect the interest expense that we recognize in our Consolidated Statements of Income. An interest rate risk sensitivity analysis is used to measure interest rate risk by computing estimated changes in cash flows as a result of assumed changes in market interest rates. As of December 31, 2025, if SOFR-based interest rates would have been higher by 100 basis points, the change would have increased our interest expense annually by approximately $3 million, as it relates to our fixed to floating interest rate swap agreements. See Notes to Consolidated Financial Statements—*Note 9. Financial Instruments*.

At December 31, 2025, our cash equivalents were primarily invested in money market funds. Interest paid on such funds fluctuates with the prevailing interest rate.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Zoetis Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Zoetis Inc. and subsidiaries (the Company) as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes and financial statement Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 12, 2026 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of gross unrecognized tax benefits

As discussed in Notes 3 and 8C in the consolidated financial statements, the Company's tax positions are subject to examination by local taxing authorities in each respective tax jurisdiction, and the resolution of such examinations may span multiple years. Since tax law is complex and often subject to varied interpretations and judgments, it is uncertain whether some of the Company's tax positions will be sustained upon examination. The Company accounts for income tax contingencies using a benefit recognition model. If a tax position is more likely than not (more than a 50% likelihood) to be sustained upon examination, based solely on the technical merits of the position, a benefit is recognized. As of December 31, 2025, the Company has recorded gross unrecognized tax benefits of $221 million.

We identified the evaluation of gross unrecognized tax benefits as a critical audit matter. Complex auditor judgment, including the involvement of tax professionals with specialized skills and knowledge was required to assess the valuation of a tax position, which included interpretation of relevant tax law, identification of relevant tax elements, the estimate of the more likely than not assessment of tax positions being sustained under examination and the estimate of the amount of the gross unrecognized tax benefit.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's unrecognized tax benefit process. This included controls related to (a) interpretation of relevant tax law, (b) evaluation of which of the Company's tax positions may not be sustained upon examination, and (c) estimation of the gross unrecognized tax benefits. We involved tax professionals, with specialized skills and knowledge, who assisted in:

- evaluating the Company's interpretation of relevant tax laws and the potential impact on the unrecognized tax benefits by developing an independent assessment of the tax position's more likely than not to be sustained under examination determination as well as the estimate of the amount of the gross unrecognized tax benefit, if any, based on our understanding and interpretation of tax laws,
- reading and evaluating the tax opinion, and
- assessing the Company's transfer pricing policies for compliance with applicable laws and regulations.

Deductions from revenue related to the rebates accrual for the U.S. segment

As discussed in Note 3 to the consolidated financial statements, the Company records an accrual for estimated rebates as a deduction from revenue when the related revenue is recognized. Included in the rebates accrual are estimated revenue deductions for future payments to distributors, clinics, veterinarians and pet owners under various programs offered by the Company. The volume of varied rebate programs offered, each with varying terms and conditions covering how the rebate is measured and earned, requires the Company to estimate the accrual using a number of inputs from multiple sources. Accruals for deductions from revenue are recorded as either a reduction in accounts receivable or within accrued expenses, depending on the nature of the contract and method of expected payment. Amounts recorded as a reduction in accounts receivable as of December 31, 2025 are approximately $260 million and accruals for deductions from revenue included in accrued expenses are approximately $395 million. These amounts include rebate accruals for both the U.S. and international segments.

We identified assessing deductions from revenue related to the rebates accrual for the U.S. segment as a critical audit matter. Because of the variety of programs offered by the Company in the U.S., the size of the U.S. market, and the length of time between when a sale is made and when the related rebate is settled by the Company, challenging auditor judgment was required in assessing the estimate of the required rebates accrual. In particular, the identification of which revenue transactions were subject to a rebate and the relevance and reliability of information used to estimate an individual rebate programs' accrual required challenging auditor judgment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's rebate accrual process for the U.S. segment. This included controls related to the identification of revenue transactions subject to a rebate and the relevance and reliability of information used in the estimated rebates accrual. We identified and considered the relevance, reliability and sufficiency of sources of data used by the Company in developing the estimate. We tested the estimate of the rebates accrual for a sample of U.S. programs, using a combination of Company internal data, historical information, executed contracts, and third-party data and compared our estimate to the amount recorded by the Company. We evaluated the historical accuracy of the Company's U.S. rebates accrual by comparing the previously recorded accrual as of December 31, 2024 to the actual amount that ultimately was paid by the Company during 2025.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Short Hills, New Jersey
February 12, 2026

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Zoetis Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Zoetis Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes and financial statement Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated February 12, 2026 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP
Short Hills, New Jersey
February 12, 2026

ZOETIS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(MILLIONS OF DOLLARS AND SHARES, EXCEPT PER SHARE DATA)	Year Ended December 31, 2025	2024	2023
Revenue	**$ 9,467**	$ 9,256	$ 8,544
Costs and expenses:			
Cost of sales[a]	**2,666**	2,719	2,561
Selling, general and administrative expenses[a]	**2,378**	2,318	2,151
Research and development expenses[a]	**698**	686	614
Amortization of intangible assets	**128**	141	149
Restructuring charges and certain acquisition and divestiture-related costs	**51**	53	53
Interest expense, net of capitalized interest	**222**	225	239
Other (income)/deductions—net	**(36)**	(19)	(159)
Income before provision for taxes on income	**3,360**	3,133	2,936
Provision for taxes on income	**687**	637	596
Net income before allocation to noncontrolling interests	**2,673**	2,496	2,340
Less: Net income/(loss) attributable to noncontrolling interests	**—**	10	(4)
Net income attributable to Zoetis Inc.	**$ 2,673**	$ 2,486	$ 2,344
Earnings per share attributable to Zoetis Inc. stockholders:			
Basic	**$ 6.03**	$ 5.47	$ 5.08
Diluted	**$ 6.02**	$ 5.47	$ 5.07
Weighted-average common shares outstanding:			
Basic	**443.443**	454.200	461.172
Diluted	**443.835**	454.848	462.269
Dividends declared per common share	**$ 2.030**	$ 1.796	$ 1.557

[a] Exclusive of amortization of intangible assets, except as disclosed in *Note 3. Significant Accounting Policies—Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

ZOETIS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
Net income before allocation to noncontrolling interests	**$ 2,673**	$ 2,496	$ 2,340
Other comprehensive loss, net of tax[a]:			
Unrealized (losses)/gains on derivatives for cash flow hedges, net of tax of $(6), $1 and $(2) for the years ended December 31, 2025, 2024 and 2023, respectively	**(19)**	4	(5)
Unrealized (losses)/gains on derivatives for net investment hedges, net of tax of $(30), $13 and $(7) for the years ended December 31, 2025, 2024 and 2023, respectively	**(101)**	44	(23)
Foreign currency translation adjustments, net	**224**	(147)	—
Benefit plans: Actuarial gains/(losses), net of tax of $1, $— and $2 for the years ended December 31, 2025, 2024 and 2023, respectively	**2**	(2)	6
Total other comprehensive loss, net of tax	**106**	(101)	(22)
Comprehensive income before allocation to noncontrolling interests	**2,779**	2,395	2,318
Less: Comprehensive income/(loss) attributable to noncontrolling interests	**—**	10	(4)
Comprehensive income attributable to Zoetis Inc.	**$ 2,779**	$ 2,385	$ 2,322

[a] Presented net of reclassification adjustments, which are not material in any period presented. Reclassification adjustments related to benefit plans are generally reclassified, as part of net periodic pension cost, into Cost of sales, Selling, general and administrative expenses, and/or Research and development expenses, as appropriate, in the Consolidated Statements of Income.

ZOETIS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)	December 31, 2025	December 31, 2024
Assets		
Cash and cash equivalents[(a)]	$ 2,312	$ 1,987
Accounts receivable, less allowance for doubtful accounts of $16 in 2025 and $18 in 2024	1,590	1,316
Inventories	2,430	2,306
Other current assets	436	377
Total current assets	6,768	5,986
Property, plant and equipment, less accumulated depreciation of $2,925 in 2025 and $2,635 in 2024	3,681	3,391
Operating lease right-of-use assets	288	219
Goodwill	2,767	2,724
Identifiable intangible assets, less accumulated amortization	998	1,127
Noncurrent deferred tax assets	637	540
Other noncurrent assets	328	250
Total assets	$ 15,467	$ 14,237
Liabilities and Equity		
Current portion of long-term debt	—	1,350
Accounts payable	487	433
Dividends payable	232	224
Accrued expenses	852	746
Accrued compensation and related items	410	441
Income taxes payable	147	93
Other current liabilities	107	125
Total current liabilities	2,235	3,412
Long-term debt, net of discount and issuance costs	9,042	5,220
Noncurrent deferred tax liabilities	139	167
Operating lease liabilities	196	174
Other taxes payable	276	272
Other noncurrent liabilities	248	222
Total liabilities	12,136	9,467
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock, $0.01 par value: 6,000,000,000 authorized, 501,891,243 and 501,891,243 shares issued; 424,927,535 and 448,473,073 shares outstanding at December 31, 2025 and 2024, respectively	5	5
Treasury stock, at cost, 76,963,708 and 53,418,170 shares of common stock at December 31, 2025 and 2024, respectively	(10,685)	(7,445)
Additional paid-in capital	1,101	1,182
Retained earnings	13,744	11,968
Accumulated other comprehensive loss	(834)	(940)
Total Zoetis Inc. equity	3,331	4,770
Equity attributable to noncontrolling interests	—	—
Total equity	3,331	4,770
Total liabilities and equity	$ 15,467	$ 14,237

(a) As of December 31, 2025 and 2024, includes $2 million, of restricted cash.

ZOETIS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(MILLIONS OF DOLLARS, EXCEPT SHARE DATA)	Zoetis								
	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Equity Attributable to Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2022	501.9	$ 5	38.1	$ (4,539)	$ 1,088	$ 8,668	$ (817)	$ (2)	$ 4,403
Net income/(loss)	—	—	—	—		2,344	—	(4)	2,340
Other comprehensive loss	—	—	—	—	—	—	(22)	—	(22)
Share-based compensation awards[a]	—	—	(0.9)	44	45	(1)	—	—	88
Treasury stock acquired[b]	—	—	6.3	(1,102)	—	—	—	—	(1,102)
Dividends declared	—	—	—	—	—	(716)	—	—	(716)
Balance, December 31, 2023	501.9	$ 5	43.5	$ (5,597)	$ 1,133	$ 10,295	$ (839)	$ (6)	$ 4,991
Net income	—	—	—			2,486	—	10	2,496
Other comprehensive loss	—	—	—		—	—	(101)	—	(101)
Deconsolidation of a noncontrolling interest	—	—	—	—	—	—	—	(4)	(4)
Share-based compensation awards[a]	—	—	(0.6)	17	49	(1)	—	—	65
Treasury stock acquired[b]	—	—	10.5	(1,865)	—	—	—	—	(1,865)
Dividends declared	—	—	—		—	(812)	—	—	(812)
Balance, December 31, 2024	501.9	$ 5	53.4	$ (7,445)	$ 1,182	$ 11,968	$ (940)	$ —	$ 4,770
Net income	**—**	**—**	**—**	**—**	**—**	**2,673**	**—**	**—**	**2,673**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**106**	**—**	**106**
Share-based compensation awards[a]	**—**	**—**	**(0.3)**	**9**	**64**	**—**	**—**	**—**	**73**
Treasury stock acquired[b]	**—**	**—**	**23.9**	**(3,249)**	**—**	**—**	**—**	**—**	**(3,249)**
Purchase of capped calls related to the issuance of convertible senior notes, net of tax	**—**	**—**	**—**	**—**	**(145)**	**—**	**—**	**—**	**(145)**
Dividends declared	**—**	**—**	**—**	**—**	**—**	**(897)**	**—**	**—**	**(897)**
Balance, December 31, 2025	**501.9**	**$ 5**	**77.0**	**$(10,685)**	**$ 1,101**	**$ 13,744**	**$ (834)**	**$ —**	**$ 3,331**

Shares may not add due to rounding.

[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 15. Share-based Payments* and *Note 16. 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 16. Stockholders' Equity*.

ZOETIS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
Operating Activities			
Net income before allocation to noncontrolling interests	**$ 2,673**	$ 2,496	$ 2,340
Adjustments to reconcile net income before noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization expense	**487**	497	491
Share-based compensation expense	**83**	74	60
Asset write-offs and asset impairments	**47**	31	46
Net loss/(gain) on sale of businesses, excluding transaction costs	**3**	23	(118)
Provision for losses on inventory	**68**	97	115
Deferred taxes	**(52)**	(338)	(61)
Settlement of derivative contracts	**11**	—	—
Other non-cash adjustments	**(8)**	(6)	(8)
Other changes in assets and liabilities, net of acquisitions and divestitures:			
Accounts receivable	**(236)**	(61)	(102)
Inventories	**(199)**	(40)	(361)
Other assets	**(165)**	52	(95)
Accounts payable	**46**	31	13
Other liabilities	**85**	114	67
Other tax accounts, net	**61**	(17)	(34)
Net cash provided by operating activities	**2,904**	2,953	2,353
Investing Activities			
Capital expenditures	**(621)**	(655)	(732)
Acquisitions, net of cash acquired	**(24)**	(8)	(155)
Purchase of investments	**(7)**	(5)	(4)
(Payments of)/proceeds from derivative instrument activity, net	**(93)**	62	12
(Payment of)/proceeds from sale of businesses, net of cash sold and working capital adjustments	**(4)**	293	96
Other investing activities	**1**	(2)	6
Net cash used in investing activities	**(748)**	(315)	(777)
Financing Activities			
(Decrease)/increase in short-term borrowings, net	**—**	(3)	1
Principal payments on long-term debt	**(1,350)**	—	(1,350)
Proceeds from issuance of long-term debt—senior notes, net of discount	**1,848**	—	—
Proceeds from issuance of convertible debt	**2,000**	—	—
Payment of debt issuance costs	**(43)**	—	—
Payment of premium on capped calls related to convertible debt	**(187)**	—	—
Payment of consideration related to previous acquisitions	**—**	(5)	(3)
Share-based compensation-related proceeds, net of taxes paid on withholding shares	**(11)**	(8)	27
Purchases of treasury stock, including excise taxes paid	**(3,235)**	(1,858)	(1,092)
Cash dividends paid	**(889)**	(786)	(692)
Other financing activities	**(3)**	—	—
Net cash used in financing activities	**(1,870)**	(2,660)	(3,109)
Effect of exchange-rate changes on cash and cash equivalents	**39**	(32)	(7)
Net increase/(decrease) in cash and cash equivalents	**325**	(54)	(1,540)
Cash and cash equivalents at beginning of period	**1,987**	2,041	3,581
Cash and cash equivalents at end of period	**$ 2,312**	$ 1,987	$ 2,041
Supplemental cash flow information			
Cash paid during the period for:			
Income taxes[a]	**$ 715**	$ 892	$ 754
Interest, net of capitalized interest	**261**	274	295
Non-cash transactions:			
Capital expenditures	**$ 4**	$ 3	$ 2
Dividends declared, not paid	**232**	224	198
Excise tax accrued on net share repurchases, not paid	**31**	17	10

[a] For 2025, includes $133 million related to the purchase of transferable federal tax credits.

ZOETIS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business Description

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. On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets, and, as a result, our major product categories no longer include the category of medicated feed additives. See *Note 5. Acquisitions and Divestitures*.

We were incorporated in Delaware in July 2012 and prior to that the company was a business unit of Pfizer Inc. (Pfizer).

2. Basis of Presentation

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). For subsidiaries operating outside the U.S., the consolidated financial information is included as of and for the fiscal year ended November 30 for each year presented. All significant intercompany balances and transactions between the legal entities that comprise Zoetis have been eliminated.

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

In the third quarter of 2024, we concluded that we were no longer the primary beneficiary of a variable interest entity (VIE) that was previously consolidated. The effects of the deconsolidation were not material to the consolidated financial statements.

3. Significant Accounting Policies

Recently Adopted Accounting Standards

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax disclosures. The new guidance requires standardized categories for the effective tax rate reconciliation, disaggregation of income taxes paid and other income tax-related disclosures. This guidance requires prospective application and permits retrospective application to prior periods presented. We adopted this guidance prospectively as of January 1, 2025, which resulted in additional disclosures in the notes to our consolidated financial statements. Accordingly, prior periods were not retrospectively adjusted. See *Note 8. Tax Matters.*

Recently Issued Accounting Standards

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 period 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. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our notes to the consolidated financial statements.

Estimates and Assumptions

In preparing the consolidated financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures, including amounts recorded in connection with acquisitions. These estimates and underlying assumptions can impact all elements of our consolidated financial

statements. For example, in the Consolidated Statements of Income, estimates are used when accounting for deductions from revenue (such as rebates, sales allowances, product returns and discounts), determining cost of sales, allocating cost in the form of depreciation and amortization, and estimating restructuring charges and the impact of contingencies. On the Consolidated Balance Sheets, estimates are used in determining the valuation and recoverability of assets, such as accounts receivables, inventories, fixed assets, goodwill and other identifiable intangible assets, and estimates are used in determining the reported amounts of liabilities, such as taxes payable, uncertain tax positions, benefit obligations, the impact of contingencies, deductions from revenue and restructuring reserves, all of which also impact the Consolidated Statements of Income.

Our estimates are often based on complex judgments, probabilities and assumptions that we believe to be reasonable but that can be inherently uncertain and unpredictable. If our estimates and assumptions are not representative of actual outcomes, our results could be materially impacted.

As future events and their effects cannot be determined with precision, our estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. We are subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in competition, litigation, legislation and regulations. We regularly evaluate our estimates and assumptions using historical experience and expectations about the future. We adjust our estimates and assumptions when facts and circumstances indicate the need for change. Those changes generally will be reflected in our consolidated financial statements on a prospective basis unless they are required to be treated retrospectively under relevant accounting standards. It is possible that others, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Acquisitions

Our consolidated financial statements include the operations of acquired businesses from the date of acquisition. We account for acquired businesses using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date and that the fair value of acquired in-process research and development (IPR&D) be recorded on the balance sheet. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. When we acquire net assets that do not constitute a business as defined in U.S. GAAP, no goodwill is recognized.

Amounts recorded for acquisitions can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions*.

Leases

We determine if a contract contains a lease at inception. Leases are recorded as a right of use asset, as of the lease commencement date, in an amount equal to the present value of future payments over the lease term. A corresponding lease liability is also recorded. We have elected not to recognize right of use assets and lease liabilities for short-term leases of vehicles and equipment with a lease term of twelve months or less.

Options to extend or terminate a lease are considered in the lease term to the extent that the option is reasonably certain of exercise. The present value of future payments is discounted using the rate implicit in the lease, when available. When the implicit rate is not available, as is frequently the case with our lease portfolio, the present value is calculated using our incremental borrowing rate, which is determined on the commencement date. The incremental borrowing rate represents the rate of interest that we would expect to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. As we do not borrow on a collateralized basis, our non-collateralized borrowing rate is used as an input in deriving the incremental borrowing rate.

Our lease portfolio primarily consists of operating leases, in which fixed lease payments are recognized on a straight-line basis over the lease term. Operating lease assets are recorded within Operating lease right of use assets with the corresponding operating lease liabilities recorded within Other current liabilities and Operating lease liabilities on the Consolidated Balance Sheets. Finance lease assets are recorded within Other noncurrent assets with the corresponding finance lease liabilities recorded within Other current liabilities and Other noncurrent liabilities on the Consolidated Balance Sheets. Variable payments are recognized in the period incurred. Variable lease payments include real estate taxes and charges for other non-lease services due to lessors that are not dependent on an index or rate and utilization based charges associated with fleet vehicles.

Our real estate and fleet lease contracts may include fixed consideration attributable to both lease and non-lease components, including non-lease services provided by the vendor, which are accounted for as a single fixed minimum payment. For leases of certain classes of machinery and equipment, contract consideration is allocated to lease and non-lease components on the basis of relative standalone price.

Foreign Currency Translation

For most of our international operations, local currencies have been determined to be the functional currencies. We translate functional currency assets and liabilities to their U.S. dollar equivalents at exchange rates in effect at the balance sheet date and we translate functional currency income and expense amounts to their U.S. dollar equivalents at average exchange rates for the period. The U.S. dollar effects that arise from changing translation rates are recorded in *Other comprehensive income/(loss), net of tax.* The effects of converting non-functional currency assets and liabilities into the functional currency are recorded in *Other (income)/deductions—net.* 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.

Revenue, Deductions from Revenue and the Allowance for Doubtful Accounts

We recognize revenue from product sales when control of the goods has transferred to the customer, which is typically once the goods have shipped and the customer has assumed title. Revenue reflects the total consideration to which we expect to be entitled (i.e., the transaction price), in exchange for products sold, after considering various types of variable consideration including rebates, sales allowances, product returns and discounts.

Variable consideration is estimated and recorded at the time that related revenue is recognized. Our estimates reflect the amount by which we expect variable consideration to impact revenue recognized and are generally based on contractual terms or historical experience, adjusted as necessary to reflect our expectations about the future. Our customer payment terms generally range from 30 to 90 days.

Estimates of variable consideration utilize a complex series of judgments and assumptions to determine the amount by which we expect revenue to be reduced, for example;

- for sales returns, we perform calculations in each market that incorporate the following, as appropriate: local returns policies and practices; historic returns as a percentage of revenue; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, product recalls, discontinuation of products or a changing competitive environment; and
- for revenue incentives, we use our historical experience with similar incentives programs to estimate the impact of such programs on revenue for the current period.

Although the amounts recorded for these deductions from revenue are dependent on estimates and assumptions, historically our adjustments to actual results have not been material. The sensitivity of our estimates can vary by program, type of customer and geographic location.

Accruals for deductions from revenue are recorded as either a reduction in *Accounts receivable* or within *Accrued expenses*, depending on the nature of the contract and method of expected payment. Amounts recorded as a reduction in *Accounts receivable* as of December 31, 2025 and 2024 are approximately $260 million and $257 million, respectively. As of December 31, 2025, and 2024, accruals for deductions from revenue included in *Accrued expenses* are approximately $395 million and $344 million, respectively.

A deferral of revenue may be required in the event that we have not satisfied all customer obligations for which we have been compensated. The transaction price is allocated to the individual performance obligations on the basis of relative stand-alone selling price, which is typically based on actual sales prices. Revenue associated with unsatisfied performance obligations are contract liabilities is recorded within *Other current liabilities* and *Other noncurrent liabilities.* Recognition of revenue occurs once control of the underlying products has transferred to the customer. Contract liabilities reflected within *Other current liabilities* as of December 31, 2024 and subsequently recognized as revenue during 2025 were approximately $11 million. Contract liabilities as of December 31, 2025 were approximately $17 million.

We do not disclose the transaction price allocated to unsatisfied performance obligations related to contracts with an original expected duration of one year or less, or for contracts for which we recognize revenue in line with our right to invoice the customer. Estimated future revenue expected to be generated from long-term contracts with unsatisfied performance obligations as of December 31, 2025 is not material.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from *Revenue.* Shipping and handling costs incurred after control of the purchased product has transferred to the customer are accounted for as a fulfillment cost, within *Selling, general and administrative expenses.*

We also record estimates for bad debts. We periodically assess the adequacy of the allowance for doubtful accounts by evaluating the collectability of outstanding receivables based on factors such as past due history, historical and expected collection patterns, the financial condition of our customers, the robust nature of our credit and collection practices and the economic environment.

Amounts recorded for sales deductions and bad debts can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions.*

Cost of Sales and Inventories

Inventories are carried at the lower of cost or net realizable value. The cost of finished goods, work-in-process and raw materials is determined using average actual cost. We regularly review our inventories for impairment and adjustments are recorded when necessary.

Selling, General and Administrative Expenses

Selling, general and administrative costs are expensed as incurred. Among other things, these expenses include the internal and external costs of marketing, advertising, and shipping and handling as well as certain costs related to business technology, facilities, legal, finance, human resources, business development, public affairs and procurement, among others.

Advertising expenses relating to production costs are expensed as incurred, and the costs of space in publications are expensed when the related advertising occurs. Advertising and promotion expenses totaled approximately $308 million in 2025, $302 million in 2024 and $281 million in 2023.

Shipping and handling costs totaled approximately $102 million in 2025, $107 million in 2024 and $101 million in 2023.

Research and Development Expenses

Research and development (R&D) costs are expensed as incurred. Research is the effort associated with the discovery of new knowledge that will be useful in developing a new product or in significantly improving an existing product. Development is the implementation of the research findings. Before a compound receives regulatory approval, we record upfront and milestone payments made by us to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved. Once a compound receives regulatory approval in a major market, we record any milestone payments in *Identifiable intangible assets, less accumulated amortization* and, unless the assets are determined to have an indefinite life, we amortize them on a straight-line basis over the remaining agreement term or the expected product life cycle, whichever is shorter.

Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets

Long-lived assets include:

- *Goodwill*—goodwill represents the excess of the consideration transferred for an acquired business over the assigned values of its net assets. Goodwill is not amortized.
- *Identifiable intangible assets, less accumulated amortization*—these acquired assets are recorded at our cost. Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Identifiable intangible assets with indefinite lives that are associated with marketed products are not amortized until a useful life can be determined. Identifiable intangible assets associated

with IPR&D projects are not amortized until regulatory approval is obtained. The useful life of an amortizing asset generally is determined by identifying the period in which substantially all of the cash flows are expected to be generated.

- *Property, plant and equipment, less accumulated depreciation*—these assets are recorded at our cost and are increased by the cost of any significant improvements after purchase. Property, plant and equipment assets, other than land and construction-in-progress, are depreciated on a straight-line basis over the estimated useful life of the individual assets. Depreciation begins when the asset is ready for its intended use. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.

Amortization expense related to finite-lived identifiable intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property are included in *Amortization of intangible assets* as they benefit multiple business functions. Amortization expense related to intangible assets that are associated with a single function and depreciation of property, plant and equipment are included in *Cost of sales*, *Selling, general and administrative expenses* and *Research and development expenses*, as appropriate.

We review all of our long-lived assets for impairment indicators throughout the year and we perform detailed testing whenever impairment indicators are present. In addition, we perform impairment testing for goodwill and indefinite-lived assets at least annually. When necessary, we record charges for impairments. Specifically:

- For finite-lived identifiable intangible assets, such as developed technology rights, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.
- For indefinite-lived identifiable intangible assets, such as brands and IPR&D assets, we test for impairment at least annually, or more frequently if impairment indicators exist, by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If we conclude it is more likely than not that the fair value is less than the carrying amount, a quantitative test that compares the fair value of the indefinite-lived intangible asset with its carrying value is performed. If the fair value is less than the carrying amount, an impairment loss is recognized. We record an impairment loss, if any, for the excess of book value over fair value. In addition, in all cases of an impairment review other than for IPR&D assets, we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate.
- For goodwill, we test for impairment on at least an annual basis, or more frequently if necessary, either by assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or by performing a periodic quantitative assessment. If we choose to perform a qualitative analysis and conclude it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative fair value test is performed. We determine the implied fair value of goodwill by subtracting the fair value of all the identifiable net assets other than goodwill from the fair value of the reporting unit and record an impairment loss for the excess, if any, of book value of goodwill over the implied fair value. In 2025 we performed a periodic qualitative impairment assessment as of September 30, 2025, which did not result in the impairment of goodwill associated with any of our reporting units. In 2024, we performed a quantitative impairment assessment as of September 30, 2024, which did not result in the impairment of goodwill associated with any of our reporting units.

Impairment reviews can involve a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions.*

Software Capitalization and Depreciation

We capitalize certain costs incurred in connection with obtaining or developing internal-use software, including payroll and payroll-related costs for employees who are directly associated with the internal-use software project, external direct costs of materials and services and interest costs while developing the software. Capitalized software costs are included in *Property, plant and equipment* and are amortized using the straight-line method over the estimated useful life of 5 to 10 years. Capitalization of such costs ceases when the project is substantially complete and ready for its intended purpose. Costs incurred during the preliminary project and post-implementation stages, as well as software maintenance and training costs, are expensed in the period in which they are incurred. The company capitalized $18 million of internal-use software for the years ended December 31, 2025 and 2024. Depreciation expense for capitalized software was $46 million in 2025, $61 million in 2024 and $75 million in 2023.

In addition, we capitalize qualifying implementation costs under cloud computing arrangements ("CCA"). The capitalized CCA implementation costs are allocated between *Other current assets* and *Other noncurrent assets* on the accompanying Consolidated Balance Sheets based on the expected period that amortization will be recognized. CCA implementation costs are amortized using the straight-line method over the expected term of the related service contract. As of December 31, 2025, the gross capitalized cloud computing implementation costs were $186 million, with accumulated amortization of $10 million, resulting in a net carrying amount of $176 million. As of December 31, 2024, the gross capitalized computing implementation costs were $71 million, with accumulated amortization of $4 million, resulting in a net carrying amount of $67 million. The amortization expense was $6 million, $3 million and $1 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Restructuring Charges and Certain Acquisition and Divestiture-Related Costs

We may incur restructuring charges in connection with acquisitions when we implement plans to restructure and integrate the acquired operations or in connection with cost-reduction and productivity initiatives. Included in *Restructuring charges and certain acquisition and divestiture-related costs* are all restructuring charges and certain costs associated with acquiring and integrating an acquired business and divesting and disintegrating divested businesses. Transaction costs and integration costs are expensed as incurred. Termination costs are a significant component of restructuring charges and are generally recorded when the actions are probable and estimable.

Amounts recorded for restructuring charges and other associated costs can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions*.

Earnings per Share

Basic earnings per share is computed by dividing net income attributable to Zoetis by the weighted-average number of common shares outstanding during the period. Diluted earnings per share adjusts the weighted-average number of common shares outstanding for the potential dilution that could occur if common stock equivalents (stock options, restricted stock units, and performance-vesting restricted stock units) were exercised or converted into common stock, calculated using the treasury stock method or shares issuable in connection with our convertible senior notes, calculated using the if-converted method.

Cash Equivalents

Cash equivalents include items almost as liquid as cash, such as money market funds, certificates of deposit and time deposits with maturity periods of three months or less when purchased.

Fair Value

Certain assets and liabilities are required to be measured at fair value, either upon initial recognition or for subsequent accounting or reporting. For example, we use fair value extensively in the initial recognition of net assets acquired in a business combination. Fair value is estimated using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of assets and, for liabilities, assuming that the risk of non-performance will be the same before and after the transfer.

When estimating fair value, depending on the nature and complexity of the asset or liability, we may use one or all of the following approaches:

- Income approach, which is based on the present value of a future stream of net cash flows.
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets less an allowance for functional and/or economic obsolescence.

These fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active or are directly or indirectly observable (Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (Level 3 inputs).

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions*.

Accounts Receivable

The recorded amounts of accounts receivable approximate fair value because of their relatively short-term nature. As of December 31, 2025 and 2024, *Accounts receivable, less allowance for doubtful accounts,* of $1,590 million and $1,316 million, respectively, includes approximately $69 million and $79 million, respectively, of other receivables, such as trade notes receivable and royalty receivables, among others.

Deferred Tax Assets and Liabilities and Income Tax Contingencies

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates and laws. We provide a valuation allowance when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax planning strategies.

We account for income tax contingencies using a benefit recognition model. If we consider that a tax position is more likely than not to be sustained upon audit, based solely on the technical merits of the position, we recognize the benefit. We measure the benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. Under the benefit recognition model, if the initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to more likely than not; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. We regularly re-evaluate our tax positions based on the results of audits of federal, state and foreign income tax filings, statute of limitations expirations, changes in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the “more-likely-than-not” standard. Liabilities associated with uncertain tax positions are classified as current only when we expect to pay cash within the next 12 months. Interest and penalties, if any, are recorded in *Provision for taxes on income* and are classified on our Consolidated Balance Sheets with the related tax liability.

Amounts recorded for valuation allowances and income tax contingencies can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions*.

Benefit Plans

All dedicated benefit plans are pension plans. For our dedicated benefit plans, we recognize the overfunded or underfunded status of defined benefit plans as an asset or liability on the Consolidated Balance Sheets and the obligations generally are measured at the actuarial present value of all benefits attributable to employee service rendered, as provided by the applicable benefit formula. Pension obligations may include assumptions such as long-term rate of return on plan assets, expected employee turnover, participant mortality, and future compensation levels. Plan assets are measured at fair value. Net periodic benefit costs are recognized, as required, into *Cost of sales, Selling, general and administrative expenses* and *Research and development expenses*, as appropriate.

Amounts recorded for benefit plans can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions.*

Asset Retirement Obligations

We record accruals for the legal obligations associated with the retirement of tangible long-lived assets, including obligations under the doctrine of promissory estoppel and those that are conditioned upon the occurrence of future events. These obligations generally result from the acquisition, construction, development and/or normal operation of long-lived assets. We recognize the fair value of these obligations in the period in which they are incurred by increasing the carrying amount of the related asset. Over time, we recognize expense for the accretion of the liability and for the amortization of the asset.

As of December 31, 2025 and 2024, accruals for asset retirement obligations are $25 million and $23 million, respectively, and are included in *Other noncurrent liabilities.*

Amounts recorded for asset retirement obligations can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions*.

Legal and Environmental Contingencies

We are subject to numerous contingencies arising in the ordinary course of business, such as product liability and other product-related litigation, commercial litigation, patent litigation, environmental claims and proceedings, government investigations and guarantees and indemnifications. We record accruals for these contingencies to the extent that we conclude that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, we accrue that amount. Alternatively, when no amount within a range of loss appears to be a better estimate than any other amount, we accrue the lowest amount in the range. We record anticipated recoveries under existing insurance contracts when recovery is assured.

Amounts recorded for contingencies can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions.*

Share-Based Payments

Our compensation programs can include share-based payment plans. All grants under share-based payment programs are accounted for at fair value and such amounts generally are amortized on a straight-line basis over the vesting term to *Cost of sales, Selling, general and administrative expenses,* and *Research and development expenses*, as appropriate. We include the impact of estimated forfeitures when determining share-based compensation expense.

Amounts recorded for share-based compensation can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Estimates and Assumptions*.

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. Many of our top-selling product lines are distributed across both of our operating segments, leveraging our 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, including medicines, vaccines and diagnostics, complemented by biodevices, genetic tests and a range of services. We refer to all different brands of a particular product, or its dosage forms for all species, as a product line. We have approximately 300 comprehensive product lines, including products for both companion animals and livestock within each of our major product categories.

On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets, and, as a result, our major product categories no longer include the category of medicated feed additives. See *Note 5. Acquisitions and Divestitures*.

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 tests 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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
United States	**$ 5,097**	$ 5,074	$ 4,555
Australia	**329**	319	323
Brazil	**393**	414	393
Canada	**290**	277	255
Chile	**139**	123	140
China	**227**	270	320
France	**165**	156	142
Germany	**236**	225	202
Italy	**137**	129	121
Japan	**154**	147	158
Mexico	**160**	169	162
Spain	**145**	130	122
United Kingdom	**325**	314	277
Other developed markets	**641**	564	512
Other emerging markets	**913**	865	784
	9,351	9,176	8,466
Contract manufacturing & human health	**116**	80	78
Total Revenue	**$ 9,467**	$ 9,256	$ 8,544

Revenue exceeded $100 million in thirteen countries outside the U.S. in 2025 and 2024 and twelve countries outside the U.S. in 2023. The U.S. was the only country to contribute more than 10% of total revenue in each year.

Revenue by major species

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
U.S.			
Companion animal	**$ 4,220**	$ 4,054	$ 3,529
Livestock	**877**	1,020	1,026
	5,097	5,074	4,555
International			
Companion animal	**2,367**	2,224	2,047
Livestock	**1,887**	1,878	1,864
	4,254	4,102	3,911
Total			
Companion animal	**6,587**	6,278	5,576
Livestock	**2,764**	2,898	2,890
Contract manufacturing & human health	**116**	80	78
Total Revenue	**$ 9,467**	$ 9,256	$ 8,544

Revenue by species

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
Companion Animal:			
Dogs and Cats	**$ 6,283**	$ 5,993	$ 5,291
Horses	**304**	285	285
	6,587	6,278	5,576
Livestock:			
Cattle	**1,492**	1,531	1,503
Swine	**466**	516	543
Poultry	**432**	527	524
Fish	**286**	242	220
Sheep and other	**88**	82	100
	2,764	2,898	2,890
Contract manufacturing & human health	**116**	80	78
Total Revenue	**$ 9,467**	$ 9,256	$ 8,544

Revenue by product category

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
Parasiticides	**$ 2,341**	$ 2,153	$ 1,947
Vaccines	**1,959**	1,827	1,771
Dermatology	**1,754**	1,655	1,427
Anti-infectives	**1,036**	1,100	1,057
Pain and sedation	**840**	851	602
Other pharmaceuticals	**697**	658	678
Animal health diagnostics	**434**	386	376
Other non-pharmaceuticals	**263**	253	254
Medicated feed additives	**27**	293	354
	9,351	9,176	8,466
Contract manufacturing & human health	**116**	80	78
Total Revenue	**$ 9,467**	$ 9,256	$ 8,544

B. Other Revenue Information

Significant Customers

We primarily sell our companion animal products to veterinarians or to third-party veterinary distributors that typically then sell our products to veterinarians, and in each case, veterinarians then typically sell our products to pet owners. In certain markets, we also sell certain companion animal products through retail and e-commerce outlets. We sell our livestock products primarily to veterinarians and livestock producers, including beef and dairy farmers as well as pork and poultry operations, in addition to third-party veterinary distributors and retail outlets who then typically sell the products to livestock producers. Sales to our largest customer, a U.S. veterinary distributor, represented approximately 16% of total revenue for 2025, 14% of total revenue for 2024 and 15% of total revenue for 2023.

5. Acquisitions and Divestitures

A. Acquisitions

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.

During 2023, we acquired 100% of the issued share capital of PetMedix Ltd (PetMedix), a privately held research and development stage animal health biopharmaceutical company based in the U.K., which develops antibody-based therapeutics for companion animals. The purchase price included upfront cash consideration of $111 million, excluding $19 million of cash acquired, $5 million in cash withheld for customary post-closing adjustments, and contingent consideration up to $100 million based on the achievement of certain milestones. There are additional contingent payments to be made to the seller upon receipt of payments from a third party related to a preexisting collaboration arrangement between PetMedix and the third party. The initial fair value assessment of the contingent consideration and additional contingent payments is not material and the transaction did not have a material impact on our consolidated financial statements. We also completed the acquisition of adivo GmbH (adivo), a privately held research and development stage animal health biopharmaceutical company based in Germany. The transaction did not have a material impact on our consolidated financial statements.

B. Divestitures

On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets to Phibro Animal Health for a net purchase price of $299 million. During 2024, we received $303 million in sales proceeds, less cash sold of $11 million, resulting in $292 million net sales proceeds, and recorded a net pre-tax loss of $25 million within *Other (income)/deductions—net*, subject to final post-closing adjustments. During the 2025, we paid $4 million, net of proceeds received, and recognized an additional loss of $3 million within *Other (income)/deductions—net* associated with the final post-closing adjustments.

During 2023, we received net cash proceeds of $93 million ($99 million sales proceeds, net of cash sold of $6 million) for the sale of a majority interest in our pet insurance business, Pumpkin Insurance Services. We recorded a net pre-tax gain of $101 million within *Other (income)/deductions—net*, which includes $24 million related to the remeasurement of our retained noncontrolling investment to fair value. We also completed the divestiture of Performance Livestock Analytics, part of our precision animal health business. 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 operations.

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

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
Restructuring charges and certain acquisition and divestiture-related costs:			
Acquisition-related costs[a]	**$ 2**	$ 1	$ 7
Divestiture-related costs[b]	**—**	16	—
Restructuring charges[c][d]:			
Employee termination costs	**20**	36	41
Asset impairment charges	**22**	—	1
Exit costs	**7**	—	4
Total *Restructuring charges and certain acquisition and divestiture-related costs*	**$ 51**	$ 53	$ 53

(a) Acquisition-related costs represent external, incremental costs directly related to integrating acquired businesses and primarily include expenditures for consulting and the integration of systems and processes, as well as product transfer costs as well as transaction costs that represent external costs directly related to acquiring businesses and primarily include expenditures for banking, legal, accounting and other similar services.

(b) Divestiture-related costs consisted of costs related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets.

(c) The restructuring charges for the year ended December 31, 2025 primarily related to a transition from internal to external innovation and manufacturing of certain products and the closure of a related site, as well as employee termination costs related to organizational structure refinements.

The restructuring charges for the year ended December 31, 2024 primarily consisted of employee termination costs related to organizational structure refinements, partially offset by a reversal of certain employee termination costs as a result of a change in strategy from our 2015 operational efficiency initiative.

The restructuring charges for the year ended December 31, 2023 primarily relates to employee termination and exit costs related to organizational structure refinements and other cost-reduction and productivity initiatives.

(d) The restructuring charges are associated with the following:

- For the year ended December 31, 2025, Manufacturing/research/corporate of $42 million, U.S. of $4 million and International of $3 million.
- For the year ended December 31, 2024, Manufacturing/research/corporate of $14 million, U.S. of $7 million and International of $15 million.
- For the year ended December 31, 2023, Manufacturing/research/corporate of $22 million, U.S. of $3 million and International of $21 million.

The components of, and changes in, our restructuring accruals are as follows:

(MILLIONS OF DOLLARS)	Employee Termination Costs	Asset Impairment Charges	Exit Costs	Accrual
Balance, December 31, 2022	$ 14	$ —	$ 1	$ 15
Provision	41	1	4	46
Non-cash activity	—	(1)	—	(1)
Utilization and other[a]	(23)	—	(2)	(25)
Balance, December 31, 2023	$ 32	$ —	$ 3	$ 35
Provision	43	—	—	43
Reserve adjustment	(7)	—	—	(7)
Utilization and other[a]	(42)	—	(1)	(43)
Balance, December 31, 2024[b]	$ 26	$ —	$ 2	$ 28
Provision	**20**	**22**	**7**	**49**
Non-cash activity	**—**	**(22)**	**—**	**(22)**
Utilization and other[a]	**(23)**	**—**	**(3)**	**(26)**
Balance, December 31, 2025[b][c]	**$ 23**	**$ —**	**$ 6**	**$ 29**

(a) Includes adjustments for foreign currency translation.

(b) At December 31, 2025 and 2024, included in *Accrued Expenses* ($27 million and $26 million, respectively) and *Other noncurrent liabilities* ($2 million and $2 million, respectively).

(c) Includes contractual obligations of $29 million, of which payments are expected to be approximately $27 million in 2026 and $2 million thereafter.

7. Other (Income)/Deductions—Net

The components of *Other (income)/deductions—net* follow:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
Royalty-related income[a]	**$ (2)**	$ (5)	$ (37)
Interest income	**(93)**	(106)	(105)
Identifiable intangible asset impairment charges[b]	**5**	15	35
Net loss/(gain) on sale of businesses[c]	**3**	23	(101)
Foreign currency loss[d]	**45**	50	47
Other, net	**6**	4	2
Other (income)/deductions—net	**$ (36)**	$ (19)	$ (159)

(a) For 2023, primarily associated with a settlement received from a third party for underpayment of royalties related to prior periods.

(b) For 2025 and 2024, primarily represents asset impairment charges related to our aquaculture product portfolio.

For 2023, primarily represents certain asset impairment charges related to our precision animal health and diagnostics businesses.

(c) For 2025 and 2024, primarily represents a net loss related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets. For additional information, see *Note 5. Acquisitions and Divestitures*.

For 2023, primarily relates to the gain on sale of a majority interest in our pet insurance business. For additional information, see *Note 5. Acquisitions and Divestitures*.

(d) Primarily driven by costs related to hedging and exposures to certain developed and emerging market currencies.

8. Tax Matters

A. Taxes on Income

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 tax 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. We do not currently expect OBBBA to have a material impact on our financial results, including the effect on our effective tax rate and deferred tax assets and liabilities in 2025 and future periods.

The income tax provision in the Consolidated Statements of Income includes tax costs and benefits, such as uncertain tax positions, repatriation decisions and audit settlements, among others.

The components of *Income before provision for taxes on income* follow:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
United States	**$ 1,877**	$ 1,867	$ 1,636
International	**1,483**	1,266	1,300
Income before provision for taxes on income	**$ 3,360**	$ 3,133	$ 2,936

The components of *Provision for taxes on income* based on the location of the taxing authorities follow:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
United States:			
Current income taxes:			
Federal	**$ 223**	$ 645	$ 341
State and local	**56**	65	35
Deferred income taxes:			
Federal	**116**	(297)	(40)
State and local	**14**	(42)	25
Total U.S. tax provision	**409**	371	361
International:			
Current income taxes	**327**	265	281
Deferred income taxes	**(49)**	1	(46)
Total international tax provision	**278**	266	235
Provision for taxes on income	**$ 687**	$ 637	$ 596

Tax Rate Reconciliation

The reconciliation of provision for taxes on income computed at the U.S. statutory income tax rate to our effective tax rate by amount and percent follows:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025 Total	%
U.S. statutory income tax rate	**$ 706**	**21.0 %**
United States:		
State and local taxes, net of federal benefits[(a)]	**55**	**1.6 %**
Effect of cross-border tax laws:		
GILTI	**120**	**3.6 %**
Foreign exchange gains/(losses)	**(57)**	**(1.7)%**
Other	**(11)**	**(0.3)%**
Tax credits:		
Foreign tax credits	**(112)**	**(3.3)%**
Other	**(28)**	**(0.8)%**
Changes in valuation allowances	**49**	**1.5 %**
Nontaxable or nondeductible items:		
Other	**11**	**0.3 %**
Other adjustments:		
Other	**(34)**	**(1.0)%**
Foreign tax effects:		
Ireland:		
Effect of rates different than statutory	**(88)**	**(2.6)%**
Other	**25**	**0.7 %**
Other foreign jurisdictions	**29**	**0.8 %**
Changes in unrecognized tax benefits	**22**	**0.6 %**
Provision for taxes on income / effective tax rate	**$ 687**	**20.4 %**

(a) In 2025, state and local income taxes in California, New Jersey, Minnesota, New York, Oregon, Kentucky, Kansas and Wisconsin comprise the majority (greater than 50%) of the domestic state and local income taxes, net of federal effect category.

The reconciliation of the U.S. statutory income tax rate to our effective tax rate follows:

	Year Ended December 31,	
	2024	2023
U.S. statutory income tax rate	21.0 %	21.0 %
State and local taxes, net of federal benefits	0.6	1.6
Unrecognized tax benefits and tax settlements and resolution of certain tax positions[a]	0.4	0.9
Foreign Derived Intangible Income	(1.5)	(0.7)
U.S. Research and Development Tax Credit	(0.6)	(0.7)
Share-based payments	(0.2)	(0.3)
Non-deductible / non-taxable items	0.2	0.2
Taxation of non-U.S. operations	0.2	(0.8)
All other—net	0.2	(0.9)
Effective tax rate	20.3 %	20.3 %

[a] For a discussion about unrecognized tax benefits and tax settlements and resolution of certain tax positions, see *C. Tax Contingencies*.

Our effective income tax rate was 20.4%, 20.3% and 20.3% in 2025, 2024 and 2023, respectively.

The higher effective tax rate for 2025, as compared to 2024, was primarily attributable to a lower benefit in the U.S. related to foreign-derived intangible income, partially offset by 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 activity) and higher net discrete tax benefits.

The effective tax rate for 2024, as compared to 2023, was primarily attributable to the favorable impact of a higher benefit in the U.S. related to foreign-derived intangible income and lower net discrete tax expenses, offset by a less favorable jurisdictional mix of earnings (which includes the impact of the location of earnings, repatriation costs and Pillar Two global minimum tax). Jurisdictional mix of earnings can vary depending on repatriation decisions, operating fluctuations in the normal course of business and the impact of non-deductible items and non-taxable items.

In 2022 and 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 qualifies as foreign-derived intangible income; however, the 2022 income tax benefit was deferred and recognized in 2023 and 2024 and the 2024 income tax benefit was deferred to 2025 and 2026. A portion of the 2024 benefit was recognized during 2025. The remaining deferred benefit is included in *Other current assets* on our Consolidated Balance Sheets as of December 31, 2025 in the amount of $19 million.

Income tax payments, net of refunds, by jurisdiction follows:

	Year Ended December 31,
(MILLIONS OF DOLLARS)	**2025**
United States:	
Federal[a]	**$ 433**
State and local	**25**
International:	
Ireland	**127**
Other	**130**
Total international	**257**
Total income tax payments, net of refunds	**$ 715**

[a] For 2025, includes $133 million related to the purchase of transferable federal tax credits.

B. Deferred Taxes

Deferred taxes arise as a result of basis differentials between financial statement accounting and tax amounts.

The components of our deferred tax assets and liabilities follow:

	As of December 31,	
	2025	2024
(MILLIONS OF DOLLARS)	**Assets (Liabilities)**	
Prepaid/deferred items	**$ 146**	$ 219
Inventories	**24**	21
Capitalized research and development for tax	**410**	301
Foreign exchange (gains)/losses	**56**	—
Interest expense limitation	**12**	3
Original issue discount on convertible debt	**42**	—
Identifiable intangible assets	**(78)**	(103)
Property, plant and equipment	**(194)**	(179)
Employee benefits	**73**	74
Restructuring and other charges	**11**	10
Legal and product liability reserves	**13**	14
Net operating loss/credit carryforwards	**165**	139
Unremitted earnings	**(4)**	(3)
All other	**7**	—
Subtotal	**683**	496
Valuation allowance	**(185)**	(123)
Net deferred tax asset/(liability)[(a)(b)]	**$ 498**	$ 373

(a) The change in the total net deferred tax asset/(liability) from December 31, 2024 to December 31, 2025 is primarily attributable to an increase in deferred tax assets related to (i) the capitalization and amortization of research and development costs for U.S. tax purposes, (ii) foreign exchange (gains)/losses, (iii) original issue discount on convertible debt, and (iv) net operating loss/credit carryforwards, partially offset by a decrease in deferred tax assets related to (i) prepaid/deferred items as a result of a prepayment from a related foreign entity in Belgium, as well as an increase in valuation allowance.

(b) In 2025, included in *Noncurrent deferred tax assets* ($637 million) and *Noncurrent deferred tax liabilities* ($139 million). In 2024, included in *Noncurrent deferred tax assets* ($540 million) and *Noncurrent deferred tax liabilities* ($167 million).

We have carryforwards, primarily related to net operating losses, which are available to reduce future foreign, U.S. federal, and U.S. state income taxes payable with either an indefinite life or expiring at various times from 2026 to 2045.

Valuation allowances are provided when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax planning strategies. On the basis of this evaluation, as of December 31, 2025 and 2024, a valuation allowance of $185 million and $123 million, respectively, has been recorded to reflect only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as projections for growth.

In general, it is our practice and intention to permanently reinvest the majority of the earnings of the company's non-U.S. subsidiaries. As of December 31, 2025, we have not provided U.S. and local income taxes, such as U.S. state income taxes, local withholding taxes, and taxes on currency gains and losses for the cumulative amount of such undistributed earnings. Since these earnings are intended to be indefinitely reinvested overseas as of December 31, 2025, we cannot predict the time or manner of a potential repatriation. As such, other than the deferred tax liability associated with the one-time mandatory deemed repatriation tax on such undistributed earnings imposed by the Tax Cuts and Jobs Act of 2017, it is not practicable to estimate the additional deferred tax liability associated with the potential repatriation of the unremitted earnings.

C. Tax Contingencies

We are subject to income tax in many jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities related to income taxes. All of our tax positions are subject to audit by the local taxing authorities in each tax jurisdiction. These tax audits can involve complex issues, interpretations and judgments and the resolution of matters may span multiple years, particularly if subject to negotiation or litigation. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statute of limitations expire. We treat these events as discrete items in the period of resolution.

For a description of our accounting policies associated with accounting for income tax contingencies, see *Note 3. Significant Accounting Policies: Deferred Tax Assets and Liabilities and Income Tax Contingencies.* For a description of the risks associated with estimates and assumptions, see *Note 3. Significant Accounting Policies: Estimates and Assumptions*.

Uncertain Tax Positions

As tax law is complex and often subject to varied interpretations, it is uncertain whether some of our tax positions will be sustained upon audit. As of December 31, 2025, 2024 and 2023, we had approximately $222 million, $214 million and $209 million, respectively, in net liabilities associated with uncertain tax positions, excluding associated interest and penalties. As of December 31, 2025, 2024 and 2023, we had approximately $1 million,

$1 million and $0 million, respectively, in assets associated with uncertain tax benefits recorded in *Noncurrent deferred tax assets* and *Other noncurrent assets*.

- Tax liabilities associated with uncertain tax positions represent unrecognized tax benefits, which arise when the estimated benefit recorded in our financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. These unrecognized tax benefits relate primarily to issues common among multinational corporations. Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate.

  The reconciliation of the beginning and ending amounts of gross unrecognized tax benefits follows:

(MILLIONS OF DOLLARS)	**2025**	2024	2023
Balance, January 1	**$ (213)**	$ (209)	$ (194)
Increases based on tax positions taken during a prior period[(a)]	**—**	(1)	(27)
Decreases based on tax positions taken during a prior period[(a)]	**1**	—	20
Increases based on tax positions taken during the current period[(a)]	**(13)**	(7)	(13)
Settlements	**—**	1	—
Lapse in statute of limitations[(a)]	**4**	3	5
Balance, December 31[(b)]	**$ (221)**	$ (213)	$ (209)

  (a) Primarily included in *Provision for taxes on income.*

  (b) Primarily included in *Other taxes payable*.

- Interest related to our unrecognized tax benefits is recorded in accordance with the laws of each jurisdiction and is recorded in *Provision for taxes on income* in our Consolidated Statements of Income. We recorded net interest expense of $14 million, $12 million and $10 million in 2025, 2024 and 2023, respectively. Gross accrued interest totaled $51 million, $37 million and $26 million as of December 31, 2025, 2024 and 2023, respectively, and were included in *Other taxes payable*. As of December 31, 2025, 2024 and 2023, gross accrued penalties totaled $1 million and were included in *Other taxes payable*.

Status of Tax Audits and Potential Impact on Accruals for Uncertain Tax Positions

We are subject to taxation in the U.S. including various states, and foreign jurisdictions. The U.S. is one of our major tax jurisdictions, and we are currently under income tax audit by the U.S. Internal Revenue Service (IRS) for tax years 2017 through 2018. For U.S. state tax purposes, tax years 2017 through 2024 are open for examination. 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 December 31, 2025, the additional tax liability, based on the income adjustment proposed by the IRS under the RAR, is approximately $450 million, excluding interest and penalties.

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 the 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.

In addition to the open audit years in the U.S., we have open audit years in other major foreign tax jurisdictions, such as Canada (2022-2025), Asia-Pacific (2015-2025, primarily reflecting Australia, China and Japan), Europe (2013-2025, primarily reflecting France, Germany, Italy, Spain and the U.K.) and Latin America (2016-2025, primarily reflecting Brazil and Mexico).

Any settlements or statute of limitations expirations could result in a significant decrease in our uncertain tax positions. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits 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 change related to our uncertain tax positions, and such changes could be significant.

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 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 December 31, 2025 and 2024. There were no amounts drawn under the credit facility as of December 31, 2025 and 2024.

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 December 31, 2025, we had access to $51 million of lines of credit which expire at various times and are generally renewed annually. As of December 31, 2025 and December 31, 2024, we had no borrowings outstanding related to these facilities.

Commercial Paper Program

In February 2013, we entered into a commercial paper program with a capacity of up to $1.0 billion. As of December 31, 2025 and 2024, 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 common stock following the date of the offering, which repurchases were substantially completed as of December 31, 2025.

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 removed 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.

The components of our long-term debt are as follows:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2025**	2024
4.500% 2015 senior notes due 2025	**$ —**	$ 750
5.400% 2022 senior notes due 2025	**—**	600
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**	—
0.250% 2025 convertible senior notes due 2029	**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**	—
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	6,650
Unamortized debt discount / debt issuance costs	**(93)**	(54)
Less current portion of long-term debt	**—**	1,350
Cumulative fair value adjustment for interest rate swap contracts	**(15)**	(26)
Long-term debt, net of discount and issuance costs	**$ 9,042**	$ 5,220

The fair value of our long-term debt was $8,842 million and $6,097 million as of December 31, 2025 and 2024, respectively, and has been determined using a third-party model that uses significant inputs derived from, or corroborated by, observable market data and Zoetis’ credit rating (Level 2 inputs). See *Note 3. Significant Accounting Policies— Fair Value.*

The following table provides the principal amount of debt outstanding as of December 31, 2025 by scheduled maturity date. The table also provides the expected interest payments on these borrowings as of December 31, 2025.

(MILLIONS OF DOLLARS)	2026	2027	2028	2029	2030	After 2030	Total
Maturities	$ —	$ 750	$ 1,350	$ 2,000	$ 750	$ 4,300	$ 9,150
Interest payments	$ 296	$ 296	$ 273	$ 216	$ 206	$ 1,958	$ 3,245

Interest Expense

Interest expense, net of capitalized interest, was $222 million, $225 million and $239 million for 2025, 2024 and 2023, respectively. Capitalized interest expense was $47 million, $39 million and $27 million for 2025, 2024 and 2023, 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 Consolidated Balance Sheets. The derivative financial instruments primarily offset exposures in the Australian dollar, Brazilian real, British pound, Chinese renminbi, 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 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. When 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 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 December 31, 2025, 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 2025 for changes in the fair value of these hedges are not material to our consolidated financial statements.

Outstanding Positions

The aggregate notional amount of derivative instruments are as follows:

	Notional	
	As of December 31,	
(MILLIONS)	**2025**	2024
Derivatives not Designated as Hedging Instruments		
Foreign currency forward-exchange contracts	**$ 2,175**	$ 2,070
Derivatives Designated as Hedging Instruments		
Foreign exchange derivative instruments (in foreign currency):		
Euro	**925**	800
Danish krone	**400**	475
Swiss franc	**—**	25
Forward-starting interest rate swaps	**$ —**	$ 300
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:

(MILLIONS OF DOLLARS)	Balance Sheet Location	Fair Value of Derivatives As of December 31, 2025	2024
Derivatives Not Designated as Hedging Instruments:			
Foreign currency forward-exchange contracts	Other current assets	**$ 11**	$ 18
Foreign currency forward-exchange contracts	Other current liabilities	**(6)**	(6)
Total derivatives not designated as hedging instruments		**5**	12
Derivatives Designated as Hedging Instruments:			
Forward-starting interest rate swap contracts	Other non-current assets	**$ —**	$ 26
Foreign exchange derivative instruments	Other current assets	**6**	55
Foreign exchange derivative instruments	Other non-current assets	**—**	4
Foreign exchange derivative instruments	Other current liabilities	**(25)**	—
Foreign exchange derivative instruments	Other non-current liabilities	**(39)**	—
Fixed-to-floating interest rate swap contracts	Other non-current liabilities	**(16)**	(26)
Total derivatives designated as hedging instruments		**(74)**	59
Total derivatives		**$ (69)**	$ 71

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 December 31, 2025, there was no collateral received and $70 million posted related to derivative instruments recorded in *Other current assets*. At December 31, 2024, there was $51 million of collateral received and $20 million of collateral 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. See *Note 3. Significant Accounting Policies— Fair Value.*

The amounts of net gains/(losses) on derivative instruments not designated as hedging instruments, recorded in *Other (income)/deductions - net,* are as follows:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024
Foreign currency forward-exchange contracts	**$ 27**	$ (11)

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

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024
Forward starting interest rate swap contracts	**$ (20)**	$ 11
Foreign exchange derivative instruments	**$ (101)**	$ 44

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

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024
Foreign exchange derivative instruments	**$ 21**	$ 17

The net amount of deferred losses 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. Leases

We have facilities and vehicles under various non-cancellable operating leases with third parties and an equipment finance lease with a third party. The operating leases generally have remaining terms ranging from 1 to 14 years, inclusive of renewal options that are reasonably certain of exercise. The finance lease has a remaining term of 28 years.

Supplemental information for our lease portfolio is as follows:

(MILLIONS OF DOLLARS, EXCEPT LEASE TERM AND DISCOUNT RATE AMOUNTS)	As of December 31, 2025	2024
Supplemental Balance Sheet information:		
Operating lease right-of-use assets	**$ 288**	$ 219
Finance lease right of use assets (in *Other noncurrent assets*)	**9**	9
Total lease assets	**$ 297**	**$ 228**
Lease liabilities:		
Operating lease liabilities - current (in *Other current liabilities*)	**$ 52**	$ 51
Finance lease liabilities - current (in *Other current liabilities*)	**1**	1
Operating lease liabilities - noncurrent	**196**	174
Finance lease liabilities - noncurrent (in *Other noncurrent liabilities*)	**6**	7
Total lease liabilities	**$ 255**	**$ 233**
Weighted-average remaining lease term—operating leases (years)	**6.87**	6.57
Weighted-average remaining lease term—finance leases (years)	**27.90**	29.19
Weighted-average discount rate—operating leases	**3.91 %**	3.65 %
Weighted-average discount rate—finance leases	**4.97 %**	4.97 %

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
Supplemental Income Statement information for operating leases:			
Operating lease expense	**$ 68**	$ 59	$ 56
Variable lease costs	**28**	18	20
Short-term lease costs not included in the measurement of lease liabilities	**14**	13	11
Supplemental Income Statement information for finance leases:			
Amortization of right-of-use assets	**1**	1	1
Total lease costs	**$ 111**	$ 91	$ 88
Supplemental Cash Flow information for leases			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows – operating leases	**$ 67**	$ 61	$ 57
Financing cash flows – finance leases	**2**	1	—
Lease obligations obtained in exchange for right-of-use assets - operating (non-cash)	**76**	46	73
Lease obligations obtained in exchange for right-of-use assets – finance (non-cash)	**1**	—	9

Future minimum lease payments under non-cancellable lease contracts as of December 31, 2025 are as follows:

(MILLIONS OF DOLLARS)	2026	2027	2028	2029	2030	After 2030	Total Lease Payments	Less: Imputed Interest	Total
Operating leases	$ 60	$ 51	$ 41	$ 29	$ 21	$ 83	$ 285	$ (37)	$ 248
Finance leases	$ 1	$ 1	$ 1	$ 1	$ 1	$ 5	$ 10	$ (3)	$ 7

11. Inventories

The components of inventory follow:

(MILLIONS OF DOLLARS)	As of December 31, 2025	2024
Finished goods	**$ 1,106**	$ 996
Work-in-process	**962**	933
Raw materials and supplies	**362**	377
Inventories	**$ 2,430**	$ 2,306

12. Property, Plant and Equipment

The components of property, plant and equipment follow:

(MILLIONS OF DOLLARS)	Useful Lives (Years)	As of December 31, **2025**	2024
Land	—	**$ 33**	$ 28
Buildings	33	**1,549**	1,292
Machinery, equipment and fixtures	3 - 20	**3,729**	3,353
Construction-in-progress	—	**1,295**	1,353
		6,606	6,026
Less: Accumulated depreciation		**2,925**	2,635
Property, plant and equipment		**$ 3,681**	$ 3,391

Depreciation expense was $330 million in 2025, $327 million in 2024 and $306 million in 2023.

13. Goodwill and Other Intangible Assets

A. Goodwill

The components of, and changes in, the carrying amount of goodwill follow:

(MILLIONS OF DOLLARS)	U.S.	International	Total
Balance, December 31, 2023	$ 1,532	$ 1,227	$ 2,759
Other[(a)]	(17)	(18)	(35)
Balance, December 31, 2024	$ 1,515	$ 1,209	$ 2,724
Additions[(b)]	**—**	**7**	**7**
Other[(a)]	**—**	**36**	**36**
Balance, December 31, 2025	**$ 1,515**	**$ 1,252**	**$ 2,767**

(a) Includes adjustments for foreign currency translation.

For 2024, also includes adjustments for the derecognition of goodwill of $24 million related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets. See *Note 5. Acquisitions and Divestitures.*

(b) Relates to the acquisition of Veterinary Pathology Group. See *Note 5. Acquisitions and Divestitures.*

The gross goodwill balance was $3,303 million as of December 31, 2025 and $3,260 million as of December 31, 2024. Accumulated goodwill impairment losses were $536 million as of December 31, 2025 and 2024.

B. Other Intangible Assets

The components of identifiable intangible assets follow:

	As of December 31, 2025			As of December 31, 2024		
(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**	**$ (1,342)**	**$ 590**	$ 1,891	$ (1,175)	$ 716
Brands and tradenames	**362**	**(250)**	**112**	367	(246)	121
Other	**292**	**(210)**	**82**	278	(197)	81
Total finite-lived intangible assets	**2,586**	**(1,802)**	**784**	2,536	(1,618)	918
Indefinite-lived intangible assets:						
Brands and tradenames	**67**	**—**	**67**	66	—	66
In-process research and development	**141**	**—**	**141**	136	—	136
Product rights	**6**	**—**	**6**	7	—	7
Total indefinite-lived intangible assets	**214**	**—**	**214**	209	—	209
Identifiable intangible assets	**$ 2,800**	**$ (1,802)**	**$ 998**	$ 2,745	$ (1,618)	$ 1,127

Developed Technology Rights

Developed technology rights represent the amortized cost associated with developed technology, which has been acquired from third parties and which can include the right to develop, use, market, sell and/or offer for sale the product, compounds and intellectual property that we have acquired with respect to products, compounds and/or processes that have been completed. These assets include technologies related to the care and treatment of dogs, cats, horses, cattle, swine, poultry, fish and sheep.

Brands and Tradenames

Brands and tradenames represent the amortized or unamortized cost associated with product name recognition, as the products themselves do not receive patent protection. The most significant finite-lived brands and tradenames are related to Abaxis, Platinum Performance, and Lutalyse. The most significant indefinite-lived brands and tradenames were acquired from SmithKlineBeecham and the Linco family of products.

In-Process Research and Development

IPR&D assets represent R&D assets that have not yet received regulatory approval in a major market. The majority of these IPR&D assets were acquired in connection with our acquisition of two research and development stage animal health biopharmaceutical companies, PetMedix and adivo.

IPR&D assets are required to be classified as indefinite-lived assets until the successful completion or abandonment of the associated R&D effort. Accordingly, during the development period after the date of acquisition, these assets will not be amortized until approval is obtained in a major market, typically either the U.S., U.K. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. At that time, we will determine the useful life of the asset, reclassify the asset out of IPR&D and begin amortization. If the associated R&D effort is abandoned, the related IPR&D assets will be written-off and we will record an impairment charge.

There can be no certainty that IPR&D assets ultimately will yield a successful product.

Product Rights

Product rights represent product registration and application rights.

C. Amortization

The weighted average life of our total finite-lived intangible assets is approximately 7.7 years. Total amortization expense for finite-lived intangible assets was $157 million in 2025, $170 million in 2024 and $185 million in 2023.

The annual amortization expense expected for the years 2026 through 2030 is as follows:

(MILLIONS OF DOLLARS)	2026	2027	2028	2029	2030
Amortization expense	$ 152	$ 148	$ 119	$ 82	$ 71

14. Benefit Plans

Pension expense associated with the U.S. and certain significant international locations totaled $6 million in 2025, $7 million in 2024 and $6 million in 2023.

A. International Pension Plans

Information about the dedicated pension plans is provided in the tables below.

Obligations and Funded Status—Dedicated Plans

The following table provides an analysis of the changes in the benefit obligations, plan assets and funded status of our dedicated pension plans (including those transferred to us):

	As of and for the Year Ended December 31,	
(MILLIONS OF DOLLARS)	**2025**	2024
Change in benefit obligation:		
Projected benefit obligation, beginning	**$ 136**	$ 129
Service cost	**6**	5
Interest cost	**5**	5
Changes in actuarial assumptions and other	**(5)**	9
Settlements and curtailments	**(2)**	(2)
Benefits paid	**(5)**	(4)
Adjustments for foreign currency translation	**11**	(5)
Other—net	**(1)**	(1)
Benefit obligation, ending	**145**	136
Change in plan assets:		
Fair value of plan assets, beginning	**94**	86
Actual return on plan assets	**4**	12
Company contributions	**6**	6
Settlements and curtailments	**(2)**	(3)
Benefits paid	**(5)**	(4)
Adjustments for foreign currency translation	**6**	(3)
Fair value of plan assets, ending	**103**	94
Funded status—Projected benefit obligation in excess of plan assets at end of year[(a)]	**$ (42)**	$ (42)

[(a)] Included in *Other noncurrent liabilities*.

Changes in the benefit obligation resulted in a net gain of $5 million in 2025 and a net loss of $9 million in 2024.

Actuarial gains were $7 million ($4 million, net of tax) at December 31, 2025 and $3 million ($2 million, net of tax) at December 31, 2024. The actuarial gains and losses primarily represent the cumulative difference between the actuarial assumptions and actual return on plan assets, changes in discount rates and changes in other assumptions used in measuring the benefit obligations. These actuarial gains and losses are recognized in *Accumulated other comprehensive loss*. The actuarial losses will be amortized into net periodic benefit costs over an average period of 10.3 years.

Information related to the funded status of selected plans follows:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2025**	2024
Pension plans with an accumulated benefit obligation in excess of plan assets:		
Fair value of plan assets	**$ 10**	$ 9
Accumulated benefit obligation	**53**	50
Pension plans with a projected benefit obligation in excess of plan assets:		
Fair value of plan assets	**10**	9
Projected benefit obligation	**59**	55

Net Periodic Benefit Costs—Dedicated Plans

The following table provides the net periodic benefit cost associated with dedicated pension plans (including those transferred to us):

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023
Service cost	**$ 6**	$ 5	$ 5
Interest cost	**5**	5	5
Expected return on plan assets	**(5)**	(4)	(4)
Settlement and curtailments (gains) / losses	**—**	1	—
Net periodic benefit cost	**$ 6**	$ 7	$ 6

Actuarial Assumptions—Dedicated Plans

The following table provides the weighted average actuarial assumptions for the dedicated pension plans (including those transferred to us):

	As of December 31,		
(PERCENTAGES)	**2025**	2024	2023
Weighted average assumptions used to determine benefit obligations:			
Discount rate	**4.1 %**	3.5%	4.2%
Rate of compensation increase	**3.6 %**	3.5%	3.6%
Cash balance credit interest rate	**2.0 %**	1.7%	1.6%
Weighted average assumptions used to determine net benefit cost for the year ended December 31:			
Discount rate	**3.5 %**	4.2%	3.7%
Expected return on plan assets	**4.9 %**	4.6%	4.7%
Rate of compensation increase	**3.5 %**	3.6%	3.5%
Cash balance credit interest rate	**1.7 %**	1.6%	1.7%

The assumptions above are used to develop the benefit obligations at the end of the year and to develop the net periodic benefit cost for the following year. Therefore, the assumptions used to determine the net periodic benefit cost for each year are established at the end of each previous year, while the assumptions used to determine the benefit obligations are established at each year-end. The net periodic benefit cost and the benefit obligations are based on actuarial assumptions that are reviewed on an annual basis. The assumptions are revised based on an annual evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing retirement benefits.

Actuarial and other assumptions for pension plans can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For a description of the risks associated with estimates and assumptions, see *Note 3. Significant Accounting Policies—Estimates and Assumptions*.

Plan Assets—Dedicated Plans

The components of plan assets follow:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2025**	2024
Cash and cash equivalents	**$ 2**	$ 1
Equity securities: Equity commingled funds	**40**	37
Debt securities: Government bonds	**49**	46
Other investments	**12**	10
Total[(a)]	**$ 103**	$ 94

[(a)] Fair values are determined based on valuation inputs categorized as Level 1, 2 or 3 (see *Note 3. Significant Accounting Policies—Fair Value*). Investment plan assets are valued using Level 1 or Level 2 inputs.

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 3. Significant Accounting Policies—Estimates and Assumptions*.

Specifically, the following methods and assumptions were used to estimate the fair value of our pension assets:

- Equity commingled funds—observable market prices (Level 1).
- Government bonds and other investments—principally observable market prices (Level 2).

The long-term target asset allocations and the percentage of the fair value of plans assets for dedicated benefit plans follow:

	Target allocation percentage	As of December 31, Percentage of Plan Assets	
(PERCENTAGES)	**2025**	**2025**	2024
Cash and cash equivalents	**0-10%**	**1.9 %**	1.4 %
Equity securities	**0-60%**	**39.0 %**	39.2 %
Debt securities	**15-100%**	**47.3 %**	48.4 %
Other investments	**0-100%**	**11.8 %**	11.0 %
Total	**100%**	**100 %**	100 %

Zoetis utilizes long-term asset allocation ranges in the management of our plans' invested assets. Long-term return expectations are developed with input from outside investment consultants based on the company's investment strategy, which takes into account historical experience, as well as the impact of portfolio diversification, active portfolio management, and the investment consultant's view of current and future economic and financial market conditions. As market conditions and other factors change, the targets may be adjusted accordingly and actual asset allocations may vary from the target allocations.

The long-term asset allocation ranges reflect the asset class return expectations and tolerance for investment risk within the context of the respective plans' long-term benefit obligations. These ranges are supported by an analysis that incorporates historical and expected returns by asset class, as well as volatilities and correlations across asset classes and our liability profile. This analysis, referred to as an asset-liability analysis, also provides an estimate of expected returns on plan assets, as well as a forecast of potential future asset and liability balances.

The investment consultants review investment performance with Zoetis on a quarterly basis in total, as well as by asset class, relative to one or more benchmarks.

Cash Flows—Dedicated Plans

Our plans are generally funded in amounts that are at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax and other laws.

We expect to contribute approximately $8 million to our dedicated pension plans in 2026. Benefit payments are expected to be approximately $10 million for 2026, $8 million for 2027, $7 million for 2028, $14 million for 2029 and $13 million for 2030. Benefit payments are expected to be approximately $61 million in the aggregate for the five years thereafter. These expected benefit payments reflect the future plan benefits subsequent to 2026 projected to be paid from the plans or from the general assets of Zoetis entities under the current actuarial assumptions used for the calculation of the projected benefit obligation and, therefore, actual benefit payments may differ from projected benefit payments.

B. Postretirement Plans

Postretirement benefit expense associated with these U.S. retiree medical plans totaled $0 million per year in 2025, 2024, and 2023.

C. Defined Contribution Plans

Zoetis has a voluntary defined contribution plan, the Zoetis Savings Plan (ZSP) that allows participation by substantially all U.S. employees. Zoetis matches 100% of employee contributions, up to a maximum of 5% of each employee's eligible compensation. The ZSP also includes a profit-sharing feature that provides for an additional contribution ranging between 0 and 8 percent of each employee's eligible compensation. All eligible employees receive the profit-sharing contribution regardless of the amount they choose to contribute to the ZSP. The profit-sharing contribution is a discretionary amount provided by Zoetis and is determined on an annual basis. Employees can direct their contributions and the company's matching and profit-sharing contributions into any of the funds offered. These funds provide participants with a cross section of investing options, including the Zoetis stock fund. The matching and profit-sharing contributions are cash funded.

Employees are permitted to diversify all or any portion of their company matching or profit-sharing contribution. Once the contributions have been paid, Zoetis has no further payment obligations. Contribution expense, associated with the ZSP, totaled $77 million in 2025, $79 million in 2024 and $69 million in 2023.

Employees in the U.S. who meet certain eligibility requirements participate in a supplemental (non-qualified) savings plan sponsored by Zoetis. The cost/(benefit) of the supplemental savings plan was $4 million in 2025, $3 million in 2024 and $11 million in 2023. Benefit payments for this plan are expected to be approximately $5 million in 2026 and $42 million thereafter.

15. 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.

Thirty million shares of stock were approved and registered with the Securities and Exchange Commission for grants to participants under the Equity Plan. The shares reserved may be used for any type of award under the Equity Plan. At December 31, 2025, the aggregate number of remaining shares available for future grant under the Equity Plan was approximately 12 million shares.

A. Share-Based Compensation Expense

The components of share-based compensation expense follow:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2025	2024	2023
Stock options / stock appreciation rights	**$ 12**	$ 11	$ 8
RSUs / DSUs	**52**	42	37
PSUs	**19**	21	15
Share-based compensation expense—total[a]	**$ 83**	$ 74	$ 60
Tax benefit for share-based compensation expense	**(10)**	(9)	(8)
Share-based compensation expense, net of tax	**$ 73**	$ 65	$ 52

[a] For each of the years ended December 31, 2025, 2024 and 2023, we capitalized up to $1 million of share-based compensation expense to inventory.

B. Stock Options

Stock options represent the right to purchase shares of our common stock within a specified period of time at a specified price. The exercise price for a stock option will be not less than 100% of the fair market value of the common stock as of the NYSE market close on the date of grant. Stock options granted may include those intended to be "incentive stock options" within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986 (the Code).

Stock options are accounted for using a fair-value-based method at the date of grant in the Consolidated Statements of Income. The values determined through this fair-value-based method generally are amortized on a straight-line basis over the vesting term.

Eligible employees may receive Zoetis stock option awards. Zoetis stock option awards 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 while stock option awards granted in and after 2023 are subject to graded vesting over three years from the date of grant and have a contractual term of 10 years.

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 noted in the following table, shown at their weighted-average values:

	Year Ended December 31, 2025	2024	2023
Expected dividend yield[a]	**1.27%**	0.87%	0.92%
Risk-free interest rate[b]	**4.38%**	4.06%	3.84%
Expected stock price volatility[c]	**26.42%**	26.99%	28.63%
Expected term[d] (years)	**4.3**	4.1	4.2

[a] Determined using a constant dividend yield during the expected term of the Zoetis stock option.

[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.

[c] Determined using an equal weighting between historical volatility of the Zoetis stock price and implied volatility. The selection of the blended historical and implied volatility approach was based on our assessment that this calculation of expected volatility is more representative of future stock price trends.

[d] Determined using expected exercise and post-vesting termination patterns.

The following table provides an analysis of stock option activity for the year ended December 31, 2025:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value[a] (Millions)
Outstanding, December 31, 2024	1,447,949	$ 143.83		
Granted	**320,498**	**156.80**		
Exercised	**(111,374)**	**85.26**		
Forfeited	**(78,289)**	**179.64**		
Outstanding, December 31, 2025	**1,578,784**	**$ 148.82**	**5.9**	**$ 18,853,364**
Exercisable, December 31, 2025	**1,046,676**	**$ 138.76**	**4.6**	**$ 18,853,364**

[a] Market price of underlying Zoetis common stock less exercise price.

As of December 31, 2025, there was approximately $10 million of unrecognized compensation costs related to nonvested stock options, which will be recognized over an expected remaining weighted-average period of ten months.

The following table summarizes data related to stock option activity:

(MILLIONS OF DOLLARS, EXCEPT PER STOCK OPTION AMOUNTS)	Year Ended/As of December 31, 2025	2024	2023
Weighted-average grant date fair value per stock option	**$ 40.22**	$ 50.77	$ 43.56
Aggregate intrinsic value on exercise	**8**	40	81
Cash received upon exercise	**9**	20	42
Tax benefits realized related to exercise	**8**	17	17

C. Restricted Stock Units (RSUs)

Restricted stock units represent the right to receive a share of our common stock that is subject to a risk of forfeiture until the restrictions lapse at the end of the vesting period subject to the recipient's continued employment. RSUs accrue dividend equivalent units and are paid in shares of our common stock upon vesting (or cash determined by reference to the value of our common stock).

RSUs are accounted for using a fair-value-based method that utilizes the closing price of Zoetis common stock on the date of grant. Zoetis RSUs granted prior to 2023 generally vest after three years of continuous service from the grant date while RSUs granted in and after 2023 are subject to graded vesting over three years. These values are amortized on a straight-line basis over the vest terms.

The following table provides an analysis of RSU activity for the year ended December 31, 2025:

	RSUs	Weighted-Average Grant Date Fair Value
Nonvested, December 31, 2024	556,106	$ 187.61
Granted	**594,287**	**156.29**
Vested	**(334,042)**	**189.70**
Reinvested dividend equivalents	**9,929**	**167.44**
Forfeited	**(51,599)**	**169.77**
Nonvested, December 31, 2025	**774,681**	**$ 163.56**

As of December 31, 2025, there was approximately $77 million of unrecognized compensation costs related to nonvested RSUs, which will be recognized over an expected remaining weighted-average period of twelve months.

D. Deferred Stock Units (DSUs)

Deferred stock units, which were granted to non-employee compensated Directors in 2013 and 2014, represent the right to receive shares of our common stock at a future date. The DSU awards will be automatically settled and paid in shares within 60 days following the Director’s separation from service on the Board of Directors.

DSUs are accounted for using a fair-value-based method that utilizes the closing price of Zoetis common stock on the date of grant. DSUs vested immediately as of the grant date and the values were expensed at the time of grant into *Selling, general and administrative expenses*.

For the years ended December 31, 2025 and 2024, there were no DSUs granted. As of December 31, 2025 and 2024, there were 57,100 and 66,318 DSUs outstanding, respectively, including dividend equivalents.

E. Performance-Vesting Restricted Stock Units (PSUs)

Performance-vesting restricted stock units, which are granted to eligible senior management, represent the right to receive a share of our common stock that is subject to a risk of forfeiture until the restrictions lapse, which include continued employment through the end of the vesting period and the attainment of performance goals. PSUs represent the right to receive shares of our common stock in the future (or cash determined by reference to the value of our common stock).

PSUs are accounted for using a Monte Carlo simulation model. Beginning in 2025, the units underlying the PSUs will be earned and vested over a three-year performance period as measured by two metrics, each of which is 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 the company's three-year average annual operational revenue growth ("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 27.6% and 29.8%, respectively, in 2025, and the Monte Carlo weighted-average fair value was estimated based on volatility assumptions of Zoetis common stock and an average of peer companies which were 26.2% and 30.6%, respectively, in 2024. Depending on the company’s Relative TSR performance and the company's revenue growth performance at the end of the performance period, the recipient may earn between 0% and 200% of the target number of units. Vested units, including dividend equivalent units, are paid in shares of the company’s common stock. PSU values are amortized on a straight-line basis over the vesting term.

The following table provides an analysis of PSU activity for the year ended December 31, 2025:

	PSUs	Weighted-Average Grant Date Fair Value
Nonvested, December 31, 2024	256,567	$ 248.68
Granted	**148,130**	**171.21**
Vested	**(79,630)**	**236.20**
Reinvested dividend equivalents	**4,050**	**222.23**
Forfeited	**(26,654)**	**232.41**
Nonvested, December 31, 2025	**302,463**	**$ 215.08**
Shares issued, December 31, 2025	**742**	**$ 245.07**

As of December 31, 2025, there was approximately $27 million of unrecognized compensation costs related to nonvested PSUs, which will be recognized over an expected remaining weighted-average period of 1.3 years.

F. Other Equity-Based or Cash-Based Awards

Our Compensation Committee is authorized to grant awards in the form of other equity-based awards or other cash-based awards, as deemed to be consistent with the purposes of the Equity Plan.

16. 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 December 31, 2025, there was $2.4 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 interest, follow:

(MILLIONS OF DOLLARS)	Cash Flow Hedges	Currency Translation Adjustments: Net Investment Hedges	Currency Translation Adjustments: Other Currency Translation Adj	Benefit Plans Actuarial (Losses)/Gains	Accumulated Other Comprehensive Loss
Balance, December 31, 2022	$ 90	$ 41	$ (944)	$ (4)	$ (817)
Other comprehensive (loss)/gain, net of tax	(5)	(23)	—	6	(22)
Balance, December 31, 2023	85	18	(944)	2	(839)
Other comprehensive gain/(loss), net of tax	4	44	(147)	(2)	(101)
Balance, December 31, 2024	89	62	(1,091)	—	(940)
Other comprehensive (loss)/gain, net of tax	**(19)**	**(101)**	**224**	**2**	**106**
Balance, December 31, 2025	**$ 70**	**$ (39)**	**$ (867)**	**$ 2**	**$ (834)**

17. Earnings per Share

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

(MILLIONS OF DOLLARS AND SHARES, EXCEPT PER SHARE DATA)	Year Ended December 31, **2025**	2024	2023
Numerator			
Net income before allocation to noncontrolling interests	**$ 2,673**	$ 2,496	$ 2,340
Less: net income/(loss) attributable to noncontrolling interests	**—**	10	(4)
Net income attributable to Zoetis Inc.	**$ 2,673**	$ 2,486	$ 2,344
Denominator			
Weighted-average common shares outstanding	**443.443**	454.200	461.172
Common stock equivalents: stock options, RSUs, DSUs and PSUs	**0.392**	0.648	1.097
Weighted-average common and potential dilutive shares outstanding	**443.835**	454.848	462.269
Earnings per share attributable to Zoetis Inc. stockholders—basic	**$ 6.03**	$ 5.47	$ 5.08
Earnings per share attributable to Zoetis Inc. stockholders—diluted	**$ 6.02**	$ 5.47	$ 5.07

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 years ended December 31, 2025, 2024 and 2023.

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.*

18. 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. Tax Matters*.

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. Currently, the parties, the prosecutor, the Municipality and their respective technical teams are collaborating to develop a plan to evaluate potential options for waste removal from the site and disposal.

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 December 31, 2025, recorded amounts for the estimated fair value of these indemnifications were not material.

C. Purchase Commitments

As of December 31, 2025, we have agreements totaling $427 million to purchase goods and services, as well as commitments for capital expenditures, that are enforceable and legally binding and include amounts relating to contract manufacturing and information technology services deemed reasonably likely to occur. Payments for these obligations are expected to be approximately $243 million in 2026 and $184 million thereafter.

19. Segment Information

A. Segment Information

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.

On October 31, 2024, we completed the divestiture of our medicated feed additive product portfolio, certain water soluble products and related assets, and, as a result, our major product categories no longer include the category of medicated feed additives. See *Note 5. Acquisitions and Divestitures*.

Operating Segments

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 CSS 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 activities*, 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, 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. Total assets were approximately $15.5 billion and $14.2 billion at December 31, 2025 and 2024, respectively.

Selected Statement of Income Information

	Earnings			Depreciation and Amortization[a]		
	Year Ended December 31,			Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2025**	2024	2023	**2025**	2024	2023
U.S.						
Revenue	**$ 5,097**	$ 5,074	$ 4,555			
Cost of Sales	**842**	936	900			
Gross Profit	**4,255**	4,138	3,655			
Gross Margin	**83.5 %**	81.6 %	80.2 %			
Operating expenses[b]	**817**	805	786			
Other (income)/deductions-net	**—**	(3)	6			
U.S. Earnings	**3,438**	3,336	2,863	**$ 93**	$ 85	$ 80
International						
Revenue[c]	**4,254**	4,102	3,911			
Cost of Sales	**1,312**	1,312	1,234			
Gross Profit	**2,942**	2,790	2,677			
Gross Margin	**69.2 %**	68.0 %	68.4 %			
Operating expenses[b]	**677**	671	638			
Other (income)/deductions-net	**1**	1	2			
International Earnings	**2,264**	2,118	2,037	**100**	96	92
Total operating segments	**5,702**	5,454	4,900	**193**	181	172
Other business activities	**(562)**	(562)	(496)	**51**	43	33
Reconciling Items:						
Corporate	**(1,240)**	(1,213)	(1,042)	**110**	128	128
Purchase accounting adjustments	**(128)**	(140)	(159)	**128**	140	153
Acquisition and divestiture-related costs	**(2)**	(18)	(9)	**—**	—	—
Certain significant items[d]	**(82)**	(79)	33	**—**	—	—
Other unallocated	**(328)**	(309)	(291)	**5**	5	5
Total Earnings[e]	**$ 3,360**	$ 3,133	$ 2,936	**$ 487**	$ 497	$ 491

(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, other marketing expenses, advertising and promotions, and freight and logistics costs.

(c) Revenue denominated in euros was $998 million in 2025, $937 million in 2024 and $853 million in 2023.

(d) For 2025, certain significant items primarily consisted of costs related to a transition from internal to external innovation and manufacturing of certain products and the closure of a related site, costs related to our multi-year business process transformation program, which includes the implementation of a new enterprise resource planning (ERP) system, related digital technology solutions and other related costs, as well as employee termination costs related to organizational structure refinements.

For 2024, certain significant items primarily consisted of employee termination costs related to organizational structure refinements, a net loss related to the sale of our medicated feed additive product portfolio, certain water soluble products and related assets, as well as asset impairment charges related to our aquaculture business, partially offset by a reversal of certain employee termination costs as a result of a change in strategy from our 2015 operational efficiency initiative.

For 2023, certain significant items primarily consisted of a gain on the sale of a majority interest in our pet insurance business of $101 million, partially offset by employee termination and exit costs related to organizational structure refinements of $43 million and certain asset impairment charges primarily related to our precision animal health and diagnostics businesses of $24 million.

(e) Defined as income before provision for taxes on income.

B. Geographic Information

Property, plant and equipment, less accumulated depreciation, by geographic region follow:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2025**	2024
U.S.	**$ 2,456**	$ 2,249
International	**1,225**	1,142
Property, plant and equipment, less accumulated depreciation	**$ 3,681**	$ 3,391

Zoetis Inc. and Subsidiaries
Schedule II—Valuation and Qualifying Accounts

(MILLIONS OF DOLLARS)	Balance, Beginning of Period	Additions	Deductions	Balance, End of Period
Year Ended December 31, 2025				
Allowance for doubtful accounts	**$ 18**	**$ —**	**$ (2)**	**$ 16**
Year Ended December 31, 2024				
Allowance for doubtful accounts	$ 18	$ 3	$ (3)	$ 18
Year Ended December 31, 2023				
Allowance for doubtful accounts	$ 19	$ —	$ (1)	$ 18

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 Securities Exchange Act of 1934). Based upon that evaluation as of December 31, 2025, 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.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Rule 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934. Under the supervision and with the participation of management, including the company's Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2025. The effectiveness of our internal control over financial reporting as of December 31, 2025, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report included herein.

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 Securities Exchange Act of 1934) 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 enterprise resource planning (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.

Item 9B. Other Information.

Rule 10b5-1 Trading Arrangements

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information about our directors is incorporated by reference from the discussion under the heading *Item 1-Election of Directors* in our 2026 Proxy Statement. Information about the Zoetis Code of Conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer and Controller, and our Board of Directors, is incorporated by reference from the discussions under the heading *Corporate Governance at Zoetis* in our 2026 Proxy Statement. If we make any substantive amendments to the Code of Conduct or grant any waiver from a provision of the Code of Conduct to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website. The full text of our Code of Conduct is available at the Investor Relations section of our website at www.zoetis.com. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be part of this Annual Report on Form 10-K. Information regarding the procedures by which our stockholders may recommend nominees to our Board of Directors is incorporated by reference from the discussion under the heading *Corporate Governance at Zoetis* in our 2026 Proxy Statement. Information about our Audit Committee, including the members of the Committee, and our Audit Committee financial experts, is incorporated by reference from the discussion under the heading *Corporate Governance at Zoetis* in our 2026 Proxy Statement. Information about our insider trading policies and procedures is incorporated by reference from the discussion under the heading *Insider Trading Policy* in our 2026 Proxy Statement.

Item 11. Executive Compensation.

Information about director compensation is incorporated by reference from the discussion under the heading *Corporate Governance at Zoetis* in our 2026 Proxy Statement. Information about executive compensation is incorporated by reference from the discussion under the heading *Executive Compensation* in our 2026 Proxy Statement (other than information included under the subheading "Pay versus Performance").

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this item is incorporated by reference from the discussion under the heading *Ownership of Our Common Stock* in our 2026 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information about certain relationships and transactions with related parties and our policies and procedures in relation to such transactions is incorporated by reference from the discussion under the heading *Transactions with Related Persons* in our 2026 Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Corporate Governance at Zoetis* in our 2026 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

Our independent registered public accounting firm is KPMG LLP, Short Hills, NJ, Auditor Firm ID: 185.

Information about the fees for professional services rendered by our independent registered public accounting firm in 2025 and 2024, is incorporated by reference from the discussion under the heading *Item 3—Ratification of Appointment of KPMG as our Independent Registered Public Accounting Firm for 2026* in our 2026 Proxy Statement. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is incorporated by reference from the discussion under the heading *Item 3—Ratification of Appointment of KPMG as our Independent Registered Public Accounting Firm for 2026* in our 2026 Proxy Statement.

PART IV

Item 15. Exhibit and Financial Statement Schedules.

The following entire exhibits are included:

(1) The financial statements and notes to financial statements are filed as part of this report in Item 8. Financial Statements and Supplementary Data.

(2) The financial statement schedule is listed in the Index to Financial Statements.

(3) The exhibits are listed in the Index to Exhibits.

Item 16. Form 10-K Summary.

None.

EXHIBITS

The exhibits listed below and designated with a † are filed with this report. The exhibits listed below and not so designated are incorporated by reference to the documents following the descriptions of the exhibits.

Exhibit 3.1	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to Zoetis Inc.'s Current Report on Form 8-K filed on May 23, 2024 (File No. 001-35797))
Exhibit 3.2	Amended and Restated By-laws of the Registrant, (incorporated by reference to Exhibit 3.2 to Zoetis Inc.'s Current Report on Form 8-K filed on May 19, 2023 (File No. 001-35797))
Exhibit 4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 15, 2022 (File No. 001-35797))
Exhibit 4.2	Indenture, dated as of January 28, 2013, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Zoetis Inc.'s registration statement on Form S-1 (File No. 333-183254))
Exhibit 4.3	First Supplemental Indenture, dated as of January 28, 2013, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.3 of Zoetis Inc.'s registration statement on Form S-1 (File No. 333-183254))
Exhibit 4.4	Second Supplemental Indenture, dated November 13, 2015, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on November 13, 2015 (File No. 001-35797))
Exhibit 4.5	Third Supplemental Indenture, dated September 12, 2017, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on September 12, 2017 (File No. 001-35797))
Exhibit 4.6	Fourth Supplemental Indenture, dated August 20, 2018, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on August 20, 2018 (File No. 001-35797))
Exhibit 4.7	Fifth Supplemental Indenture, dated May 12, 2020, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.2 to Zoetis Inc.'s Current Report on Form 8-K filed on May 12, 2020 (File No. 001-35797))
Exhibit 4.8	Sixth Supplemental Indenture, dated November 16, 2022, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on November 16, 2022 (File No. 001-35797))
Exhibit 4.9	Seventh Supplemental Indenture, dated August 18, 2025, between the Company and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed August 18, 2025 (File No. 001-35797))
Exhibit 4.10	Indenture, dated December 18, 2025, between Zoetis Inc. and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to Zoetis Inc.’s Current Report on Form 8-K filed on December 18, 2025 (File No. 001-35797))
Exhibit 4.11	Form of 4.700% Senior Notes due 2043 (incorporated by reference to Exhibit 4.3 of Zoetis Inc.'s registration statement on Form S-1 (File No. 333-183254))
Exhibit 4.12	Form of 3.000% Senior Notes due 2027 (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on September 12, 2017 (File No. 001-35797))
Exhibit 4.13	Form of 3.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on September 12, 2017 (File No. 001-35797))
Exhibit 4.14	Form of 3.900% Senior Notes due 2028 (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on August 20, 2018 (File No. 001-35797))
Exhibit 4.15	Form of 4.450% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on August 20, 2018 (File No. 001-35797))
Exhibit 4.16	Form of 2.000% Senior Notes due 2030 (incorporated by reference to Exhibit 4.2 to Zoetis Inc.’s Current Report on Form 8-K filed on May 12, 2020 (File No. 001-35797))

Exhibit 4.17	Form of 3.000% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to Zoetis Inc.'s Current Report on Form 8-K filed on May 12, 2020 (File No. 001-35797))
Exhibit 4.18	Form of 5.600% Senior Notes due 2032 (incorporated by reference to Exhibit 4.4 to Zoetis Inc.'s Current Report on Form 8-K filed on November 16, 2022 (File No. 001-35797))
Exhibit 4.19	Form of 4.150% Senior Notes due 2028 (incorporated by reference to Exhibit 4.3 to Zoetis Inc.'s Current Report on Form 8-K filed on August 18, 2025 (File No. 001-35797))
Exhibit 4.20	Form of 5.000% Senior Notes due 2035 (incorporated by reference to Exhibit 4.4 to Zoetis Inc.'s Current Report on Form 8-K filed on August 18, 2025 (File No. 001-35797))
Exhibit 4.21	Form of 0.025% Convertible Senior Notes due 2029 ((included in exhibit 4.1) (incorporated by reference to Exhibit 4.2 to Zoetis Inc.'s Current Report on Form 8-K filed on December 18, 2025 (File No. 001-35797)))
Exhibit 4.22	Description of the Registrant's Securities (incorporated by reference to Exhibit 4.19 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 13, 2025 (File No. 001-35797))
Exhibit 10.1	Global Separation Agreement, dated February 6, 2013, by and between Zoetis Inc. and Pfizer Inc. (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s 2012 Annual Report on Form 10-K filed on March 28, 2013 (File No. 001-35797))
Exhibit 10.2	Research and Development Collaboration and License Agreement, dated February 6, 2013, by and between Zoetis Inc. and Pfizer Inc. (incorporated by reference to Exhibit 10.4 to Zoetis Inc.'s 2012 Annual Report on Form 10-K filed on March 28, 2013 (File No. 001-35797))
Exhibit 10.3	Patent and Know-How License Agreement (Zoetis as licensor), dated February 6, 2013, by and between Zoetis Inc. and Pfizer Inc. (incorporated by reference to Exhibit 10.8 to Zoetis Inc.'s 2012 Annual Report on Form 10-K filed on March 28, 2013 (File No. 001-35797))
Exhibit 10.4	Patent and Know-How License Agreement (Pfizer as licensor), dated February 6, 2013, by and between Zoetis Inc. and Pfizer Inc. (incorporated by reference to Exhibit 10.9 to Zoetis Inc.'s 2012 Annual Report on Form 10-K filed on March 28, 2013 (File No. 001-35797))
Exhibit 10.5	Trademark and Copyright License Agreement, dated February 6, 2013, by and between Zoetis Inc. and Pfizer Inc. (incorporated by reference to Exhibit 10.10 to Zoetis Inc.'s 2012 Annual Report on Form 10-K filed on March 28, 2013 (File No. 001-35797))
Exhibit 10.6	Environmental Matters Agreement, dated February 6, 2013, by and between Zoetis Inc. and Pfizer Inc. (incorporated by reference to Exhibit 10.13 to Zoetis Inc.'s 2012 Annual Report on Form 10-K filed on March 28, 2013) (File No. 001-35797))
Exhibit 10.7	Zoetis Inc. 2013 Equity and Incentive Plan, as amended and restated as of May 19, 2022 (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on August 4, 2022 (File No. 001-35797))*
Exhibit 10.8	Revolving Credit Agreement, dated as of December 21, 2022, among Zoetis Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of Zoetis Inc.'s Current Report on Form 8-K filed on December 21, 2022 (File No. 001-35797))
Exhibit 10.9	Revolving Credit Agreement dated as of August 27, 2025, among Zoetis Inc., the lender party thereto, the issuing bank party thereto and JPMorgan Chase Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Current Report on Form 8-K filed on August 27, 2025 (File No. 001-35797))
Exhibit 10.10	First Waiver to Revolving Credit Agreement, dated as of December 17, 2025, to the Revolving Credit Agreement dated, August 27, 2025, among Zoetis Inc, the lender party thereto, the issuing bank party thereto and JPMorgan Chace Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Current Report on Form 8-K filed on December 18, 2025 (File No. 001-35797))
Exhibit 10.11	Form of Capped Call Confirmation (incorporated by reference to Exhibit 10.2 to Zoetis Inc.'s Current Report on Form 8-K filed on December 18, 2025 (File No. 001-35797))
Exhibit 10.12	Form of Indemnification Agreement for directors and officers (incorporated by reference to Exhibit 10.19 of Zoetis Inc's registration statement on Form S-1 (File No. 333-183254))
Exhibit 10.13	Form of Non-Employee Director Deferred Stock Unit Award agreement (incorporated by reference to Exhibit 10.23 on Form 10-K filed on March 28, 2013 (File No. 001-35797))*
Exhibit 10.14	Zoetis Amended and Restated Non-Employee Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on November 1, 2018 (File No. 001-35797))*

Exhibit 10.15	Zoetis Supplemental Savings Plan, as amended and restated, effective September 15, 2014 (incorporated by reference to Exhibit 10.4 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2014 (File No. 001-35797))*
Exhibit 10.16	Zoetis Executive Severance Plan, as amended and restated, effective July 31, 2025 (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on August 5, 2025 (File No. 001-35797))*
Exhibit 10.17	Amendment No. 1 to Zoetis Supplemental Savings Plan effective December 21, 2020 (incorporated by reference to Exhibit 10.24 to Zoetis Inc.'s 2020 Annual Report on Form 10-K filed on February 16, 2021 (File No. 001-35797))*
Exhibit 10.18	Offer Letter, dated as of May 6, 2021, by and between Wetteny Joseph and Zoetis Inc. (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Current Report on Form 8-K filed on May 11, 2021 (File No. 001-35797))*
Exhibit 10.19	Amendment No. 2 to Zoetis Supplemental Savings Plan effective May 15, 2021 (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on August 5, 2021 (File No. 001-35797))*
Exhibit 10.20	Form of Stock Option Award Agreement, effective as of July 27, 2022 (incorporated by reference to Exhibit 10.2 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on November 3, 2022 (File No 001-35797))*
Exhibit 10.21	Form of Non-Employee Director Restricted Stock Unit Award Agreement, effective as of July 27, 2022 (incorporated by reference to Exhibit 10.5 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on November 3, 2022 (File No 001-35797))*
Exhibit 10.22	Form of Restricted Stock Unit Award Agreement, effective as of December 8, 2022 (incorporated by reference to Exhibit 10.36 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 14, 2023 (File No 001-35797))*
Exhibit 10.23	Form of Stock Option Award Agreement, effective as of December 8, 2022 (incorporated by reference to Exhibit 10.37 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 14, 2023 (File No 001-35797))*
Exhibit 10.24	Form of Performance Restricted Stock Unit Award Agreement, effective as of December 8, 2022 (incorporated by reference to Exhibit 10.38 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 14, 2023 (File No 001-35797))*
Exhibit 10.25	Form of Non-Employee Director Restricted Stock Unit Award Agreement, effective as of February 8, 2023 (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Quarterly Report on Form 10Q filed on May 4, 2023 (File No 001-35797))*
Exhibit 10.26	Form of Cash Restricted Stock Unit Award Agreement, effective as of February 8, 2023 (incorporated by reference to Exhibit 10.2 to Zoetis Inc.'s Quarterly Report on Form 10Q filed on May 4, 2023 (File No 001-35797))*
Exhibit 10.27	Form of Performance Restricted Stock Unit Award Agreement (Revenue), effective as of February 5, 2025*(incorporated by reference to Exhibit 10.39 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 13, 2025 (File No. 001-35797))
Exhibit 10.28	Letter Agreement dated as of May 20, 2024, by and between Heidi C. Chen and Zoetis Inc. (incorporated by reference to Exhibit 10.1 to Zoetis Inc.'s Current Report on Form 8-K filed on May 24, 2024 (File No 001-35797))*
Exhibit 10.29	Form of Performance Restricted Stock Unit Award Agreement (Relative TSR), effective as of February 5, 2025*(incorporated by reference to Exhibit 10.41 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 13, 2025 (File No. 001-35797))
Exhibit 10.30	Zoetis Inc. 2013 Equity and Incentive Plan, as amended and restated as of May 19, 2022 – Sub-Plan for UK Employees * (incorporated by reference to Exhibit 10.42 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 13, 2025 (File No. 001-35797))
Exhibit 10.31	Letter Agreement by and between Zoetis Inc. and Dr. Robert J. Polzer, dated October 29, 2025 (incorporated by reference to Exhibit 10.2 to Zoetis Inc.'s Quarterly Report on Form 10-Q filed on November 4, 2025 (File No. 001-35797))*
Exhibit 19	Zoetis Inc. Insider Trading and Protection of Material Nonpublic Information Policy (incorporated by reference to Exhibit 19 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 13, 2025 (File No. 001-35797))
Exhibit 21.1	Subsidiaries of the Registrant †
Exhibit 23.1	Consent of KPMG LLP †
Exhibit 24.1	Power of Attorney (included as part of signature page) †
Exhibit 31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 †
Exhibit 31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 †
Exhibit 32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ††
Exhibit 32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ††
Exhibit 97	Zoetis Inc. Compensation Recovery Policy (incorporated by reference to Exhibit 97 to Zoetis Inc.'s Annual Report on Form 10-K filed on February 13, 2024 (File No 001-35797))

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

†† Furnished herewith

* Management contracts or compensatory plans or arrangements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 12, 2026

By: /S/ KRISTIN C. PECK
Kristin C. Peck
Chief Executive Officer and Director

We, the undersigned directors and officers of Zoetis Inc., hereby severally constitute Kristin C. Peck and Roxanne Lagano, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/S/ KRISTIN C. PECK Kristin C. Peck	Chief Executive Officer and Director (Principal Executive Officer)	February 12, 2026
/S/ WETTENY JOSEPH Wetteny Joseph	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 12, 2026
/S/ MICHAEL B. MCCALLISTER Michael B. McCallister	Chairman and Director	February 12, 2026
/S/ PAUL M. BISARO Paul M. Bisaro	Director	February 12, 2026
/S/ VANESSA BROADHURST Vanessa Broadhurst	Director	February 12, 2026
/S/ FRANK A. D'AMELIO Frank A. D’Amelio	Director	February 12, 2026
/S/ GAVIN D.K. HATTERSLEY Gavin D.K. Hattersley	Director	February 12, 2026
/S/ SANJAY KHOSLA Sanjay Khosla	Director	February 12, 2026
/S/ ANTOINETTE R. LEATHERBERRY Antoinette R. Leatherberry	Director	February 12, 2026
/S/ GREGORY NORDEN Gregory Norden	Director	February 12, 2026
/S/ LOUISE M. PARENT Louise M. Parent	Director	February 12, 2026
/S/ WILLIE M. REED Willie M. Reed	Director	February 12, 2026
/S/ MARK STETTER Mark Stetter	Director	February 12, 2026
/S/ STEPHANIE TILENIUS Stephanie Tilenius	Director	February 12, 2026

Board of Directors

Michael B. McCallister
Non-Executive Chairman of the Board, Former Chairman of the Board and Chief Executive Officer, Humana Inc.

Paul M. Bisaro
Former Executive Chairman, Amneal Pharmaceuticals, Inc.

Vanessa Broadhurst
Executive Vice President, Global Corporate Affairs, Johnson & Johnson

Frank A. D'Amelio
Former Executive Vice President and Chief Financial Officer, Pfizer Inc.

Gavin D.K. Hattersley
Former President, Chief Executive Officer and Director at Molson Coors

Sanjay Khosla
Former Executive Vice President and President, Developing Markets, Mondelez International, Inc.

Dr. Antoinette (Tonie) R. Leatherberry
Former Principal, Deloitte

Gregory Norden
Former Chief Financial Officer, Wyeth

Louise M. Parent
Former Executive Vice President and General Counsel, American Express Company

Kristin C. Peck
Chief Executive Officer Zoetis Inc.

Dr. Willie M. Reed
Dean Emeritus, Professor of Comparative Pathobiology at the College of Veterinary Medicine at Purdue University

Mark Stetter
Dean of the University of California, Davis, School of Veterinary Medicine

Stephanie Tilenius
Founder of Peak Health and founder and former CEO of Vida Health, Inc.

Executive Officers

Kristin C. Peck
Chief Executive Officer

Nick Ashton
Executive Vice President and President, Global Manufacturing and Supply

Jamie Brannan
Executive Vice President and Chief Commercial Officer

Rimma Driscoll
Executive Vice President and Head of Global Strategy, Commercial and Business Development, and Global BioDevices

Kevin Esch
Executive Vice President and President, Research and Development

Jeannette Ferran Astorga
Executive Vice President, Corporate Affairs and Chief Sustainability Officer

Julie Fuller
Executive Vice President, Chief Human Resources Officer and Global Operations

Wetteny Joseph
Executive Vice President and Chief Financial Officer

Roxanne Lagano
Executive Vice President, General Counsel and Corporate Secretary

Keith Sarbaugh
Executive Vice President and Chief Digital & Technology Officer

Shareholder Information

Zoetis Global Headquarters
10 Sylvan Way
Parsippany, NJ 07054
1 (973) 822-7000

Stock Listing
Zoetis common stock is listed on the New York Stock Exchange under the ticker symbol ZTS.

Annual Meeting of Shareholders
The Zoetis Annual Meeting of Shareholders will be held on May 20, 2026, 8:00 a.m. ET only online via webcast at www.virtualshareholdermeeting. com/ZTS2026.

Transfer Agent
Questions and communications regarding transfer of stock, dividends, cost-basis information, and address changes should be directed to our transfer agent and registrar, Computershare Trust Company, N.A., as follows:

Shareholder correspondence should be mailed to:
Computershare Investor Services
P.O. Box 43006
Providence, RI 02940-3066

Overnight correspondence should be mailed to:
Computershare
150 Royall St., Suite 101
Canton, MA 02021

Telephone:
Within the U.S. and Canada:
1 (877) 373-6374
Outside the U.S. and Canada:
1 (781) 575-2879

Website:
www.computershare.com/investor

Corporate Governance
Copies of our 2025 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with Securities and Exchange Commission, 2026 Proxy Statement, and this Annual Report are available online at investor.zoetis.com.

In addition, shareholders can view our Corporate Governance Principles; Code of Conduct; Charters of the Audit Committee, Human Resources Committee, Corporate Governance Committee, and Quality and Innovation Committee; and other corporate governance materials in the corporate governance section of our website at www.zoetis.com.

Copies of our SEC filings and corporate governance documents are available to shareholders without charge upon written request to the Corporate Secretary at our global headquarters.

Zoetis on the Web
You can find more information about Zoetis, including financial results, press releases, career opportunities, news on Zoetis products and services, and other activities, at our website www.zoetis.com.

Real-time information about Zoetis can be found on our Facebook and X pages (www.facebook.com/zoetis and www.x.com/zoetis), on our YouTube channel (www.youtube.com/ZoetisInc), and on LinkedIn (www.linkedin.com/company/zoetis).

Shareholder Services
If you have a question for us and cannot find an answer on our website, please write to us at Zoetis Shareholder Services, 10 Sylvan Way, Parsippany, NJ 07054, or email us at shareholderservices@zoetis.com.

Forward–Looking Statements
Please refer to our 2025 Form 10-K for a description of the substantial risks and uncertainties related to the forward-looking statements included in this Annual Report. Our Form 10-K is available on our website at investor.zoetis.com/sec-filings and on the Securities and Exchange Commission's website at www.sec.gov.

Non–GAAP Financial Information
We use non-GAAP financial measures, such as adjusted net income, adjusted diluted earnings per share and operational results (which exclude the impact of foreign exchange), 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 herein 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. Reconciliations of non-GAAP financial measures and GAAP financial measures are included in the tables accompanying our earnings release and in the related presentation posted on our website at www.zoetis.com.

The trademarks, logos and service marks appearing in this Annual Report, whether or not appearing with a trademark symbol, are owned or licensed by Zoetis Services LLC or its affiliates.

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investor.zoetis.com/annual-reports

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