

WIDE MOAT INVESTMENT SUMMIT 2014

ZOETIS

LOUNTZIS ASSET MANAGEMENT, LLC

60 Commerce Drive
Wyomissing, PA 19610
www.lountzis.com

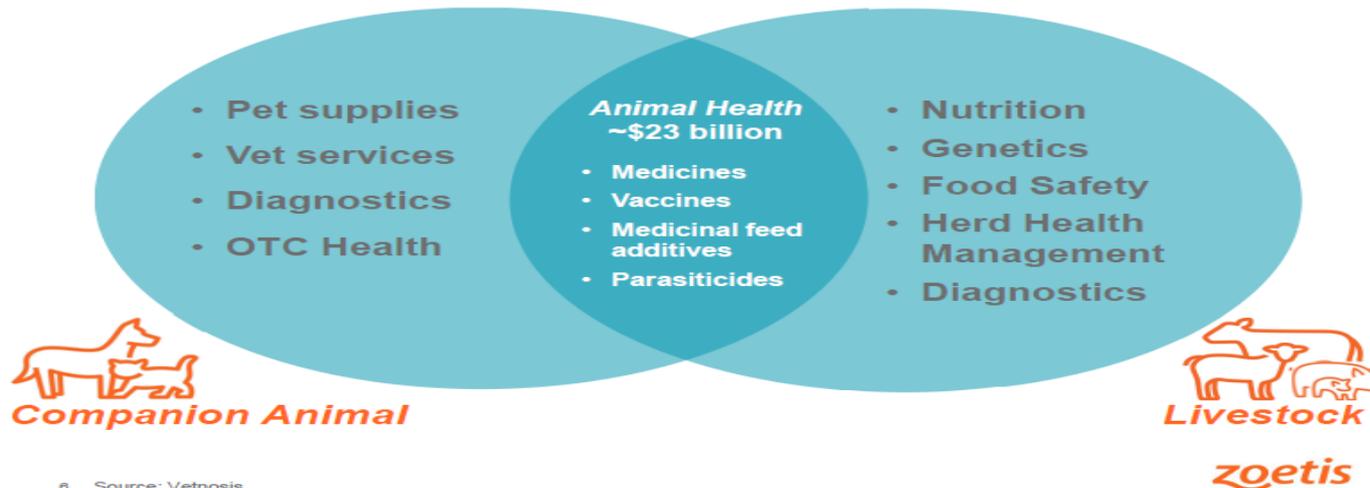
PRESENTATION OUTLINE

- **INVESTMENT THESIS**
- **COMPANY HISTORY**
- **ANIMAL HEALTH INDUSTRY DYNAMICS**
- **BUSINESSES**
 - **ZOETIS**
 - **LIVESTOCK**
 - **COMPANION ANIMAL**
- **FINANCIALS**

ZOETIS INVESTMENT THESIS

- LEADING ANIMAL HEALTH PROVIDER SERVING THE LIVESTOCK AND COMPANION ANIMAL MARKETS WITH 2013 REVENUE OF \$4.5 BILLION

**WE OPERATE AT THE INTERSECTION OF
A \$100+ BILLION INDUSTRY**



6 Source: Vetnosis

ZOETIS INVESTMENT THESIS

OUR COMPANY CHARACTERISTICS DEFINE WHO WE ARE AS AN ORGANIZATION

- **World leader** in discovery, development, and manufacture of veterinary vaccines and medicines
- **Broad diverse portfolio** of more than 300 leading medicines, vaccines, and services
- **Unparalleled global reach** with sales in 120 countries
- **9,800+ employees worldwide**



zoetis

* percentage of 2013 revenues

ZOETIS INVESTMENT THESIS

60+ Our years of experience
in animal health

\$4.6 BILLION
Annual revenues (2013)

120+ Countries in which Zoetis
products are sold

64% Revenue from farm
animal products

9,800+ Number of
Zoetis employees

36% Revenue from companion
animal products



8

Species supported by Zoetis –
cattle (beef and dairy), swine,
poultry, sheep, fish, dogs, cats
and horses



5

Product categories supported
by Zoetis – vaccines,
parasiticides, anti-infectives,
medicinal feed additives and
other pharmaceutical products



300+

Product lines



28

Number of Zoetis manufacturing
sites – all dedicated to delivering
a reliable supply of quality
products



1,100+

R&D employees

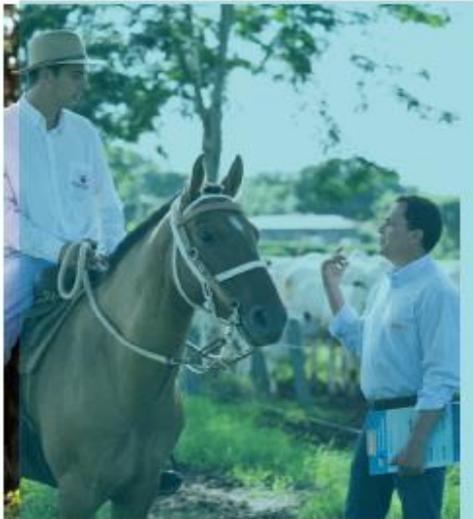


3,500+

Member field force

**ZOETIS
INVESTMENT THESIS**

**AND OUR CAPABILITIES AND PORTFOLIO
DEFINE OUR COMPETITIVE ADVANTAGE**



Direct Selling Model



World Class R&D



**High Quality
Manufacturing**

BROAD PRODUCT PORTFOLIO

ZOETIS INVESTMENT THESIS

THESE COLLECTIVE STRENGTHS SOLIDIFY
OUR POSITION AS #1 IN OUR INDUSTRY

MARKET POSITION BY GEOGRAPHY

North America	#1
Latin America	#1
Western Europe	#2
Eastern Europe	#1
Asia	#1
Rest of world	#1

MARKET POSITION BY PRODUCT CATEGORY

Medicinal Feed Additives (MFA)	#2
Vaccines (biologicals)	#2
Anti-Infectives	#1
Parasiticides	#3
Other pharma*	#1

MARKET POSITION BY SPECIES

Poultry	#2
Cattle	#1
Swine	#2
Companion Animal	#2

#1 WORLDWIDE

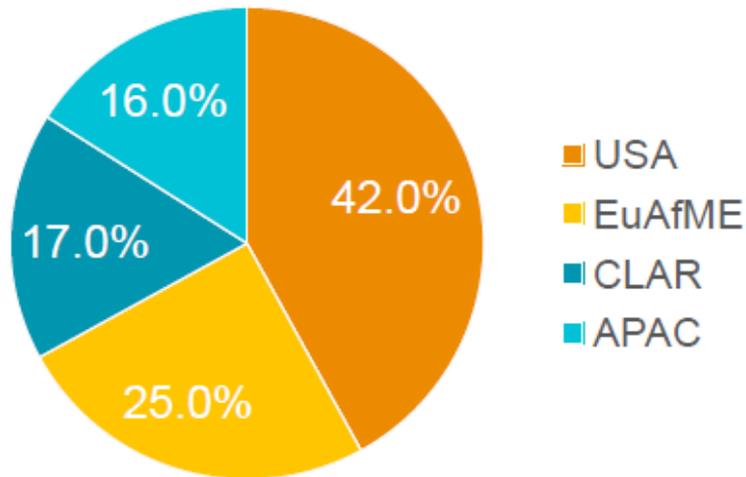
zoetis

* Includes pain, sedation, internal medicine, etc.
Source: Vetnosis Executive Guide 2013

ZOETIS INVESTMENT THESIS

**WE BENEFIT FROM OUR DIVERSE
BUSINESS MODEL, GEOGRAPHICALLY**

2013 Revenue
\$4,561 MM

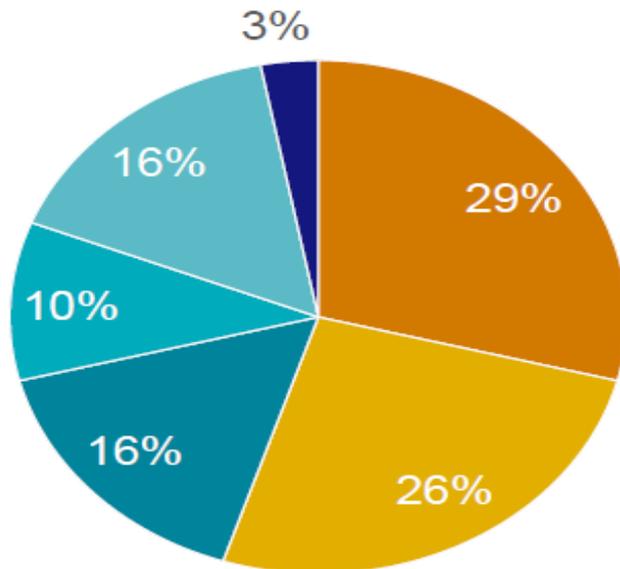


COUNTRY	2013 REVENUE
USA	\$1,903 MM
Brazil	\$310 MM
Canada	\$184 MM
Australia	\$175 MM
United Kingdom	\$153 MM
France	\$150 MM
Germany	\$142 MM
Japan	\$126 MM
Italy	\$100 MM
Spain	\$89 MM
China	\$88 MM

**ZOETIS
INVESTMENT THESIS**

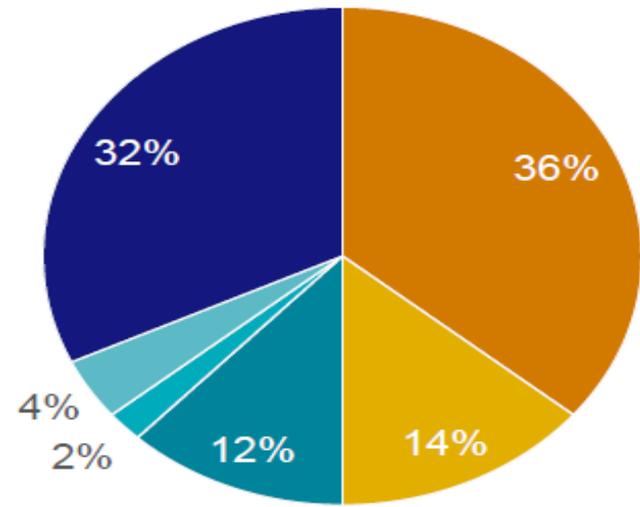
... AND WE SEE THIS BENEFIT FROM OUR DIVERSITY REPRESENTED IN OTHER WAYS

Therapeutic Area
\$4,561 MM



- Anti-infectives
- Vaccines
- Parasiticides
- MFA's
- Other Pharmaceuticals
- Other non-pharmaceuticals

Species
\$4,561 MM



- Cattle
- Swine
- Poultry
- Other Livestock
- Horses
- Dogs & Cats



ZOETIS INVESTMENT THESIS

THE ZOETIS LIVESTOCK PORTFOLIO CONTAINS A NUMBER OF KEY BRANDS

PRODUCTS	PRIMARY SPECIES	THERAPEUTIC AREA
Ceftiofur injectable line		Anti-infectives
 Draxxin <small>Enrofloxacin</small>		Anti-infectives
 SPECTRAMASE <small>ceftiofur hydrochloride Sterile Solution</small>		Anti-infectives
Terramycin		Anti-infectives
Bovi-Shield GOLD		Vaccines
 Imprevac  Improvect		Vaccines
RespiSure 1ONE		Vaccines
Rispoval ® line 		Vaccines
 SUVAXYN PCV  Fostera PCV		Vaccines
 CYDECTIN <small>LONG ACTING INJECTION FOR SHEEP</small>		Parasiticides
DECTOMAX		Parasiticides
Aureomycin		Medicated Feed Additive
BMD		Medicated Feed Additive
Lasalocid line		Medicated Feed Additive
Lincomycin line 		Medicated Feed Additive
Lutalyse		Other



ZOETIS INVESTMENT THESIS

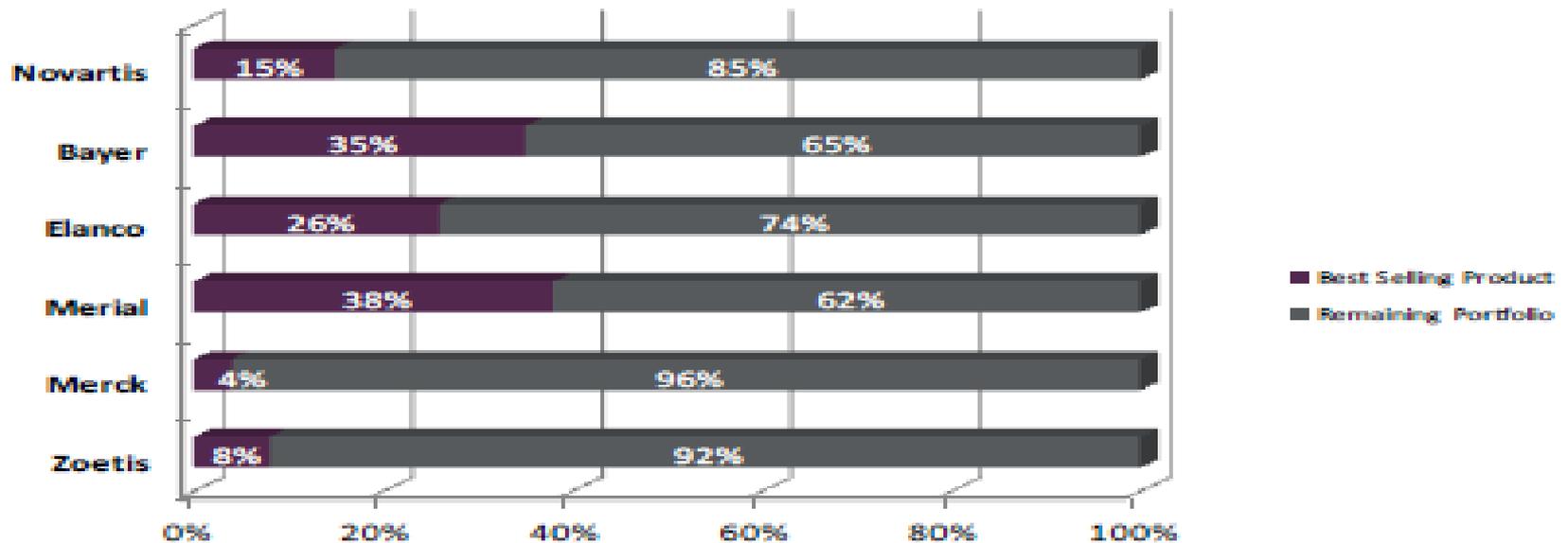
OUR COMPANION ANIMAL PORTFOLIO IS EQUALLY STRONG

PRODUCTS	PRIMARY SPECIES	THERAPEUTIC AREA
 (amoxicillin/clavulanic acid) Synulox®	 	Anti-infectives
	 	Anti-infectives
		Vaccines
		Vaccines
revolution® (selamectin) stronghold	 	Parasiticides
ProHeart® 6 (moxidectin)		Parasiticides
		Other
		Other

ZOETIS INVESTMENT THESIS

- **BROAD AND DIVERSIFIED ANIMAL HEALTH PROVIDER**
 - BY PRODUCT, SPECIES, GEOGRAPHY AND THERAPEUTIC AREA
 - NO SINGLE PRODUCT >8% OF REVENUE

Revenue Dependence on Best Selling Product Line 2011



Source: Guggenheim Securities, LLC and Company Reports

ZOETIS INVESTMENT THESIS

- **MORE RAPIDLY GROWING COMPANION ANIMAL HEALTH SEGMENT**
 - **1/3 OF REVENUES**
 - **AGING POPULATION IN DEVELOPED WORLD MORE PETS**
 - **GROWING MIDDLE CLASS IN EMERGING MARKETS**
 - **MORE PROFITABLE**
- **GEOGRAPHIC DIVERSITY-GLOBALLY DIVERSIFIED**
 - **OPERATES IN MORE THAN 120 COUNTRIES**
- **OVER 300 PRODUCT LINE CATEGORIES**
 - **MEDICINES**
 - **VACCINES**
 - **SERVICES**

ZOETIS INVESTMENT THESIS

- **OPERATING MARGIN EXPANSION**
 - RATIONALIZING MANUFACTURING
 - REDUCING SG&A
 - RATIONALIZING R&D
 - CENTRALIZED SAP INFORMATION TECHNOLOGY PLATFORM
- **NEW PRODUCT LAUNCHES, LINE EXTENSIONS, GEOGRAPHIC EXPANSIONS (>180 IN 2013)**
 - MEDICINES
 - VACCINES
- **EXPANSION INTO ADDITIONAL GEOGRAPHIES, MARKETS, THERAPEUTIC AREAS, SPECIES**

ZOETIS INVESTMENT THESIS

- **RESEARCH & DEVELOPMENT**
 - HEADQUARTERED KALAMAZOO, MI
 - 1,100 EMPLOYEES
 - LIFESTYLE DEVELOPMENT & NEW PRODUCTS
 - SPENDING 2013-\$399 2012-\$409 2011-\$427
- **DIRECT SALES FORCE -3,500**
 - DIRECT TO VETERINARIANS VS DISTRIBUTORS
 - DIRECT TO LIVESTOCK OWNERS
- **GLOBAL REGULATORY EXPERTISE (120 COUNTRIES)**
 - US FDA
 - USDA
 - EMEA

ZOETIS INVESTMENT THESIS

- BROAD AND DIVERSIFIED ANIMAL HEALTH PROVIDER**

Our 2013 reported revenue for the U.S. and top ten non-U.S. markets, based on total revenue, is as follows:



	US	Brazil	Canada	Australia	UK	France	Germany	Japan	Italy	Spain	China
Livestock	55%	85%	61%	60%	57%	65%	60%	51%	62%	75%	87%
Companion Animal	45%	15%	39%	40%	43%	35%	40%	49%	38%	25%	13%

% of 2013 reported revenue

ZOETIS INVESTMENT THESIS

- **BEST CORPORATE LEADERSHIP**
 - LONG TENURED CEO
 - OPERATIONAL
- **MOST INNOVATIVE AND ADAPTABLE COMPANY IN THE ANIMAL HEALTHCARE INDUSTRY**
 - HISTORICAL INDUSTRY LEADER
 - PRODUCTS
 - SERVICES
- **RESEARCH AND DEVELOPMENT DRIVEN CULTURE**
 - OPERATIONAL EFFICIENCIES
 - REDUCE COSTS
 - BROADEN EXISTING PRODUCT PORTFOLIO
 - DEVELOP NEW MEDICINES AND VACCINES
- **BEST POSITIONED IN ANIMAL HEALTH INDUSTRY**
 - PRODUCTS
 - SALES AND MARKETING
 - RESEARCH AND DEVELOPMENT
 - MANUFACTURING AND DISTRIBUTION

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS INVESTMENT THESIS-MANAGEMENT



JUAN RAMÓN ALAIX
Chief Executive Officer



SANDRA BEATY
Executive Vice President,
Corporate Affairs



ALEJANDRO BERNAL
Executive Vice President and
Area President, Europe, Africa
and Middle East Region



HEIDI CHEN
Executive Vice President and
General Counsel



CATHERINE KNUPP
Executive Vice President and
President, Research and
Development



ROXANNE LAGANO
Executive Vice President and
Chief Human Resources Officer



JOYCE LEE
Executive Vice President and
Area President, Canada &
Latin America Region



CLINTON LEWIS, JR.
Executive Vice President and
President, U.S. Operations



RICHARD PASSOV
Executive Vice President and
Chief Financial Officer



KRISTIN PECK
Executive Vice President and
Group President



STEFAN WEISKOPF
Executive Vice President and
Area President, Asia Pacific Region

**ZOETIS
INVESTMENT THESIS-VALUATION**

- **STOCK PRICE \$32 MARKET CAPITALIZATION \$16 B**
- **ENTERPRISE VALUE \$18.5 B**
- **TRADING AT**
 - 21 X 2014 PROJECTED EPS OF \$1.48-\$1.54
 - 18 X 2015 PROJECTED EPS OF \$1.75
 - 16 X 2016 PROJECTED EPS OF \$1.94
- **NEXT FEW YEARS**
 - REVENUE GROWTH OF 5-6%
 - EPS GROWTH OF 8-12%
 - MARGIN EXPANSION
 - PARTICULARLY AFTER IMPLEMENTATION COSTS DECLINE IN 2016

ZOETIS HISTORY

Pfizer Animal Health: A Long History of Leadership & Growth



1. Opened farm and research facility in Terre Haute, Indiana.

2. Based on combination of Agricultural R&D combined with pharma and chemical.

3. Embrex is an agricultural biotech company focused on poultry.

4. PAH entered the Aquaculture health sector. Vancouver Island-based Microtek International produces vaccines to protect against disease in farmed fish.

5. PAH expanded presence in food safety sector. EpiTopix, a Minnesota-based developer of animal vaccines, licensing agreement gives PAH development and marketing rights to E. coli O157 vaccine available in the U.S. for cattle.

ZOETIS HISTORY

- **1950 PFIZER RESEARCHES DISCOVERED TERRAMYCIN**
 - **EFFECTIVE AGAINST >100 DIFFERENT INFECTIOUS ORGANISMS**
- **1952 PFIZER CREATED A DEDICATED ANIMAL/AGRICULTURAL DIVISION**
 - **IN 1988 IT WAS RENAMED PFIZER ANIMAL HEALTH**
- **1980 LAUNCHED LIQUAMYCIN LA**
 - **TREATS SEVERAL CATTLE DISEASES IN ONE INJECTION**
- **1993 LAUNCHED DECTOMAX**
 - **BROAD SPECTRUM PARASITICIDE STILL IN USE TODAY**
- **1995 ACQUIRED SMITHKLINE BEECHAM'S ANIMAL HEALTH DIVISION**
 - **ENTERED THE VACCINE AND SMALL ANIMAL BUSINESS**
 - **PRIMARY ENTRY INTO COMPANION ANIMAL CARE**

ZOETIS HISTORY

- **1997 LAUNCHED RIMADYL**
 - **FIRST NON-STEROIDAL ANTI-INFLAMMATORY MEDICINE FOR DOGS**
- **1997 LAUNCHED CLAVAMOX**
 - **ANTI-INFECTIVE MEDICINE FOR DOGS AND CATS**
- **1999 LAUNCHED REVOLUTION**
 - **FIRST FDA-APPROVED TOPICAL MEDICINE TO PREVENT HEARTWORM AND FLEA INFESTATIONS, KILL FLEAS, AND TREAT AND CONTROL EAR MITES**
- **2003 ACQUIRED PHARMACIA AND CSL AND DEDICATED R&D HEADQUARTERS**
 - **ADDED SEVERAL ANIMAL HEALTH ASSETS TO ITS CATTLE PRODUCT PORTFOLIO**
 - **STRENGTHENED THE COMPANY'S GLOBAL PIPELINE AND PORTFOLIO IN AUSTRALIA AND NEW ZEALAND**
 - **DEDICATED R&D HEADQUARTERS IN KALAMAZOO, MICHIGAN**

ZOETIS HISTORY

- **2006 LAUNCHED CONVENIA**
 - **THE FIRST ANTIBIOTIC FOR SKIN INFECTIONS IN DOGS AND CATS THAT PROVIDES AN ENTIRE COURSE OF THERAPY IN ONE INJECTION**
- **2007 PFIZER ACQUIRED EMBREX**
 - **EXPANDED INTO POULTRY DEVICES AND VACCINES**
- **2007 LAUNCHED CERENIA**
 - **FIRST ANTIEMETIC THERAPY DEVELOPED SPECIFICALLY FOR DOGS**
- **2008 PFIZER ACQUIRED CATAPULT GENETICS (AUSTRALIA AND NEW ZEALAND) AND BOVIGEN LLC (U.S.)**
 - **GAINED EXPERTISE IN ANIMAL GENETICS, INCLUDING DNA TECHNOLOGY AND GENE MARKERS FOR LIVESTOCK PRODUCERS**

ZOETIS HISTORY

- **2009 AUNCHED PALLADIA**
 - **FIRST DRUG TO BE APPROVED BY THE FDA FOR TREATING MAST CELL CANCER TUMORS IN DOGS**
- **2009 PFIZER ACQUIRED WYETH, ALONG WITH FORT DODGE ANIMAL HEALTH**
 - **BROUGHT KEY BRANDS SUCH AS PROHEART FOR DOGS, SYNOVEX FOR CATTLE AND INNOVATOR/DUVAXYN WEST NILE VIRUS VACCINE FOR HORSES, AS WELL AS A COMPLEMENTARY POULTRY VACCINES BUSINESS**
- **2009 PFIZER ACQUIRED VETNEX ANIMAL HEALTH LTD.**
 - **ENABLED THE EXPANSION INTO INDIA A KEY EMERGING MARKET**
- **2010 PFIZER ACQUIRED MICROTEK INTERNATIONAL**
 - **ENTERED INTO VACCINES FOR AQUACULTURE**

ZOETIS HISTORY

- **2010 PFIZER ACQUIRED SYNBIOTICS CORPORATION**
 - ENTERED INTO ANIMAL DIAGNOSTICS
- **2011 PFIZER ACQUIRED KING PHARMACEUTICALS AND ALPHARMA**
 - STRENGTHENED THE COMPANY'S POSITION IN THE POULTRY BUSINESS WITH A MEDICATED FEED ADDITIVES BUSINESS AND FURTHER STRENGTHENED THE COMPANY'S POSITION IN THE CATTLE AND SWINE BUSINESS.
- **2011 ESTABLISHED VACCINE MANUFACTURING CAPABILITIES IN CHINA THROUGH FORMATION OF THE JILIN PFIZER GUOYUAN JOINT VENTURE.**
- **2011 PFIZER LAUNCHED IMPROVEST IN THE UNITED STATES**
 - THE ONLY PRODUCT TO CONTROL OFF ODOR AND FLAVOR IN PORK FROM MALE PIGS WITHOUT SURGICAL CASTRATION

ZOETIS HISTORY

- **2012 PFIZER ANNOUNCED THAT ITS ANIMAL HEALTH BUSINESS WOULD BECOME A STANDALONE COMPANY CALLED ZOETIS™**
- **2013 ZOETIS CELEBRATED ITS INITIAL PUBLIC OFFERING (IPO)**
 - **BECOMING THE WORLD'S LEADING PUBLICLY TRADED ANIMAL HEALTH COMPANY.**
- **2013 APPROVAL OF APOQUEL® (OCLACITINIB TABLET) IN THE UNITED STATES, THE EUROPEAN UNION AND NEW ZEALAND**
 - **IN THE UNITED STATES, APOQUEL IS INDICATED FOR THE CONTROL OF PRURITUS ASSOCIATED WITH ALLERGIC DERMATITIS AND THE CONTROL OF ATOPIC DERMATITIS IN DOGS AT LEAST 12 MONTHS OF AGE**
- **2013 OPENED NEW GLOBAL HEADQUARTERS IN FLORHAM PARK, NEW JERSEY, USA.**

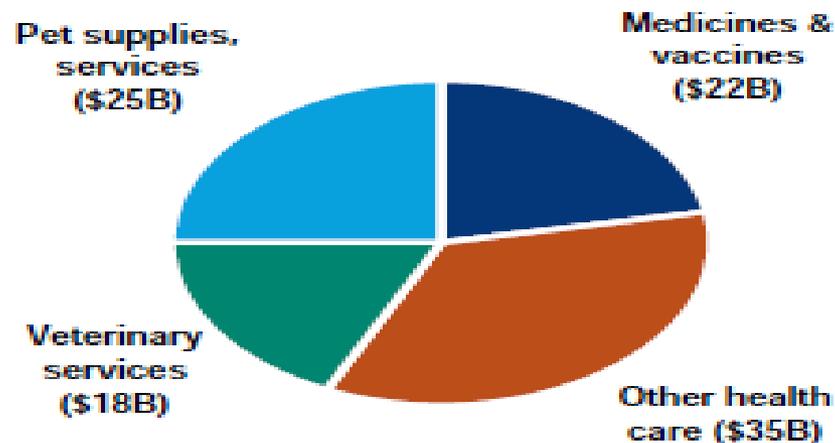
ZOETIS HISTORY

- **2013 COMPLETED SEPARATION FROM PFIZER AND BECAME A FULLY INDEPENDENT ANIMAL HEALTH COMPANY**
- **2013 APPROVAL OF RUI LAN AN™**
 - **A SPECIALIZED VACCINE TO HELP CONTROL THE HIGHLY PATHOGENIC PORCINE REPRODUCTIVE AND RESPIRATORY SYNDROME (HP PRRS) IN MAINLAND CHINA. RUI LAN AN IS THE FIRST VACCINE TO RESULT FROM THE COMPANY'S JOINT VENTURE IN CHINA IN 2011.**

ANIMAL HEALTH INDUSTRY

- PRODUCTION ANIMALS-CATTLE, POULTRY, SWINE, SHEEP
- COMPANION ANIMALS-CATS, DOGS, HORSES

Chart 1: Global animal health (\$100 billion)



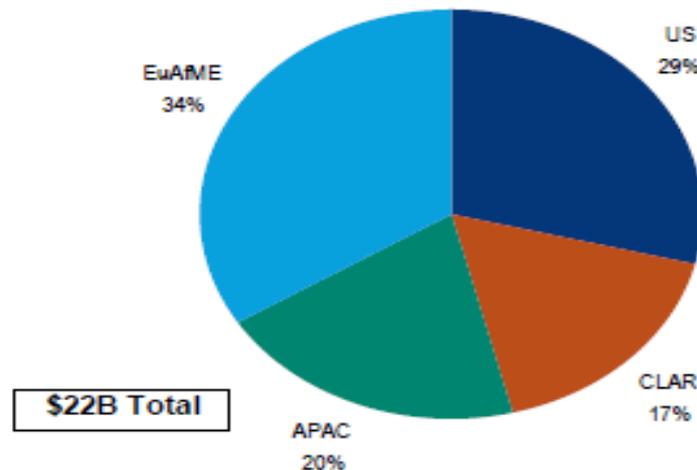
*2011, Excludes livestock feed, pet food.

Source: Vetnosis, US Department of Agriculture, Company reports, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY

- **ZOETIS COMPETES ONLY IN THE \$22-24 BILLION MEDICINES/VACCINES SEGMENT SERVING**
 - **LIVESTOCK \$13-\$14 BILLION**
 - CATTLE, POULTRY, SWINE, SHEEP
 - **COMPANION ANIMALS \$9-11 BILLION**
 - CATS, DOGS, HORSES

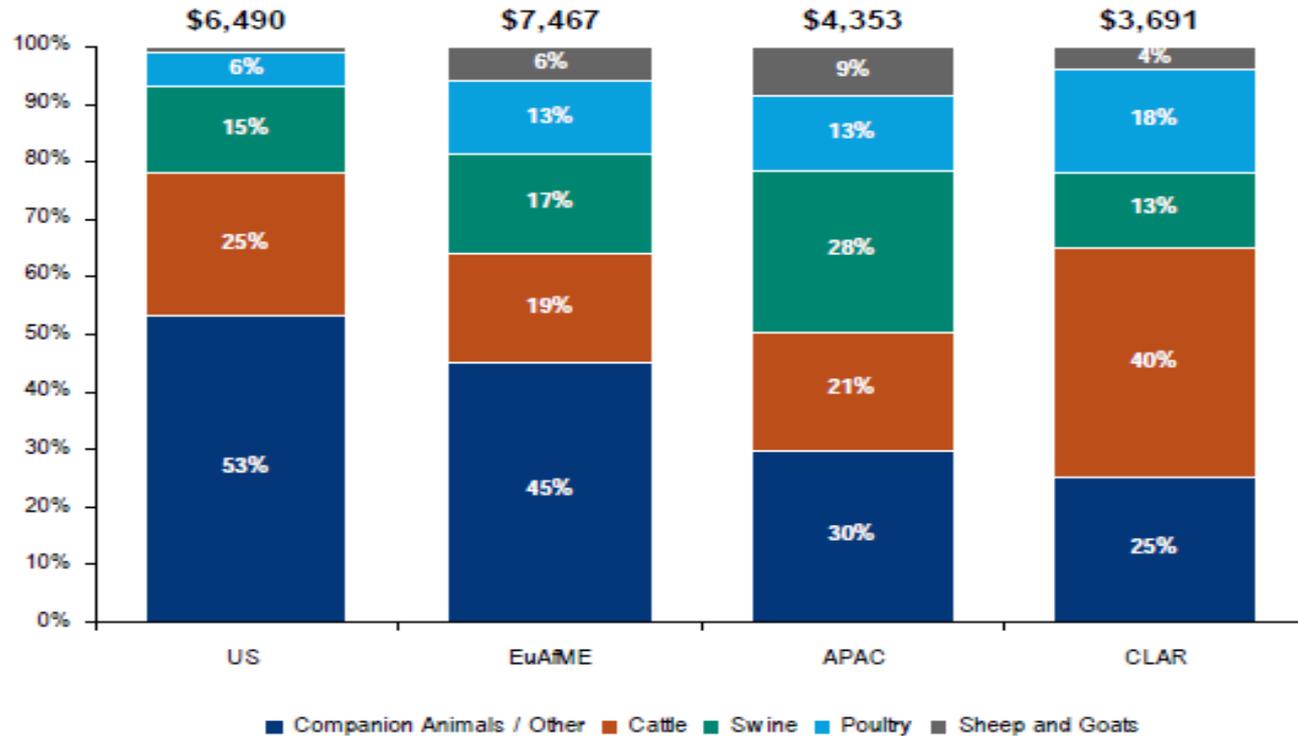
Chart 5: Animal health industry revenue by region, 2011



Source: Company reports, BofA Merrill Lynch Global Research.

ANIMAL HEALTH INDUSTRY

Chart 3: Animal health industry revenues by species and geography, 2011 (\$ millions)

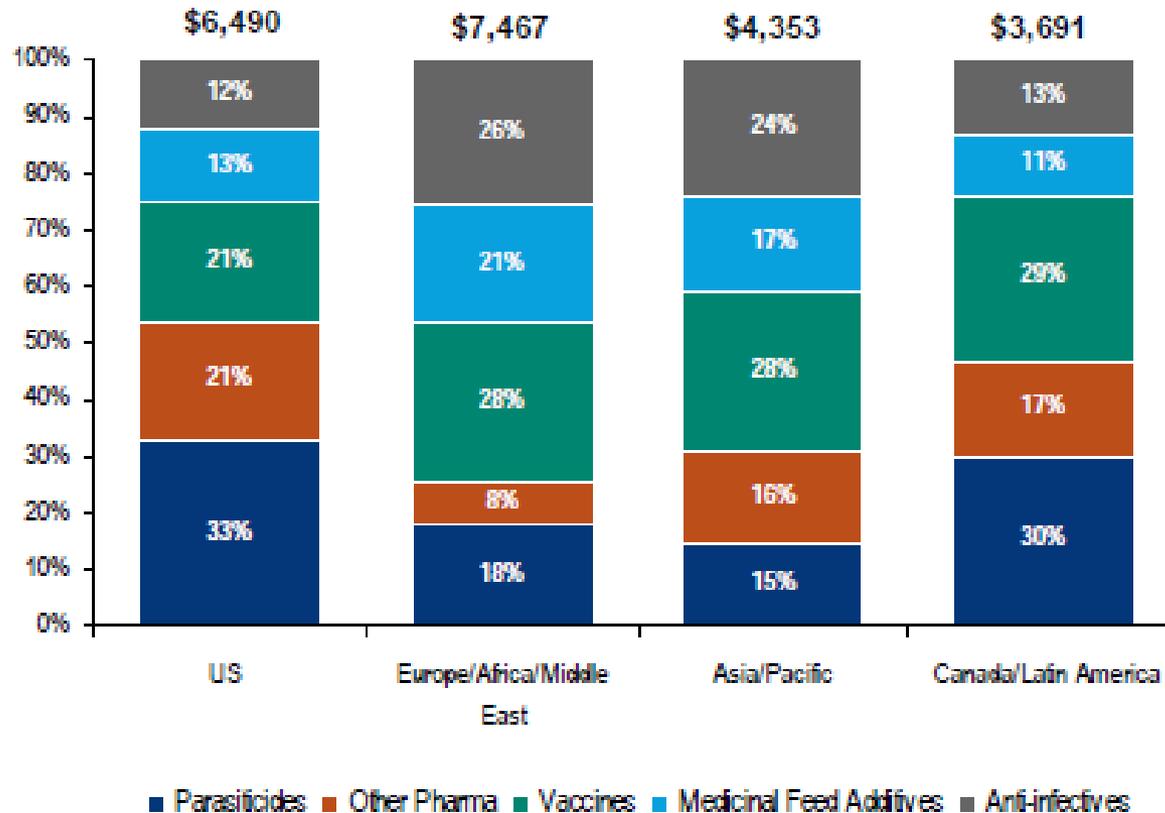


Source: Company reports, BofA Merrill Lynch Global Research.

¹ Vetnosis, American Pet Products Association, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY

Chart 21: Animal health industry revenues by therapeutic area and region, 2011 (\$ millions)



Source: Company reports, BofA Merrill Lynch Global Research.

ANIMAL HEALTH INDUSTRY

- **PRIMARY COMPETITORS ARE ANIMAL HEALTH COMPANIES OWNED BY PHARMACEUTICAL FIRMS**
 - **MERCK**

 - **MERIAL (SANOFI)**

 - **ELANCO (ELI LILLY)**
 - **NOVARTIS PURCHASE**

 - **BAYER**

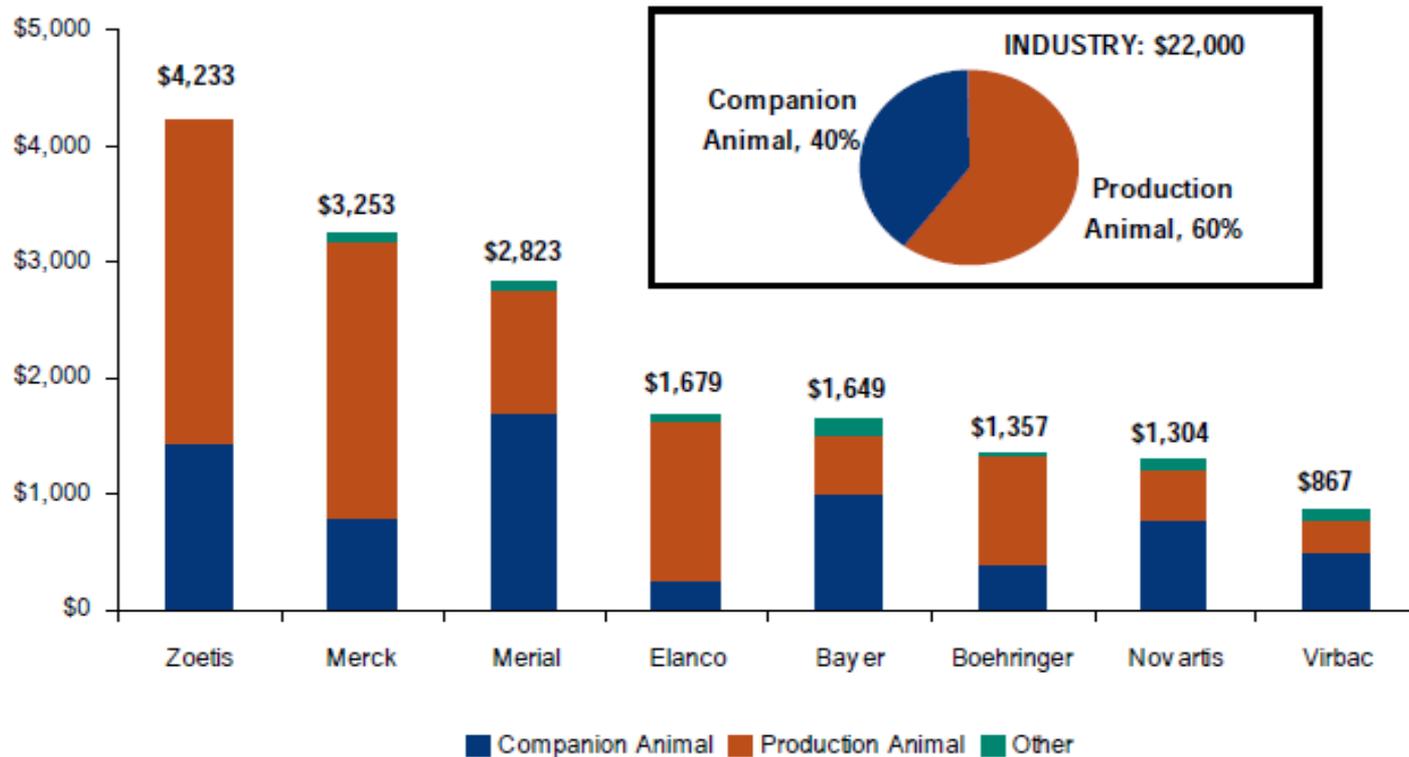
 - **BOEHRINGER INGELHEIM**

 - **NOVARTIS**

 - **VIRBAC**

ANIMAL HEALTH INDUSTRY

Chart 6: Medicines & vaccines competitive landscape: Revenue by species (*\$ in millions*)



Source: Company reports, BofA Merrill Lynch Global Research.

ANIMAL HEALTH INDUSTRY

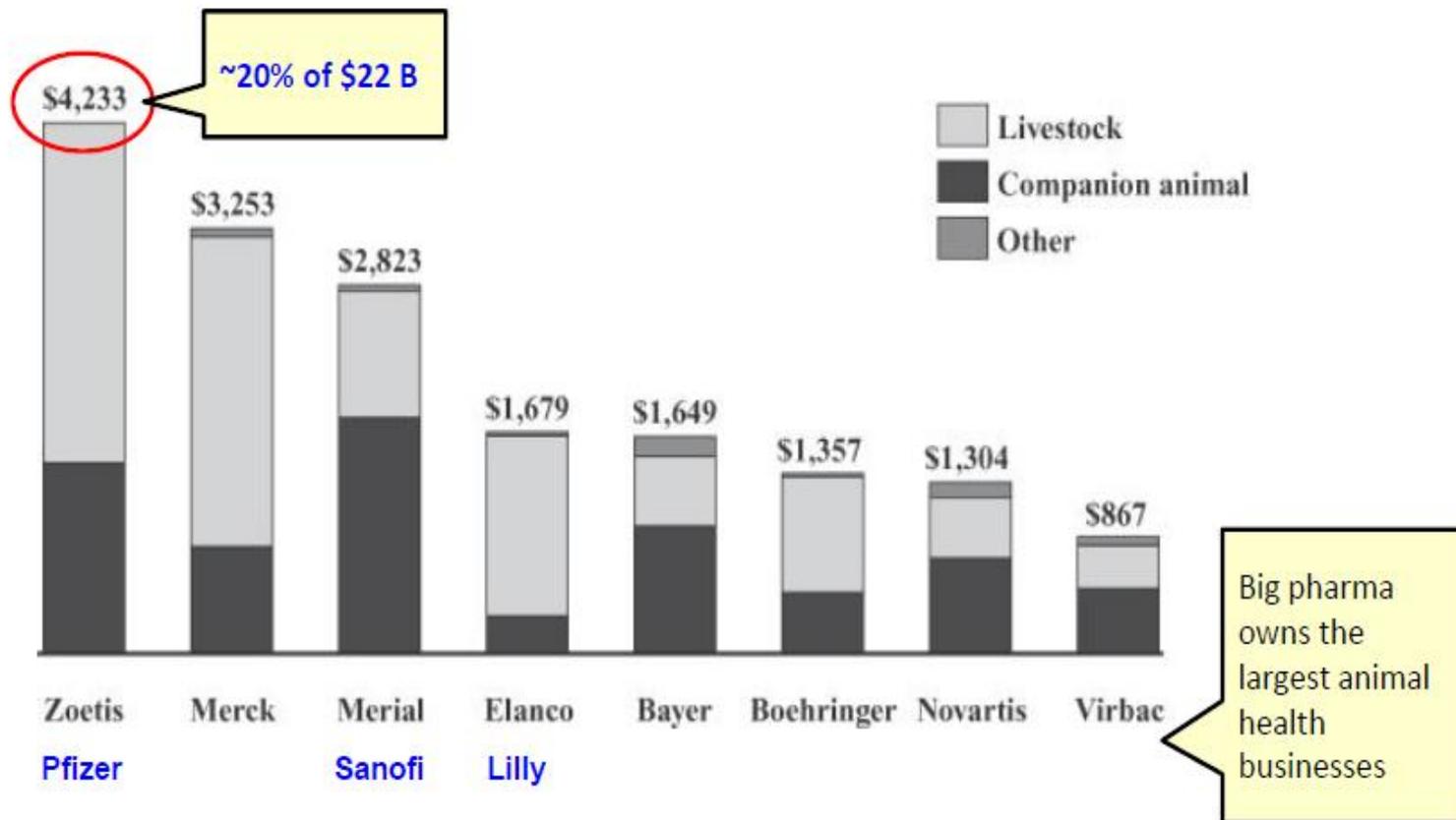
Comparison of YOY revenue growth rates of top 10 animal health players

Companies	YOY Growth (%)			
	2010	2011	2012	CAGR (09A-12A)
Top 10 players - Total Sales	15%	13%	NA	NA
Zoetis/Pfizer	30%	18%	2%	16%
Merck	8%	11%	4%	8%
Merial/Sanofi	8%	2%	7%	6%
Elanco/Lilly	15%	21%	21%	19%
Bayer	15%	6%	13%	11%
Boehringer Ingelheim	51%	6%	NA	NA
Novartis	10%	8%	4%	7%
Virbac	23%	9%	12%	14%
CEVA	19%	14%	NA	NA
Vetoquinol	12%	1%	5%	6%

Source: Company Reports; Barclay Research; all growth rates YOY calculated in local currencies. NA = Not available.

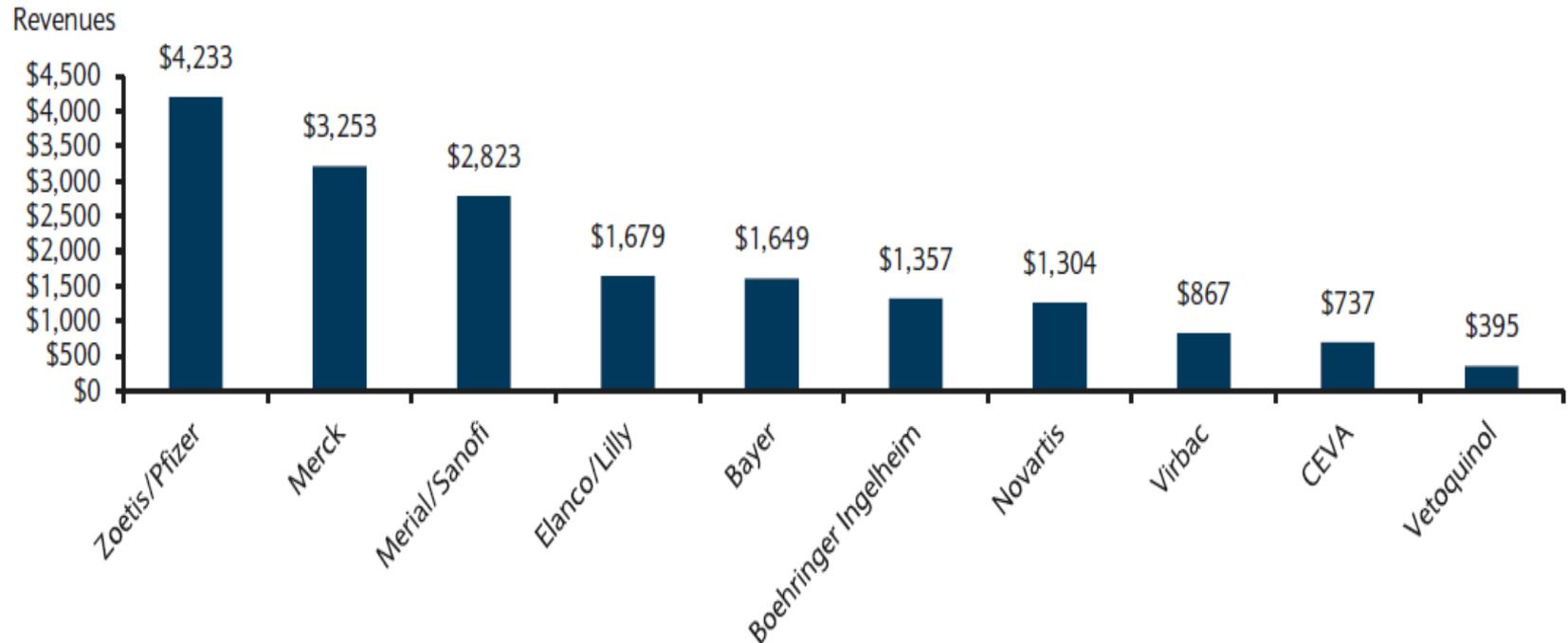
ANIMAL HEALTH INDUSTRY

ZTS is the largest animal medicines/vaccines business and captured ~20% of the market in 2011



ANIMAL HEALTH INDUSTRY

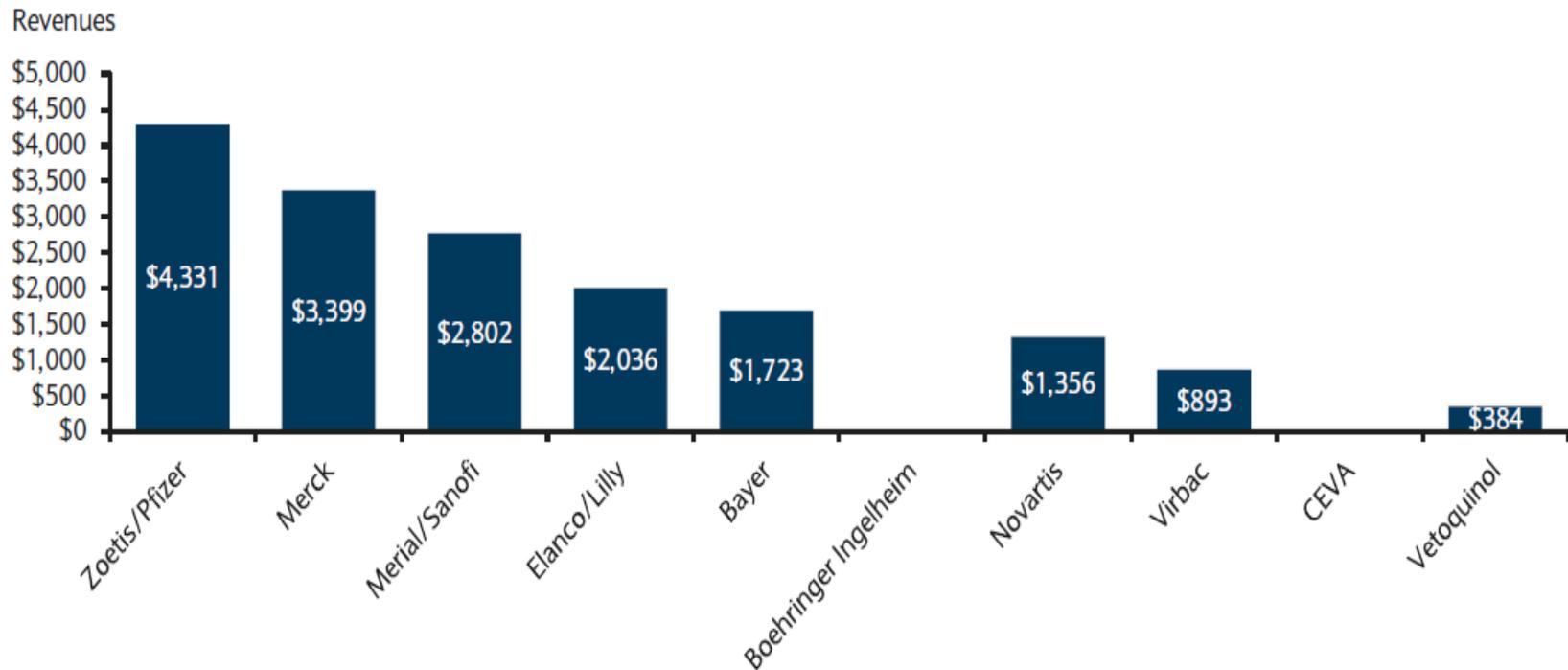
2011 Revenues for top 10 animal health companies



Source: Company Reports; Vetnosis. All values in millions of USD.

ANIMAL HEALTH INDUSTRY

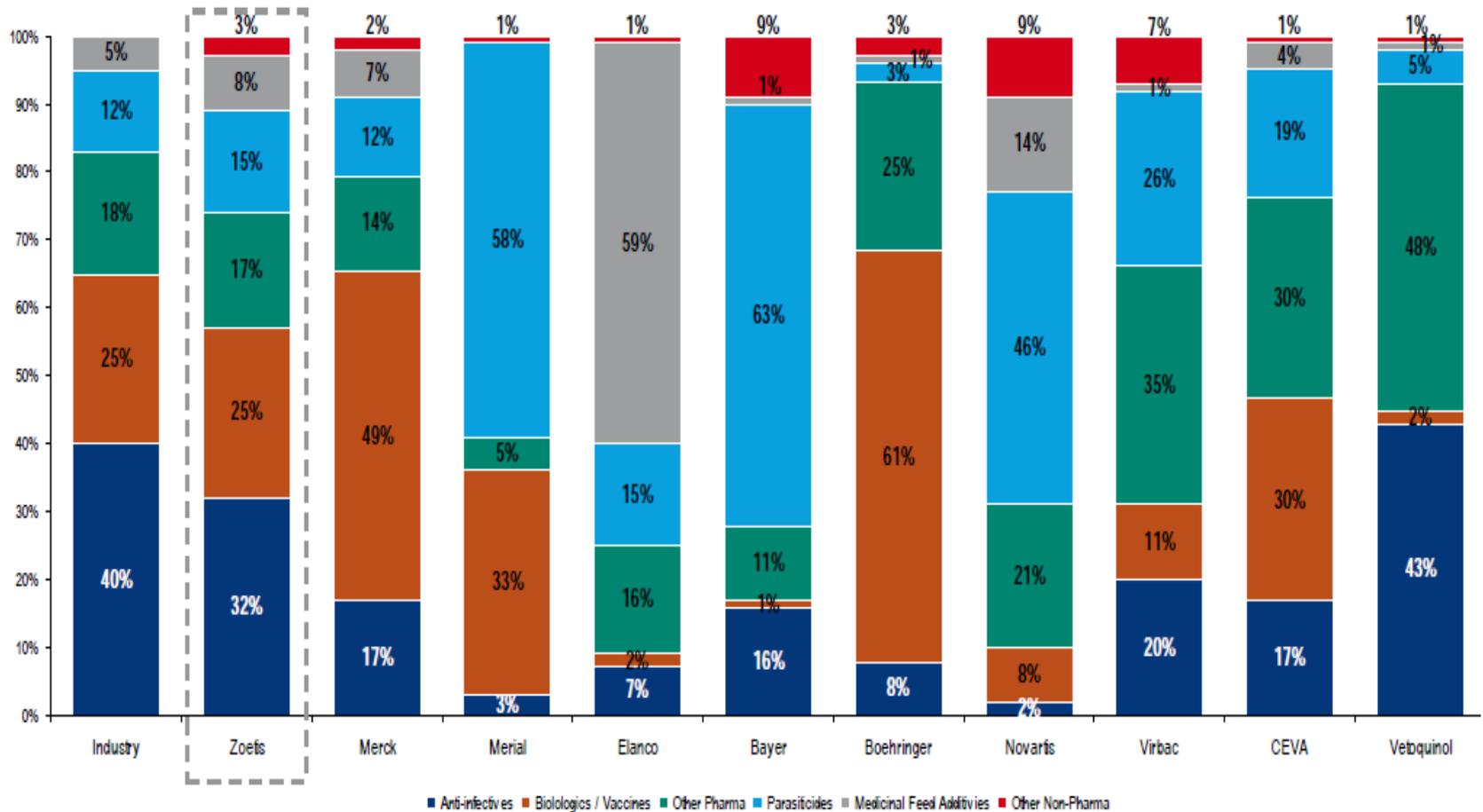
2012 Revenues for top 10 animal health companies(\$mn)



Source: Company Reports; Vetnosis. All revenues values converted into USD based on the average EURO/USD exchange rate of 1.286 in 2012. 2012 sales for Boehringer Ingelheim and CEVA are currently not available.

ANIMAL HEALTH INDUSTRY

Exhibit 1: Animal health revenues by therapeutic area (\$ millions, 2011)



Source: Company reports, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Sizing the Livestock Animal Health Opportunity

According to Zoetis, the livestock Animal Health market was \$13.1B in worldwide sales in 2011 and is expected to grow 6% annually from 2011 through 2016. Of this, the largest single market is the United States (23.4% of worldwide sales). Longer term, we expect Animal Health sales will be driven by population growth in the emerging markets. We estimate the world will add more than 2 billion people by 2050, mostly in developing countries. The five-year sales growth CAGR (2012 to 2017E) by region of the world is as follows, according to Vetnosis:

- 7.9% expected growth for Asia Pacific
- 5.4% expected growth for Latin America
- 4.1% expected growth for United States
- 2.9% expected growth for Western Europe

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

- **PRIMARY DRIVERS**
 - GLOBAL POPULATION GROWTH
 - RISING STANDARDS OF LIVING
 - DRIVING RISING ANIMAL PROTEIN AND DAIRY CONSUMPTION
- **GLOBAL POPULATION ESTIMATED AT 9.2 B BY 2050**
 - REQUIRES 2X AS MUCH FOOD
- **DEMAND FOR MEAT, MILK AND EGGS RISE BY 73%**
 - 70% OF INCREASE MUST COME FROM EFFICIENCY IMPROVING TECHNOLOGIES IN PRODUCTION ANIMAL HEALTH
- **CHINESE CONSUMPTION OF MILK IS 300 GRAMS/DAY**
 - WILL REQUIRE ADDITIONAL 36 MILLION COWS
 - STILL BELOW US 706 GRAMS/DAY

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Figure 9. Macro factors point to generally positive top-line industry trends

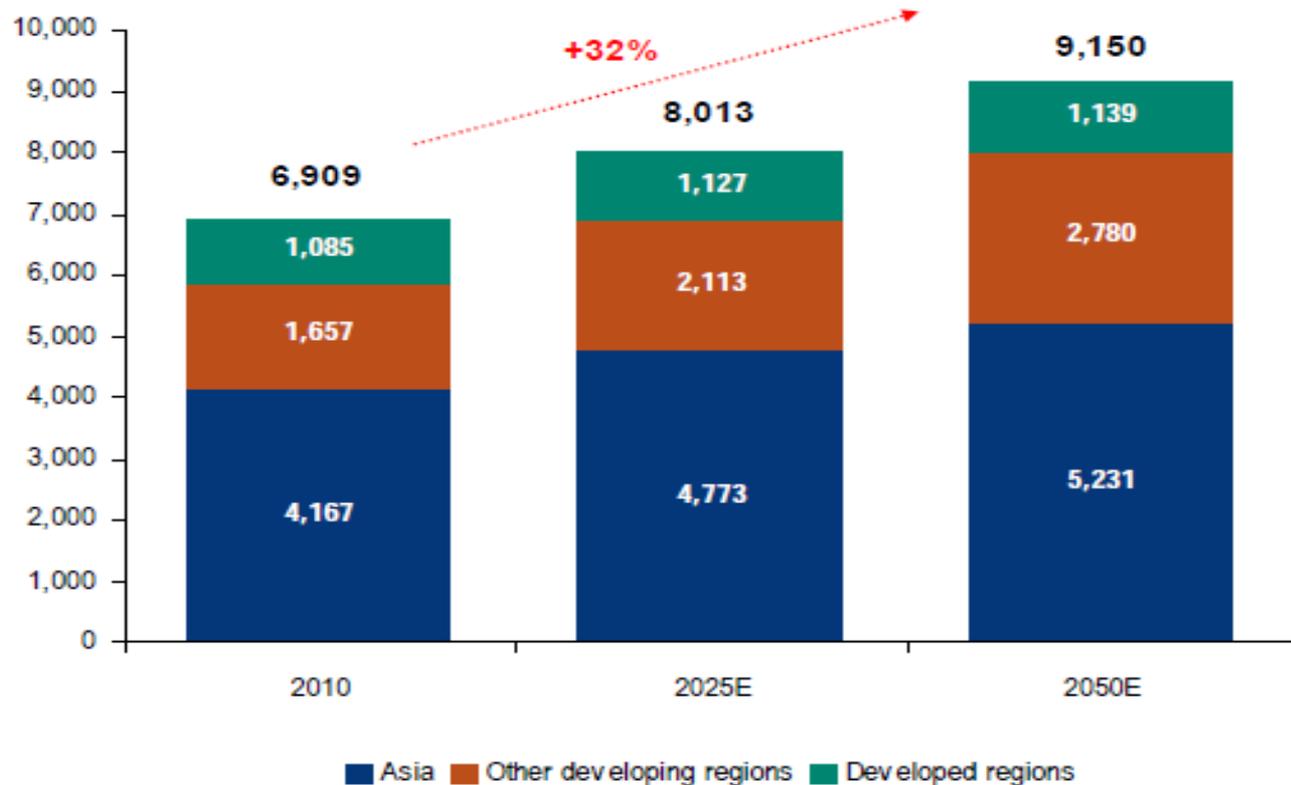
	US drought	Recessionary environment	Demographic trends - population increase	Demographic trends - aging population	Increasing "middle class" wealth	Credit conditions
U.S. (Livestock)	X X X		+			X
U.S. (Companion)		X	+	+++		
EuAfME (Livestock)	+	X X X	++			X
EuAfME (Companion)		X	+	+++	+	
CLAR (Livestock)	X		+++		++	X X
CLAR (Companion)			++	+	+++	
APAC (Livestock)	+		+++		++	+
APAC (Companion)			+	++	+++	

Source: Citi Research.

Note: Each value theme is quantified along the following scale: x x x (significantly material negative), x x (material negative), x (small negative), + (small positive), ++ (material positive), and +++ (significantly material positive).

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

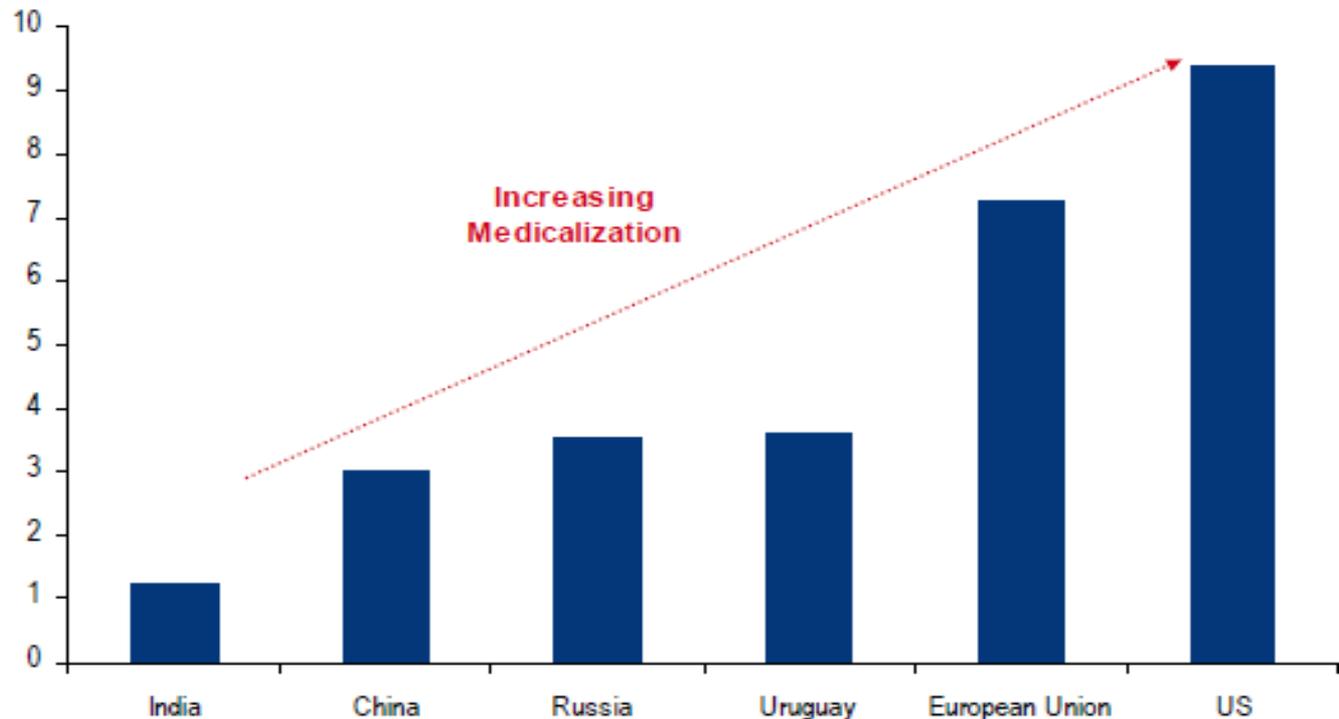
Chart 6: Current and Projected World Population (in millions)



Source: United Nations World Population Prospects, Company reports, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Chart 7: Average annual milk production per dairy cow, (tons)



Source: International Dairy Federation, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Livestock	U.S. Inventory (Heads) 2012	Worldwide Inventory (Heads) 2012
Cattle	90,768,500	1,485,211,784
Sheep	5,365,000	1,169,004,916
Goat	2,862,000	996,120,851
Poultry	2,960,700,000	24,042,570,340
Swine	66,412,800	966,170,968

Source: Food and Agricultural Organization of the United Nations

2012 to 2017E CAGRs according to Vetnosis

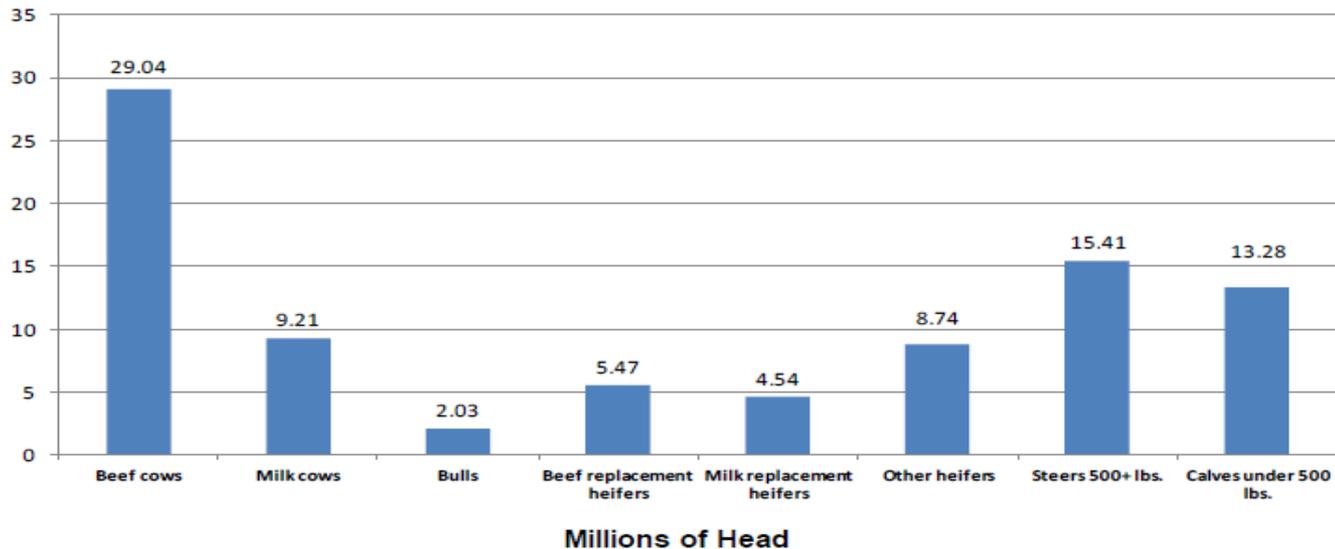
- 6.6% expected growth for Swine
- 6.2% expected growth for Poultry
- 4.6% expected growth for Cattle

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Cattle Industry

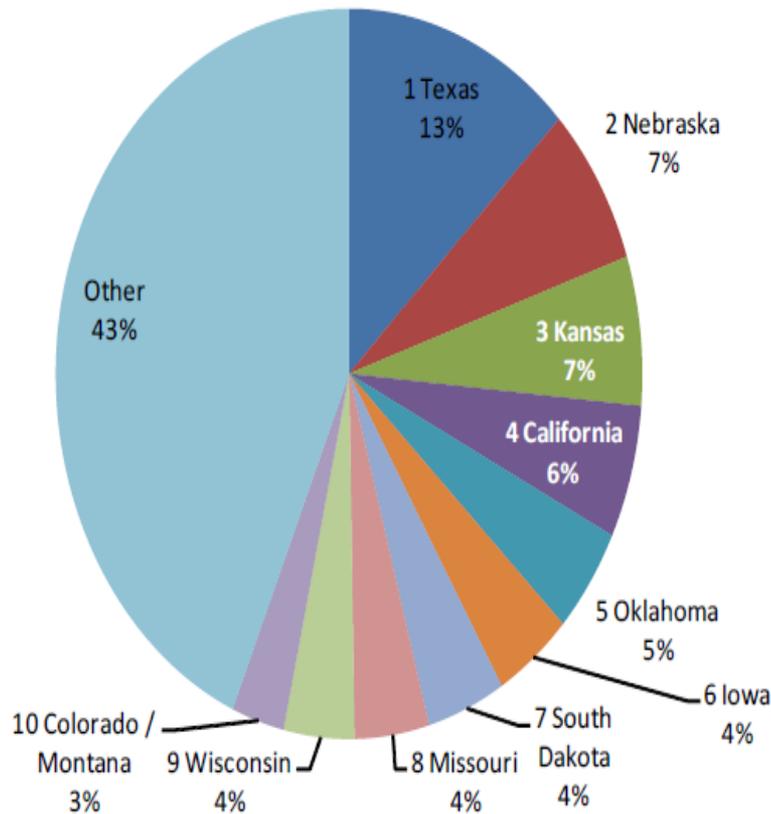
Of the ~87.7 million heads of cattle in the United States at January 2014, the USDA estimates 29.0 million of these to be beef cows. The two other largest sectors of the population are steers over 500 pounds, with 15.4 million heads, and calves under 500 pounds, with 13.3 million heads.

Cattle Inventory, January 2014



ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Total Cattle Head Population by State - as at January, 2014



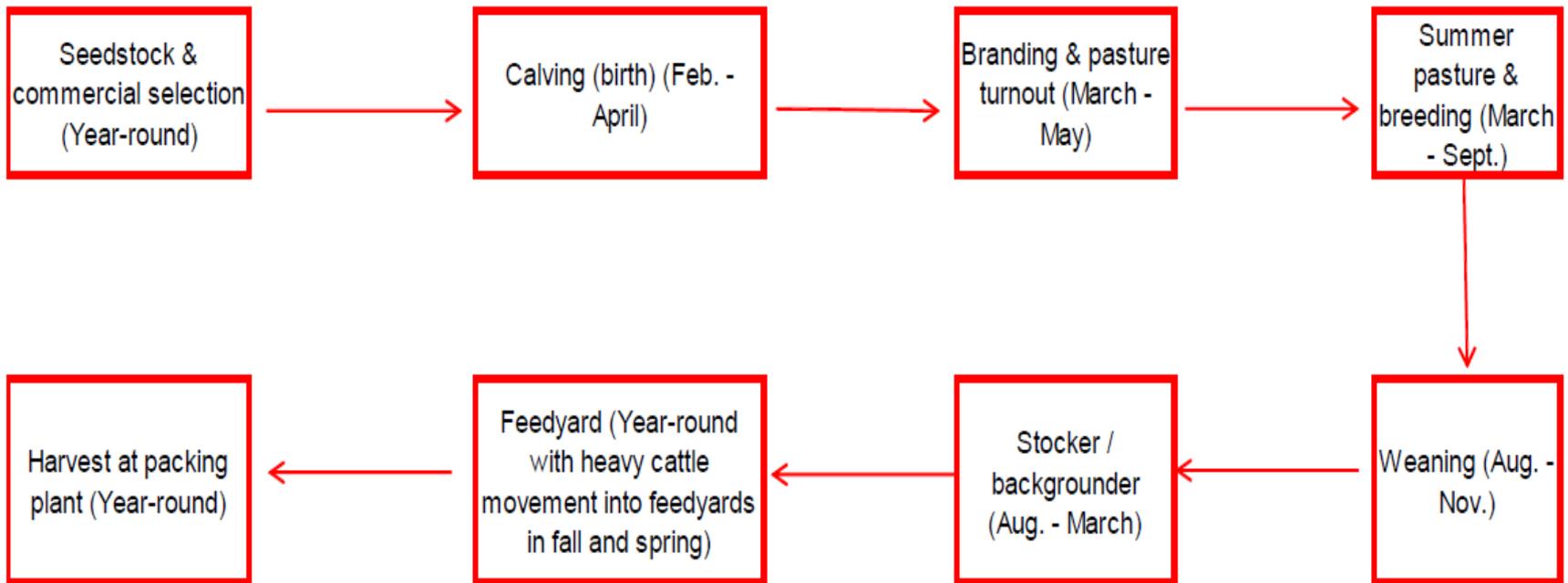
State	Head ('000) as at 1/2014
1 Texas	11,138
2 Nebraska	6,227
3 Kansas	5,788
4 California	5,174
5 Oklahoma	4,122
6 Iowa	3,771
7 South Dakota	3,771
8 Missouri	3,596
9 Wisconsin	3,420
10 Colorado / Montana	2,543
Other	38,149
Total	87,700

Source: National Cattleman - Directions Statistics (www.beefusa.org)

Source: National Cattleman - Directions Statistics (www.beefusa.org)

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

LIFECYCLE OF A BEEF COW, BASED ON THE SPRING CALVING SEASON



Source: Zoetis Company Presentation, March 27, 2014 Slide 21

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Common diseases of calves until weaning

Phase	Main symptom	Disease or condition	Causing agent	Preventative	Treatment
Birth					
bacteria	Scours, 3 to 5 d	Calf scours	Escherichia coli	Vaccine	Electrolytes
bacteria	Scours, first 14 d	Calf scours	Salmonella spp.	Not available	Antibiotics ^a
virus	Scours, 5 to 15 d	Calf scours	Rota- and Coronavirus	Vaccine	Electrolytes
protozoa	Scours, 5 to 35 d	Calf scours	Cryptosporidium parvum	Management	Not available
virus	Respiratory	Pneumonia	BRD ^b complex	Management	Supportive therapy
bacteria	Respiratory	Pneumonia	Pasteurella multocida, Mannheimia haemolytica, and Mycoplasma bovis	Management	Antibiotics ^a
Before weaning					
protozoa	Scours, over 1 mo	Coccidiosis	Eimeria spp.	Management	Amprolium, Sulfaquinoxaline
virus	Respiratory	Pneumonia	BRD complex	Vaccine	Supportive therapy
bacteria	Respiratory	Pneumonia	Pasteurella multocida, Mannheimia haemolytica, and Mycoplasma bovis	Vaccine	Antibiotics ^a
bacteria	Systemic toxemia	Clostridial diseases	Clostridium spp.	Vaccine	Not available
environment	Off feed, laminitis	Acidosis	Low rumenpH	Management	Supportive therapy
forage	Bloat	Frothy bloat	Legumes	Management	Poloxalene
grain	Bloat	Gas bloat	Grain overload	Management	Cannulation
fungi	Skin disease	Ringworm	Trichophyton spp.		Topical

^a Choice of antibiotics to be determined in consultation with a veterinarian.

^b Bovine respiratory disease.

Source: University of Minnesota Extension, Alfredo DiCostanzo, Ph.D., Common Diseases of the Beef Cattle Herd

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Common diseases of adult cattle

Phase	Main symptom	Disease or condition	Causing agent	Preventative	Treatment
Breeding					
bacteria	Abortion, last 5 mo	Brucellosis	Brucella abortus	Vaccine	Not available
bacteria	Abortion, last 3 mo	Leptospirosis	Leptospira spp	Vaccine	Tetracycline
bacteria	Abortion, 5 to 8 mo	Campylobacteriosis	Campylobacter fetus	Vaccine	Streptomycin
bacteria	Abortion	Listeriosis	Listeria monocytogenes	Management	Cephalosporin
protozoa	Abortion, after 3 mo	Neosporosis	Neospora caninum	Canidae control	Not available
protozoa	Abortion, first 2 mo	Trichomoniasis	Trichomonas foetus	Culling	Not available
virus	Abortion	BVD ^a	BVD virus	Vaccine	Supportive therapy
virus	Abortion, last 5 mo	IBR ^b	Bovine herpesvirus	Vaccine	Secondary infection
browse	Abortion, last 3 mo	Estrogenic	Ponderosa needles	Avoid ingestion	
forbs	Abortion	Alkaloid from Locoweed	Oxytropis or Astragalus sp	Avoid ingestion	
forbs	Abortion	Saponin from Broomweed	Gutierrezia sarothrae	Avoid ingestion	
feed	Abortion	Estrogenic	Mycotoxins	Avoid ingestion	
environment	Abortion	Fetal hypotension	Heat stress		
Lactation					
forage	Staggering	Grass tetany	Low Mg intake	Management	Ca and Mg IV
forage	Tremors	Nitrate poisoning	Excess nitrate	Management	
bacteria	Swollen udder	Mastitis	Staphylococcus, Streptococcus, and Corynebacterium	Environmental management	Not practical
parasites	Lameness	Foot rot	Fusobacterium necrophorum	Cu, Zn feeding	Penicillin G
bacteria	Blindness	Pinkeye	Moraxella bovis	Management	Tetracycline
bacteria	Anemia	Anaplasmosis	Anaplasma spp.	Vaccine, CTC feeding	Tetracycline
bacteria	Lumpy jaw	Actinomycosis	Actinomyces spp.		PenicillinG
bacteria	Wooden tongue	Actinobacillosis	Actinobacillus spp.	Vaccine	Cephalosporin
parasites	Unthrifty	Internal parasites	Trichostrongylus , Ostertagia, Nematodirus	Dewormers	Not practical
parasites	Unthrifty	Internal parasites	Fasciola hepatica	Clorsulon, Albendazole	
parasites	Unthrifty	Internal parasites	Fascioloides magna	Not available	
flies	Unthrifty	Horse flies	Tabanus spp.	Pyrethroid compounds	
Calving					
various	Reproductive	Retained placenta	Abortive diseases	Preventing disease	Removal not recommended
	Mummified fetus				
virus	Weak calves	Bovine viral diarrhea	BVD virus	Vaccine	Supportive therapy
bacteria	Staggering	Anthrax	Bacillus anthracis	Vaccine	Sudden onset
Other					
bacteria	Wasting	Johne's	Mycobacterium paratuberculosis	Culling	Not available
			Mycobacterium tuberculosis, M. bovis, and M. avium		
bacteria	Wasting	Tuberculosis		Culling	Not practical

^a Bovine viral diarrhea.

^b Infectious bovine rhinotracheitis virus.

Source: University of Minnesota Extension, Alfredo DiCostanzo, Ph.D., Common Diseases of the Beef Cattle Herd

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

Common diseases of adult cattle

Phase	Main symptom	Disease or condition	Causing agent	Preventative	Treatment
Breeding					
bacteria	Abortion, last 5 mo	Brucellosis	Brucella abortus	Vaccine	Not available
bacteria	Abortion, last 3 mo	Leptospirosis	Leptospira spp	Vaccine	Tetracycline
bacteria	Abortion, 5 to 8 mo	Campylobacteriosis	Campylobacter fetus	Vaccine	Streptomycin
bacteria	Abortion	Listeriosis	Listeria monocytogenes	Management	Cephalosporin
protozoa	Abortion, after 3 mo	Neosporosis	Neospora caninum	Canidae control	Not available
protozoa	Abortion, first 2 mo	Trichomoniasis	Trichomonas foetus	Culling	Not available
virus	Abortion	BVD ^a	BVD virus	Vaccine	Supportive therapy
virus	Abortion, last 5 mo	IBR ^b	Bovine herpesvirus	Vaccine	Secondary infection
browse	Abortion, last 3 mo	Estrogenic	Ponderosa needles	Avoid ingestion	
forbs	Abortion	Alkaloid from Locoweed	Oxytropis or Astragalus sp	Avoid ingestion	
forbs	Abortion	Saponin from Broomweed	Gutierrezia sarothrae	Avoid ingestion	
feed	Abortion	Estrogenic	Mycotoxins	Avoid ingestion	
environment	Abortion	Fetal hypotension	Heat stress		
Lactation					
forage	Staggering	Grass tetany	Low Mg intake	Management	Ca and Mg IV
forage	Tremors	Nitrate poisoning	Excess nitrate	Management	
bacteria	Swollen udder	Mastitis	Staphylococcus, Streptococcus, and Corynebacterium	Environmental management	Not practical
parasites	Lameness	Foot rot	Fusobacterium necrophorum	Cu, Zn feeding	Penicillin G
bacteria	Blindness	Pinkeye	Moraxella bovis	Management	Tetracycline
bacteria	Anemia	Anaplasmosis	Anaplasma spp.	Vaccine, CTC feeding	Tetracycline
bacteria	Lumpy jaw	Actinomycosis	Actinomyces spp.		PenicillinG
bacteria	Wooden tongue	Actinobacillosis	Actinobaccillus spp.	Vaccine	Cephalosporin
parasites	Unthrifty	Internal parasites	Trichostrongylus, Ostertagia, Nematodirus	Dewormers	Not practical
parasites	Unthrifty	Internal parasites	Fasciola hepatica	Clorsulon, Albendazole	
parasites	Unthrifty	Internal parasites	Fascioloides magna	Not available	
flies	Unthrifty	Horse flies	Tabanus spp.	Pyrethroid compounds	
Calving					
various	Reproductive	Retained placenta	Abortive diseases	Preventing disease	Removal not recommended
virus	Mummified fetus				
virus	Weak calves	Bovine viral diarrhea	BVD virus	Vaccine	Supportive therapy
bacteria	Staggering	Anthrax	Bacillus anthracis	Vaccine	Sudden onset
Other					
bacteria	Wasting	Johne's	Mycobacterium paratuberculosis	Culling	Not available
bacteria	Wasting	Tuberculosis	Mycobacterium tuberculosis, M. bovis, and M. avium	Culling	Not practical

^a Bovine viral diarrhea.

^b Infectious bovine rhinotracheitis virus.

Source: University of Minnesota Extension, Alfredo DiCostanzo, Ph.D., Common Diseases of the Beef Cattle Herd

ANIMAL HEALTH INDUSTRY LIVESTOCK ANIMALS

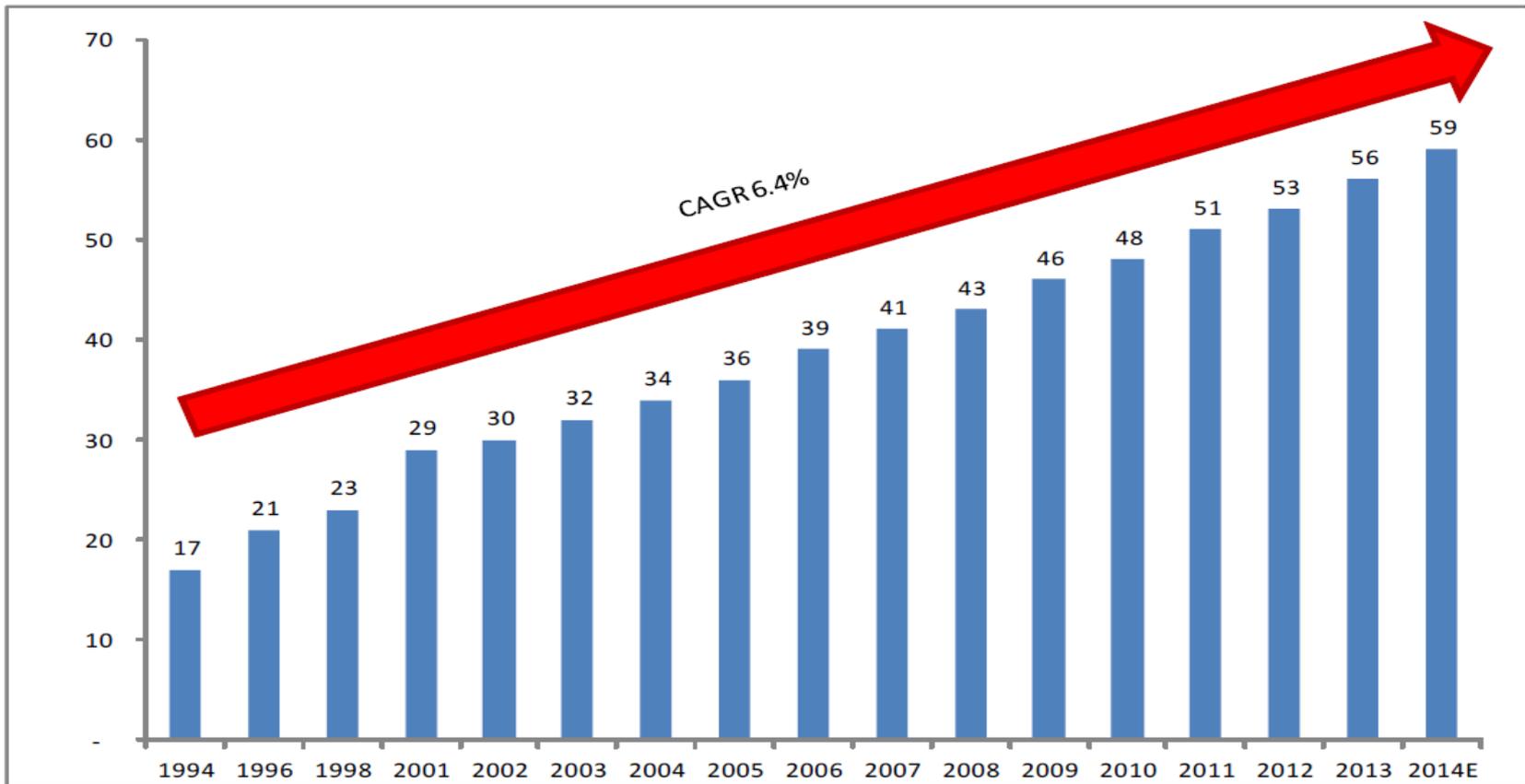
Table 2: World's leading zoonotic diseases

Toxoplasmosis	Leading cause of death attributed to foodborne illness in the US Parasitic disease, caused by ingestion of infected meat (raw) or bodily waste.
Leptospirosis	Infectious disease (by contact) caused by pathogenic organisms; An occupational risk for farmers, vets, traders.
Cysticercosis	Parasitic infestation of tapeworms in pigs and cattle. Disease persists in poor pig-keeping areas; Risk to humans if consumed.
Zoonotic tuberculosis	A problem where cattle are important; South Asia a problematic area.
Rabies	Viral disease that affects the central nervous system; Once symptoms appear it is always fatal. Primarily a burden in Asia; Recent outbreak in Bali has led to 100 deaths and still not controlled.
Leishmaniasis	Caused by a bite from certain sandflies that can lead to skin ulcers or lethal systemic disease.
Brucellosis	Bacterial disease that affects 1 in 8 livestock in poor countries; Reduces milk and meat production in cattle by ~8%. Causes severe debilitating disease in people.
Echinococcosis	Parasitic disease caused by larval stages of certain tapeworms. A problem in primarily ruminant areas (Africa, South Asia).
Q fever	Highly contagious bacterial disease in ruminants; causes abortions and still births.
Zoonotic trypanosomiasis	"Sleeping Sickness"; Affects 10% of livestock in Africa
Hepatitis E	Virus cause by contaminated drinking water; 20 million hepatitis E infections/year,
Anthrax	Spore-forming bacterial disease, high mortality rate.
Zoonotic gastrointestinal disease	Several important bacterial diseases (Listeria, Staph, Bacillus, E. Coli) have minimal impact on livestock, but more severe impact on humans.

Source: World Organization for Animal Health, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

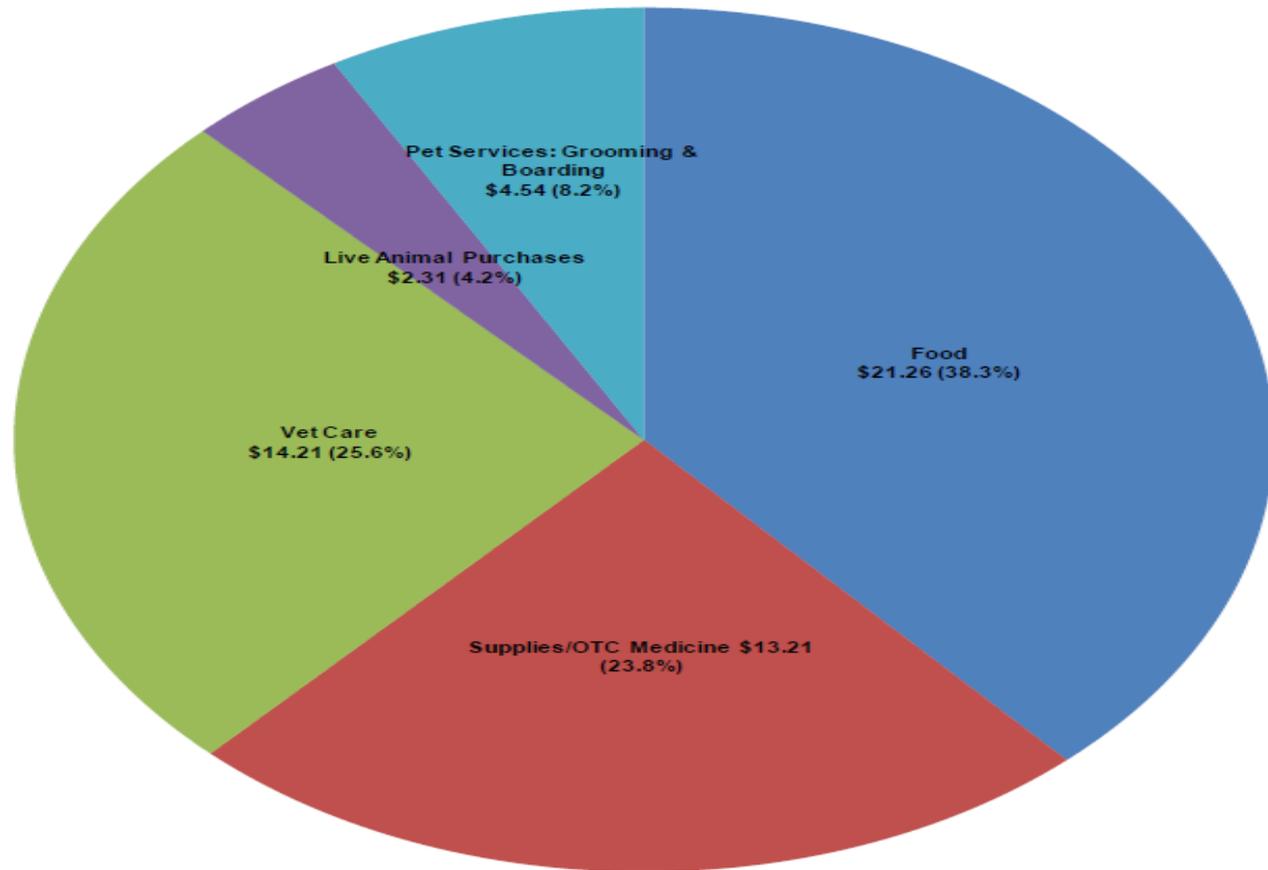
American Pet Products Association: U.S. Pet Industry Expenditure (chart below in billions of U.S. dollars)



Source: American Pet Products Association (APPA),

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

American Pet Products Association: U.S. Pet Expenditure 2013 by Category (in \$B)



Source: American Pet Products Association (APPA), <http://www.americanpetproducts.org/>

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

U.S. Annual Pet Spending (in billions of U.S. dollars)	2014E	2013
Food	\$22.6	\$21.6
Supplies/OTC Medicine	\$13.7	\$13.1
Vet Care	\$15.3	\$14.4
Live animal purchases	\$2.2	\$2.2
Pet Services: grooming & boarding	\$4.7	\$4.4
Total U.S. Spending on Pets	\$58.5	\$55.7

Source: American Pet Products Association (APPA)

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

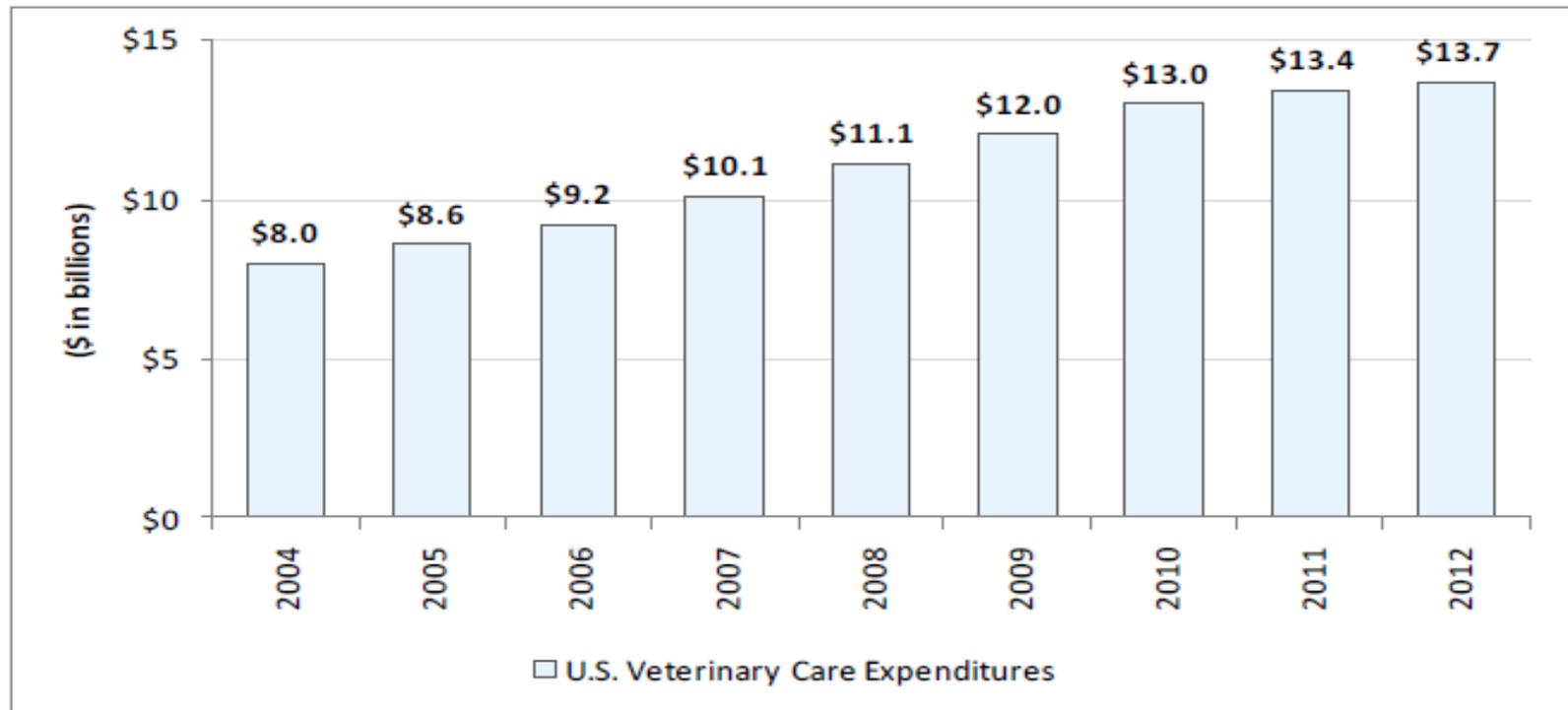
Exhibit 2: U.S. Dog and Cat Population

	<u>1998</u>	<u>2000</u>	<u>2002</u>	<u>2004</u>	<u>2006</u>	<u>2008</u>	<u>2010</u>	<u>2012</u>
PET OWNERSHIP								
U.S. Pet Owning Households	61.2	63.0	64.2	69.1	71.1	71.4	72.9	82.5
<i>Growth</i>		2.9%	1.9%	7.6%	2.9%	0.4%	2.1%	13.2%
% of Households Owning a Pet	60%	62%	62%	63%	63%	62%	62%	68%
U.S. DOG / CAT POPULATION								
U.S. Dog Population	62.4	68.0	65.0	73.9	74.8	77.5	78.2	83.3
<i>Growth</i>		9.0%	-4.4%	13.7%	1.2%	3.6%	0.9%	6.5%
U.S. Cat Population	70.0	73.0	77.7	90.5	88.3	93.6	86.4	95.6
<i>Growth</i>		4.3%	6.4%	16.5%	-2.4%	6.0%	-7.7%	10.6%
U.S. Human Population	274.6	282.2	287.8	293.0	298.1	303.4	308.7	315.1
<i>Growth</i>		2.8%	2.0%	1.8%	1.7%	1.8%	1.8%	2.1%

Source: American Pet Products Association 2013-2014 National Pet Owners Survey

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

Exhibit 3: U.S. Veterinary Care Expenditures



Source: American Pet Products Association

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

Annual Vet Care Expenses

	Expenditure (\$MM)	% of Total Expenditures	Number of Dogs (MM)	Annual Spend Per Dog	Increase in Lifespan	Increase in Vet Care Spend Over a Dog's Life (MMs)	Average Dogs Lifespan 2012 (Years)	Potential Growth in Vet Care Spending Due to Increased Lifespan
Parasiticides and Vaccine	\$5,032.5	33.0%	83.3	\$60.4	0.5	\$2,516.3	11.0	\$228.8
Pet Therapeutics (not including Human Drugs)	\$2,287.5	15.0%	83.3	\$27.5	0.5	\$1,143.8	11.0	\$104.0
Other (vet visits and procedures)	\$7,930.0	52.0%	83.3	\$95.2	0.5	\$3,965.0	11.0	\$360.5
Total Vet Care	\$15,250.0	100.0%		\$183.1		\$7,625.0		\$693.2

Source: Guggenheim Securities, LLC and American Pet Products Association (APPA).

2014 U.S. Vet Care Sales

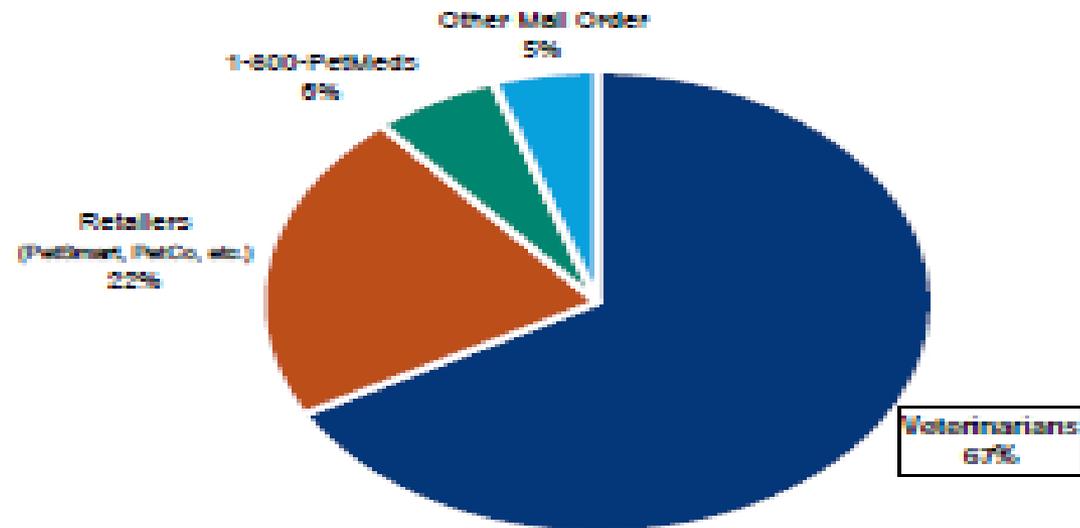
(in billions of U.S. dollars)

	Expenditure	%
Parasiticides and Vaccine	\$5.0	33%
Pet Therapeutics (not including Human Drugs)	\$2.3	15%
Other (vet visits and procedures)	\$7.9	52%
Total Vet Care	\$15.3	100%

Source: Guggenheim Securities, LLC and American Pet Products Association (APPA).

ANIMAL HEALTH INDUSTRY

Chart 23: US pet medication dispensing market



Source: PetMed Express, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

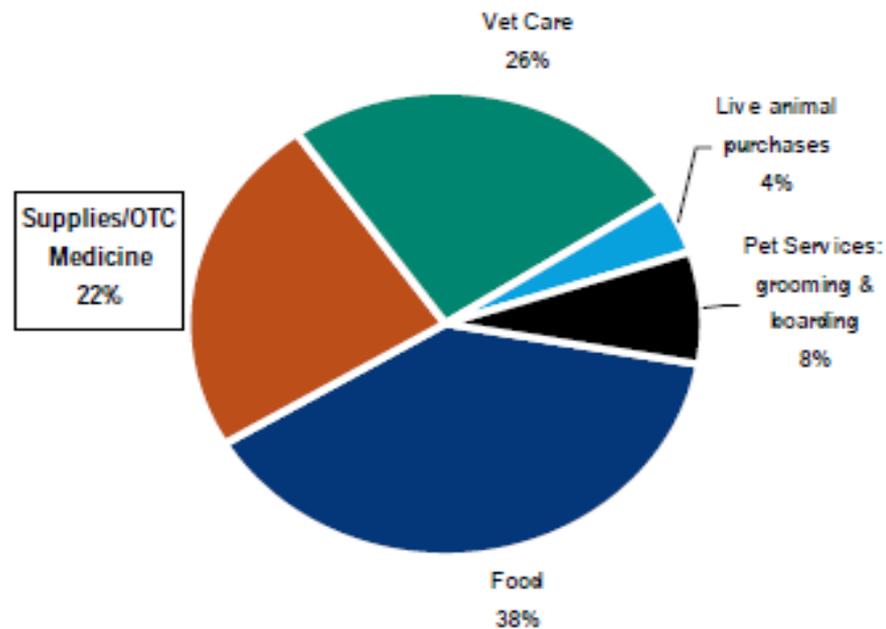
- LARGE GROWING THERAPEUTIC CATEGORIES SUCH AS ONCOLOGY

Species	Number of Dogs and Cats (MMs)	Prevalence of Cancer (1 in 4 for dogs and 1 in 6 for cats)	Average Lifespan (Years)	Number Diagnosed With Cancer in Their Lifetime (MM)	Estimated Drug Cost to Treat	Estimated Annual Spend on Cancer Treatment (MMs)
Dogs	83.3	25.0%	11.0	20.8	\$2,500.0	\$4,733.0
Cats	95.6	16.7%	12.0	15.9	\$750.0	\$995.8
Total Estimated Cancer Market						\$5,728.8

Source: Guggenheim Securities, LLC, Banfield Pet Hospital and American Pet Products Association (APPA)

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

Chart 4: US pet expenditures

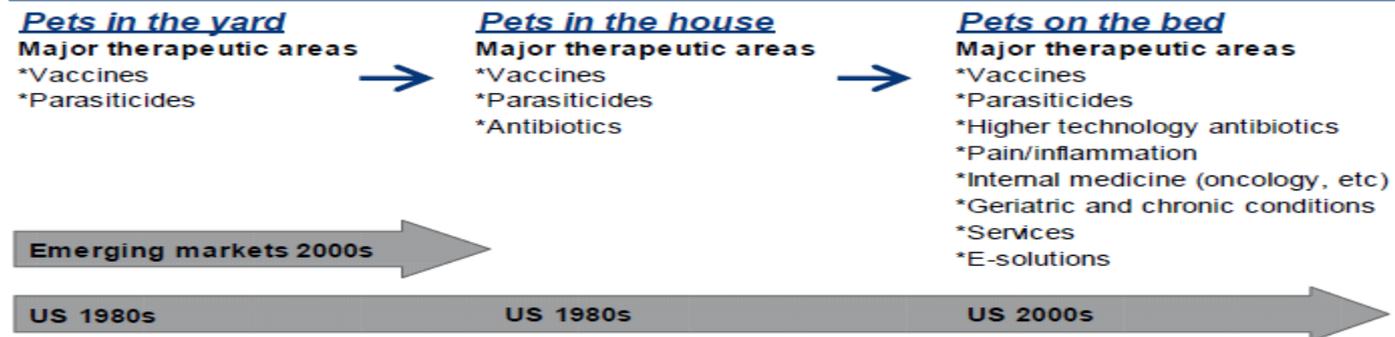


Source: American Pet Products Association

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- PRIMARY DRIVERS OF COMPANION ANIMAL MARKET
 - GLOBAL GROWTH IN PET OWNERSHIP
 - INNOVATION AND MEDICAL ADVANCES IN PET CARE

Table 1: Global evolution of pet ownership and the medicalization of pets



Source: Company reports, BofA Merrill Lynch Global Research

- RISING DISPOSABLE INCOME IN EMERGING MARKETS
 - 223 MILLION DOGS AND 220 MILLION CATS WORLDWIDE

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

Table 2: Dog populations by country

	% chg 2007-2012	Total dogs in 2012 (MMs)
<i>Top 5 fastest growing dog populations</i>		
India	58.1%	10.2
Philippines	38.3%	11.6
Venezuela	29.8%	3.1
Russia	28.0%	15.0
Argentina	20.1%	9.2
<i>Other country highlights</i>		
Brazil	14.3%	35.7
China	2.3%	27.4
US	2.2%	75.8
Europe Average	-0.1%	2.8

Source: Euromonitor, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- **COMPARISON OF ANIMAL HEALTH VS HUMAN HEALTH**

Table 5: Human vs. animal health care summary

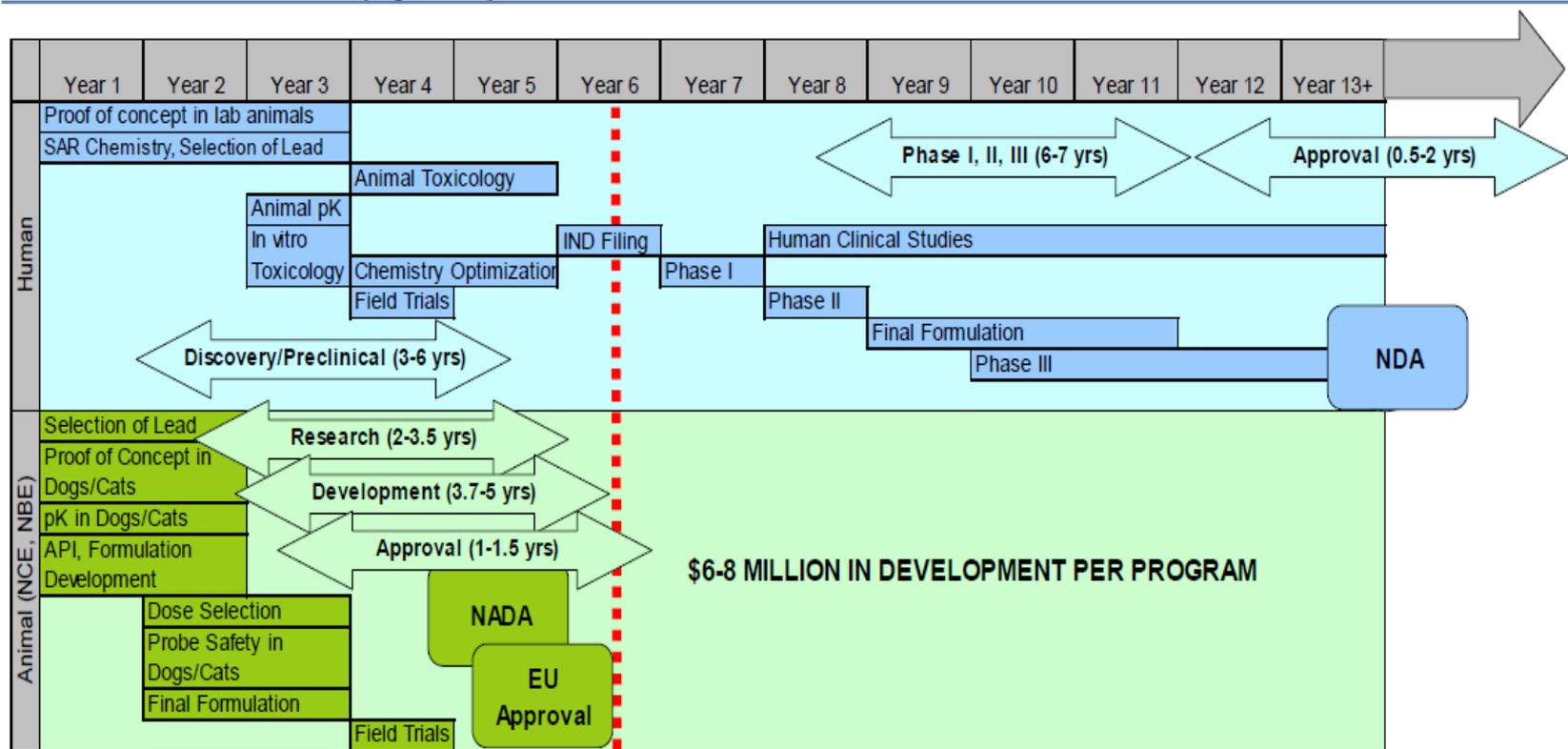
	Human health	Animal health
Trial process	Multiple species steps	Direct to species
Approval hurdle	Beat a standard of care	Beat a placebo
Generics impact	Steep decline	Slow, modest decline
Buyer access	Difficult and indirect	Accessible and direct
Pay economics	Payers Intermediate	Private pay
Development costs	~\$1.3 billion	\$6-8 million
Time to market	10+ years	<5 years
Risk of market adoption	Very High	Lower

Source: Aratana, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- **COMPARISON OF ANIMAL HEALTH VS HUMAN HEALTH**
 - **R&D OPERATIONS**

Chart 14: Human vs. animal health project lifecycles



Source: Aratana Therapeutics, PhRMA, BofA Merrill Lynch Global Research.

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- **COMPARISON OF ANIMAL HEALTH VS HUMAN HEALTH**
 - **R&D OPERATIONS**

Animal Drug Development Takes Half the Time of Human Drug Development



Source: Guggenheim Securities, LLC and Company Reports



Source: Kindred Bio S-1, Company Reports and Guggenheim Securities, LLC

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- **COMPARISON OF ANIMAL HEALTH VS HUMAN HEALTH**
- **GREATER DURABILITY AND SUSTAINABILITY OF PRODUCT PORTFOLIOS**
 - **SMALLER INDIVIDUAL PRODUCT REVENUES**
 - **MANY PRODUCTS**
 - **LACK OF BLOCKBUSTERS-SMALLER NICHE SALES**
 - **LACK OF GENERICS AND COMPETING PRODUCTS**
- **LEVERAGE DISCOVERIES IN NEW**
 - **SPECIES**
 - **MARKETS & GEOGRAPHIES**
 - **THERAPETIC AREAS**
 - **FORMULATIONS, DOSAGES, FORMS**
-

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- **LIMITED GENERIC COMPETITION**
 - **ACCOUNT FOR 7% OF COMPANION ANIMAL PRESCRIPTION VOLUME VS 81% OF HUMAN PRESCRIPTIONS**
 - **LACK OF THIRD PARTY PARTICIPATION**
 - **REDUCED PRICING DIFFERENTIAL 20-30% VS 80% OR HIGHER**
 - **ONLY 14% OF ANIMAL DRUGS HAVE GENERIC SUBSTITUTES**
 - **APPROVED BY CENTER FOR VETERINARY MEDICINE**
 - **CONVERSION RATES VERY LOW**
 - **VETERINARIANS MUST AUTHORIZE GENERIC SUBSTITUTION**
 - **IN HUMAN PHARMA CAN BE AUTOMATIC WITH PBM'S AND HEALTH PLANS**
- **PETMED EXPRESS AGGRESSIVE PROMOTER HAS ONLY 30% GENERIC CONVERSION RATES**

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- **ZOETIS' RIMADYL FOR CANINE PAIN MANAGEMENT ILLUSTRATES THE LIMITED GENERIC COMPETITION**
 - LAUNCHED IN 1996
 - COMPETITORS LAUNCHED 2002-2005
 - GENERIC EQUIVALENTS IN 2005 AS LOST PATENT EXCLUSIVITY
 - SALES HAVE RISEN 20% SINCE LOST PATENT PROTECTION

Table 7: US sales of small animal NSAIDs (in millions)

Launch	Molecule	Brand name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1996	Carprofen	Rimadyl	\$76	\$80	\$85	\$85	\$75	\$89	\$90	\$90	\$83	\$85	\$90
2002	Deracoxib	Deramaxx		\$5	\$30	\$40	\$45	\$45	\$42	\$43	\$46	\$44	\$43
2003	Meloxicam	Metacam			\$4	\$18	\$25	\$29	\$28	\$30	\$37	\$40	\$36
2005	Firocoxib	Previcox					\$10	\$14	\$22	\$25	\$20	\$25	\$26
2005	Generic	Various generic carprofen					\$2	\$3	\$5	\$10	\$11	\$15	\$20
	Other	Various	\$18	\$15	\$21	\$18	\$12	\$10	\$9	\$9	\$7	\$4	\$5
	Total NSAIDs		\$94	\$100	\$140	\$161	\$169	\$190	\$196	\$207	\$204	\$213	\$220

Source: Aratana Therapeutics, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

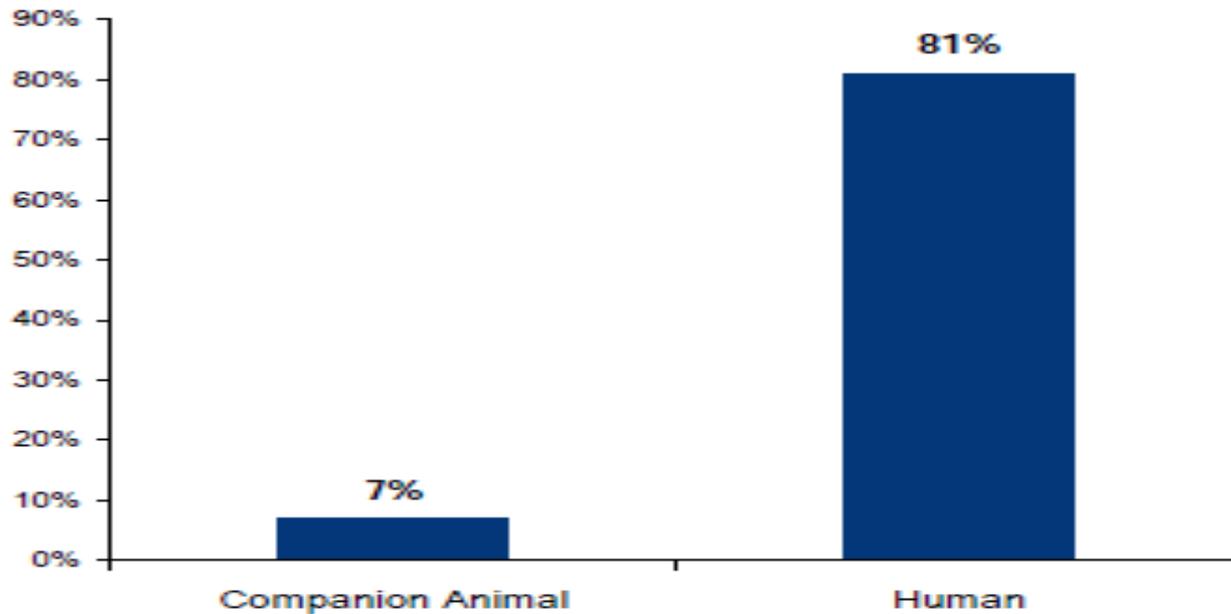
Table 6: Multiple drug dosage formulations

- Oral solutions & suspensions
- Tablets/ chewables
- Parenteral solutions (single-dose, multi-dose)
- Spot-on / Pour-on (topical or systemic action)
- Intramammary preparations (gels, oily suspensions)
- Topical formulations (lotions, powders, sprays, drenches)
- Special delivery devices (ear tags, collars)
- Feed / drinking water additives
- Injections (IV/IM/SC)
- Bolus (intra-ruminal sustained release tablet)

Source: Company reports, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

**Chart 21: Human vs. companion animal*
generic dispensing rates**

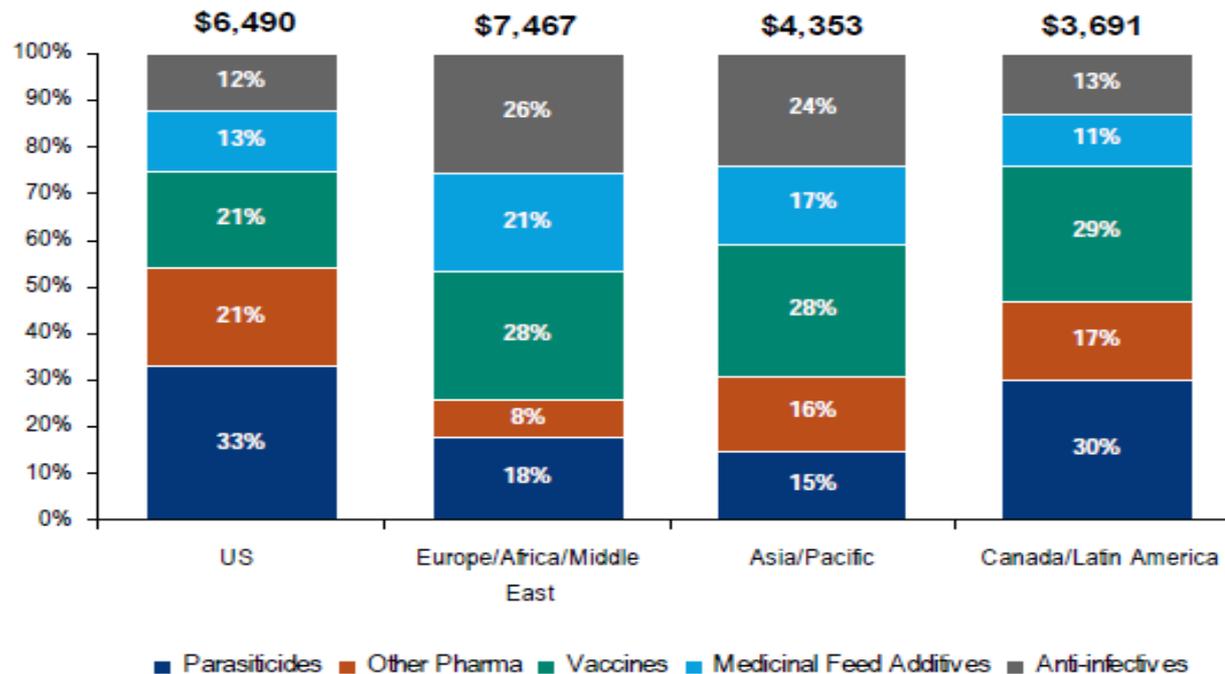


*Companion animal dispensing rate within the veterinary clinic.

Source: IMS HEALTH, Putney, BofA Merrill Lynch Global Research

ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

Chart 19: Animal health industry revenues by therapeutic area and region, 2011 (\$ millions*)



*Based on sales of medications and vaccines

Source: Company reports, BofA Merrill Lynch Global Research.

ANIMAL HEALTH INDUSTRY

**SELECT KEY DRIVERS CONTINUE TO
PROVIDE A PLATFORM FOR GROWTH**



**Population
Growth**



**A Growing
Middle Class**

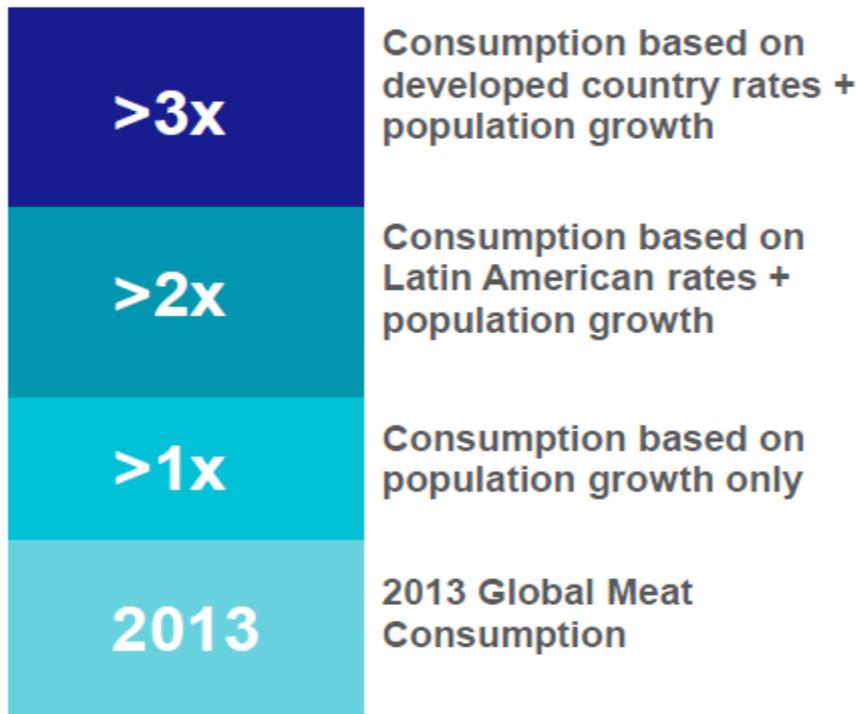


Urbanization

ANIMAL HEALTH INDUSTRY

THESE DRIVERS ARE ALREADY CREATING
ADDITIONAL CONSUMPTION OF MEAT ...

2050 PROJECTED GLOBAL MEAT CONSUMPTION



ANIMAL HEALTH INDUSTRY

... AND ALSO OF DAIRY



2050 PROJECTED GLOBAL MILK CONSUMPTION

Consumption based on developed country rates + population growth

>4x

Consumption based on Latin American rates + population growth

>2x

Consumption based on population growth only

>1x

2013 Global Milk Consumption

2013

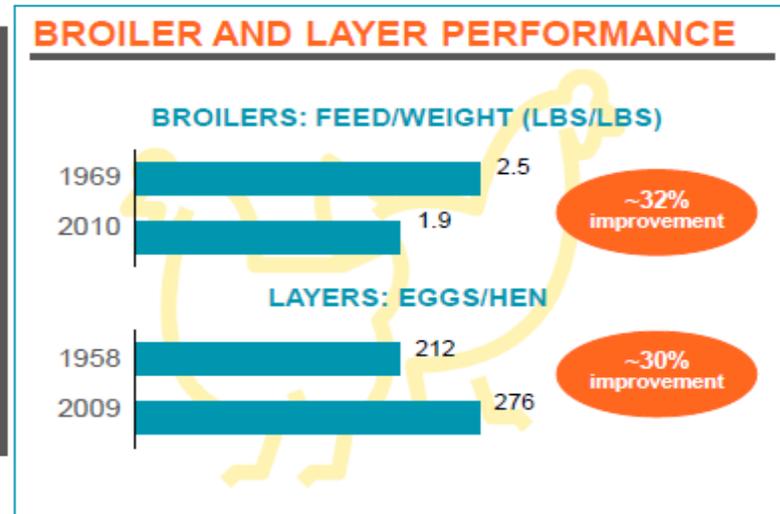
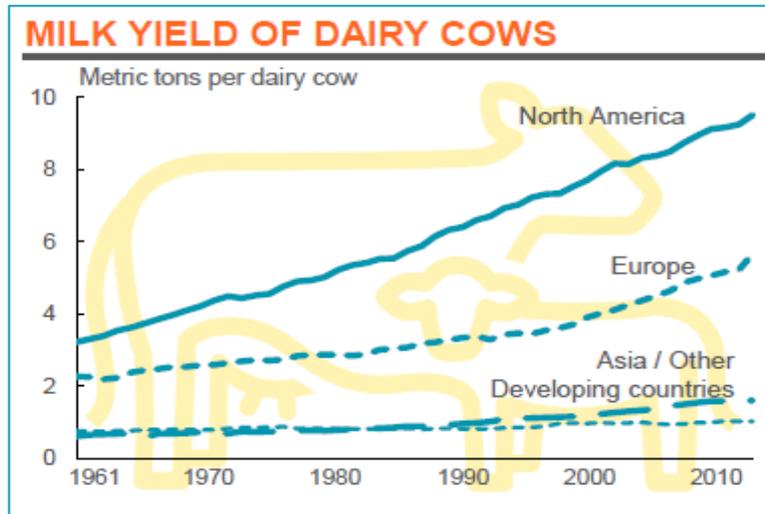
ANIMAL HEALTH INDUSTRY

DECLINING NATURAL RESOURCES AND THE CHANGING WEATHER ALSO PLAY A ROLE

- 25-35% of arable land already degraded
 - Water shortages
 - Global climate change
 - Increasing competition for cultivated land
 - Urbanization and industrial pressure
 - Growth in use of crops for energy
- **Positive long term pressure on prices**
 - **Sustained rewards for companies that can help food systems address the productivity imperative**

ANIMAL HEALTH INDUSTRY

PRODUCTIVITY IMPROVEMENTS INCREASE A CUSTOMER'S WILLINGNESS TO PAY

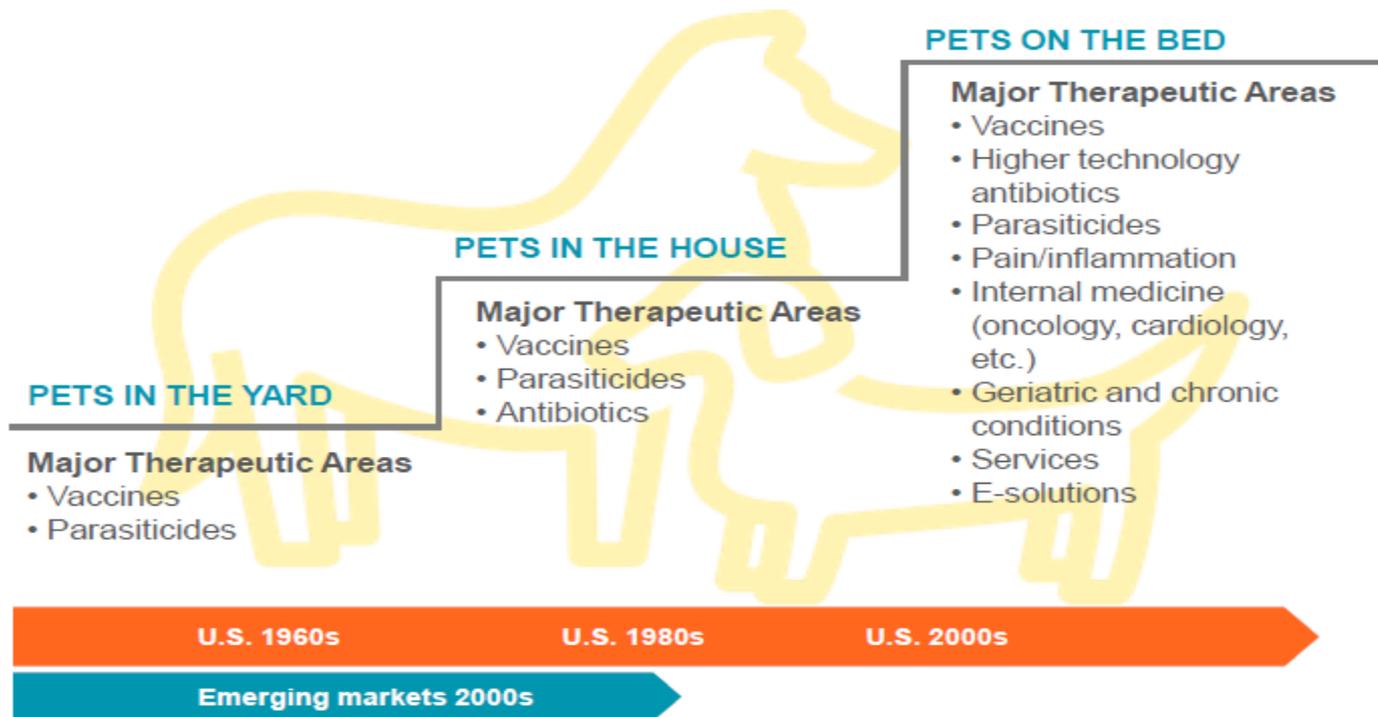


ANIMAL HEALTH TECHNOLOGY

- Vaccines and medicines
- Feed additives
- Improved production practices
- Advanced techniques and devices

ANIMAL HEALTH INDUSTRY

AND OUR PETS ARE BECOMING MORE INTEGRATED INTO OUR HOUSEHOLDS

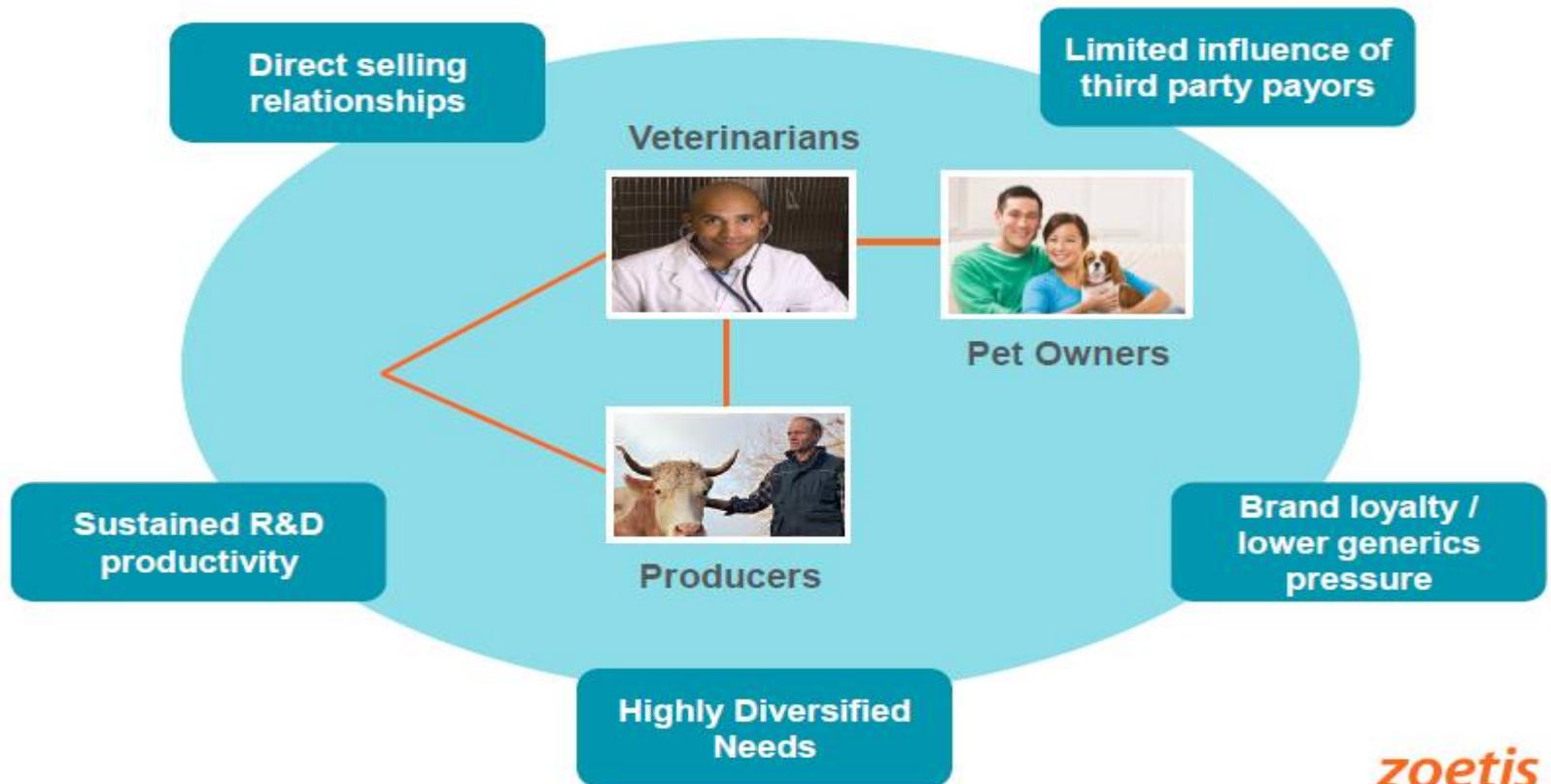


Source: American Pet Products Manufacturers Association National Pet Owners Survey, 2009-10 and 2011-12



ANIMAL HEALTH INDUSTRY

THE ANIMAL HEALTH INDUSTRY IS VERY DIFFERENT FROM HUMAN HEALTH



ANIMAL HEALTH INDUSTRY COMPANION ANIMALS

- **RISING GLOBAL DEMAND FOR PROTEIN**
- **ADVANCES IN ANIMAL CARE**
- **INCREASING MEDICALIZATION OF PETS**
 - **BROAD ARRAY OF PHARMACEUTICALS**
- **GROWING ARRAY OF MEDICAL SERVICES FOR BOTH LIVESTOCK AND COMPANION ANIMALS**
 - **DIAGNOSTICS**
 - **MEDICAL DEVICES**
 - **GENETICS**

ANIMAL HEALTH INDUSTRY

ANIMAL HEALTH IS A LARGE, GROWING INDUSTRY, WITH STRONG FUNDAMENTALS

**DIVERSE
ACROSS
MULTIPLE
DIMENSIONS**

**GLOBAL
GROWTH
DRIVERS**

**DIFFERENT
FROM
HUMAN
HEALTH**

**ATTRACTIVE
FINANCIAL
PROFILE**

ANIMAL HEALTH INDUSTRY

SELECT KEY DRIVERS PROVIDE OPPORTUNITIES FOR CONTINUED GROWTH



LIVESTOCK



COMPANION ANIMAL

GLOBAL POPULATION GROWTH

**ECONOMIC DEVELOPMENT,
PARTICULARLY IN EMERGING MARKETS**

**INCREASED DEMAND
FOR ANIMAL PROTEIN**

**PRODUCTIVITY
IMPROVEMENTS**

**INCREASED OWNERSHIP
AND MEDICALIZATION**

**UNMET
MEDICAL NEEDS**

ZOETIS COMPETITIVE STRENGTHS

OUR COMPANY CHARACTERISTICS DEFINE WHO WE ARE AS AN ORGANIZATION

- **World leader** in discovery, development, and manufacture of veterinary vaccines and medicines
- **Broad diverse portfolio** of more than 300 leading medicines, vaccines, and services
- **Unparalleled global reach** with sales in 120 countries
- **9,800+ employees worldwide**

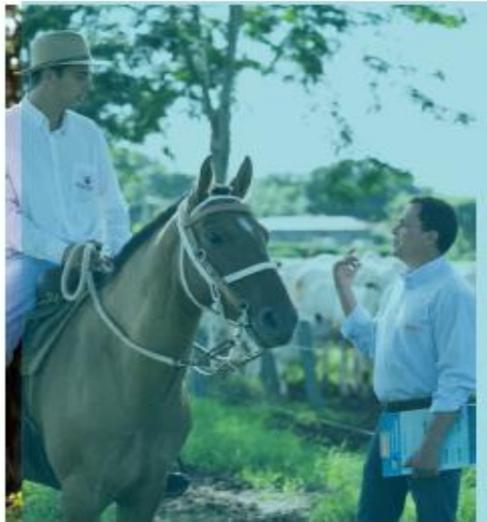


zoetis

* percentage of 2013 revenues

**ZOETIS
COMPETITIVE STRENGTHS**

**AND OUR CAPABILITIES AND PORTFOLIO
DEFINE OUR COMPETITIVE ADVANTAGE**



Direct Selling Model



World Class R&D



**High Quality
Manufacturing**

BROAD PRODUCT PORTFOLIO

ZOETIS COMPETITIVE STRENGTHS

THESE COLLECTIVE STRENGTHS SOLIDIFY
OUR POSITION AS #1 IN OUR INDUSTRY

MARKET POSITION BY GEOGRAPHY		MARKET POSITION BY PRODUCT CATEGORY		MARKET POSITION BY SPECIES	
North America	#1	Medicinal Feed Additives (MFA)	#2	Poultry	#2
Latin America	#1	Vaccines (biologicals)	#2	Cattle	#1
Western Europe	#2	Anti-Infectives	#1	Swine	#2
Eastern Europe	#1	Parasiticides	#3	Companion Animal	#2
Asia	#1	Other pharma*	#1		
Rest of world	#1				

#1 WORLDWIDE

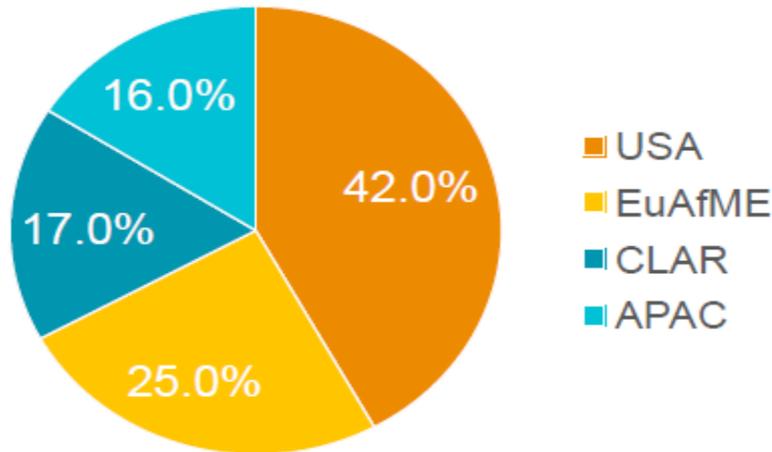
zoetis

* Includes pain, sedation, internal medicine, etc.
Source: Vetnosis Executive Guide 2013

ZOETIS COMPETITIVE STRENGTHS

**WE BENEFIT FROM OUR DIVERSE
BUSINESS MODEL, GEOGRAPHICALLY**

2013 Revenue
\$4,561 MM

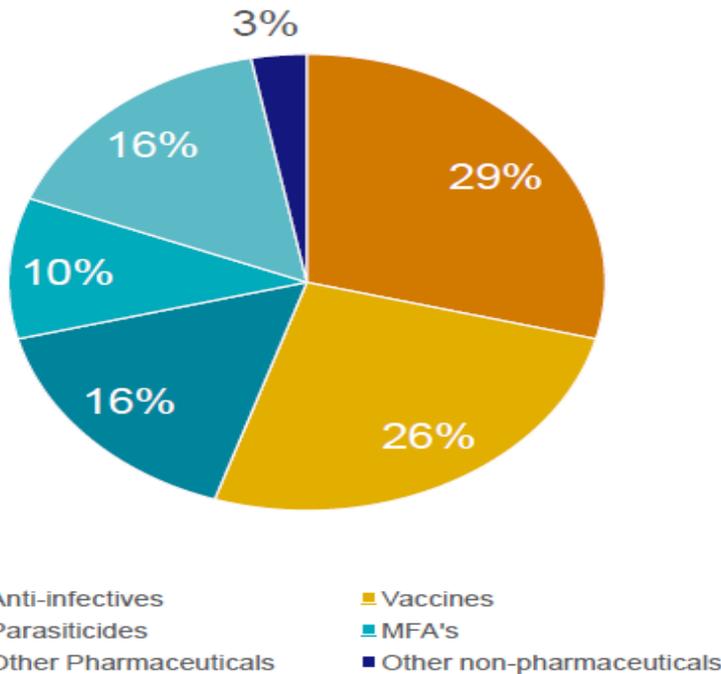


COUNTRY	2013 REVENUE
USA	\$1,903 MM
Brazil	\$310 MM
Canada	\$184 MM
Australia	\$175 MM
United Kingdom	\$153 MM
France	\$150 MM
Germany	\$142 MM
Japan	\$126 MM
Italy	\$100 MM
Spain	\$89 MM
China	\$88 MM

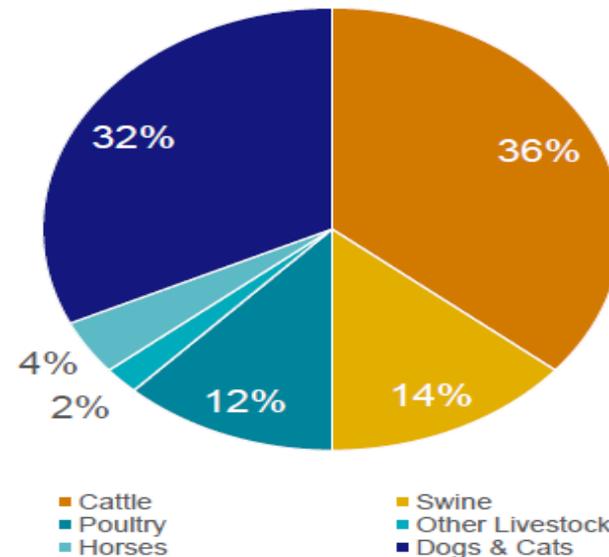
**ZOETIS
COMPETITIVE STRENGTHS**

... AND WE SEE THIS BENEFIT FROM OUR DIVERSITY REPRESENTED IN OTHER WAYS

Therapeutic Area
\$4,561 MM



Species
\$4,561 MM



ZOETIS COMPETITIVE STRENGTHS

THE ZOETIS LIVESTOCK PORTFOLIO CONTAINS A NUMBER OF KEY BRANDS

PRODUCTS	PRIMARY SPECIES	THERAPEUTIC AREA
Ceftiofur injectable line	  	Anti-infectives
 Draxxin <small>Enrofloxacin</small>	 	Anti-infectives
 SPECTRAMASE <small>penicillin G potassium</small>	 	Anti-infectives
Terramycin	   	Anti-infectives
Bovi-Shield GOLD		Vaccines
 Improvac  Improvest		Vaccines
RespiSure 1 ONE		Vaccines
Rispoval® line 		Vaccines
 SUVAXYN PCV  Fostera PCV		Vaccines
 CYDECTIN 1 <small>LONG ACTING INJECTION FOR SHEEP</small>	 	Parasiticides
DECTOMAX	 	Parasiticides
Aureomycin	   	Medicated Feed Additive
BMD	  	Medicated Feed Additive
Lasalocid line	 	Medicated Feed Additive
Lincomycin line  LINCO SPECTIN Lincomix	 	Medicated Feed Additive
Lutalyse	 	Other



**ZOETIS
COMPETITIVE STRENGTHS**

**OUR COMPANION ANIMAL PORTFOLIO IS
EQUALLY STRONG**

PRODUCTS	PRIMARY SPECIES	THERAPEUTIC AREA
 <p>CLAVAMOX[®] <small>(amoxicillin/cloxacilic acid)</small> Synulox[®]</p>		Anti-infectives
 <p>convenia</p>		Anti-infectives
 <p>VANGUARD[®] 4-way Lepto</p>		Vaccines
 <p>VANGUARD[®] High Titer</p>		Vaccines
 <p>revolution[®] <small>(selamectin)</small> stronghold</p>		Parasiticides
 <p>ProHeart[®] 6 <small>(moxidectin)</small></p>		Parasiticides
 <p>Cerenia <small>maropitant</small></p>		Other
 <p>RIMADYL[®]</p>		Other

ZOETIS RESEARCH & DEVELOPMENT

- **BEST R&D IN THE INDUSTRY**
 - **HEADQUARTERED IN KALAMAZOO, MI**
 - **REGIONAL OPERATIONS**
 - **AUSTRALIA, BELGIUM, BRAZIL, CHINA, INDIA, SPAIN**
 - **1,100 EMPLOYEES**
 - **100 RESEARCH VETERINARIANS**
 - **175 PHD SCIENTISTS**
- **MOST PROLIFIC INDUSTRY PIPELINE**
 - **REPRESENTS 25% OF ALL FDA ANIMAL HEALTH MEDICINE APPROVALS SINCE 2004**
 - **REPRESENTS 20% OF ALL USDA ANIMAL HEALTH VACCINE APPROVALS SINCE 2004**

ZOETIS RESEARCH & DEVELOPMENT

- **2013 DEVELOPMENTS**
 - **NEARLY 180 APPROVALS FOR VARIOUS NEW PRODUCTS, LINE EXTENSIONS AND EXPANSIONS OF PRODUCTS INTO NEW GEOGRAPHIES**
 - **APPROVAL OF APOQUEL**
 - **NEW PRODUCT FOR CONTROL AND TREATMENT OF PRURITUS-ITCHING IN DOGS WITH ALLERGIC SKIN CONDITIONS IN US, EUROPEAN UNION AND NEW ZEALAND**
 - **POTENTIAL 2014 REVENUE OF \$45 MILLION AND LONG TERM POTENTIAL OVER \$100 MILLION**

ZOETIS RESEARCH & DEVELOPMENT

- **R&D OPERATIONS SEPARATE FROM PFIZER SINCE 2003**
 - **CONTINUE TO HAVE ACCESS TO PFIZER COMPOUND LIBRARY FOR 7 YEARS**
 - **GREATER R&D FLEXIBILITY IN NEW THERAPEUTIC AREAS**
 - **ONCOLOGY, DEVICES, DIAGNOSTICS**
 - **NEW PARTNERSHIPS**
 - **NEW LICENSING OPPORTUNITIES**
- **LAUNCH OF EQUIVAC AN EQUINE VACCINE**
 - **2 YEAR DEVELOPMENT EFFORT IN AUSTRALIA**
 - **OPERATIONAL AND REGULATORY CAPABILITIES IN AUSTRALIA**

ZOETIS RESEARCH & DEVELOPMENT

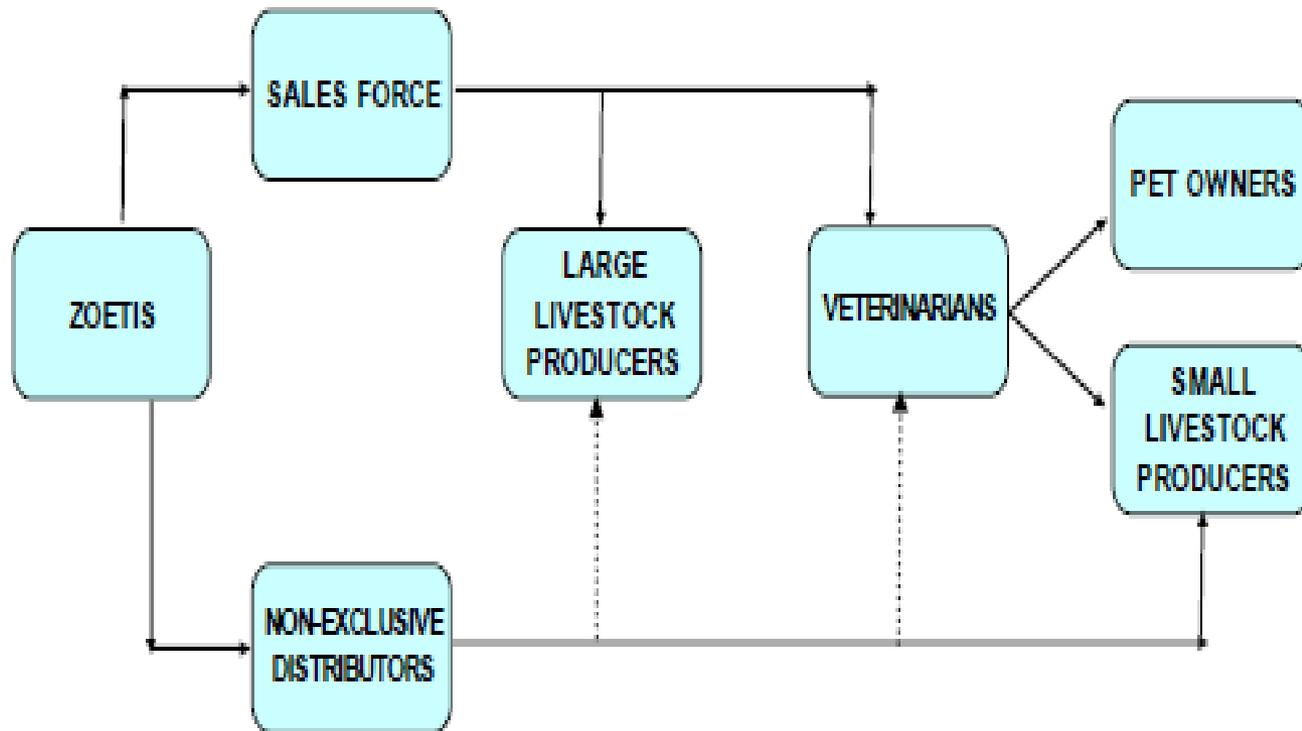
- **1/2 OF R&D EXPENDITURES SPENT ON EXISTING PORTFOLIO OF PRODUCTS**
 - **REINVESTING IN BROAD AND DEEP PRODUCT PORTFOLIO**
 - **LIVESTOCK**
 - **COMPANION ANIMALS**
 - **EXPAND GEOGRAPHICALLY**
 - **IN LINE REINVESTMENT**
 - **NEW FORMULATIONS**
 - **NEW INDICATIONS (2 VACCINES INTO 1)**
 - **NEW SPECIES**
- **1/2 OF R&D EXPENDITURES ON NEW AND NOVEL PRODUCTS**
 - **NEW CLASSES OF DRUGS AND VACCINES**
 - **LARGE OPPORTUNITY IN UNMET NEEDS**

ZOETIS SALES AND MARKETING

- **LARGEST INDUSTRY SALES FORCE**
 - **3,500 EMPLOYEES**
 - **TECHNICAL AND VETERINARY SPECIALISTS**
 - **70 COUNTRIES**
 - **DIRECT SALES FORCE**
 - **MARKET >300 PRODUCTS WITH MODELING TOOLS**
 - **LIVESTOCK PRODUCERS**
 - **VETERINARIANS**
 - **USE DISTRIBUTORS IN SMALLER COUNTRIES**
 - **50 COUNTRIES**
 - **LARGEST DISTRIBUTOR 7% OF 2011 REVENUE**

ZOETIS SALES AND MARKETING

Chart 51: Zoetis demand generation model



Source: Company reports, BofA Merrill Lynch Global Research.

ZOETIS MANUFACTURING SITES

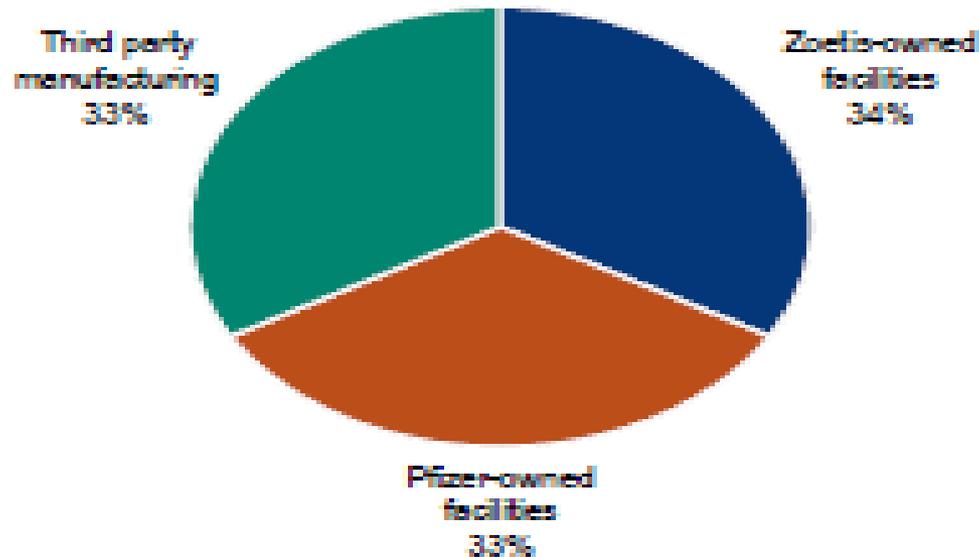
- **GLOBAL MANUFACTURING OPERATIONS**
 - **BEST IN CLASS**
 - **28 MANUFACTURING FACILITIES IN 11 COUNTRIES**
 - **13 ANCHOR SITES**
 - **15 SATELLITE FACILITIES**
- **PFIZER WILL CONTINUE TO MANUFACTURE FOR ZOETIS**
 - **1/3 OF ZOETIS PRODUCTS AT COST FOR 2 YEARS**
 - **AFTER WHICH MAY INCREASE PRICES BY 15%**

ZOETIS MANUFACTURING SITES

- **GLOBAL MANUFACTURING OPERATIONS**
 - **BEST IN CLASS**
 - **28 MANUFACTURING FACILITIES IN 11 COUNTRIES**
 - **13 ANCHOR SITES**
 - **15 SATELLITE FACILITIES**
 - **200 CONTRACT MANUFACTURING ORGANIZATIONS**

ZOETIS MANUFACTURING SITES AT TIME OF PFIZER SPIN-OFF

Chart 32: Current manufacturing facility mix



Source: Company reports, BofA Merrill Lynch Global Research

ZOETIS GLOBAL MANUFACTURING SITES

Anchor Sites		Satellite Sites	
Site	Location	Site	Location
Catania	Italy	Campinas	Brazil
Charles City	Iowa, U.S.	Durham	North Carolina, U.S.
Chicago Heights	Illinois, U.S.	Eagle Grove	Iowa, U.S.
Guarulhos ⁽¹⁾	Brazil	Hsinchu	Taiwan
Haridwar	India	Laurinburg	North Carolina, U.S.
Jilin ⁽²⁾	China	Longmont	Colorado, U.S.
Kalamazoo ⁽³⁾	Michigan, U.S.	Medolla	Italy
Lincoln	Nebraska, U.S.	Salisbury	Maryland, U.S.
Louvain-la-Neuve	Belgium	San Diego	California, U.S.
Melbourne	Australia	Shenzhou	China
Olot	Spain	Van Buren	Arkansas, U.S.
Suzhou	China	Victoria ⁽⁴⁾	British Columbia, Canada
Willow Island	West Virginia, U.S.	Wellington	New Zealand
		White Hall	Illinois, U.S.
		Yantai	China

ZOETIS GLOBAL MANUFACTURING SITES

Table 16: Largest manufacturing sites, 2012

Site	Location	Square footage
Kalamazoo*	Michigan, US	653,000
Charles City	Iowa, US	590,000
Lincoln	Nebraska, US	536,000
Guarulhos**	Brazil	281,000
Willow Island	West Virginia, US	200,000

Notes:

*Prior to the spin-off, the Kalamazoo site was involved in the production of both human and animal health care products. Zoetis currently owns the portions of the Kalamazoo site that were primarily used for animal health. The square footage listed here represents these retained portions of the site.

**Zoetis operates the Guarulhos site via a sale-leaseback arrangement with Pfizer.

Source: Company reports, BofA Merrill Lynch Global Research.

ZOETIS MANUFACTURING SITES

- **PFIZER WILL CONTINUE TO MANUFACTURE FOR ZOETIS**
 - **1/3 OF ZOETIS PRODUCTS AT COST FOR 2 YEARS**
 - **AFTER WHICH MAY INCREASE PRICES BY 15%**
- **BEST QUALITY STANDARDS IN THE INDUSTRY**
 - **OVER 170 INSPECTIONS OVER THE PAST 5 YEARS**
 - **NO CRITICAL OR LEVEL ONE VIOLATIONS**
- **GLOBAL REGULATORY EXCELLENCE**
 - **EXPERIENCE IN 120 COUNTRIES**
 - **UNIQUE KNOWLEDGE AND EXPERTISE**

ZOETIS REGULATORY EXPERTISE

- **LEADING REGULATORY TEAMS ON A GLOBAL SCALE**
 - **MEDICINES-US FDA (CENTER FOR VETERINARY MEDICINE-CVM)**
 - **VACCINES-USDA (CENTER FOR VETERINARY BIOLOGICALS)**
 - **EUROPEAN UNION-EUROPEAN MEDICINES AGENCY (EMA)**
 - **BRAZIL-MINISTRY OF AGRICULTURE, LIVESTOCK PRODUCTION AND SUPPLY (MAPA)**
 - **AUSTRALIAN PESTICIDES AND VETERINARY MEDICINES AUTHORITY (APVMA)**
 - **MANY OTHER COUNTRIES RELY UPON THE US FDA, USDA, EU AND OTHER REGULATORY ENTITIES**

ZOETIS MANUFACTURING SITES

- **SIGNIFICANT AREA OF OPPORTUNITY FOR ZOETIS**
 - **RATIONALIZE OPERATIONS**
 - **FEWER FACILITIES**
 - **REDUCE EXPENSES**
 - **ENHANCE PRODUCTIVITY**
- **KEY FOCUSES**
 - **TRANSFERRING PFIZER PRODUCTION TO THEIR OWN FACILITIES**
 - **SHRINK THE NUMBER OF FACILITIES**
 - **REDUCING OVERAL CAPITAL EXPENDITURES**

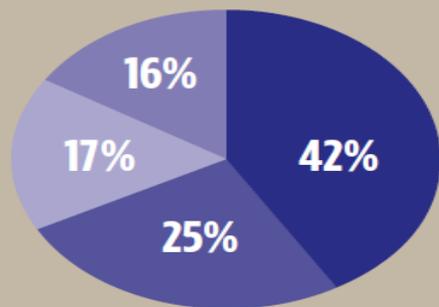
LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS REVENUES

\$ Millions (Except Per Share Data)

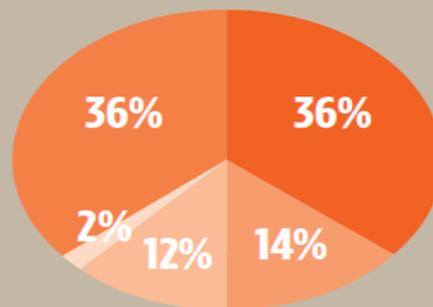
	2013	2012
Revenue	\$ 4,561	\$ 4,336
Net Income Attributable to Zoetis	\$ 504	\$ 436
Diluted Earnings per Share	\$ 1.01	\$ 0.87
Net Cash Provided by Operating Activities	\$ 681	\$ 454
R&D Expenses	\$ 399	\$ 409
Total Assets	\$ 6,558	\$ 6,262

REVENUE BY SEGMENT



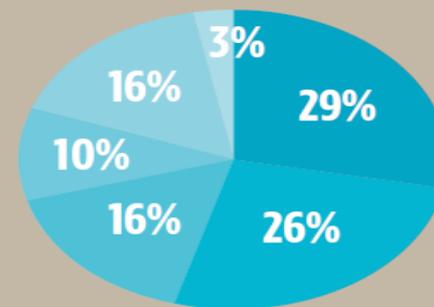
- United States 42%
- Europe, Africa and Middle East 25%
- Canada and Latin America 17%
- Asia Pacific 16%

REVENUE BY SPECIES



- Cattle 36%
- Swine 14%
- Poultry 12%
- Other 2%
- Companion animal 36%

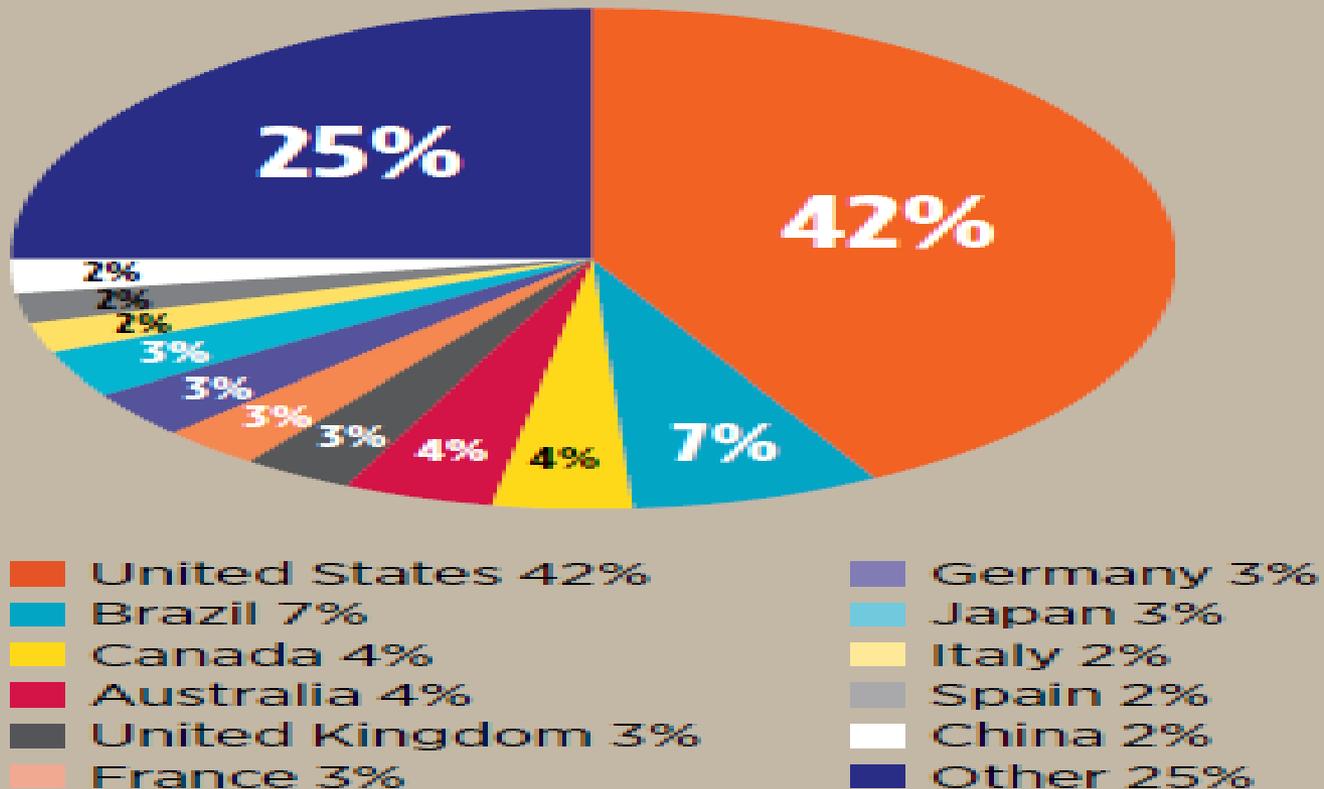
REVENUE BY MAJOR PRODUCT CATEGORY



- Anti-infectives 29%
- Vaccines 26%
- Parasiticides 16%
- Medicated feed additives 10%
- Other pharmaceuticals 16%
- Other non-pharmaceuticals 3%

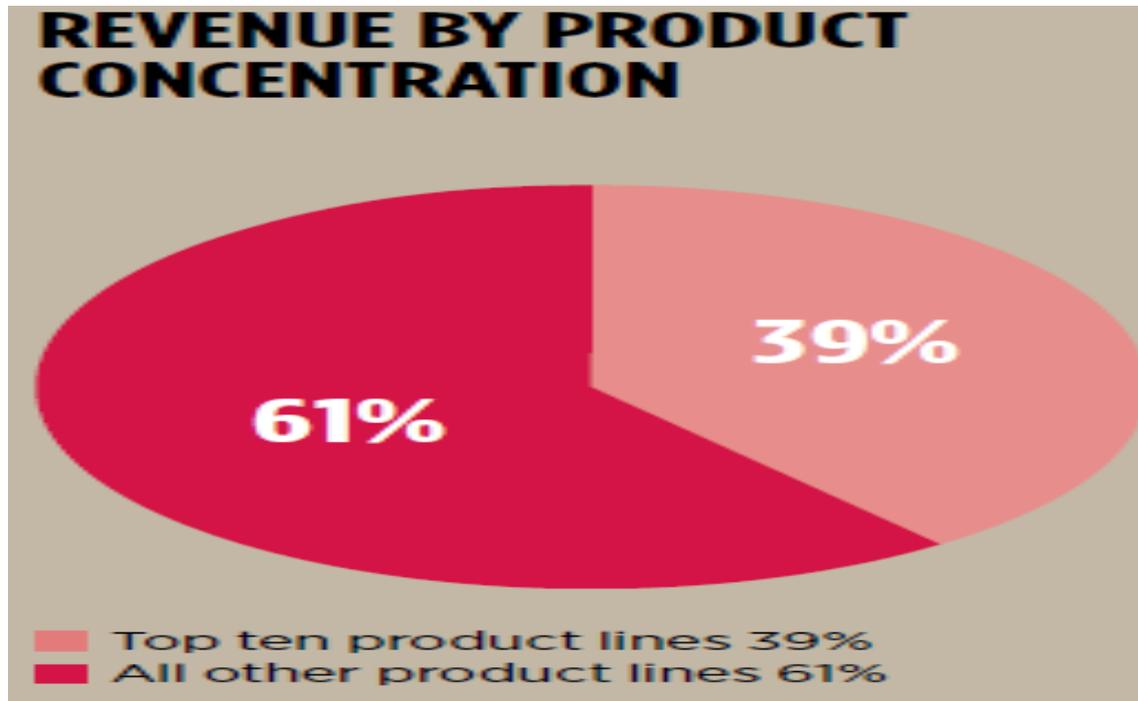
ZOETIS REVENUES

REVENUE BY TOP MARKETS



ZOETIS PRODUCT REVENUES

- **TOP SELLING CEFTIOFUR PRODUCT LINE REPRESENTED 7% OF 2013 REVENUES**
- **TOP 3 PRODUCTS REPRESENT 20% OF REVENUE**
 - CEFTIOFUR LINE
 - REVOLUTION
 - DRAXXIN



ZOETIS PRODUCT REVENUES

Livestock products

Product line/ product	Description	Primary species
<i>Anti-infectives</i>		
Ceftiofur injectable line	Broad-spectrum cephalosporin antibiotic active against gram-positive and gram-negative bacteria, including β -lactamase-producing strains, with some formulations producing a single course of therapy in one injection	Cattle, sheep, swine
Draxxin	Single-dose low-volume antibiotic for the treatment and prevention of bovine and swine respiratory disease, infectious bovine keratoconjunctivitis and bovine foot rot	Cattle, swine
Spectramast	Aids in preventing and treating mastitis, delivered via intramammary administration; same active ingredient as the ceftiofur line	Cattle
Terramycin	Antibiotic for the treatment of susceptible infections	Cattle, poultry, sheep, swine
<i>Vaccines</i>		
Bovishield [®] line	Aids in preventing diseases, including infectious bovine rhinotracheitis (IBR), bovine viral diarrhea (BVD) Types 1 and 2, parainfluenza ₃ (PI ₃), bovine respiratory syncytial virus (BRSV), <i>Leptospira borgpetersenii</i> , <i>L. pomona</i> , <i>L. grippotyphosa</i> , <i>L. canicola</i> and <i>L. icterohaemorrhagiae</i> , depending on formulation	Cattle
Improvac / Improvest / Vivax	Reduces boar taint, as an alternative to surgical castration	Swine
RespiSure [®] line	Aids in preventing chronic pneumonia caused by <i>Mycoplasma hyopneumoniae</i>	Swine
Rispoval [®] line	Aids in preventing three key viruses involved in cattle pneumonia-BRSV, PI ₃ and BVD-as well as other respiratory diseases, depending on formulation	Cattle
Suvaxyn [®] PCV / Foster [™] PCV	Aids in preventing porcine circovirus	Swine

ZOETIS PRODUCT REVENUES

Parasiticides

Cydectin	Injectable or pour-on endectocide to treat and control internal and external cattle parasites, including gastrointestinal roundworms, lungworms, cattle grubs, mites and lice	Cattle, sheep
Dectomax	Injectable or pour-on endectocide, characterized by extended duration of activity, for the treatment and control of internal and external parasite infections	Cattle, swine

Medicated Feed Additives

Aureomycin	Provides livestock producers control, treatment and convenience against a wide range of respiratory, enteric and reproductive diseases	Cattle, poultry, sheep, swine
BMD	Aids in preventing and controlling enteritis; and increases rate of weight gain and improves feed efficiency in poultry and swine	Poultry, swine
Lasalocid line	Controls coccidiosis in poultry (Avatec) and cattle (Bovatec) and for increased rate of weight gain and improved feed efficiency in cattle	Poultry, cattle
Lincomycin line	Controls necrotic enteritis, increases rate of weight gain and improves feed efficiency in broiler chickens; treatment of dysentery (bloody scours), control of ileitis, treatment/reduction in severity of mycoplasmal pneumonia, increases weight gain in swine	Swine, poultry

Other

Embrex [®] devices	Devices for enhancing hatchery operations efficiency through <i>in ovo</i> detection and vaccination	Poultry
Lutalyse	For estrus control or in the induction of parturition or abortion	Cattle, swine
Orbeseal / Teatseal	Non-antibiotic intramammary infusion that prevents new intramammary infections in dairy cattle	Cattle

ZOETIS PRODUCT REVENUES

Companion animal products

Product line/ product	Description	Primary species
<u>Anti-infectives</u>		
Clavamox / Synulox	A broad-spectrum antibiotic and the first and only potentiated penicillin approved for use in dogs and cats	Cats, dogs
Convenia	Anti-infective for the treatment of common bacterial skin infections that provides a course of treatment in a single injection	Cats, dogs
<u>Vaccines</u>		
Vanguard® L4 (4-way Lepto)	Compatible with the Vanguard line and helps protect against leptospirosis caused by <i>Leptospira canicola</i> , <i>L. grippityphosa</i> , <i>L. icterohaemorrhagiae</i> and <i>L. pomona</i>	Dogs
Vanguard line	Aids in preventing canine distemper caused by canine distemper virus, infectious canine hepatitis caused by canine adenovirus type 1, respiratory disease caused by canine adenovirus type 2, canine parainfluenza caused by canine parainfluenza virus and canine parvoviral enteritis caused by canine parvovirus	Dogs
<u>Parasiticides</u>		
Revolution / Stronghold	An antiparasitic for protection against fleas, heartworm and ear mites in cats and dogs; canine sarcoptic mites and American ticks for dogs and roundworms and hookworms for cats	Cats, dogs
ProHeart	Aids in preventing heartworm infestation	Dogs
<u>Other</u>		
Cerenia	An oral or injectable medication that prevents vomiting due to motion sickness 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

ANIMAL HEALTH INDUSTRY ZOETIS 2013 REVENUES

Our 2013 reported revenue for the U.S. and top ten non-U.S. markets, based on total revenue, is as follows:

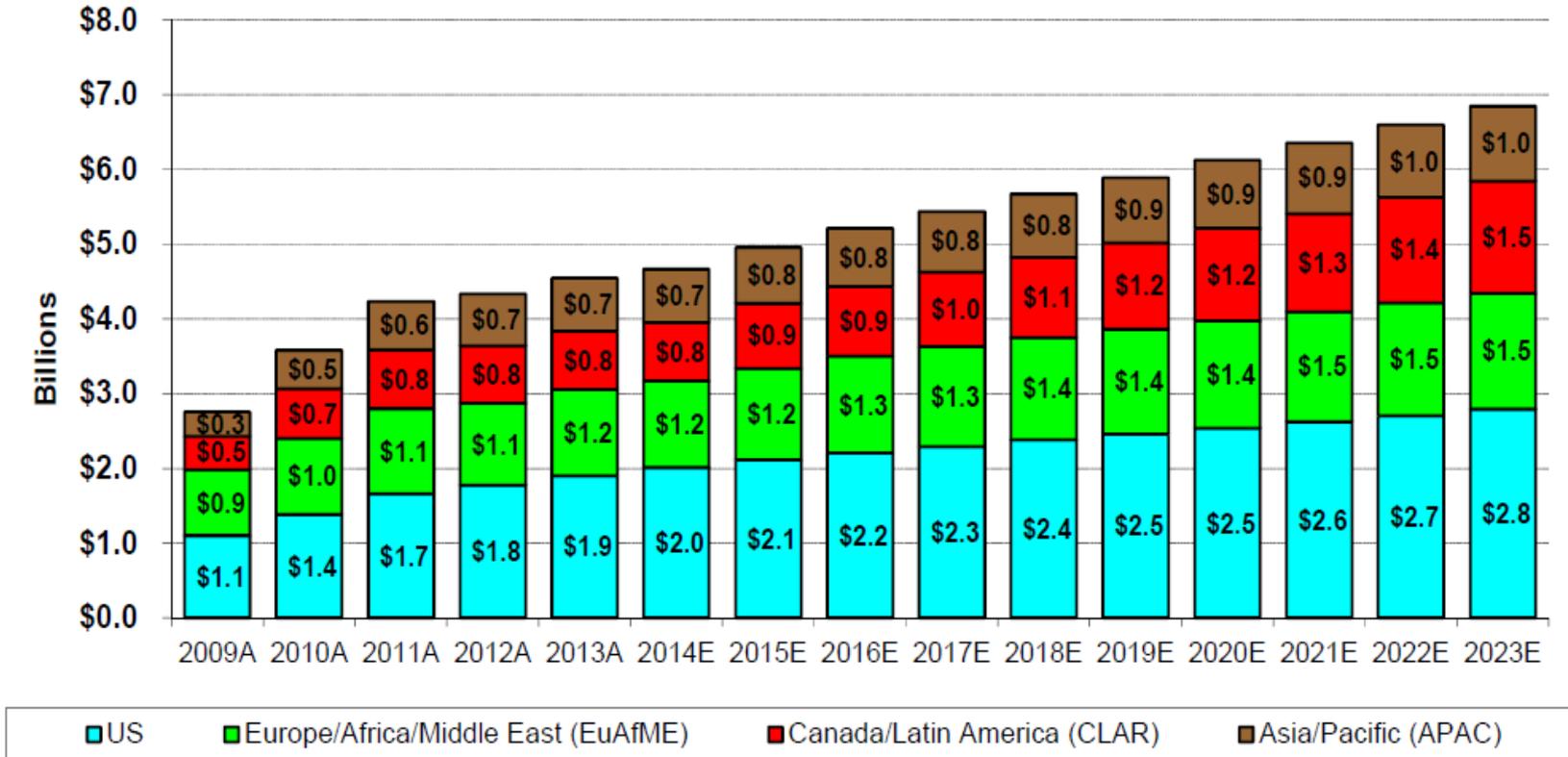


	US	Brazil	Canada	Australia	UK	France	Germany	Japan	Italy	Spain	China
Livestock	55%	85%	61%	60%	57%	65%	60%	51%	62%	75%	87%
Companion Animal	45%	15%	39%	40%	43%	35%	40%	49%	38%	25%	13%

% of 2013 reported revenue

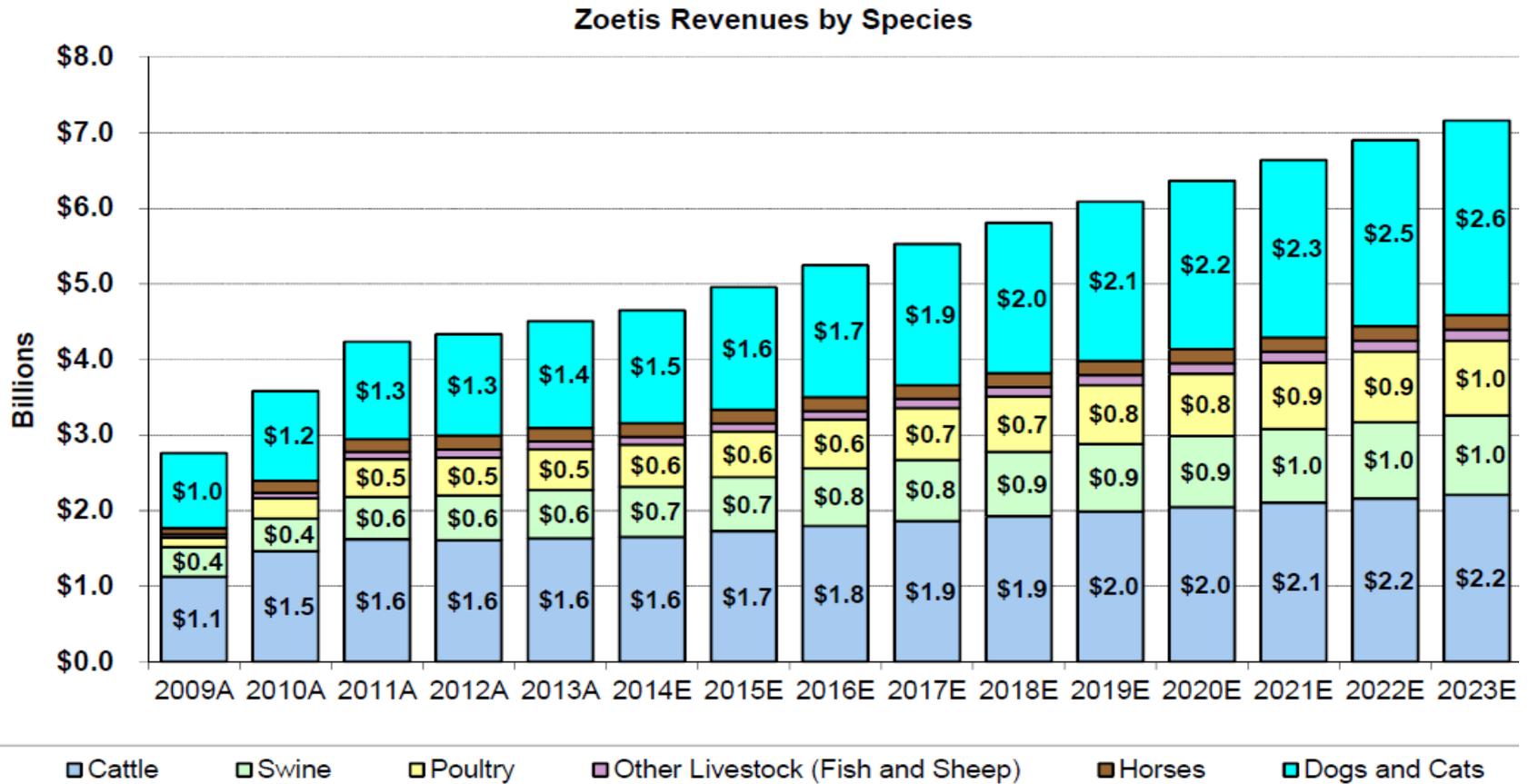
ZOETIS REVENUES

Zoetis Revenues by Geographic Operating Segment



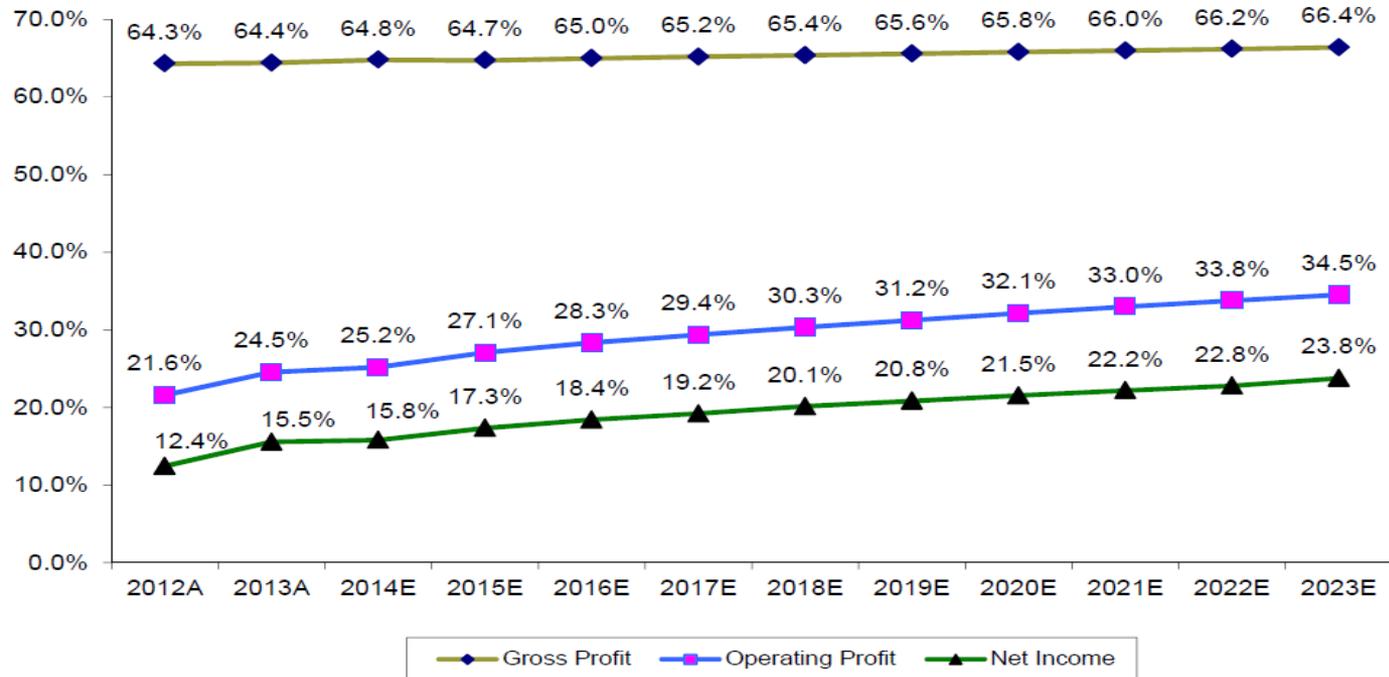
Source: Zoetis, BMO Capital Markets Pharmaceuticals Research

ZOETIS REVENUES



ANIMAL HEALTH INDUSTRY ZOETIS MARGINS

Exhibit 7. We Expect Zoetis's Margins to Improve Gradually Over Time, Driven by Product Mix and Improved Operational Efficiency as SG&A and R&D Should Grow at a Slower Rate Than Revenues



Source: Zoetis, BMO Capital Markets Pharmaceuticals Research

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

(MILLIONS, EXCEPT PER SHARE AMOUNTS)	Year Ended December 31, ^(a)				
	2013	2012	2011	2010	2009
Statement of income data:					
Revenue	\$ 4,561	\$ 4,336	\$ 4,233	\$ 3,582	\$ 2,760
Net income/(loss) attributable to Zoetis	504	436	245	110	(100)
Balance sheet data:					
Total assets	\$ 6,558	\$ 6,262	\$ 5,711	\$ 5,284	\$ 5,598
Long-term obligations ^(b)	3,642	509	575	673	728
Other data:					
Adjusted net income ^(c)	\$ 709	\$ 539	\$ 503	\$ 275	\$ 189
Earnings per share attributable to Zoetis Inc. stockholders^(d):					
Basic	\$ 1.01	\$ 0.87	\$ 0.49	\$ 0.22	\$ (0.20)
Diluted	\$ 1.01	\$ 0.87	\$ 0.49	\$ 0.22	\$ (0.20)
Weighted average shares outstanding (in thousands):					
Basic	500,002	500,000	500,000	500,000	500,000
Diluted	500,317	500,000	500,000	500,000	500,000

Certain amounts may reflect rounding adjustments.

- ^(a) Starting in 2011, includes the King Animal Health (KAH), business acquired as part of Pfizer's acquisition of King Pharmaceuticals, Inc., commencing on the acquisition date of January 31, 2011. Starting in 2009, includes Fort Dodge Animal Health (FDAH) operations, acquired as part of Pfizer's acquisition of Wyeth, commencing on the acquisition date of October 15, 2009. See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparability of historical results and our relationship with Pfizer—Recent significant acquisitions and government-mandated divestitures*.
- ^(b) In 2009 through 2012, primarily includes an allocation of Pfizer debt that was issued to partially finance the acquisition of Wyeth (including FDAH) in 2009. The debt has been allocated on a pro-rata basis using the deemed acquisition cost of FDAH as a percentage of the total acquisition cost of Wyeth.
- ^(c) Adjusted net income (a non-GAAP financial measure) is defined as reported net income attributable to Zoetis excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Management uses adjusted net income, among other factors, to set performance goals and to measure the performance of the overall company, as described in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted net income*. We believe that investors' understanding of our performance is enhanced by disclosing this performance measure. Reconciliations of U.S. GAAP reported net income attributable to Zoetis to non-GAAP adjusted net income for the years ended December 31, 2013, 2012 and 2011 are provided in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted net income*. The adjusted net income measure is not, and should not be viewed as, a substitute for U.S. GAAP reported net income attributable to Zoetis.
- ^(d) The weighted average shares outstanding for both basic and diluted earnings per share for the years ended December 31, 2012, 2011, 2010 and 2009 was calculated using 500 million shares of common stock outstanding, which was the number of Zoetis Inc. shares outstanding at the time of the IPO, which was completed on February 6, 2013.

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

(MILLIONS OF DOLLARS)	Year Ended December 31, ^(a)			% Change	
	2013	2012	2011	13/12	12/11
Revenue	\$ 4,561	\$ 4,336	\$ 4,233	5	2
Costs and expenses:					
Cost of sales ^(b)	1,669	1,563	1,652	7	(5)
<i>% of revenue</i>	37%	36%	39%		
Selling, general and administrative expenses ^(b)	1,613	1,470	1,453	10	1
<i>% of revenue</i>	35%	34%	34%		
Research and development expenses ^(b)	399	409	427	(2)	(4)
<i>% of revenue</i>	9%	9%	10%		
Amortization of intangible assets	60	64	69	(6)	(7)
Restructuring charges and certain acquisition-related costs	26	135	154	(81)	(12)
Interest expense, net of capitalized interest	113	31	36	*	(14)
Other (income)/deductions—net	(9)	(46)	48	*	*
Income before provision for taxes on income	690	710	394	(3)	80
<i>% of revenue</i>	15%	16%	9%		
Provision for taxes on income	187	274	146	(32)	88
<i>Effective tax rate</i>	27.1%	38.6%	37.1%		
Net income before allocation to noncontrolling interests	503	436	248	15	76
Less: Net income attributable to noncontrolling interests	(1)	—	3	*	(100)
Net income attributable to Zoetis	\$ 504	\$ 436	\$ 245	16	78
<i>% of revenue</i>	11%	10%	6%		

ZOETIS FINANCIALS

Total revenue by operating segment was as follows:

(MILLIONS OF DOLLARS)	Year Ended December 31,			% Change	
	2013	2012	2011	13/12	12/11
U.S.	\$ 1,902	\$ 1,776	\$ 1,659	7	7
EuAfME	1,168	1,096	1,144	7	(4)
CLAR	778	769	788	1	(2)
APAC	713	695	642	3	8
Total	\$ 4,561	\$ 4,336	\$ 4,233	5	2

Certain amounts and percentages may reflect rounding adjustments.

ZOETIS FINANCIALS

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

(MILLIONS OF DOLLARS)	Year Ended December 31,			% Change	
	2013	2012	2011	13/12	12/11
Livestock	\$ 2,931	\$ 2,806	\$ 2,778	4	1
Companion animal	1,630	1,530	1,455	7	5
Total	\$ 4,561	\$ 4,336	\$ 4,233	5	2

Certain amounts and percentages may reflect rounding adjustments.

ZOETIS FINANCIALS

Significant species revenue are as follows:

(MILLIONS OF DOLLARS)	Year Ended December 31,		
	2013	2012	2011
Livestock:			
Cattle	\$ 1,631	\$ 1,608	\$ 1,617
Swine	655	590	562
Poultry	541	501	501
Other	104	107	98
	2,931	2,806	2,778
Companion Animal:			
Horses	179	187	168
Dogs and Cats	1,451	1,343	1,287
	1,630	1,530	1,455
Total revenue	\$ 4,561	\$ 4,336	\$ 4,233

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

Significant revenue by major product category are as follows:

(MILLIONS OF DOLLARS)	Year Ended December 31,		
	2013	2012	2011
Anti-infectives	\$ 1,295	\$ 1,268	\$ 1,311
Vaccines	1,201	1,117	1,077
Parasiticides	727	692	645
Medicated feed additives	446	403	347
Other pharmaceuticals	744	712	724
Other non-pharmaceuticals	148	144	129
Total revenue	\$ 4,561	\$ 4,336	\$ 4,233

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

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

(MILLIONS OF DOLLARS)	Year Ended December 31,			% Change					
				13/12			12/11 ^(a)		
	2013	2012	2011	Related to			Related to		
				Total	Foreign Exchange	Operational	Total	Foreign Exchange	Operational
U.S.									
Livestock	\$ 1,034	\$ 966	\$ 904	7	—	7	7	—	7
Companion animal	868	810	755	7	—	7	7	—	7
	1,902	1,776	1,659	7	—	7	7	—	7
EuAfME									
Livestock	777	740	777	5	1	4	(5)	(7)	2
Companion animal	391	356	367	10	2	8	(3)	(7)	4
	1,168	1,096	1,144	7	1	6	(4)	(7)	3
CLAR									
Livestock	605	603	630	—	(6)	6	(4)	(8)	4
Companion animal	173	166	158	4	(5)	9	5	(7)	12
	778	769	788	1	(5)	6	(2)	(7)	5
APAC									
Livestock	515	497	467	4	(4)	8	6	(2)	8
Companion animal	198	198	175	—	(7)	7	13	—	13
	713	695	642	3	(4)	7	8	(1)	9
Total									
Livestock	2,931	2,806	2,778	4	(2)	6	1	(4)	5
Companion animal	1,630	1,530	1,455	7	(1)	8	5	(3)	8
	\$ 4,561	\$ 4,336	\$ 4,233	5	(2)	7	2	(4)	6

Certain amounts and percentages may reflect rounding adjustments.

(a) The total operational growth includes an increase of 1% in 2012 versus 2011 due to the acquisition of KAH, acquired by Pfizer on January 31, 2011.

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

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,			% Change					
				13/12			12/11		
	Total			Related to			Related to		
	2013	2012	2011	Total	Exchange	Operational	Total	Exchange	Operational
U.S.	\$ 1,045	\$ 921	\$ 820	13	—	13	12	—	12
EuAfME	420	375	365	12	1	11	3	(6)	9
CLAR	266	253	275	5	(11)	16	(8)	(14)	6
APAC	271	236	196	15	(3)	18	20	2	18
Total reportable segments	2,002	1,785	1,656	12	(2)	14	8	(3)	11
Other business activities	(320)	(275)	(279)	16			(1)		
Reconciling Items:									
Corporate	(567)	(506)	(504)	12			—		
Purchase accounting adjustments	(48)	(52)	(82)	(8)			(37)		
Acquisition-related costs	(22)	(53)	(122)	(58)			(57)		
Certain significant items	(240)	(96)	(172)	*			(44)		
Other unallocated	(115)	(93)	(103)	24			(10)		
Income before income taxes	\$ 690	\$ 710	\$ 394	(3)			80		

* Calculation not meaningful.

Certain amounts and percentages may reflect rounding adjustments.

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

Our financial guidance for 2014

Our 2014 financial guidance is summarized below:

Selected Line Items

Revenue	\$4,650 to \$4,750 million
Adjusted cost of sales as a percentage of revenue ^(a)	Approximately 35.5%
Adjusted SG&A expenses ^(a)	\$1,430 to \$1,480 million
Adjusted R&D expenses ^(a)	\$390 to \$405 million
Adjusted interest expense and other (income)/deductions ^(a)	Approximately \$105 million
Effective tax rate on adjusted income ^(a)	Approximately 29%
Adjusted diluted EPS ^(a)	\$1.48 to \$1.54
Certain significant items ^(b) and acquisition-related costs	\$165 to \$185 million
Reported diluted EPS	\$1.15 to \$1.21

(a) For an understanding of adjusted net income and its components, see the *Adjusted net income* section of this MD&A.

(b) Includes certain nonrecurring costs related to becoming an independent public company, such as new branding (including changes to the manufacturing process for required new packaging), the creation of standalone systems and infrastructure, site separation and certain legal registration and patent assignment costs.

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

ZOETIS INC. AND SUBSIDIARIES CONSOLIDATED AND COMBINED BALANCE SHEETS

(MILLIONS OF DOLLARS AND SHARES, EXCEPT PER SHARE DATA)	December 31, 2013 ^(a)	December 31, 2012 ^(a)
Assets		
Cash and cash equivalents	\$ 610	\$ 317
Accounts receivable, less allowance for doubtful accounts of \$31 in 2013 and \$49 in 2012	1,138	900
Inventories	1,293	1,345
Current deferred tax assets	97	101
Other current assets	219	201
Total current assets	3,357	2,864
Property, plant and equipment, less accumulated depreciation of \$1,028 in 2013 and \$1,011 in 2012	1,295	1,241
Goodwill	982	985
Identifiable intangible assets, less accumulated amortization	803	868
Noncurrent deferred tax assets	63	216
Other noncurrent assets	58	88
Total assets	\$ 6,558	\$ 6,262
Liabilities and Equity		
Short-term borrowings, including current portion of allocated long-term debt in 2012	\$ 15	\$ 73
Accounts payable	506	319
Accrued compensation and related items	229	194
Income taxes payable	40	30
Dividends payable	36	—
Other current liabilities	589	507
Total current liabilities	1,415	1,123
Long-term debt, net of discount	3,642	—
Allocated long-term debt	—	509
Noncurrent deferred tax liabilities	322	323
Other taxes payable	49	159
Other noncurrent liabilities	168	107
Total liabilities	5,596	2,221
Commitments and contingencies		
Business unit equity	—	4,183
Stockholders' equity:		
Common stock, \$0.01 par value: 5,000 authorized, 500 issued and outstanding	5	—
Additional paid-in capital	878	—
Retained earnings	276	—
Accumulated other comprehensive loss	(219)	(157)
Total Zoetis Inc. equity	940	4,026
Equity attributable to noncontrolling interests	22	15
Total equity	962	4,041
Total liabilities and equity	\$ 6,558	\$ 6,262

^(a) The consolidated balance sheet as of December 31, 2013 has been prepared under a different basis of presentation than the combined balance sheet as of December 31, 2012, which significantly impacts comparability. See Note 3. Basis of Presentation.

LOUNTZIS ASSET MANAGEMENT, LLC

ZOETIS FINANCIALS

Non-GAAP Income Statement, \$MM	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenues	\$4,561	\$4,716	\$5,029	\$5,312	\$5,581	\$5,846	\$6,106	\$6,366	\$6,621	\$6,877	\$7,132
Cost of Sales	1,625	1,660	1,773	1,859	1,942	2,023	2,100	2,177	2,251	2,324	2,396
Gross Profit	2,936	3,056	3,256	3,453	3,639	3,823	4,005	4,189	4,370	4,553	4,736
SG&A	1,426	1,472	1,485	1,522	1,561	1,596	1,633	1,666	1,699	1,733	1,768
R&D	391	392	401	411	421	432	441	450	459	468	477
Operating Profit	1,119	1,192	1,370	1,519	1,657	1,796	1,931	2,073	2,211	2,351	2,491
Amortization of Intangible Assets	14	27	34	34	34	34	34	34	34	34	34
Restructuring Charges & Certain Acquisition-Related Costs	0	0	0	0	0	0	0	0	0	0	0
Other (Income) / Deductions -- Net	105	106	93	88	88	75	74	74	74	74	34
Income From Cont. Operations Before Provision for Taxes	1,000	1,059	1,243	1,397	1,535	1,686	1,823	1,965	2,104	2,243	2,424
(Benefit) / Provision for Taxes on Income	292	303	361	405	445	489	529	570	610	651	703
Effective Tax Rate	29.2%	28.6%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
Net income/(loss) before allocation to non-controlling interests	708	757	883	992	1,090	1,197	1,295	1,395	1,494	1,593	1,721
Gain / (Loss) Attributable to Non- Controlling Interests	(1)	3	4	4	4	4	4	4	4	4	4
Net Income (Loss) Attributable to Zoetis	\$709	\$754	\$879	\$988	\$1,086	\$1,193	\$1,291	\$1,391	\$1,490	\$1,589	\$1,717
Earnings Per Share - Basic	\$1.42	\$1.51	\$1.76	\$1.98	\$2.18	\$2.41	\$2.61	\$2.83	\$3.05	\$3.26	\$3.55
Earnings Per Share - Diluted	\$1.42	\$1.51	\$1.76	\$1.98	\$2.17	\$2.40	\$2.60	\$2.81	\$3.03	\$3.25	\$3.53
Weighted-Average Shares - Basic	500	500	499	499	497	496	494	492	489	487	484
Weighted-Average Shares - Diluted	500	501	500	500	499	498	497	494	492	489	486
Cash Dividend Paid per Share	\$0.26	\$0.29	\$0.35	\$0.41	\$0.48	\$0.55	\$0.60	\$0.60	\$0.63	\$0.67	\$0.67

Sources: Company Reports, BMO Capital Markets Pharmaceuticals Research

ZOETIS FINANCIALS

	2013A	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Growth Rates											
Revenue	5%	3%	7%	6%	5%	5%	4%	4%	4%	4%	4%
Gross Profit	5%	4%	7%	6%	5%	5%	5%	5%	4%	4%	4%
Operating Profit	20%	7%	15%	11%	9%	8%	8%	7%	7%	6%	6%
Net Income	32%	6%	17%	12%	10%	10%	8%	8%	7%	7%	8%
EPS	31%	6%	17%	13%	10%	10%	8%	8%	8%	7%	9%
Dividend per share		11%	20%	20%	15%	15%	10%	0%	5%	5%	0%
Margins											
Gross Profit	64.4%	64.8%	64.7%	65.0%	65.2%	65.4%	65.6%	65.8%	66.0%	66.2%	66.4%
Operating Profit	24.5%	25.3%	27.2%	28.6%	29.7%	30.7%	31.6%	32.6%	33.4%	34.2%	34.9%
Net Income	15.5%	16.0%	17.5%	18.6%	19.5%	20.4%	21.1%	21.8%	22.5%	23.1%	24.1%
Return Analysis											
Payout Ratio	18%	19%	20%	21%	22%	23%	23%	21%	21%	20%	19%

Sources: Company Reports, BMO Capital Markets Pharmaceuticals Research

ZOETIS

- **BEST CORPORATE LEADERSHIP**
 - LONG TENURED CEO
 - OPERATIONAL
- **MOST INNOVATIVE AND ADAPTABLE COMPANY IN THE ANIMAL HEALTHCARE INDUSTRY**
 - HISTORICAL INDUSTRY LEADER
 - PRODUCTS
 - SERVICES
- **RESEARCH AND DEVELOPMENT DRIVEN CULTURE**
 - OPERATIONAL EFFICIENCIES
 - REDUCE COSTS
 - BROADEN EXISTING PRODUCT PORTFOLIO
 - DEVELOP NEW MEDICINES AND VACCINES

ZOETIS

- **MARKET LEADER WITH COMPETITIVE ADVANTAGES**
 - RESEARCH & DEVELOPMENT
 - SALES & MARKETING
 - MANUFACTURING AND DISTRIBUTION
 - REGULATORY
- **INDUSTRY GROWTH DYNAMICS**
 - POPULATION
 - PROTEIN CONSUMPTION
 - RISING GLOBAL MIDDLE CLASS

ZOETIS

- **BROAD AND DIVERSE REVENUES**
 - **PRODUCTS**
 - **GEOGRAPHY**
 - **THERAPEUTIC AREA**
 - **SPECIES**

- **MARGIN EXPANSION**
 - **IMPLEMENTATION OF INFRASTRUCTURE**
 - **ERP, ADMINISTRATION, HR, FINANCE**
 - **RATIONALIZE OPERATIONS**
 - **MANUFACTURING**
 - **SALES & MAREKTING**
 - **RESEARCH & DEVELOPMENT**

ZOETIS

- **DIFFICULTY DUE TO SEPARATION FROM PFIZER**
 - CREATION AND IMPLEMENTATION OF VARIOUS INTERNAL DEPARTMENTS
 - HUMAN RESOURCES
 - INFORMATION TECHNOLOGY
 - MANUFACTURING
- **SUBSTANTIAL COSTS TO BECOMING AN INDEPENDENT COMPANY**
 - ORGANIZATIONAL AND ADMINISTRATIVE INFRASTRUCTURE
 - INFORMATION TECHNOLOGY
 - RISKS IN IMPLEMENTATION
 - TIME FRAME
- **NON-GAAP FINANCIALS VS GAAP-ADJUSTED NET INCOME-BEFORE**
 - THE IMPACT OF PURCHASE ACCOUNTING ADJUSTMENTS
 - ACQUISITION RELATED COSTS
 - CERTAIN SIGNIFICANT ITEMS

ZOETIS

(MILLIONS OF DOLLARS)	Year Ended December 31,			% Change	
	2013	2012	2011	13/12	12/11
GAAP Reported net income attributable to Zoetis	\$ 504	\$ 436	\$ 245	16	78
• Purchase accounting adjustments—net of tax	32	35	55	(9)	(36)
Acquisition-related costs—net of tax	14	34	78	(59)	(56)
Certain significant items—net of tax	159	34	125	*	(73)
Non-GAAP adjusted net income ^(a)	\$ 709	\$ 539	\$ 503	32	7

* Calculation not meaningful.

Certain amounts and percentages may reflect rounding adjustments.

Earnings per share—diluted ^{(a)(b)} :	Year Ended December 31,			% Change	
	2013	2012	2011	13/12	12/11
GAAP Reported net income attributable to Zoetis	\$ 1.01	\$ 0.87	\$ 0.49	16	78
Purchase accounting adjustments—net of tax	0.06	0.07	0.11	(14)	(36)
Acquisition-related costs—net of tax	0.03	0.07	0.16	(57)	(56)
Certain significant items—net of tax	0.32	0.07	0.25	*	(72)
Non-GAAP adjusted net income	\$ 1.42	\$ 1.08	\$ 1.01	31	7

* Calculation not meaningful.

Certain amounts and percentages may reflect rounding adjustments.