

Zoetis Inc.
Form 11-K
June 21, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File No: 001-35797

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
ZOETIS SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
Zoetis Inc.
10 Sylvan Way
Parsippany, New Jersey 07054

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REQUIRED INFORMATION:

Items 1 through 3: Not required; see Item 4 below.

Item 4. Financial Statements and Exhibits.

a) Report of Independent Registered Public Accounting Firm

Statements of Net Assets Available for Benefits as of December 31, 2017 and 2016

Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2017 and 2016

Notes to Financial Statements

Supplemental Schedule

Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2017

b) Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

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ZOETIS SAVINGS PLAN

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Report of Independent Registered Public Accounting Firm

To the Plan Participants and Plan Administrator

Zoetis Savings Plan:

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of Zoetis Savings Plan (the Plan) as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the years ended December 31, 2017 and 2016, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years ended December 31, 2017 and 2016, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Accompanying Supplemental Information

The accompanying Schedule H, line 4i - schedule of assets (held at end of year) has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ KPMG LLP

We have served as the Plan's auditor since 2013.

Short Hills, New Jersey

June 21, 2018

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ZOETIS SAVINGS PLAN

Statements of Net Assets Available for Benefits

(thousands of dollars)	December 31,	
	2017	2016
Assets:		
Investments at fair value	\$1,018,168	\$867,090
Receivables:		
Notes receivable from participants	12,195	11,921
Employer contributions	20,839	22,441
Total receivables	33,034	34,362
Net assets available for benefits	\$1,051,202	\$901,452

See accompanying notes to financial statements.

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ZOETIS SAVINGS PLAN

Statements of Changes in Net Assets Available for Benefits

	Years ended December	
	31,	
(thousands of dollars)	2017	2016
Additions to net assets attributed to:		
Investment income:		
Net appreciation in investments	\$ 127,842	\$ 46,988
Dividend income	25,948	22,328
Investment income on participant-directed funds	1,658	964
Total investment income	155,448	70,280
Interest income on notes receivable from participants	663	608
Less: Investment management fees	(329)	(100)
Net investment and interest income	155,782	70,788
Contributions:		
Employer	36,327	37,783
Participant	37,626	38,632
Rollovers	4,968	5,915
Total contributions	78,921	82,330
Total additions, net	234,703	153,118
Deductions from net assets attributed to:		
Benefits and withdrawals paid to participants	(84,953)	(102,514)
Net increase in assets available for benefits	149,750	50,604
Net assets available for benefits:		
Beginning of period	901,452	850,848
End of period	\$ 1,051,202	\$ 901,452

See accompanying notes to financial statements.

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Zoetis Savings Plan
Notes to Financial Statements
December 31, 2017 and 2016

1. Plan Description

The Zoetis Savings Plan (the Plan) is a defined contribution retirement plan. Participation in the Plan is open to eligible employees of Zoetis Inc. (the Plan Sponsor or the Company) or an affiliate which has, with the consent of the Plan Sponsor, adopted the Plan (Participating Employers) and who are included within a group or class designated by the Plan Sponsor as set forth in the Plan document.

The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Internal Revenue Code of 1986, as amended (the Code). The Plan is designed to meet ERISA's reporting and disclosure and fiduciary responsibility requirements, as well as the minimum standards for participation and vesting. As a defined contribution plan, the Plan is not, however, subject to ERISA's minimum funding standards. Additionally, benefits under the Plan are not eligible for termination insurance provided by the Pension Benefit Guaranty Corporation.

The following is a general description of certain provisions of the Plan. Participants should refer to the Plan document for more detailed and complete information.

Plan Administration

The Plan is administered by the Zoetis Savings Plan Committee, which was appointed by the Chief Human Resources Officer of Zoetis pursuant to a delegation of authority by the Zoetis Board of Directors. The investment fiduciary function is also governed by the Zoetis Savings Plan Committee. Bank of America Merrill Lynch was appointed as the Plan's recordkeeper and trustee and is a party-in-interest to the Plan.

Administrative Costs

In general, the Plan or the Plan Sponsor and Plan participants both share in the costs and expenses of administering the Plan. Beginning in 2017, Plan participants are assessed a Plan fee deducted quarterly from their Plan account. Previously, these fees were paid through revenue sharing agreements with certain investment funds. All other administrative fees and expenses are paid for by the Plan or the Plan Sponsor.

Eligibility

Generally, all U.S.-based employees of the Company, except (1) certain employees who are covered by a collective bargaining agreement and have not negotiated to participate in the Plan, (2) certain employees who are employed by a unit not designated for participation in the Plan, or (3) certain employees who are otherwise eligible for another Company-sponsored savings plan, are eligible to enroll in the Plan on their date of hire.

Newly eligible participants who do not affirmatively enroll in the Plan within 30 days of hire or transfer into eligible employment are automatically enrolled at a 5% pre-tax contribution rate. Contributions are invested in the Plan's default investment fund option, which is generally the Vanguard Target Retirement Fund, based on the participant's retirement eligibility date.

Contributions

Participants may elect to make contributions of up to 30% of eligible compensation on a pre-tax basis and up to 30% of eligible compensation on a Roth 401(k) or after-tax basis. Total contributions may not be greater than 60% of eligible compensation and are subject to certain restrictions under the Code. For all participants, contributions of up to 5% of eligible compensation are matched 100% by the Company. Participant contributions in excess of 5% are not matched.

The Plan Sponsor may, in its sole discretion, also make a profit sharing contribution of 0% to 8% of each participant's eligible compensation, as defined by the Plan. Participants are eligible to receive a profit-sharing contribution if they are employed on the last day of the Plan year or die, become disabled (while an employee) or terminate employment after attaining age 55 during the Plan year. In March 2018, the Company funded the profit sharing for plan year 2017 in the amount of approximately \$16.6 million. In March 2017, the Company funded the profit sharing for plan year

2016 in the amount of approximately \$18.3 million.

Participant Accounts and Vesting

Each participant's account is credited with the participant's contributions, the Company's matching and profit sharing contributions, and the participant's respective share of Plan earnings and is charged with the participant's withdrawals and distributions, and the participant's respective share of Plan losses. Participants are immediately vested in the full value of their account (i.e., participant's and Company's matching contributions) other than the profit sharing contribution.

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Zoetis Savings Plan
 Notes to Financial Statements
 December 31, 2017 and 2016

All participants will vest in the Company's profit sharing contribution as follows:

Years of Service Percentage Vested*

Under 1 year	—%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

*Special Vesting Rules for Former Pfizer Employees: Prior service with Pfizer for employees employed by Zoetis on June 24, 2013, will be included for purposes of vesting in the profit sharing contribution.

Forfeited balances of terminated participants' nonvested accounts are used to reduce future employer contributions. Forfeitures used to reduce employer contributions were \$0.5 million for the year ended December 31, 2017, and \$0.1 million for the year ended December 31, 2016. Forfeited nonvested accounts available to reduce future employer contributions totaled approximately \$0.3 million at December 31, 2017, and approximately \$0.4 million at December 31, 2016.

Rollovers into Plan

Participants may elect to roll over one or more account balances from qualified plans.

Investment Options

Participants can elect to invest amounts credited to their account in any of the investment funds offered by the Plan and transfer amounts between these funds at any time during the year.

Each participant in the Plan elects to have his or her contributions invested in any one or combination of investment funds in the Plan.

Contributions made by participants may subsequently be invested into a self-directed brokerage account.

The Plan's trust agreement provides that any portion of any of the investment funds may, pending its permanent investment or distribution, be invested in short-term investments.

Notes Receivable from Participants

Plan participants are permitted to borrow against their account balances. The minimum amount a participant may borrow is \$1,000 and the maximum amount is the lesser of 50% of the account balance reduced by any current outstanding loan balance, or \$50,000, reduced by the highest outstanding loan balance in the preceding 12 months. Under the terms of the Plan, loans must be repaid pursuant to a fixed payment schedule within five years, unless the funds are used to purchase a primary residence. Primary residence loans must be repaid within ten years. However, certain primary residence loans existed prior to June 20, 2013, and may have longer repayment terms as they were processed under the rules of the prior plan. The interest rate on all loans is based on the prime rate plus 2% at date of loan issuance. At December 31, 2017, interest rates on outstanding loans ranged from 4.25% to 8.20% with maturities ranging from 2018 to 2034. At December 31, 2016, interest rates on outstanding loans ranged from 4.25% to 8.75% with maturities ranging from 2017 to 2034.

Interest paid by the participant is credited to the participant's account. Interest income from notes receivable from participants is recorded by the trustee as earned in the participant funds in the same proportion as the original loan issuance. Repayments may not necessarily be made to the same fund from which the amounts were borrowed. Repayments are credited to the applicable funds based on the participant's investment elections at the time of repayment.

In the event of termination, participants will have 90 days to repay the loan before the loan is considered taxable to the participant. An additional 10% penalty tax may also apply.

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Zoetis Savings Plan
Notes to Financial Statements
December 31, 2017 and 2016

Benefit Payments

Upon separation from service, retirement or disability, a participant whose account balance is greater than \$1,000 is entitled to receive the full value of the account balance or defer payment to a later date, subject to receiving minimum required distributions starting at age 70½. A participant whose account balance is \$1,000 or less will receive his or her account balance upon termination. In the event of a participant's death, a spouse beneficiary generally may elect a lump sum payment or defer payment until a later date, but not beyond the year in which the participant would have reached age 70½. A non-spouse beneficiary generally may defer payment until December 31 of the year following the date of the participant's death.

In-Service Withdrawals

Participants in the Plan may make in-service or hardship withdrawals from their account balances subject to the provisions of the Plan.

Plan Termination

The Plan Sponsor expects to continue the Plan indefinitely, but reserves the right to amend, suspend or discontinue it in whole or in part at any time by action of the Plan Sponsor's Board of Directors or its authorized designee. In the event of termination of the Plan, each participant shall be entitled to the full value of his or her account balance as though he or she had retired as of the date of such termination. No part of the invested assets established pursuant to the Plan will at any time revert to the Company, except as otherwise permitted under ERISA.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of increases and decreases to net assets during the reporting period, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation

The Plan's investments are stated at fair value. Units of the Zoetis Stock Fund are valued based on the combined quoted market prices of the underlying shares of Zoetis common stock and a cash equivalent component. Shares of registered investment companies and common/collective trust funds are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Self-directed brokerage accounts consist primarily of money market funds, common stocks and mutual funds, which are valued at quoted market prices, and are considered one general type of investment. See Note 4. Fair Value Measurements for additional information regarding the fair value of the Plan's investments.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance, plus any accrued interest. Delinquent notes receivable are classified as distributions based on the terms of the Plan document.

Risks and Uncertainties

Investment securities, including Zoetis common stock, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in their fair values could occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Investment Transactions

Purchases and sales of securities are reflected on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned.

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Zoetis Savings Plan
Notes to Financial Statements
December 31, 2017 and 2016

Net Appreciation/(Depreciation) in Investments

The Plan presents, in the statements of changes in net assets available for benefits, the net appreciation/ (depreciation) in the value of its investments which consists of the realized gains and losses and the unrealized gains and losses on those investments. Realized gains and losses on sales of investments represent the difference between the net proceeds and the cost of the investments (average cost if less than the entire investment is sold). Unrealized gains and losses on investments represent the change in the difference between the cost of the investments and their fair value at the end of the year.

Benefit Payments

Benefits are recorded when paid.

3. Tax Status

The Plan uses a prototype non-standardized Plan document, sponsored by the Trustee (prototype sponsor), who received a favorable determination letter from the Internal Revenue Service (IRS), dated March 31, 2014, which states that the prototype Plan document satisfies the applicable provisions of the Internal Revenue Code. The prototype Plan has not been materially modified so that the Company is entitled to rely on the prototype sponsor's determination letter for the prototype Plan. The determination letter provided to the Company by the prototype sponsor indicates that the form of the Plan is acceptable under section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. The Plan has been amended since receiving the determination letter. The Plan administrator and the Plan's legal counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code.

U.S. GAAP requires the Plan administrator to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

4. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements: Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. See Note 2. Summary of Significant Accounting Policies: Investment Valuation for information regarding the methods used to determine the fair value of the Plan's investments.

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Zoetis Savings Plan
Notes to Financial Statements
December 31, 2017 and 2016

Investments measured at fair value are summarized below:

Investments at Fair Value as of December 31, 2017				
(thousands of dollars)	Level 1	Level 2	Level 3	Total
Zoetis Stock Fund	\$95,328	\$ —	—\$	—\$95,328
Mutual funds	667,516	—	—	667,516
Common/collective trust funds	239,526	—	—	239,526
Money market funds	(344)	—	—	(344)
Self-directed brokerage funds	16,142	—	—	16,142
Total investments at fair value	\$1,018,168	\$ —	—\$	—\$1,018,168

Investments at Fair Value as of December 31, 2016				
(thousands of dollars)	Level 1	Level 2	Level 3	Total
Zoetis Stock Fund	\$77,251	\$ —	—\$	—\$77,251
Mutual funds	575,892	—	—	575,892
Common/collective trust funds	198,931	—	—	198,931
Money market funds	144	—	—	144
Self-directed brokerage funds	14,872	—	—	14,872
Total investments at fair value	\$867,090	\$ —	—\$	—\$867,090

5. Related Party Transactions

Certain Plan investments held by the Plan at December 31, 2017 and 2016, were units of the T. Rowe Price Stable Value Common Trust Fund and were managed by Bank of America Merrill Lynch. Bank of America Merrill Lynch serves as the trustee of the Plan, and therefore, transactions involving these investments are considered party-in-interest transactions.

The Plan invests in shares of the Company. The Company is the Plan sponsor, and therefore, these transactions qualify as party-in-interest transactions. At December 31, 2017 and 2016, the Plan held Zoetis common stock valued at \$95.3 million and \$77.3 million, respectively. For the period ended December 31, 2017, the Plan purchased Zoetis common stock with a fair value of approximately \$9.4 million and sold Zoetis common stock with a fair value of approximately \$15.0 million. For the period ended December 31, 2016, the Plan purchased Zoetis common stock with a fair value of approximately \$9.0 million and sold Zoetis common stock with a fair value of approximately \$12.4 million.

At December 31, 2017 and 2016, the Plan had notes receivable from participants of approximately \$12.2 million and \$11.9 million, respectively. These transactions are considered parties-in-interest transactions.

6. Subsequent Events

In connection with the preparation of the financial statements, the Plan administrator has evaluated subsequent events after December 31, 2017, through June 21, 2018, the date of financial statement issuance, and concluded that no additional disclosures or recordable transactions were required.

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ZOETIS SAVINGS PLAN
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2017
(thousands of dollars)

Identity of Issuer, Borrower, Lessor or Similar Party	Description of investment	Rate of Interest	Maturity Date	Number of Shares or Units	Cost	Current Value	
BIF Money Funds	Money Market				\$(344)	\$(344))
Clearbridge Mid-Cap Core Fund	Mutual Fund			875,484	28,309	32,445	
Dodge & Cox International Stock Fund	Mutual Fund			1,241,519	49,121	57,507	
Invesco Diversified Div CL R5	Mutual Fund			2,505,928	43,774	51,021	
JP Morgan Core Bond Fund CL R5	Mutual Fund			3,186,993	37,165	36,842	
MFS Mass Investors Growth Stock R4	Mutual Fund			2,664,529	60,875	74,553	
Oppenheimer Developing Markets	Mutual Fund			359,556	12,543	15,439	
Prudential Jennison Mid-Cap Z	Mutual Fund			1,109,458	42,146	42,226	
T. Rowe Price Small-Cap Stock Fund	Mutual Fund			841,124	36,011	40,122	
Vanguard Target Retirement 2015	Mutual Fund			361,251	7,854	7,944	
Vanguard Target Retirement 2020	Mutual Fund			2,339,540	51,552	52,710	
Vanguard Target Retirement 2025	Mutual Fund			1,543,261	34,277	35,279	
Vanguard Target Retirement 2030	Mutual Fund			3,109,720	69,405	71,897	
Vanguard Target Retirement 2035	Mutual Fund			1,549,025	34,777	36,201	
Vanguard Target Retirement 2040	Mutual Fund			2,311,613	52,177	54,600	
Vanguard Target Retirement 2045	Mutual Fund			875,660	19,865	20,841	
Vanguard Target Retirement 2050	Mutual Fund			525,841	11,966	12,525	
Vanguard Target Retirement 2055	Mutual Fund			280,186	6,378	6,685	
Vanguard Target Retirement 2060	Mutual Fund			100,161	2,279	2,390	
Vanguard Institutional Target Fund	Mutual Fund			757,633	16,120	16,289	
Participant-Directed Brokerage Acct				—	**	16,142	
* T. Rowe Price Stable Value Common Trust Fund	Common/Collective Trust			69,456,919	69,457	69,457	

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Blackrock US Debt Index Fund W	Common/Collective Trust	64,292	1,373	1,392
Blackrock Russell 1000 GR CL T	Common/Collective Trust	70,350	2,062	2,346
Blackrock Russel 1000 VL CL T	Common/Collective Trust	66,193	2,072	2,247
Blackrock MSCI EAFE Equity Fund M	Common/Collective Trust	374,031	5,114	5,833
Blackrock Mid Capitalization M	Common/Collective Trust	313,365	5,924	6,559
BlackRock Tips Class K	Common/Collective Trust	973,003	12,920	13,652
BlackRock Equity Index Fund CL M	Common/Collective Trust	5,229,049	93,704	112,797
BlackRock Russell 2000 Fund M	Common/Collective Trust	1,243,857	22,182	25,243
* Zoetis Stock Fund	Common stock fund	4,171,892	48,779	95,328
Total assets held for investment purposes				1,018,168
* Notes Receivable from Participants	Interest rates: 4.25% to 8.20%; maturity dates: 2018-2034	—	—	12,195
TOTAL				\$1,030,363

* Party-in-interest

** Costs not required for participant-directed investments

See accompanying report of independent registered public accounting firm.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this Annual Report to be signed on its behalf by the undersigned, hereunto duly authorized.

Zoetis Savings Plan
(Name of Plan)

June 21, 2018 By: /S/ STEVE BATTAGLIA
Steve Battaglia
Member, Zoetis Savings Plan Committee