

## Risk Factors Comparison 2025-02-25 to 2024-02-26 Form: 10-K

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

Our business, financial condition and results of operations are subject to various risks, including but not limited to the risks described below. If any of such risks actually materializes, our business, financial condition and results of operations could be materially adversely affected. Risks Related to the Animal Health Industry The animal health industry is highly competitive. The animal health industry is highly competitive. Our competitors include standalone animal health businesses, the animal health businesses of large pharmaceutical companies, specialty animal health businesses and companies that mainly produce generic products. Several start-up companies also compete in the animal health industry. We believe many of our competitors are conducting R & D activities in areas served by our products and in areas in which we are developing products. We also face competition from ~~manufacturers of drugs globally, as well as~~ producers of nutritional health products. These competitors may have access to greater financial, marketing, technical and other resources. As a result, they may be able to devote more resources to developing, manufacturing, marketing and selling their products, initiating or withstanding substantial price competition or more readily taking advantage of acquisitions or other opportunities. Further, consolidation in the animal health industry could result in existing competitors realizing additional efficiencies or improving portfolio bundling opportunities, thereby potentially increasing their market share and pricing power, which could lead to a decrease in our revenue and profitability. For example, many of our competitors have relationships with key distributors and, because of their size, an ability to offer attractive pricing incentives, which may negatively impact or hinder our relationships with these distributors. In addition to competition from established market participants, new entrants to the animal health ~~medicines and vaccines~~ industry could substantially reduce our market share, render our products obsolete or disrupt our business model. Competitive pressures could arise from, among other things, differences in safety and efficacy product profiles, limited demand growth or a significant number of additional competitive products being introduced into a particular market, price reductions by competitors, the ability of competitors to capitalize on their economies of scale, the ability of competitors to produce or otherwise procure animal health products at lower costs than we can and the ability of competitors to access more or newer technology than we can. To the extent any of our competitors are more successful with respect to any key competitive factor, or we are forced to reduce, or are unable to raise, the price of any of our products in order to remain competitive, our business, financial condition and results of operations could be materially adversely affected. Our R & D, acquisition and licensing efforts may fail to generate **commercially successful** new products or **to** expand the use of our existing products. Our future success depends on both our existing product portfolio and our pipeline of new products, including new products that we ~~may~~ develop internally or through joint ventures and products we ~~are able to~~ obtain through licenses or acquisitions. We commit substantial effort, funds and other resources to R & D, primarily through our own dedicated resources but also through collaborations with third parties. We also have acquired or partnered with a number of smaller animal health businesses, and we intend to continue to do so in the future. There are significant risks and uncertainties involved with the execution of these partnerships, many of which are outside our control. ~~We may be unable to determine with accuracy when or whether any of our products now under development will be approved or launched, including the inability or we may be unable to develop, license or otherwise acquire product candidates or products and.~~ **Additionally, we may have insufficient access to capital to fund such investments. We also** In addition, we cannot predict whether any products, once launched, will be commercially successful or will achieve revenue that is consistent with our expectations. The animal health industry is subject to regional and local trends and regulations and, as a result, products that are successful in some markets may not achieve similar success when introduced into other markets. Furthermore, the timing and cost of our R & D may increase, and our R & D may become less predictable as, among other things, regulations applicable to our industry ~~may~~ make it more time-consuming and / or costly to research, develop and register products. If we are unable to generate **commercially successful** new products or expand the use of our existing products, our business, financial condition and results of operations could be materially adversely affected. ~~Further~~ **Additionally**, as part of our development strategy, we often hire clinical research organizations to perform preclinical testing and clinical trials for drug candidates. Clinical trials and procedures are inherently uncertain and there can be no assurance that these trials or procedures will be enrolled or completed in a timely or cost-effective manner or result in a commercially viable product or indication. Failure to achieve positive clinical trial and / or testing results could have a material adverse effect on our prospects. Furthermore, unfavorable or inconsistent clinical data from current or future clinical trials or procedures conducted by us, our competitors or third parties, or perceptions regarding this clinical data, could adversely affect our ability to obtain necessary approvals and the market's view of our future prospects. **Lastly, new products may appear promising in development but fail to reach the market within the expected or optimal timeframe, or at all. We may be unable to predict with precision when, if or subject to what conditions any of our products now under development will be approved and / or launched, or if approved, whether limitations to a product or the specific circumstances for which a product is approved, will match our expectations. For example, in the second quarter of 2024, the FDA determined that our Zenrelia product label would be required to include a boxed warning on safety. We believe the inclusion of this warning has slowed the product adoption curve, although the extent of any such effect cannot be definitely determined. In addition, product extensions or additional indications may not be approved. Developing and commercializing new products subjects us to inherent risks and uncertainties, including (i) delayed or denied regulatory approvals, (ii) delays or challenges with producing products in accordance with regulatory requirements, on a commercial scale and at a reasonable cost; (iii) failure to accurately predict the market for new products; and (iv) efficacy and safety concerns, any of which could lead to a slower or more**

limited commercial adoption of one of our products than initially estimated. In addition, a failure to continue to identify and develop products, both internally and through external sources, could impact our future success. Once necessary regulatory approvals are obtained, the commercial success of any new product depends upon, among other things, its acceptance by veterinarians and end customers, and on our ability to successfully manufacture, market and distribute products in sufficient quantities to meet demand. If we are unable to successfully bring a product to market, our business, financial condition and results of operations could be materially adversely affected. Disruptive innovation and advances in veterinary medical practices, animal health technologies and alternatives to animal- derived protein could negatively affect the market markets for our products. The markets for our products are regularly impacted by the introduction and / or broad market acceptance of newly developed or alternative products that address the diseases and conditions for which we sell products , including “green ” or “holistic ” health products, specially bred disease-resistant animals or replacements for meat, milk, eggs or fish from alternative natural or synthetic sources. For example, the market for our pet health therapeutics has been particularly affected by innovation in new molecules and delivery formulations in recent years. Separately, there has been an increased focus in certain markets to seek replacements for animal- derived protein with alternative, plant-based or other natural or synthetic protein sources. Technological breakthroughs by others may render our products obsolete and reduce or eliminate the market for our products. Introduction or acceptance of competing animal health products and innovation or disruptive protein alternatives could materially adversely affect our business, financial condition and results of operations. Generic products may be viewed as more cost- effective than our products. We In certain markets, we face competition from products produced by other companies, including generic alternatives to our products. We depend on patents and related rights exclusivity periods to enable our provide us with exclusive sale marketing rights for some of our certain products. Patents for individual products expire at different times based on a variety of factors, including the date of the patent filing (or sometimes the date of patent grant) and the legal term of patents in the jurisdictions where such patents are obtained. The extent of protection afforded by our patents varies from jurisdiction to jurisdiction and is limited by the scope of the claimed subject matter of our patents, the term of the patent and the availability and enforcement of legal remedies in the applicable jurisdiction. Some of our top principal products such as the , including certain products within our Advantage Family, Rumensin , and Maxiban / Monteban , Denagard and Trifexis do not have patent protection. Other products are protected by patents that expire over the next several years. As the patents for a brand name product expire, competitors may begin to introduce generic or other alternatives, and as a result, we may face competition from lower- priced alternatives to many of our products. For further information, see" Item 1. Business – Intellectual Property." Generic competitors are becoming more aggressive in terms of launching products before patent rights expire, and, because of attractive pricing, sales of generic products are an increasing percentage of overall animal health sales in certain regions. Although the impact of generic competition in the animal health industry to date has not typically mirrored that seen in human health, product pricing and the impact of generic competition in the future may more closely mirror human health as a result of changes in industry dynamics, such as channel expansion, customer consolidation, an increase in the availability and use of pet insurance and the potential for generic competition by established animal health businesses. If animal health customers increase their use of new or existing generic products, we may be forced to lower our prices and / or provide discounts or rebates in order to compete with generic products. In such event, our business, financial condition and results of operations could be materially adversely affected. Regulatory restrictions and bans on the use of antibiotics and productivity products in farm animals, as well as changing market demand, may continue to negatively affect demand for certain of our farm animal products. Our Over the past few years, our operational results have been, and may continue to be, affected by regulations and changing market demand. In certain markets, including the U. S., sales of certain of our farm animal products have been negatively affected by changes an increase in consumer sentiment for proteins and dairy products produced without the use of antibiotics or other products intended to increase animal production. There are two classes of antibiotics used in animal health: shared- class, or medically important, antibiotics, which are used to treat , control and / or prevent infectious disease diseases caused by pathogens that occur in both humans and animals; and animal- only antibiotics, which are used to treat , control and / or prevent infectious disease diseases caused by pathogens that occur in animals only, and in some instances, promote animal growth performance . Concerns that the use of antibiotics in farm animal production may lead to increased antibiotic resistance of human pathogens have resulted in increased regulation and changing market demand. In addition For example , in 2022 the EU began restricting the use of preventative antibiotics to farm animals through feed. Similar bans and restrictions in other countries could result in a material adverse effect which we sell or plan to sell our products, such as the U. S., France and Vietnam, have passed restrictions or bans on our sales of antibiotic products use. Other countries have placed restrictions or bans on the use of specific antibiotics in certain food- producing animals, regardless of the route of administration (in feed or injectable). In recent years, the percentage of our total revenue from sales of shared- class antibiotics has declined, driven primarily by changing regulations in many markets, as well as changing market demand and our tiered approach to antibiotic stewardship, which has included removing growth promotion from labels and requiring veterinary oversight in the U. S. and other markets. Globally, during 2023-2024 , our revenue from shared- class antibiotics decreased 7-8 % in comparison to 2022-2023 and represented 10-9 % of total revenue, while our revenue from animal- only antibiotics increased 6-4 % in comparison to 2022-2023 and represented 15 % of total revenue. In 2023-2024 , 89 approximately 90% of our revenue from animal- only antibiotics resulted from the sale of ionophores. Ionophores are a special class of animal- only antimicrobials, and because of their animal- only designation, mode of action and spectrum of activity, to date their use has not to date been materially impacted by regulations or changing market demand in many international markets. The impact of changes in regulations and market preferences regarding the use of antibiotics and productivity products in farm animals could have a material adverse effect on our business, financial condition and results of operations. If there is an increased public perception that consumption of food derived from animals that utilize our products poses a risk to human health, there may be a further decline in the production of those food products and, in turn,

demand for our products. In addition, antibiotic resistance concerns will likely result in additional restrictions or bans, expanded regulations or public pressure to further reduce the use of antibiotics in farm animals, increased demand for antibiotic-free protein or changes in the market acceptance or regulatory treatment of ionophores, any of which could materially adversely affect our business, financial condition and results of operations. ~~In addition, our revenue has been impacted by changing trade dynamics with China and other markets that restrict the use of productivity products, such as those containing ractopamine, in farm animals. This has resulted in many U. S. food producers eliminating their use of ractopamine to gain access to those markets. Our farm animal products Optaflexx™ and Paylean™ contain ractopamine. If more producers decide to access such markets or additional markets restrict the use of ractopamine or other productivity products, our business, financial condition and results of operations could be materially adversely affected.~~ An outbreak of infectious disease carried by farm animals could negatively affect the demand for, and sale and production of, our farm animal products. Sales of our farm animal products could be materially adversely affected by a general outbreak of infectious disease, or an outbreak of disease carried by farm animals, which could lead to the widespread death or precautionary destruction of farm animals as well as the reduced consumption and demand for animal **- derived** protein. In addition, outbreaks of disease carried by farm animals may reduce regional or global sales of particular animal- derived food products or result in reduced exports of such products, either due to heightened export restrictions or import prohibitions, which may reduce demand for our farm animal products due to reduced herd or flock sizes. In recent years, outbreaks of various diseases, including African Swine Fever, avian influenza, foot- and- mouth disease, bovine spongiform encephalopathy (otherwise known as BSE or “ mad cow ” disease) and porcine epidemic diarrhea virus (otherwise known as PEDV) have negatively impacted sales of our animal health products. The discovery of additional cases of any of these, or **new other** diseases, may result in additional restrictions on animal **- derived** protein, reduced herd or flock sizes or reduced demand for animal **- derived** protein, any of which may have a material adverse effect on our business, financial condition and results of operations. In addition, the outbreak of any highly contagious disease near our main production sites could require us to immediately halt production of our products at such sites or force us to incur substantial expenses in procuring raw materials or products elsewhere. Our R & D relies on evaluations of animals, which may become subject to bans, additional restrictive regulations or increased attention from activism movements. As an animal health company dedicated to innovating and delivering products and services to prevent and treat **disease diseases** in animals, we are required to evaluate the effect of our existing and new products in animals in order to register such products. Animal testing in certain industries has been the subject of controversy and adverse publicity. Some organizations and individuals have attempted to ban animal testing or encourage the adoption of new regulations applicable to animal testing. To the extent the activities of such organizations and individuals are successful, our R & D, and by extension our business, financial condition and results of operations, could be materially adversely affected. In addition, negative publicity about us or our industry could **impact harm our reputation. For example, farm animal producers may experience decreased demand for their products or our R & D efforts, and / or cause** reputational harm **to those in** as a result of evolving consumer views of animal rights, nutrition, and health- related or **our other concerns industry, including us**. Any reputational harm to the farm animal industry may also extend to companies in related industries, including **our company**. Adverse consumer views related to the use- **us, potentially** of one or more of our products in **farm animals also may result resulting** in a decrease in the use of **such products and could have a material adverse effect on our products** business, financial condition and results of operations-. Consolidation of our customers and distributors could negatively affect the pricing of our products. We primarily sell our pet health products to third- party distributors and retailers, as well as directly to veterinarians. We primarily sell our farm animal products to third- party distributors and directly to a diverse set of farm animal producers, including beef **and**, dairy, **farmers as well as pork, and** poultry **and aquaculture** operations. In recent years, there has been a trend toward the concentration of veterinarians in large clinics and hospitals. We have also seen recent consolidation among farm animal producers, particularly swine and poultry producers, and among our distributors. Furthermore, we have seen the expansion of larger cross- border corporate customers and an increase in the consolidation of buying groups (cooperatives of veterinary practices that leverage volume to pursue discounts from manufacturers). ~~The pace of consolidation and structure of markets varies greatly across geographies.~~ If these trends toward consolidation continue, our customers could attempt to improve their profitability by leveraging their buying power to obtain favorable pricing. The resulting decrease in our prices could have a material adverse effect on our business, financial condition and results of operations. For our pet health products, increased use of alternative distribution channels, or changes within existing distribution channels, could negatively impact our market share, margins and distribution of our products. In most markets, pet owners have historically purchased their animal health products directly from veterinarians. However, pet owners increasingly have the option to purchase animal health products from sources other than veterinarians, such as online retailers, “ big- box ” retail stores, **specialty pet shops via telemedicine distributors,** or other ~~over the counter~~ distribution channels. This trend has been demonstrated by the significant shift away from the veterinarian distribution channel in the sale of flea and tick products and has been accelerated by the increased consumer preferences toward e- commerce in recent years. Pet owners also could decrease their reliance on, and visits to, veterinarians as they rely more on internet- based animal health information **and telemedicine**. Because we market our pet health prescription products primarily through the veterinarian distribution channel, in the event of a significant decrease in visits to veterinarians by pet owners, our market share for such products could be reduced, materially adversely affecting our business, financial condition and results of operations. ~~In addition, pet owners may substitute human health products for animal health products if human health products are deemed to be lower- cost alternatives.~~ Legislation has ~~also~~ been proposed in the U. S. **Congress** and may be proposed in the U. S. **states** or abroad in the future, that could impact the distribution channels for our pet health products. For example, such legislation may require veterinarians to provide pet owners with written prescriptions and disclosure that the pet owner may fill prescriptions through a third party, which may further reduce the number of pet owners who purchase their animal health products, **or fill their prescriptions,** directly from veterinarians. **Legislation** Such requirements may **also be advanced that would allow for greater**

**access to pet health products via telemedicine channels, potentially impacting our mix of distribution. These changes could** lead to increased use of generic alternatives to our products or the increased substitution of our pet health products with other animal health products or human health products if such other products are deemed to be lower- cost alternatives. Many **countries and** states already have regulations requiring veterinarians to provide prescriptions to pet owners upon request, ~~and the American Veterinary Medical Association has long- standing policies in place to encourage this practice.~~ Over time, these and other competitive conditions may further increase our use of online retailers, “big- box ” retail stores, **specialty pet shops, telemedicine** or other ~~over- the- counter~~ distribution channels **outside of the veterinary clinic** to sell our pet health products. If we or our major retail customers are not successful in navigating the shifting consumer preferences to distribution channels such as e- commerce, our expected future revenues may be negatively impacted. We may also realize lower margins on sales through retail distribution channels than we do on sales through veterinarians. Any of these events could materially adversely affect our business, financial condition and results of operations. In addition, if one or more of our pet health distributors discontinues or modifies their relationship with us, our business, financial condition and results of operations may be materially adversely affected. Strategic and Operational Risks Our results of operations are dependent upon the success of our top products. If any of our top products experience issues, such as disruptive innovations or the introduction of more effective competitive products, negative publicity, changes in veterinarian or customer preferences, loss of patent protection, material product liability litigation, new or unexpected side effects, manufacturing disruptions and / or regulatory proceedings, our revenue could be negatively impacted, perhaps significantly. Our top five products and / or product families, Advantage Family, Seresto, Rumensin, **Maxiban / Monteban and Credelio Family represented** and ~~Maxiban, contributed~~ approximately **31-36** % of our **total** revenue in ~~2023-2024~~, **with our largest product family, Advantage Family, representing approximately 10 % of total revenue.** Any issues with these top products could have a material adverse effect on our business, financial condition and results of operations. We may not be able to successfully complete favorable transactions or successfully integrate acquired businesses when we pursue acquisitions, divestitures, joint ventures or other significant transactions. From time to time, we evaluate potential acquisitions, divestitures or joint ventures to further our strategic objectives. The completion of such transactions is often subject to conditions that may be outside our control, including obtaining the requisite approval of the shareholders of the target company and / or government antitrust / competition approvals. Accordingly, we may not be able to complete announced and signed transactions, and therefore, may not realize the anticipated benefits therefrom. ~~For example, in February 2024, we announced an agreement to sell our aqua business to a subsidiary of Merck Animal Health (see Note 19. Subsequent Events to the consolidated financial statements for further information). We currently anticipate this divestiture to close around mid- year 2024, and upon closing of the sale, we intend to use the after- tax cash proceeds to accelerate our debt paydown efforts. The closing of this sale remains conditioned on receipt of applicable antitrust and other regulatory approvals, as well as other customary closing conditions. If one or more of these conditions is not satisfied, or is not satisfied timely, the sale may not be able to be consummated. In such an event, this could result in our inability to recover certain costs associated with the proposed divestiture that have already been incurred or that will be incurred, damaged relationships with our customers, partners, suppliers and / or employees, diversion of management' s focus and attention from the normal day- to- day operations of the business and / or other potential strategic opportunities, potential litigation relating to the \$ 55 million termination fee owed to us in the event the sale is not consummated due to a failure to obtain the applicable regulatory approvals and a potential decline in our stock price.~~ In the event of a material acquisition **or divestiture**, we may be required to devote significant management attention and resources to integrating the portfolio and operations of ~~the an~~ **acquired company or carving out a divested business**. Potential difficulties we may encounter in the integration **or carve out** process include ~~the following~~: • the inability to realize the anticipated value from various assets of the acquired company; • the **potential for stranded costs, loss of scale and / or inefficiencies in a post- divestiture cost structure;** • the inability to combine the ~~businesses-- business~~ **business of the an** acquired company with ours in a manner that permits us to achieve the cost savings or other synergies anticipated as a result of the transaction or to achieve such cost savings or other anticipated synergies in a timely manner, which could result in us not realizing some anticipated benefits of the transaction in the time frame anticipated, or at all; • the loss of key employees; • potential unknown liabilities and unforeseen increased expenses, delays or unfavorable conditions in connection with the closing of the transaction and the subsequent integration **or carve out**; and • performance shortfalls at our or the acquired company as a result of the diversion of management’ s attention from ongoing business activities. ~~Additionally~~ **For example**, as a result of our acquisition of Bayer Animal Health, we integrated each business' distinct enterprise resource planning (ERP) systems into one primary platform, a process that was substantially completed in ~~the second quarter of~~ 2023. ERP integrations have inherent risks, which can complicate our business operations and potentially lead to breakdowns in data integrity and may preclude our ability to supply products for a period of time, as was the case **with this aforementioned ERP integration** in **April** ~~the second quarter of~~ 2023. To the extent future ERP or other integration **or carve- out** activities are required ~~for related to~~ future acquisitions, divestitures or joint ventures, we could be required to deploy significant resources and attention to these efforts. If we are unable to successfully integrate **or carve- out** our systems to support critical business operations ~~and of acquired or~~ **divested businesses or** to produce information for business decision- making activities, we could ~~also~~ experience a material adverse impact on our business, **including increased costs, data integrity and / or cybersecurity risks and** an inability to timely and accurately report our financial results. Future acquisitions could also result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities ~~or,~~ **increased** amortization expenses related to **acquired** intangible assets and increased operating expenses, **any of** which could adversely affect our financial condition and results of operations. Furthermore, if we issue equity or debt securities to raise additional funds, our existing shareholders may experience significant dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing shareholders. Furthermore, if we sell a substantial number of shares of common stock in the public markets, the availability of those shares for sale could adversely affect the market price of our common stock. Such sales, or the perception in the market

that holders of a large number of shares intend to sell shares, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We may not be able to successfully implement future restructuring activities or other significant organizational changes. We have, from time to time, restructured or made other adjustments to our workforce and manufacturing footprint. For example, **in 2024 related to the acquisition and subsequent integration of Bayer Animal Health, we implemented** conducted restructuring programs which included the elimination of positions across several countries, primarily in sales and marketing, R & D, manufacturing and quality, and back-office support. Additionally, in February 2024 our Board of Directors authorized a restructuring plan to improve operational efficiencies and better align our organizational structure with current business needs, top strategic priorities and key growth opportunities. Specifically, the restructuring plan is intended to reallocate resources by shifting international resources from farm animal to pet health as we plan for the global launches of certain potential blockbuster products currently under regulatory review. Further, the restructuring plan is expected to result in changes in how we operate in and sell into the Argentina market, among others, which we anticipate will reduce our foreign currency exposure (see Note 19.5. Subsequent Events **Asset Impairment, Restructuring and Other Special Charges** to the consolidated financial statements for further information). There are significant costs involved with the execution of restructuring programs or other significant organizational changes, including expenses related to severance, asset impairment **impairments** and other potential charges. There are also significant risks involved with such changes, including the potential for significant business disruption, diversion of management's time and attention from ~~on-going~~ **ongoing** operations, loss of human capital talent, temporarily reduced productivity and the risk of failing to achieve some or all of the anticipated benefits of the restructuring or organizational changes. **We may need to implement additional restructuring plans or other strategic initiatives in the future in response to market or product changes, performance issues, changes in strategy, acquisitions and / or other internal or external considerations**. If we are unable to successfully manage and implement **any future** ~~our recently announced~~ restructuring plan, we may not achieve or sustain the expected growth or cost savings benefits of these activities, or do so within the expected timeframe, and in such instance, our financial condition and results of operations could be **materially adversely impacted** negatively affected. We may also need to implement additional restructuring plans or other strategic initiatives in the future in response to market or product changes, performance issues, changes in strategy, acquisitions and / or other internal or external considerations. Manufacturing problems and capacity imbalances, **including at our contract manufacturers**, have caused, and may in the future cause, product launch delays, inventory shortages, recalls and / or unanticipated costs. In order to sell our products, we must be able to produce and ship sufficient quantities to our customers. We own and operate ~~18-17~~ internal manufacturing sites across ~~11-10~~ countries and also employ a network of approximately ~~140-130~~ third-party CMOs. Many of our products involve complex manufacturing processes, are highly regulated and can ~~be, or~~ rely on, inputs that are sole sourced from certain manufacturing sites. Shifting or adding manufacturing capacity can be a lengthy process requiring significant capital expenditures, process modifications and regulatory approvals. **Accordingly** ~~Due to this~~, unplanned plant shutdowns, manufacturing or quality assurance difficulties, failure or refusal of a supplier or CMO to supply contracted quantities or difficulties in predicting or variability in demand for our products have caused, and may in the future cause, interruption or higher costs in the supply of certain products, product shortages or pauses or discontinuations of product sales in one or more markets. Further, minor deviations in our manufacturing or logistical processes, such as temperature excursions or improper package sealing, could result, and have in the past resulted in, delays, inventory shortages, unanticipated costs, product recalls, product liability and / or regulatory action. In addition, a number of factors could cause production interruptions, including: • the failure of us or any of our **CMOs**, vendors or suppliers, including logistical service providers, to comply with applicable regulations and quality assurance guidelines; • mislabeling; • construction delays; • equipment malfunctions; • shortages of materials; • labor problems; • delays in receiving required governmental authorizations or regulatory approvals; • natural disasters and / or adverse weather conditions; • power outages; • criminal and terrorist activities; • changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in types of products produced, shipping distributions or physical limitations; and • the outbreak of any highly contagious diseases. These interruptions could result in launch delays, inventory shortages, recalls, unanticipated costs or issues with our agreements under which we supply third parties, which may materially adversely affect our business, financial condition and results of operations. Further, global transportation and logistics challenges, cost inflation and tight labor markets have caused, and in the future may cause, delays in and / or increased costs related to the distribution of our products, the construction or acquisition of manufacturing capacity, procurement activity and supplier or contract manufacturer arrangements. **For example, in September 2024 one of our contract manufacturing supply partners, TriRx Speke, entered into trading administration, a formal insolvency process in the U. K. In November 2024, in an effort to minimize supply disruption, we acquired this manufacturing site from TriRx Speke for approximately \$ 36 million (see Note 4. Acquisitions, Divestitures and Other Arrangements to the consolidated financial statements for further information). In addition to this unanticipated capital outlay, we also expect increased integration and operational costs in 2025 related to operating this site.** In addition, volatility in the overall demand for animal health products in different markets and distribution channels has had, and may continue to have, a number of impacts on our business, including increased costs and disruptions in the supply of our products. Our manufacturing network may be unable to meet the demand for our products, or we may have excess capacity if demand for our products changes. ~~Throughout~~ **For example, in** 2023 we experienced increasing levels of inventory on-hand, in part due to volatility in demand across different markets and distribution channels. In addition to the negative impact on our cash flows, if we are not able to ~~more~~ effectively manage the purchase and production of our inventories to match the timing of customer demand, we may face increased costs ~~for warehousing~~ and the potential for our inventories to become unusable or obsolete. We have also in the past invested in, and will continue to invest in, improvements to our existing manufacturing facilities and may also invest in new manufacturing plants in the future. **For example, we have recently announced a planned \$ 130 million expansion of our biologics manufacturing**

**facility in Elwood, Kansas to enable further growth of our monoclonal antibody portfolio**. These types of projects are subject to risks of delay or cost overruns inherent in any large construction project and require licensing by or approvals from various regulatory authorities. The unpredictability of a product's regulatory or commercial success or failure, the lead time necessary to construct highly technical and complex manufacturing sites and shifting customer demand (including as a result of market conditions or entry of branded or generic competition) increase the potential for capacity imbalances. In addition, construction of sites is expensive, and our ability to recover costs will depend on the market acceptance and success of the products produced at the new sites, which is uncertain. Significant cost overruns or delays in completing these projects could have **an a material** adverse effect on our financial condition and results of operations. Increased or decreased inventory levels in our distribution channels can lead to fluctuations in our revenues and levels of inventory on-hand. **We** ~~In addition to selling our products directly to veterinarians, we sell~~ **many of our products** to distributors and retailers who, in turn, sell ~~our these~~ products to third parties. Inventory levels at our distributors and retailers increase or decrease as a result of various factors, including end customer demand, new customer contracts, heightened competition, required minimum inventory levels, our ability to renew distribution contracts with expected terms, our ability to implement commercial strategies, regulatory restrictions, unexpected customer behavior, proactive measures taken by us in response to shifting market dynamics and procedures and environmental factors beyond our control. These increases and decreases can lead, and have led, to variations in our quarterly and annual revenues. Failure to appropriately anticipate inventory levels in our distribution channels could materially adversely affect our financial condition and results of operations. We use machine learning and **artificial intelligence (AI)** in our business, and challenges with properly managing its use could result in **operational**, competitive or reputational harm and legal liability ~~and adversely affect our results of operations~~. We use AI in multiple ways in our business and continue to expand the use of AI in our operations. ~~Given that machine~~ **Machine** learning and AI are new and rapidly evolving technologies, **and** their use presents a number of operational, compliance and reputational risks. AI algorithms are currently known to sometimes produce unexpected results or behave in unpredictable ways that can generate irrelevant, nonsensical, deficient, factually inaccurate or biased content and results. Accordingly, AI presents emerging operational, legal and ethical issues. If our use of AI becomes controversial, we may experience reputational harm to our brand, competitive harm or legal liability. At the same time, our competitors may incorporate AI into their operations more quickly than we do or with more successful outcomes, which would also harm our business. We also expect there will be new laws or regulations concerning the use of AI technology, which might be burdensome to comply with and may limit our ability to use this technology. We might not be able to attract and retain the talent **necessary** to support our AI technology initiatives and maintain our systems. Any disruption or failure in our AI systems or those of third parties on whom we rely could result in delays and operational challenges, and the various operational, compliance and reputational issues could materially adversely affect our business, financial condition and results of operations. We depend on sophisticated information technology **(IT)** and infrastructure. We are continuing to enhance a number of our business processes, including our financial reporting and supply chain processes ~~and with respect to where and from whom we obtain IT information technology systems~~. We have made, and will continue to make, significant configuration, process and data changes within many of the ~~IT information technology systems we use~~. If our ~~IT information technology systems and processes are not sufficient to support our business and financial reporting functions, or if we fail to properly implement our new business processes, our financial reporting may be delayed or inaccurate and, as a result, our business, financial condition and results of operations may be materially adversely affected~~. Even if we are able to successfully configure and change our systems, all technology systems, even with implementation of security measures, are vulnerable to disability, failures ~~or and cybersecurity risks, including~~ unauthorized access. If our ~~IT information technology systems or our service providers' IT information technology systems were to fail or be breached, this could materially adversely affect our reputation and our ability to perform critical business functions, and sensitive and confidential data could be compromised~~. Our business may be negatively affected by weather conditions and the availability of natural resources. The animal health industry and demand for many of our products in a particular region are affected by weather conditions, including those related to climate change, varying weather patterns and weather-related pressures from pests, such as ticks. As a result, we may experience regional and seasonal fluctuations in our results of operations. For example, **in 2024 on average**, approximately **75-70%** and **60-55%** of ~~the total annual revenue for contribution from~~ our higher -margin parasiticide products Seresto and Advantage Family, respectively, ~~occurs was generated~~ in the first half of the year, reflective of the flea and tick season in the Northern Hemisphere. As such, fluctuations in our revenue due to seasonality and / or weather or climate-related factors, many of which are beyond our control, may mean period-to-period comparisons of our results of operations will not necessarily be meaningful. Farm animal producers depend on the availability of natural resources, including large supplies of fresh water. Their animals' health and their ability to operate could be adversely affected if they experience a shortage of fresh water due to human population growth or floods, droughts or other weather conditions. In the event of adverse weather conditions or a shortage of fresh water, veterinarians or farm animal producers may purchase less of our products. Further, heat waves may cause stress in animals and lead to increased vulnerability to disease, reduced fertility rates and reduced milk production. Droughts may threaten pasture and feed supplies by reducing the quality and amount of forage available to grazing livestock, while climate change may increase the prevalence of parasites and diseases that affect farm animals. ~~Adverse weather conditions and climate change may also have a material adverse impact on our aquaculture business, as changes in water temperatures could affect the timing of reproduction and growth of various fish species, as well as trigger the outbreak of certain water-borne diseases~~. In addition, veterinary hospitals and practitioners depend on visits from, and access to, the animals under their care. Veterinarians' patient volume and ability to operate could be adversely affected if they experience prolonged snow, ice or other severe weather conditions, particularly in regions not accustomed to sustained inclement weather. We could experience demand, supply and operational challenges associated with the effects of a human disease outbreak, epidemic, pandemic or other widespread public health concern. Our business has been, and ~~may continue to~~ **could in the future** be,

negatively impacted by human disease outbreaks, epidemics, pandemics or other widespread public health concerns, ~~such as the COVID-19 pandemic and its variants~~. These impacts ~~included, and in the event of a future widespread public health concern~~ may ~~in the future~~ include: • Reductions in demand or significant volatility in demand for one or more of our products, caused by, among other things: the temporary inability of our customers to purchase our products due to illness, quarantine, travel restrictions and / or financial hardship; decreased veterinary visits; farm animal processing plant shutdowns; shifts in demand by trading down to lower priced products; or stockpiling activity; • Inability to meet customer needs and achieve cost targets due to disruptions in our manufacturing and supply chains caused by labor constraints or ~~an~~ inability to obtain key raw materials, increased transportation costs or other manufacturing and distribution disruptions; • Failure of third parties on which we rely, including our suppliers, ~~CMOs contract manufacturers~~, distributors, contractors and other external business partners, to meet their obligations, which may be caused by their own financial or operational challenges; • Limited ability to access the global financial market, which could negatively impact our short- term and long- term liquidity; or • Significant changes in the political environments in the markets in which we manufacture, sell or distribute our products, including lockdowns, import / export restrictions or other governmental mandates that limit or close operating and manufacturing facilities, restrict travel to perform necessary business functions or otherwise prevent us or our third- party partners, suppliers or customers from sufficiently staffing operations, including operations necessary for the production, distribution and sale of our products. Despite our efforts to manage and limit these impacts, they will likely ultimately be dependent on factors beyond our control, including the duration and severity of any such outbreak, as well as third- party actions taken to contain its spread and mitigate its effects. A loss of key personnel or highly skilled employees could disrupt our operations. Our future success depends partly on the continued service of our highly qualified and well- trained key research, engineering, sales, marketing, manufacturing, executive and administrative personnel. We face intense competition for these qualified personnel from our competitors and others, particularly for certain highly technical specialties in geographic areas where we recruit. Due to this intense competition, we may be unable to continue to attract and retain qualified personnel necessary for the development of our business, or to recruit or identify suitable replacement personnel. If we are unsuccessful in our recruitment and retention efforts, our business may be harmed. In addition, if we fail to effectively manage organizational and / or strategic changes, our financial condition, results of operations and reputation, as well as our ability to successfully attract, motivate and retain key employees, could be harmed. Our business could be materially adversely affected by labor disputes, strikes or work stoppages. Some of our employees are members of unions, works councils, trade associations or are otherwise subject to collective bargaining agreements ~~in certain jurisdictions~~. As a result, we are subject to the risk of labor disputes, strikes, work stoppages and other labor- relations matters ~~in certain jurisdictions~~. We may be unable to negotiate new collective bargaining agreements on similar or more favorable terms, and ~~we~~ may experience work stoppages, higher ongoing labor costs or other labor problems in the future at our sites. We may also experience difficulty or delays in implementing changes to our workforce in certain markets. Further, labor- related issues, including at our suppliers or CMOs, could cause a disruption of our operations, ~~potentially resulting in cancelled orders by customers or unanticipated inventory accumulation or shortages~~, which could have a material adverse effect on our business, financial condition and results of operations, ~~potentially resulting in cancelled orders by customers, unanticipated inventory accumulation or shortages and reduced revenue and net income~~. Economic, Market and Financial Risks We have substantial indebtedness. We had approximately \$ ~~5-4~~ . ~~8-3~~ billion of outstanding indebtedness at December 31, ~~2023-2024~~. A significant amount of our cash flows from operations is dedicated to servicing this indebtedness and will not be available for other purposes, including our operating, investing or financing needs. Our ability to make scheduled payments or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions, and to certain financial, business, legislative, regulatory or other factors beyond our control. If our cash flows and capital resources are insufficient to fund our debt service obligations, or we are unable to access capital markets for additional financing on terms acceptable to us, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional debt or equity financing or seek to restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In such event, we may not be able to execute any such measures on commercially reasonable terms or at all and, even if successful, could still face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. Further, our debt instruments may restrict our ability to dispose of assets, ~~and may restrict~~ the use of proceeds from those dispositions and ~~/or may also restrict~~ our ability to raise debt or equity financing to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations when due. In addition, repayment of our indebtedness will depend on the generation of cash flow by our subsidiaries, including certain international subsidiaries, and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make adequate distributions to enable us to make required debt repayments. Each subsidiary is a distinct legal entity and, under certain circumstances, legal, tax and contractual restrictions may limit our ability to obtain cash from them. In the event we are not able to receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness. ~~Our~~ ~~In February 2024, we announced an agreement to sell our aqua business, which we expect to close around mid- year 2024. Upon closing of the sale, we intend to use the after- tax cash proceeds to accelerate our debt paydown efforts by paying down more than \$ 1 billion in outstanding indebtedness. However, the closing of this sale remains conditioned on receipt of applicable antitrust and other regulatory approvals, as well as other customary closing conditions. If one or more of these conditions is not satisfied, or is not satisfied timely, the sale may not be able to be consummated, and in such an event, this aforementioned debt paydown would not occur as planned. In addition, our~~ high level of indebtedness could have other important consequences, including: • limiting our ability to obtain additional financing to fund future working capital, capital expenditures, business development or other general corporate requirements; • increasing our vulnerability to general adverse

economic and industry conditions; • making us more highly leveraged than some of our competitors, which may place us at a competitive disadvantage; • restricting us from making strategic acquisitions, engaging in development activities or exploiting business opportunities; and • limiting our flexibility in planning for and reacting to changes in the animal health industry. Our debt agreements contain restrictions that will limit our flexibility in operating our business. Our credit facilities contain, and any other existing or future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things: • incur additional debt, guarantee indebtedness or issue certain preferred shares; • prepay, redeem or repurchase certain debt; • pay dividends on or make distributions in respect of, or repurchase or redeem, our capital stock or make other restricted payments; • make loans or certain investments; • sell certain assets; • create liens on certain assets; • consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; • enter into certain transactions with our affiliates; and • substantially alter the businesses we conduct. In addition, certain of our credit facilities require us to comply with a net total leverage ratio and a minimum fixed charge coverage ratio under certain circumstances (see Note 8. Debt to the consolidated financial statements for further discussion and descriptions of debt covenants). As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. A failure to comply with the covenants under the indenture that governs the senior unsecured notes and credit facilities, or any of our other existing or future indebtedness could result in an event of default, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. In the event of an event of default under our credit facilities, it is expected that the lenders: • will not be required to lend any additional amounts to us; • could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit; • could require us to apply all of our available cash to repay these borrowings; or • could effectively prevent us from making debt service payments on the our senior unsecured notes (due to a cash sweep feature). Such actions by the lenders could cause cross defaults under our other indebtedness, including our senior unsecured notes. If we were unable to cure any covenant noncompliance, the lenders under our credit facilities and any of our other existing or future secured indebtedness could proceed against the collateral granted to them to secure our credit facilities or such other indebtedness. We have pledged a significant portion of our assets as collateral under our credit facilities. Changes in our credit ratings could increase our interest expense and restrict our access to, and negatively impact the terms of, current or future financings or trade credit. Credit rating agencies continually revise their ratings for the companies they follow, including us. Credit rating agencies also evaluate our industry as a whole and may change their credit ratings for us based on their overall view of our industry. We cannot be sure that credit rating agencies will maintain their ratings for us or for certain of our debt. The substantial indebtedness we incurred related to our acquisition of Bayer Animal Health had a negative impact on our credit ratings, leading to higher borrowing expenses. Additionally, S & P, Moody's and Fitch downgraded our credit ratings in February, March and April 2023, respectively. Because the ratings of certain of our senior unsecured notes were have been downgraded, we have been required to pay additional interest under these senior unsecured notes. Any further downgrades could result in requirements to pay additional interest under the 4.900 % Senior Notes due 2028. Moreover, any decision to downgrade our ratings could restrict our access to, and negatively impact the terms of, current or future financings and trade credit extended by our suppliers of raw materials or other vendors. Changes in interest rates may adversely affect our earnings and / or cash flows. Certain of our credit facilities bear variable interest at the Term SOFR reference rate. Term SOFR measures the cost of borrowing cash overnight, collateralized by U. S. Treasury securities, and is based on directly observable U. S. Treasury- backed repurchase transactions. Our We are exposed to the risk of rising interest rates, given our level of variable-rate indebtedness is exposed, and Term SOFR rate increases over the course of 2023 have led to the risk of rising an increase in both our interest rates expense and cash paid for interest. Additionally, the increased interest rate environment, particularly for long- term treasury rates, played a critical role in the goodwill impairment charge we recorded during in 2023. Any further increases Increases in Term SOFR or other benchmark rates, including long- term treasury rates, would expose us to additional interest rate risk, additional expense and the potential for additional future impairments. We are also exposed to the risk of rising interest rates to the extent we fund our operations with short- term or variable- rate borrowings. See Part II, Item 7A. Quantitative and Qualitative Disclosure- Disclosures About Market Risk for further discussion around our exposure to changes in interest rates. We may be required to write down goodwill or identifiable intangible assets. At December 31, 2023-2024, the net carrying value of our goodwill and other indefinite- lived intangible assets on our consolidated balance sheet was \$ 5-4, 094 414 million and \$ 347-291 million, respectively. Other indefinite- lived intangible assets primarily consist of in- process R & D (IPR & D) projects acquired as a part of past business combinations. Under accounting principles generally accepted in the United States (GAAP), we are required to annually assess our goodwill and other indefinite- lived assets for impairment, and more frequently whenever events or changes in circumstances indicate an impairment may have occurred. Determining whether an impairment exists or may have occurred, and the amount of the potential impairment, involves qualitative criteria and quantitative data based on management' s estimates and assumptions, which require significant judgment and could change given a change in circumstances, future events or as new information becomes available. Due principally to the sharp increase in long- term treasury rates in the third quarter of 2023, which led to an increased discount rate assumption relative to prior assessments, we recorded a \$ 1, 042 million pre- tax impairment charge. While we believe the estimates and assumptions underlying our goodwill impairment test were reasonable in view of all available information, and no additional impairment to our goodwill or other indefinite- lived intangible assets was recorded during the fourth quarter of 2023, future Future changes in our discount rate assumption, whether driven by increases in long- term treasury rates or other factors, or future changes in other significant assumptions or the use of alternative estimates and assumptions, could expose us to further goodwill impairment losses. Any impairment of goodwill or other indefinite- lived intangible assets could have a material adverse effect on our results of operations in the period (s) when recognized. We rely on third parties to provide us with products and materials

and are subject to increased material costs and potential disruptions in supply. Feed, fuel, transportation and other key costs for farm animal producers may continue to increase, or animal **- derived** protein prices or sales may decrease. Either of these trends could cause deterioration in the financial condition of our farm animal product customers, potentially inhibiting their ability to purchase our products or pay us for products delivered. Our farm animal product customers may offset rising costs by reducing spending on our products, including by switching to lower- cost alternatives. In addition, concerns about the financial resources of pet owners could cause veterinarians to alter their treatment recommendations in favor of lower- cost alternatives to our products, which could result in a decrease in sales of our pet health products, especially in ~~developed~~ countries **with** ~~where there are~~ higher rates of pet ownership. Rising costs or reduced income for our customers could have a material adverse effect on our business, financial condition and results of operations. We also rely on third parties to source many of our raw materials and to manufacture products that we distribute. Principal materials used in our manufacturing operations for key brands are typically available from more than one source; however, in certain instances we obtain raw or intermediate materials from a single source. We generally seek to develop an appropriate inventory strategy to fill market demand until an alternative source of supply can be implemented, in the event a supplier becomes unable to provide the required materials or product. However, various developments have led, and may in the future lead, to interruption or shortages in supply (for example, ~~with cattle vaccines~~ **the financial difficulties experienced in 2023-2024 by our contract manufacturing supply partner, TriRx Speke. See" Item 1. Business – Manufacturing and Supply Chain" for further information** ) until we establish new sources, implement alternative processes, bring new manufacturing facilities online or pause or discontinue product sales in one or more markets. Additionally, we have and may continue to experience cost increases for certain raw materials or other components required to manufacture our products due to increased shipping costs and other inflationary pressures. This may have a material adverse impact on our financial results if we cannot pass on such increases to our customers. Further, the unavailability or delivery delays of raw materials has affected and could continue to affect our ability to ship the related products timely, more severely impacting high- volume or high- margin products. **Our Significant portions of our operations are conducted in foreign jurisdictions, including jurisdictions presenting a high risk of bribery and corruption, and** are subject to the economic, political, legal and business environments of the countries in which we do business. Our ~~international~~ **international** operations could be limited or disrupted by any of the following: • volatility in ~~the international~~ **the international** financial markets; • compliance with governmental controls **and sanctions**; • difficulties enforcing **contractual and intellectual property rights given variability in the laws of individual countries and their respective practices with respect to enforcement of** contractual and intellectual property rights; • parallel trade in our products (importation of our products from EU countries where our products are sold at lower prices into EU countries where the products are sold at higher prices); • compliance with a wide variety of laws and regulations, such as the U. S. Foreign Corrupt Practices Act (the FCPA) and similar non- U. S. laws and regulations; • compliance with ~~foreign~~ labor laws; • compliance with local, regional and global restrictions on banking and commercial activities in emerging markets; • burdens to comply with multiple and potentially conflicting foreign laws and regulations, including those relating to EHS requirements and those in emerging markets; • changes in laws, regulations, government controls or enforcement practices with respect to our business and the businesses of our customers, including the imposition of limits on our profitability; • political and social instability, including crime, civil disturbance, terrorist activities and armed conflicts ~~such as the Russia-Ukraine conflict~~ and the related government and other entity responses; • trade restrictions and restrictions on direct investments by foreign entities, including restrictions administered by the Office of Foreign Assets Control of the U. S. Department of the Treasury and the EU, in relation to our products or the products of farmers and other customers; • government limitations on foreign ownership; • government takeover or nationalization of business; • changes in tax laws and tariffs; • imposition of anti-dumping and countervailing duties or other trade- related sanctions; • costs and difficulties and compliance risks in staffing, managing and monitoring international operations, including in the use of overseas third- party goods and service providers; • corruption risk inherent in business arrangements and regulatory contacts with foreign government entities; • longer payment cycles **in certain foreign countries** and increased exposure to counterparty risk; and • additional limitations on transferring personal information between countries or other restrictions on the processing of personal information. In addition, international transactions may involve increased financial and legal risks due to differing legal systems and customs, as well as restrictions and sanctions that may be imposed on one or more ~~jurisdictions~~ **jurisdiction**. Compliance with these requirements may prohibit the import or export of certain products and technologies or may require us to obtain a license before importing or exporting certain products or technologies. A failure to comply with any of these laws, regulations or requirements could result in civil or criminal legal proceedings, monetary or non- monetary penalties, or both, disruptions to our business, limitations on our ability to import and export products and damage to our reputation. In addition, variations in the pricing of our products between jurisdictions may result in the unauthorized importation or unauthorized re- importation of our products between jurisdictions and may also result in the imposition of anti- dumping and countervailing duties or other trade- related sanctions. While the impact of these factors is difficult to predict, any of them could materially adversely affect our business, financial condition and results of operations. Further, changes in any of these laws, regulations or requirements, or the political environment in a particular country, may affect our ability to engage in business transactions in certain markets, including investment, procurement and repatriation of earnings. Our results of operations may be adversely affected by foreign currency exchange rate fluctuations. We operate on a global basis and are exposed to the risk that our earnings, cash flows and equity could be adversely impacted by fluctuations in foreign exchange rates. Because our results are reported in U. S. dollars, we are exposed to foreign currency exchange risk, as the functional currency financial statements of non- U. S. subsidiaries are translated to U. S. dollars for reporting purposes. We are primarily exposed to foreign exchange risk with respect to net assets denominated in the Euro, British pound, Swiss franc, Brazilian real, Australian dollar, Japanese yen, Canadian dollar and Chinese yuan. To the extent revenue and expense transactions are not denominated in the functional currency, we are also subject to the risk of transaction losses. Given the volatility of exchange rates and despite the mitigating impact of foreign

currency forward or option derivative contracts we enter into to reduce the effect of fluctuating currency exchange rates, there is no guarantee we will be able to effectively manage currency transaction and / or translation risks, which could adversely affect our results of operations. See Part II, Item 7A. Quantitative and Qualitative **Disclosure Disclosures** About Market Risk for further discussion around our exposure to potential changes in foreign currency exchange rates. We have underfunded pension plan liabilities. We will require current and future operating cash **flow flows** to fund these shortfalls, reducing the cash available for other uses. We have certain defined benefit pension plans, predominantly in Germany and Switzerland, ~~that are either dedicated to our current or past employees or where the plan assets and liabilities related to our current or past employees were legally required to transfer to us at the time of our separation from Lilly~~ (see Note 17. Retirement Benefits to the consolidated financial statements for additional discussion around our defined benefit plans). The funded status and net periodic pension cost for these plans **is can be** materially affected by the discount rate used to measure pension obligations, the longevity and actuarial profile of our workforce, the level of plan assets available to fund those obligations and the actual and expected long- term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets or in a change in the expected rate of return on plan assets. As of December 31, ~~2023~~ **2024**, for pension plans with projected benefit obligations in excess of plan assets, the projected benefit obligation was \$ ~~343~~ **334** million with plan assets of \$ ~~168~~ **165** million. Any changes in the discount rate could result in a significant increase or decrease in the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following years. Similarly, changes in the expected or actual return on plan assets can result in significant changes in the net periodic pension cost in the following years. In the event we need to make additional cash contributions to these plans, this will divert resources from our operations and may have a material adverse effect on our business, financial condition and results of operations. We do not anticipate paying dividends on our common stock in the foreseeable future. We do not anticipate paying any dividends in the foreseeable future on our common stock. We intend to retain all future earnings for the operation and expansion of our business and the repayment of outstanding debt. Certain of our credit facilities contain restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to pay dividends or to make other restricted payments. As a result, capital appreciation, if any, of our common stock may be our shareholders' major source of gain for the foreseeable future. While we may change this policy at some point in the future, we cannot assure you we will make such a change. We could be negatively impacted by being a target of shareholder activism, causing us to incur significant expense and hinder or disrupt the execution of our business strategy. While we value constructive input from our investors and regularly engage in dialogue with our shareholders regarding our business strategy and performance, shareholder activism, which takes many forms and arises in a variety of situations, has been increasingly prevalent among publicly traded companies. **For example, in 2024 we entered into a cooperation agreement with an investor, pursuant to which we expanded our board of directors by two seats, added two directors originally nominated by the investor and agreed to certain other governance matters.** If we become the subject of **certain new or additional** forms of shareholder activism, such as proxy contests or hostile bids, the attention of our management and our Board of Directors may be diverted from executing our strategy. Such shareholder activism could give rise to perceived uncertainties as to our future strategy, adversely affect our relationships with business partners and make it more difficult to attract and retain qualified personnel. Responding to unwanted stockholder activism **has resulted in and could also in the future** result in substantial costs, including significant legal fees and other expenses. Our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism. ~~Applicable laws and regulations, provisions of our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws may discourage takeover attempts and business combinations that shareholders might consider in their best interests. Applicable laws, provisions of our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws may delay, deter, prevent or render more difficult a takeover attempt that our shareholders might consider in their best interests. For example, they may prevent our shareholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future. Our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws contain provisions intended to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover, which could deter coercive takeover practices and inadequate takeover bids. These provisions provide for: • a Board of Directors divided into three classes with staggered terms; • advance notice requirements regarding how our shareholders may present proposals or nominate directors for election at shareholder meetings; • the right of our Board of Directors to issue one or more series of preferred stock with such powers, rights and preferences as the board of directors shall determine; • only the Board of Directors to fill newly created directorships or vacancies on our Board of Directors; • limitations on the ability of shareholders to call special meetings of shareholders and require that all shareholder action be taken at a meeting rather than by written consent; and • the exclusive right of our Board of Directors to amend our Amended and Restated Bylaws. These limitations may adversely affect the prevailing market price and market for our common stock if they are viewed as limiting the liquidity of our stock or discouraging takeover attempts in the future. We have recently announced plans to seek shareholder approval at our 2024 annual meeting of shareholders to amend our corporate governing documents to begin a process to declassify the Board of Directors, provide shareholders the right to amend our bylaws, enable shareholders to call special meetings under certain circumstances and modify the voting standard for uncontested director elections from a plurality standard to a majority of votes cast. However, there can be no assurance whether shareholder approval of these amendments will be obtained. We may incur additional tax expense or become subject to additional tax exposure. We are subject to income taxes in the U. S. and numerous other jurisdictions. Our future **Future** results of operations could be adversely affected by changes in the **our** effective tax rate as a result of a change in the mix of earnings between U. S. and non- U. S. jurisdictions or among~~

jurisdictions with differing statutory tax rates, changes in our overall profitability, changes in tax laws or treaties or in their application or interpretation, changes in tax rates, changes in GAAP, changes in the valuation of deferred tax assets and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures. In connection with the Base Erosion and Profit Shifting (BEPS) Integrated Framework provided by the Organization for Economic Cooperation and Development (OECD), the OECD has introduced a framework to implement a global minimum corporate tax of 15 %, referred to as Pillar Two or the minimum tax directive. Many aspects of the minimum tax directive will be **went into** effective ~~effect~~ **beginning** in 2024, with certain remaining impacts to **be become** effective **beginning** in 2025. While it is uncertain whether the U. S. will enact legislation to adopt the minimum tax directive, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement the minimum tax directive. Our analysis is ongoing as the OECD continues to release additional guidance and countries implement legislation. **While the adoption of Pillar Two did not have a material impact to income taxes in 2024, to** the extent additional changes take place in the countries in which we operate, it is possible these legislative changes **and efforts may increase uncertainty and** have an adverse impact on our effective tax rates **and the amount of income tax we are required to pay**. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, particularly in the U. S. or other material foreign jurisdictions, or if the ultimate determination of ~~our~~ taxes owed is **greater than** for an amount in excess of amounts previously accrued, our operating results, cash flows and financial condition could be adversely affected. Legal and Regulatory Compliance Risks Our business is subject to substantial regulation. As a global company, we are subject to various state, federal and international laws and regulations, including regulations relating to the development, quality assurance, manufacturing, importation, distribution, marketing and sale of our products. In addition, our manufacturing facilities, including the manufacturing facilities operated by our CMOs, are subject to periodic inspections by regulatory agencies. An inspection may report conditions or practices that indicate possible violations of regulatory requirements. Our failure, or the failure of third parties we rely on, including CMOs, to comply with applicable regulatory requirements, allegations of such non-compliance or the discovery of previously unknown problems with a product or manufacturer could result in, among other things, inspection observation notices, warning letters or similar regulatory correspondence, fines, a partial or total shutdown of production in one or more of our facilities while an alleged violation is remediated, withdrawals or suspensions of current products from the market and civil or criminal prosecution, as well as decreased sales as a result of negative publicity and product liability claims. Any one of these consequences could materially adversely affect our business, financial condition and results of operations. In addition, we will not be able to market new products unless and until we have obtained all required regulatory approvals or equivalent notices in each jurisdiction where we plan to market those products. Even after a product reaches market, we may be subject to re-review and may lose our approvals. For example, pending claims have been asserted in a lawsuit against the FDA' s approval of Exporior, a product launched in 2021. Our failure to obtain approvals, delays in the approval process or our failure to maintain approvals in any jurisdiction, may prevent us from selling products in that jurisdiction until approval or re-approval is obtained, if ever. In the EU, the Veterinary Medicinal Products Regulation updated the rules related to the authorization and use of veterinary medicines effective January 28, 2022. The updated rules limit the use of antibiotics, tighten importation rules and impose stricter pharmacovigilance standards. This regulation must still be implemented at the member state level and as such, additional requirements may be adopted by individual member states, which would have the effect of increasing the compliance requirements for our business in the EU, with resulting costs. If the acceptance and / or adoption of our farm animal sustainability initiatives do not continue, our future results may be materially impacted. We have made significant progress in recent years in gaining acceptance of farm animal sustainability products. However, the degree of acceptance for these products is uncertain, and one or more markets may resist the adoption of new products for the sole purpose of sustainability **or in the absence of government subsidies incentivizing such adoption**. As a result, there can be no assurance we will be able to expand the use of our sustainability products in these or other markets. Increased regulation or decreased governmental financial support relating to the raising, processing or consumption of farm animals could reduce demand for our farm animal products. Companies in the farm animal sector are subject to extensive and increasingly stringent regulations. If farm animal producers are adversely affected by new regulations or changes to existing regulations, they may reduce herd or flock sizes or become less profitable and, as a result, they may reduce their use of our products, which may materially adversely affect our business, financial condition and results of operations. Also, many farm animal producers benefit from governmental subsidies, and if such subsidies were to be reduced or eliminated, these companies may become less profitable and, as a result, may reduce their use of our farm animal products. More stringent regulation of the farm animal sector, including regarding the use of farm animal products, could have a material adverse effect on our business, financial condition and results of operations. **Tariffs, trade protection measures or other** ~~Modification~~ **modifications** of foreign trade policy may harm ~~us our~~ **or our** farm animal ~~product~~ customers. **Meaningful** ~~Changes~~ **changes** in laws, **tariffs**, agreements and policies governing ~~foreign~~ **international** trade in the territories and countries where ~~we and~~ our customers do business could negatively impact ~~such us and our~~ customers' businesses and adversely affect our results of operations. **A Significant trade disruptions, or the establishment or increase of tariffs, trade protection measures or restrictions and / or any retaliatory actions from foreign governments, could result in lost sales and increased costs. Given the international nature of our supply chain, in certain instances we, our customers or other key business partners depend on suppliers and service providers based in China, Canada, Mexico and other foreign jurisdictions. Tariffs, trade protection measures, import or export regulations or other restrictions imposed or maintained on our current or future products, customers or other key business partners by the United States, China, Canada, Mexico or other countries could have a material adverse effect on our business, financial**

**condition and results of operations. Additionally, a** number of our customers, **including customers of our farm animal products,** rely on **zero or minimal** duty ~~reduction~~-benefits provided by ~~free~~-trade agreements, such as the U. S.- Mexico-Canada **Agreement or most favored nation (MFN) level duties for trans- Atlantic and trans- Pacific trade**. However, **there is increasing concern that existing** trade partnerships, **unilateral duties, retaliation** and treaties ~~can~~ **may** be modified by ~~domestic and foreign governments,~~ which could result in new or increased tariffs **or non- tariff barriers to commerce**. Additionally, countries are becoming increasingly protectionist, ~~both in an effort~~ to protect local industries ~~as well as,~~ **to advance other policy objectives or** to ensure domestic supply chain continuity for key products, such as medicines **and nutritional feed additives**. Finally, as global security ~~decreases~~ **challenges increase**, more countries ~~will~~ **may** use sanctions and export controls as a method to deal with such insecurity, which could result in decreased markets for our products **or make it more costly to supply our customers**. We may incur substantial costs and receive adverse outcomes in litigation, regulatory investigations and other legal matters. Litigation matters and regulatory investigations, regardless of their merits or ultimate outcomes, are costly, divert management' s attention and may materially adversely affect our reputation **and the sale of** and demand for our products. We cannot predict with certainty the eventual outcome of pending or future legal matters. An adverse outcome of litigation or legal matters could result in us being responsible for significant damages. Our business, financial condition and results of operations could be materially adversely affected by unfavorable results in pending or future litigation, regulatory investigations and other legal matters **including and the expense of defending against them- the cost of their defense**. These matters may include, among other things, allegations of violation of U. S. and /or foreign competition ~~law~~ **laws**, labor laws, securities laws and regulations, consumer protection laws and environmental laws and regulations, as well as claims or litigation relating to product liability, intellectual property, securities, breach of contract ~~and,~~ tort **and tax liabilities**. For example, shareholder class action lawsuits filed against us in 2020 allege, in part, that we and certain of our executives made materially false and / or misleading statements and / or failed to disclose certain facts about our supply chain, inventory, revenue, projections and our relationships with third party distributors and revenue attributable to those distributors. **A new putative securities class action was also filed against us in 2024, along with a related shareholder derivative securities claim, alleging material misstatements or omissions concerning the safety and labeling of Zenrelia and the approval and launch timelines for Zenrelia and Credelio Quattro along with the breach of fiduciary duties regarding those allegations, respectively.** We are vigorously defending against the claims made in these **and other** lawsuits; however, the ultimate resolution cannot be predicted, and the claims raised in these lawsuits may result in further legal matters or actions against us, including, but not limited to, government enforcement actions or additional private litigation. ~~Also, on July 1, 2021, we received a subpoena from the SEC relating to our channel inventory and sales practices prior to mid- 2020. We have cooperated in providing documents and information to the SEC and will continue to do so. We have engaged in discussions with the SEC about a possible resolution or settlement of potential disclosure claims. While we have not reached an agreement on a resolution or settlement of the potential disclosure claims, based on the ongoing discussions with the SEC, we have accrued a liability of \$ 12. 5 million as of December 31, 2023. It remains uncertain whether an agreement will be reached and the terms of any such agreement. Management continues to believe its actions were appropriate.~~ In addition, changes in the interpretations of laws and regulations to which we are subject, or in legal standards in one or more of the jurisdictions in which we operate, could increase our exposure to liability. For example, in the U. S., attempts have been made to allow damages for emotional distress and pain and suffering in connection with the loss of, or injury to, a pet. If such attempts were successful, our exposure with respect to product liability claims could increase materially. The actual or purported intellectual property rights of third parties may negatively affect our business. A third party may sue us, or our distributors or licensors, or otherwise make a claim alleging infringement or other violation of such third- party' s patents, trademarks, trade dress, copyrights, trade secrets, domain names or other intellectual property rights. If our distributors, licensors or we do not prevail in this type of litigation, we may be required to: • pay monetary damages; • obtain a license in order to continue manufacturing or marketing the affected products, which may not be available on commercially reasonable terms, or at all; and / or • stop activities, including any commercial activities, relating to the affected products, which could include a recall of the affected products and / or a cessation of sales in the future. The costs of defending an intellectual property claim could be substantial and could materially adversely affect our business, financial condition and results of operations, even if we successfully defend **against** such claim. Moreover, even if we believe that we do not infringe a validly existing third- party patent, we may choose to license such patent, which would result in associated costs and obligations. We may also incur costs in connection with an obligation to indemnify a distributor, licensor or other third party. The intellectual property positions of animal health ~~medicines and vaccines~~-businesses frequently involve complex legal and factual questions, and an issued patent does not guarantee us the right to practice the patented technology or develop, manufacture or commercialize the patented product. For example, while we generally enter into proprietary information agreements with our employees and third parties, which assign intellectual property rights to us, these agreements may not be honored or may not effectively assign intellectual property rights to us under the local laws of some countries or jurisdictions. We cannot be certain that a competitor or other third party does not have, or will not obtain rights to, intellectual property that may prevent us from manufacturing, developing or marketing certain ~~of our~~ products, regardless of whether we believe such intellectual property rights are valid and enforceable or we believe we would otherwise be able to develop a more commercially successful product, which may materially adversely affect our business, financial condition and results of operations. If our intellectual property rights are challenged or circumvented, competitors may be able to take advantage of our R & D efforts or harm the value of our brands. Our long- term success depends on our ability to market innovative and competitive products. We rely and expect to continue to rely on a combination of intellectual property, including patent, trademark, trade dress, copyright, trade secret and domain name protection, as well as confidentiality and license agreements with our employees and others, to protect our intellectual property and proprietary rights. If we fail to obtain and maintain adequate intellectual property protection, we may not be able to prevent third parties from using our proprietary technologies or

from marketing products that are very similar or identical to ours. Our currently pending or future patent applications may not result in issued patents, or may not be approved on a timely basis, if at all. Similarly, any term extensions we seek may not be approved on a timely basis, if at all. In addition, our issued patents, or any patents that may be issued in the future, may not contain claims sufficiently broad to protect us against third parties with similar technologies or products or provide us with any competitive advantage, including exclusivity in a particular product area. The validity and scope of our patent claims also may vary between countries, as individual countries have their own patent laws. For example, some countries only permit the issuance of patents covering a novel chemical compound itself, and its first use, and thus further methods of use for the same compound may not be patentable. The validity, enforceability, scope and effective term of patents can be highly uncertain and often involve complex legal and factual questions and proceedings that vary based on the local law of the relevant jurisdiction. Our ability to enforce our patents also depends on the laws of individual countries and each country's practice with respect to enforcement of intellectual property rights. Patent protection must be obtained on a jurisdiction-by-jurisdiction basis, and we only pursue patent protection in countries where we think it makes commercial sense for the given product. In addition, if we are unable to maintain our existing license agreements or other agreements pursuant to which third parties grant us rights to intellectual property, including because such agreements terminate, our business, financial condition and results of operations could be materially adversely affected. Patent law reform in the U. S. and other countries may also weaken our ability to enforce our patent rights or make such enforcement financially unattractive. **Such** ~~The America Invents Act permits enhanced third-party actions for challenging patents and implements a first-to-invent system. These~~ reforms could result in increased costs to protect our intellectual property or limit our ability to obtain and maintain patent protection for our products in these jurisdictions. Additionally, ~~certain foreign governments have indicated~~ **patent reforms may include compulsory licensing** that ~~compulsory licenses to patents~~ **may be granted by governments** in the case of national emergencies, which could diminish or eliminate sales and profits from those regions and materially adversely affect our financial condition and results of operations. Our trademarks and brands may provide us with a competitive advantage in the market as they may be known or trusted by consumers. In order to maintain the value of such brands, we must be able to enforce and defend our trademarks. We have pursued, and will continue to pursue, the registration of trademarks and service marks in the U. S. and internationally; however, enforcing rights against those who knowingly or unknowingly dilute or infringe our brands can be difficult. Effective trademark, service mark, trade dress or related protections may not be available in every country in which our products and services are available. Enforcement is especially difficult in first-to-file countries where "trademark squatters" can prevent us from obtaining adequate protections for our brands. There can be no assurance that the steps we have taken and will take to protect our proprietary rights in our brands and trademarks will be adequate or that third parties will not infringe, dilute or misappropriate our brands, trademarks, trade dress or other similar proprietary rights. Many of our products are based on or incorporate proprietary information. We actively seek to protect our proprietary information, including our trade secrets and proprietary know-how, by generally requiring our employees, consultants, other advisors and other third parties to execute proprietary information and confidentiality agreements upon the commencement of their employment, engagement or other relationship. Despite these efforts and precautions, we may be unable to prevent a third party from copying or otherwise obtaining and using our trade secrets or ~~our~~ other intellectual property without authorization, and legal remedies may not adequately compensate us for the damages caused by such unauthorized use. Further, others may independently and lawfully develop substantially similar or identical products that circumvent our intellectual property by means of alternative designs or processes or otherwise. The illegal distribution and sale by third parties of counterfeit or illegally compounded versions of our products or of stolen, diverted or relabeled products could have a negative impact on our reputation and business. Third parties may illegally distribute and sell counterfeit or illegally compounded versions of our products that do not meet the exacting standards of our development, manufacturing and distribution processes. Counterfeit or illegally compounded medicines pose a significant risk to animal health and safety because of the conditions under which they are manufactured and the lack of regulation of their contents. Counterfeit or illegally compounded products are frequently unsafe or ineffective and can be potentially life-threatening to animals. Our reputation and business could suffer harm as a result of counterfeit or illegally compounded products which are alleged to be equivalent and / or which are sold under our brand name (s). In addition, products stolen or unlawfully diverted from inventory, warehouses, plants or while in transit; products which are not properly stored or which have an expired shelf life; and / or products which have been repackaged or relabeled and sold through unauthorized channels, could adversely impact animal health and safety, our reputation and our business. In recent years we have expanded our business more into direct to retailer and e-commerce channels, which may increase the risk of counterfeiting of our products. Public loss of confidence in the integrity of vaccines and / or pharmaceutical products as a result of counterfeiting, illegal compounding or theft could have a material adverse effect on our business, financial condition and results of operations. The misuse or off-label use of our products may harm our reputation or result in financial or other damages. Our products have been approved for use under specific circumstances for the treatment of certain diseases and conditions in specific species. There may be increased risk of product liability claims if veterinarians, farm animal producers, pet owners or others attempt to use our products off-label, including the use of our products in species (including humans) for which they have not been approved. Furthermore, the use of our products for indications other than those for which our products have been approved may not be effective, which could harm our reputation and lead to an increased risk of litigation. If we are deemed by a governmental or regulatory agency to have engaged in the promotion of any of our products for off-label use, such agency could request that we modify our training or promotional materials and practices, and we could be subject to significant fines and penalties. The imposition of these sanctions could also affect our reputation and position within the industry. Any of these events could materially adversely affect our business, financial condition and results of operations. Unanticipated safety, quality or efficacy concerns or identified concerns associated with our products may harm our reputation and have an adverse impact on our performance. Unanticipated safety, quality or efficacy concerns arise from time to time with respect to animal health products,

whether or not scientifically or clinically supported, potentially leading to product recalls, withdrawals or suspended or declining sales, as well as product liability and other claims. Regulatory actions based on these types of safety, quality or efficacy concerns could impact all, or a significant portion, of a product's sales. For example, **in May 2024 the EMA's CVMP recommended suspending the marketing authorization for our Kexxtone™ product for cattle, with the VMD (U. K.) similarly following this recommendation in July. Since this time we have been working on corrective measures to regain market authorization in these jurisdictions; however, we have not yet done so, and will be unable to sell Kexxtone again in these markets until we do. Additionally,** lawsuits seeking actual damages, injunctive relief and / or restitution for allegedly deceptive marketing ~~were have been~~ filed against us arising out of the use of Seresto, a non-prescription flea and tick collar for cats and dogs, based on media reports alleging that the collar ~~has~~ caused injury and death to pets. ~~In~~ ~~Since that time, on July 13, 2023,~~ the EPA announced the completion of its comprehensive, multi-year review of the Seresto flea and tick collar and confirmed the continued registration of the collar. However, if any similar claims with respect to our products are resolved adversely to us, or if a regulatory agency determines that a recall or cancellation of registrations of any of our products is necessary, such action could cause harm to our reputation, reduce our product sales, result in monetary penalties and other costly remedies against us, and could therefore have a material adverse effect on our business, financial condition and results of operations. **We also** ~~In addition, we~~ depend on positive perceptions of the safety, quality and efficacy of our products, and animal health products in general, by food producers, veterinarians and pet owners. Any concern as to the safety, quality or efficacy of our products, whether actual or perceived, may harm our reputation. These concerns, ~~including those relating to Seresto,~~ and the related harm to our reputation could materially adversely affect our business, financial condition and results of operations, regardless of whether such reports are accurate. Our insurance policies may be insufficient to protect against all potential hazards or litigation claims. We rely on a combination of insurance and self-insurance, and changes in predictions, assumptions and interpretations could affect our operations. Insurance policies include limits and may be insufficient to protect against all potential hazards and risks or litigation claims. Our product liability insurance policy may not fully cover our potential liabilities. In addition, we may determine that we should increase our coverage, and this insurance may be prohibitively expensive to us ~~or,~~ our collaborators or ~~our~~ licensees and may not fully cover our potential liabilities. Breaches of our ~~IT information technology~~ systems or improper disclosure of confidential company or personal data, or a failure to comply with privacy laws, regulations and our contractual obligations concerning data privacy or the security of certain information, could have a material adverse effect on our reputation and operations. We rely on ~~IT information technology~~ systems to process, transmit and store electronic information in our day-to-day operations, including customer, employee and company data. The secure processing, maintenance and transmission of this information is critical to our operations. In addition, the legal environment surrounding information security, storage, use, processing, transmission, maintenance, disclosure and privacy is demanding with the frequent imposition of new and changing regulatory requirements. We store, process, ~~and~~ transmit certain information with third parties, including the use of cloud technologies. Our information systems and those of our third-party vendors are ~~subjected~~ **subject** to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyber-attacks and are also vulnerable to **improper or inadvertent staff behavior and** an increasing threat of continually evolving cybersecurity risks ~~and external hazards,~~ **as well as improper or inadvertent staff behavior including through the use of rapidly evolving AI technology to identify and exploit vulnerabilities**. Any potential cyber breach could result in the unauthorized access, public disclosure, loss or theft of confidential data, or unauthorized access to, disruption of or interference with our operations that rely on information systems. Such breach ~~can~~ **could** also have negative consequences, such as increased costs for security measures or remediation costs, and diversion of management attention (see Item 1C. Cybersecurity for further discussion of our risk management, strategy and governance policies and procedures related to cybersecurity). We are increasingly dependent on our ~~IT information technology~~ systems as many of our office workers who work partially or primarily remotely, rely on third-party applications to perform their job duties and are processing information through our network via their home networks, which may be less secure. As such, our ability to effectively manage our business depends on the security, reliability and adequacy of our technology systems and data and the ability of our employees to follow our cybersecurity policies and protocols. Any actual or perceived access, disclosure or other loss of information or any significant breakdown, intrusion, interruption, cyber-attack or corruption of customer, employee or company data, or our failure to comply with federal, state, local and foreign privacy laws or contractual obligations with customers, vendors, payment processors and other third parties, could result in legal claims or proceedings, liability under laws or contracts that protect the privacy of personal information, regulatory penalties, disruption of our operations and damage to our reputation, all of which could materially adversely affect our business, financial condition and results of operations. While we will continue to implement additional protective measures to reduce the risk of and detect cyber-incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly. Our protective measures may not protect us against attacks, **and** such attacks could have a significant impact on our business and reputation. The costs imposed on us as a result of a cyber-attack or network disruption could be significant. Among others, such costs could include increased expenditures on cybersecurity measures, litigation, regulatory investigations, fines and sanctions, lost revenues from business interruption, damage to our reputation and public perception and significant remediation costs. As a result, a cyber-attack or network disruption could have a material adverse effect on our business, financial condition and results of operations. We are subject to complex EHS laws and regulations. We are subject to various federal, state, local and foreign EHS laws and regulations. These laws and regulations govern matters such as the emission and discharge of hazardous materials into the ground, air or water; the generation, use, storage, handling, treatment, packaging, transportation, exposure to and disposal of hazardous and biological materials, including recordkeeping, reporting and registration requirements; and the health and safety of our employees. Due to our operations, these laws and regulations also require us to obtain ~~and~~ comply with, permits, registrations or other authorizations issued by governmental authorities. These authorities can modify or revoke our permits, registrations or other

authorizations and can enforce compliance through fines and injunctions. Given the nature of our business, we have incurred, are currently incurring and may in the future incur liabilities for the investigation and remediation of contaminated land under the U. S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or under other federal, state, local and foreign environmental cleanup laws, with respect to our current or former sites, adjacent or nearby third- party sites or offsite disposal locations. We could be subject to liability for the investigation and remediation of legacy environmental contamination caused by historical industrial activity at sites we own or on which we operate. The costs associated with future cleanup activities that we may be required to conduct or finance could be material. Additionally, we may become liable to third parties for damages, including for personal injury, property damage and natural resource damages, resulting from the disposal or release of hazardous materials into the environment. Such liability could materially adversely affect our business, financial condition and results of operations. Furthermore, regulatory agencies are showing increasing concern over the impact of animal health products and farm animal operations on the environment. This increased regulatory scrutiny has in the past and may in the future necessitate that additional time and resources be spent to address these concerns in both new and existing products. Additionally, there has been an increased focus from our shareholders, as well as regulatory authorities both within the U. S. and internationally, on ESG practices and disclosures. If we fail or are perceived to fail, in any number of ESG matters, such as environmental stewardship, IDEA, good corporate governance, workplace conduct and support for local communities, or to effectively respond to changes in, or new, legal, regulatory or reporting requirements concerning climate change or other sustainability concerns, we may be subject to regulatory fines and penalties, and our reputation may suffer. Our failure to comply with the EHS laws and regulations to which we are subject, including any permits issued thereunder, may result in environmental remediation costs, loss of permits, fines, penalties or other adverse governmental or private actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial measures. We could also be held liable for any and all consequences arising out of human exposure to hazardous materials, environmental damage or significant EHS environmental, health and safety issues that might arise at a manufacturing or R & D facility. Environmental laws and regulations are complex, change frequently, have tended to become more stringent and stringently enforced over time and may be subject to new interpretation. It is possible that our costs of complying with current and future EHS laws, and our liabilities arising from past or future releases of, or exposure to, hazardous materials could materially adversely affect our business, financial condition and results of operations. **We may be unable to achieve our goals and aspirations set forth in our ESG report (s), particularly with respect to the reduction of greenhouse gas (GHG) emissions, or otherwise meet the expectations of our stakeholders with respect to ESG matters. Regulatory agencies have shown concern over the impact of animal health products and farm animal operations on the environment. This regulatory scrutiny has in the past and may in the future necessitate that additional time and resources be spent to address these concerns in both new and existing products. Additionally, there has been a focus from our shareholders, as well as regulatory authorities both within the U. S. and internationally, on ESG practices and disclosures, including expanding mandatory and voluntary reporting of GHG emissions and other sustainability metrics, such as waste reduction, use of natural resources including energy, human capital and risk oversight. We have announced certain aspirations and goals related to ESG matters, such as our intention to reduce certain GHG emissions over time. Achievement of these aspirations, plans and goals is subject to numerous risks and uncertainties, many of which are outside of our control. It is possible we may be unsuccessful in the achievement of our ESG goals, on a timely basis or at all, or that the costs to achieve our goals become prohibitively expensive. Further, some jurisdictions have adopted laws and other regulations that may subject companies operating in those jurisdictions to legal liability for failing to meet published goals. At the same time, our stakeholders have evolving, varied and sometimes conflicting expectations regarding many aspects of our business, including our operations and ESG- related matters. If we fail or are perceived to fail, in any number of ESG matters, such as environmental stewardship, IDEA, good corporate governance, workplace conduct and support for local communities, or to effectively respond to changes in, or new, legal, regulatory or reporting requirements concerning climate change or other sustainability concerns, we may be subject to regulatory fines and penalties, and our reputation may suffer.**