



Elanco

Making Life Better For Animals, Makes Life Better

2020 Annual Report



With Relevance Comes Responsibility

Learnings from COVID-19



A letter from Jeff Simmons Elanco President & CEO

2020 was a historic year for the world and for Elanco. We have long understood the power of pets and protein in our lives. Pets play an essential role in providing companionship to an aging parent, soothing anxiety in a child, offering a reason to get out of the house for exercise, or making a connection with a neighbor. Similarly, an egg a day or a glass of milk provides invaluable benefit toward building strong, healthy bodies and developing young minds. Healthy animals make milk, meat, fish, and eggs more available and affordable. Healthy, active pets at the center of our families improve the mental and physical health of people everywhere. Simply put, making life better for animals, makes life better.

If ever there was a year when we needed ways to make life better, it was 2020. And while the COVID-19 pandemic shook our system to its core, it did help awaken the world to the importance of pets and protein – the center of Elanco's focus.

THE PANDEMIC THAT BROUGHT PERSPECTIVE

Much of the developed world experienced empty meat, milk, and egg cases for the first time, getting a glimpse of what the 850 million people that struggle with hunger and

malnutrition experience daily. In the next three decades, 2 billion more people will join our global population. Population and middle-class growth are expected to drive a 70% increase in demand for protein in the same time period. And all people deserve a seat at the dinner table.

As lockdown orders kept people at home, the skies cleared over cities around the world and emissions dropped 10% in the U.S. for example. Yet animal numbers, one of the often-blamed emission culprits, aren't what changed overnight. The COVID-19 pandemic showed us globally people want and need meat, milk, fish, and eggs. Meat department sales grew nearly 20% in value and 11%, in volume with household penetration at 98.4%, according to IRI data. Greater knowledge of meat options and preparation are likely to benefit the meat industry for years to come. Healthy animals produce more, which is critical, considering the world does not have the extra natural resources to meet the increased protein needs of this growing population.

As quarantines began and social isolation grew, we saw pet shelters empty. People around the world turned to four-legged friendships for connection and joy. Loneliness and anxiety, already at an all-time high even before COVID, put people at greater risk of developing conditions like depression, high blood pressure, and dementia. Pets have been an intervention, an accessible solution in the limited toolbox that exists for addressing mental and emotional health. In fact, our Elanco research showed more than two-thirds of pet owners say their pets provided even more emotional support for them during the pandemic. Nearly three-quarters

reported mental health improvements from pet ownership.

FROM CATS TO CATTLE: BEING THE CATALYST FOR CHANGE

As tragic as the events of 2020 were around the globe, I believe the past year serves as a catalyst for change if we not only respond to what happened, but also anticipate what's ahead. The pandemic brought us into this decade. But for a better end to this decade – and for those that follow – we must act now to ensure a brighter future.

From where I sit, there's an obvious answer: it's about healthy animals. Pets and protein and the role they play in our lives. The pandemic showed us what mattered most to people. Pets and protein are central to people's lives. And they are central to some of the world's greatest challenges. Pets and protein can unlock solutions to the seemingly disconnected issues of environmental, physical, and mental health.

And the animal health industry will play a key role in bringing services and solutions to address this important intersection.



What we do at Elanco has never been more relevant. With relevance comes great responsibility to bring innovation and to lead with a new level of urgency. Responsibility to make a difference, not just to survive this period of uncertainty, but to separate ourselves and find ways to help society – and our company – thrive.

PUTTING OUR “STEAK” IN THE GROUND

If we're to achieve the 2050 UN Sustainable Development goals – like zero hunger, good health and well-being, and temperature neutrality – we must make a difference this decade. In October, we shared our commitment to do our part with the Elanco Healthy Purpose Pledges. These decade-long pledges ultimately seek to improve the lives of people through increased

access to care for 3 billion animals – whether it's improving the availability of nutritious, sustainable protein, being our customers' leading partner on the road to net zero emissions, or helping a pet spend a few more years at the center of families.

This is our time. We don't have the luxury of choosing the era in which we live. But we can control how we respond. **Our vision becomes reality when common visions collide, and**

true purpose-driven passion can be harnessed for the collective good.

Together, we can achieve complex goals for the good of society – around the world. Beyond the heartbreaking loss of lives to this pandemic, the greatest tragedy of COVID would be if we fail to act on what we've learned.

Elanco is better positioned to act than at any time in our history.

Predictions for the Next Decade: 4 Forces Fueling the Future

What gives us confidence in our opportunity to make a difference? It's based in our demonstrated ability to execute and capitalize on key macro trends that will be forces of good in the first half of this decade, propelling our industry and Elanco forward.



CURBSIDE TO COUCH: CREATING CONVENIENT ACCESS TO ANIMAL CARE

COVID has forever changed our relationships with our pets and how we care for them. Our pets moved from companions to favorite co-workers. They became regulars on Zoom calls, and the best reason to get out of the house. And as life returns to normal, pet owners expect to integrate their pets even more into their daily routines, prioritizing pet-friendly vacations, hotels, and workplaces. **This increased togetherness is translating into increased expectations around pet care and health,** driving broad-based industry growth from clinic visits for both wellness and sickness, to spending and auto shipments.

As the COVID-19 pandemic shuttered businesses, our sales and technical teams shifted to serve customers in innovative ways for a virtual and curbside world, supporting the surge in telemedicine and doorstep delivery. Omnichannel presence, which encompasses a strong

veterinary presence combined with leadership in specialty, mass retail, and e-commerce, has never mattered more. During COVID, we saw about one-third of pet owners shift their spending online. And nearly all expect to continue to use this channel. **With approximately half of the world's 500 million pets still unmedicalized, our increasing access to these animals as an omnichannel leader creates a responsibility to be the conduit – the bridge – between pet owners and veterinarians, improving pet care over the long-term.**

Meanwhile, continued technology innovation will give animals a voice like never before. Imagine a world of connected care where a collar on a dog not only provides protection from fleas and ticks, but also tracks daily activity, from food and water intake to number and speed of steps, helping a pet owner or veterinarian detect potential illness or osteoarthritis well before clinical signs. These types of advances are sure to improve our understanding of animal disease, pain, and well-being in new and interesting ways that will only further

the megatrends in the decade to come. Elanco stands as one of the only independent companies with the access, systems, processes and people to reach these animals around the world.

THE PATH TO NET ZERO

If we're to achieve UN Sustainable Development goals like zero hunger, good health and well-being and temperature neutrality by 2050, sustainability is another key trend where we have to make a difference this decade. **And OUR time is NOW.** So that when this decade comes to a close, we are looking back on the major moves we made in this industry to make a healthier planet.

From changes in administration here in the U.S., to global organizations like the UN, to increased involvement of global philanthropic organizations and big donors – **the stars are aligned, and sustainability is part of everyone's agenda.** We all want the same things – a stable environment with clean air, clean water, and high-quality food that nourishes people. Livestock,

particularly cattle, are often cited as a leading culprit in air emissions. **We can be an easy target, or we can show the world we are part of the solution. Healthy animals play a critical role on the path to Net Zero, in addition to the important role meat, milk and eggs play in human nutrition and health.** They upcycle the food byproducts, grass, and forages that humans cannot use on land that has limited alternative use, creating 2.5 times more nutrient rich protein in meat and milk than they consume. The key to achieving Net Zero is sequestering carbon and balancing emissions with removals. Livestock are important players on both sides of that emissions balance sheet.

If we want to make a difference in emissions from protein production, we must invest in farm animal innovation, where orders-of-magnitude more protein will be produced and where the ability to reduce emissions within the sector dwarfs any impact alternative protein could achieve. For example, U.S. retail meat sales grew \$13.3 billion in 2020, which is 27 times larger than the entire refrigerated plant-based alternatives market.

Importantly, the major gas coming from cattle production is methane. Methane from cattle is derived from CO₂ in the atmosphere. Cattle eat carbon captured in plants and emit a small fraction as methane. Unlike carbon dioxide, which lasts for a century and is produced in alternative protein production, methane is a short-lived greenhouse gas, persisting for roughly a decade. As a result, cattle are part of the natural biogenic carbon cycle. The short-lived nature of methane is an opportunity however – atmospheric concentrations respond much quicker to emissions reductions than CO₂. So reducing methane emissions can actually have a cooling impact on the environment. **If we can cut methane emissions by one-third in 2050**

compared to 2020, we can create a significant cooling effect on the climate and move us closer to the goal of the Paris Agreement containing global warming below 1.5 degrees Celsius. Farm animal innovations that cut methane emissions are an exciting opportunity for animal ag to be a part of the global climate solution.

Today, animal agriculture is responsible for about 4% of U.S. greenhouse gas emissions (GHGs). There are four main areas of emissions: enteric methane derived from the animal's digestive process, manure emissions, feed production, and, to a lesser extent electricity/fuel use. I'll focus on the first two.

Enteric Emissions: The best avenues to reduce enteric emissions include reducing loss from death and disease, optimizing feed to sources that generate lower emissions, genetic selection for animals that naturally have greater production efficiency, and feed additives that can reduce methane or improve efficiency, generating more meat, milk or eggs per unit of feed and reducing the amount of methane per unit. For example, in early 2021 University of California-Davis released new research on red seaweed that could cut emissions from beef cattle by over 80%. While more research is needed, innovations that get us to our target of cutting methane by a third are within reach.

Manure emissions: Manure emissions are the second largest part of the footprint, but manure can also be an important part of the solution. Anerobic digesters convert manure to renewable energy to reduce on-farm energy needs or to be sold to the power grid. Industrial energy is responsible for around 11% of US emissions; if biogas from digesters can be used to reduce industrial GHG emissions, this would reduce that sector's emissions along with those of the livestock production. Manure can also be used as a natural

fertilizer, improving the health of the soil and increasing crop yields, while reducing need for synthetic fertilizer, production of which is a meaningful source of GHG emissions.

Through our Healthy Purpose commitments, we at Elanco are committed to be livestock producers' leading partner on their journey to Net Zero. Elanco solutions are already helping farmers and ranchers improve the sustainability of livestock production.

ELANCO CAN IMPACT THE FIRST THREE EMISSION TYPES IN SEVERAL WAYS:

- 1 **Today 20% of animal productivity globally is lost to death or disease. We can have a significant effect on reducing both enteric and manure emissions simply by improving the health of animals.**
- 2 **Elanco helps the animal reach its genetic potential and be more productive, which means fewer animals are needed to produce the same amount of meat. Fewer animals equals less methane and less manure. Specifically, the unique mode of action in Elanco's Rumensin® directly reduces enteric methane in each animal.**
- 3 **Elanco helps the animal get more from its feed and improve feed efficiency, which means it needs less.**
- 4 **Finally, with more than 20 years of industry data tracking, Elanco provides technical and benchmarking expertise to help customers identify potential adjustments to reduce their footprint and track their progress over time.**

Elanco's products, partnerships, robust industry data and expertise are the four key ingredients that help position us as our customers' lead partner on the path to Net Zero.

Today, Elanco products reduce beef's footprint by at least 9%. In dairy, Rumensin use on an average 1,000-cow dairy decreases CO2 emissions per kilogram of milk by about 3.5% and enteric methane emissions nearly 5%. Livestock production can reach carbon neutrality by 2050; many farms will do it in this decade. And dairy, the largest source of animal protein in the diet, is an industry committed to achieving Net Zero by 2050. In just the last decade, dairy farmers reduced GHG emissions per gallon of milk by 20%.

But we know we can do better. Imagine a world where we aren't just focused on mitigating animals' impact on the environment a world where farmers' and ranchers' main source of income comes through their ability to recycle and sequester carbon to create renewable natural gas and renewable electricity from their herds.

We can't eat our way out of climate change. But we can improve how food gets to our plate. Animal health is an essential part of the climate smart agriculture required to nourish us while meeting climate goals. If we completely removed animal protein from the diet and every American went vegan, we would only reduce GHGs by less than 1.5%. New research suggests removing ruminants and protein production from the system entirely would actually be counterproductive, potentially even increasing emissions in the long-term. We must foster a dialogue focused on bringing innovation, investment, and real solutions that achieve health for the planet, animals, and people simultaneously. Together, we can achieve complex goals for the good of society across the globe.

INNOVATION MATTERS

Innovation does matter. It is rewarded. And it will be the enabler of both the changing pet care landscape and environmental trends. Throughout history, science and innovation have been the solution to our greatest challenges. Innovation will be the answer again.

As the animal health industry is maturing, it's beginning to attract investors to drive new innovation and convergence of other industries. With bigger, independent companies uncoupled from human pharma, the industry is poised to make significant progress. During this decade we will see emerging innovators, expansion to adjacent space, new funding and sourcing models. And Elanco wants to be THE innovation partner of choice. As a global pet and livestock leader, Elanco has significant access to animals – 19 species in nearly 100 countries –and the track record as a conduit to source, partner, and globalize innovation in animal health. We predict that the sourcing, partnering, development and funding of innovation will be more transformational and significant the next five years than ever before in animal health.

CREATING COMMUNITY ON THE INSIDE CHANGES COMMUNITIES ON THE OUTSIDE

I would be remiss if I were to close this letter without mentioning the social injustice our world experienced in 2020. We at Elanco spent a great deal of time in 2020 processing these injustices, seeking to bring greater understanding and become better advocates for all people. We need to listen more. We need to do more. We

need to reach out more. We need to challenge perspectives more. We cannot waste this time and opportunity today to make tomorrow better.

Elanco aspires to be a safe harbor, to foster a culture and community where all employees from across the globe can be their authentic selves every day. As the world is a sea of divisiveness, Elanco becomes a harbor of personal security where our team can form community, where they feel safe and enabled to be themselves, where they can thrive. This takes culture to another place. And work-life balance to a whole life experience that exudes respect and a demand that everyone can express and be their whole self. Our values of Respect, Integrity, and Excellence aren't just words on a wall. They come to life daily in how we care for each other, in how we embrace everyone, their unique backgrounds and beliefs, and how we make our toughest decisions. The events of 2020 have been a catalyst for action, especially around making everyone comfortable speaking up when seeing injustice.

We have used this time to unite and strengthen the community inside our company, because it will be our leaders that go outside our company into the communities where we live and work to make a difference in the world. We also need to lend our voice to driving change faster in our community.

Two years into Elanco's journey of building a fit-for-purpose, independent global animal health leader, we are well positioned to capitalize on these four forces, accelerating sustainable long-term value for customers, shareholders, and employees while turning these trends into a force for good for society as a whole.

State of Elanco

Progress in the Face of Two Pandemics

Now let me turn my attention to Elanco's progress in 2020. Since our 2018 IPO, we have weathered two pandemics – African Swine Fever and COVID-19 – and made tough, but necessary decisions to best position the company for the long-term, from acquiring Bayer Animal Health to making a significant distribution strategy change.

During a year of many challenges for our business, we worked through these multiple obstacles – virtually, in most cases – creating a solid platform for our future. Among our 2020 milestones, the most significant was the completion of our acquisition of Bayer's animal health business.



As we move forward, I am committed to industry-leading transparency, simplified reporting, and expanded and strengthened Board oversight and governance. We will continue to provide regular financial guidance to give you confidence and clarity about Elanco's future.

Major Milestones Achieved

In 2020, we made important decisions and took action to deliver improved near-term and long-term value.



Bayer Animal Health Acquisition

We secured financing, remedied antitrust assets, and closed the Bayer acquisition, including facilitating the sale of the majority of Bayer's 15% stake. As a result of the transaction, Elanco has a more durable, diverse business with stronger Pet Health and cattle portfolios. Elanco has become the Pet Health omnichannel leader, which is proving even more vital in the wake of the pandemic.



Distribution Strategy Change

By the end of the second quarter, we completed our distribution strategy change. This model change has proven to increase competitiveness as evidenced by improved receivables, cash conversion, margin, market share, and price growth in subsequent quarters, while maintaining days of sales outstanding.



Systems

At the end of the year, we neared the completion of our separation and standup from Lilly. The entire global Elanco team is now operating on standalone IT and SAP systems with essentially all Lilly TSAs completed at the end of the first quarter of 2021. The SAP transition reduced the complexity from operating in three separate SAP systems – Lilly, Elanco, Bayer carve-out – down to two with the final phase of migration to come.



Pipeline

The pipeline is progressing with the newly expanded and strengthened scale and capabilities expected to contribute 2-3 percentage points of growth annually. As of February 2021, we had secured nine of the 13 approvals needed to support the company's eight key 2021 launches.



Value Capture

We continue to streamline processes, optimize our footprint, and deliver increased operational efficiency. We have announced plans for approximately half of the anticipated \$300 million in synergies, with a path to achieve them two years faster than originally planned.



Expanded Governance

In December 2020, we expanded the Board to bring additional capabilities, experience, and expertise to deliver consistent, sustained value while integrating an investor perspective. The added and expanded committees are focused on enhancing strategy and execution.

We ended 2020 with strong momentum. With these milestones behind us, Elanco stands at an inflection point, positioned for accelerated long-term value creation for shareholders and society. **With the addition of Bayer, Elanco's value creation opportunity – we believe the most significant in the industry – is even more material than when we launched our IPO in September 2018.** That's what excites me about Elanco, along with our tenacious, resilient people and their relentless passion around both our purpose – Food and Companionship Enriching Life – and serving customers: farmers, veterinarians, and pet owners. We know there will be continued challenges, but I am confident in the Elanco team and how they respond with creativity and innovative solutions to whatever may arise.

Today, our newly combined company is more durable, more diverse, and better positioned to capitalize on industry trends. We have strengthened and expanded our Innovation, Portfolio, and Productivity (IPP) strategy. It remains our foundation for sustained growth and profitability, with innovation at the forefront of delivering consistent, dependable revenue contribution. We have a more balanced portfolio between our Pet Health and Farm Animal categories, and greater geographic reach, with a more even split between U.S. and International, and new strength in emerging growth economies. We have enhanced capabilities in critical market segments. And our omnichannel presence – now our sweet spot – has never mattered more. During COVID, we saw about one-third of pet owners shift their spending online, and the vast majority expect to continue to use this channel. We continue to see a long-term opportunity for growth with roughly half of the world's 500 million pets yet unmedicalized.

Our expanded global portfolio allows us to provide more comprehensive

animal health solutions to farmers, veterinarians, and pet owners.

Since closing the Bayer Animal Health acquisition on August 1st, Elanco has outperformed our expectations every month, driving revenue beyond the high-end of our fourth quarter 2020 revenue guidance, achieving \$1.14 billion and closing the full year at \$3.3 billion.

Most importantly, as I reflect on 2020, it's with deep gratitude to our Elanco team. Our frontline essential workers in the labs and plants kept our pipeline and products flowing. Our sales and technical teams shifted to serve customers in innovative ways. They not only weathered the pandemic and kept our customers in the center, but they did it while we were completing our industry's largest ever acquisition – all virtually. The executive team and I remain inspired by the deeply committed, passionate performance of the Elanco team.



One of my biggest learnings from 2020: strong vision and purpose to make a difference create a level of loyalty I couldn't begin to imagine when we started on our journey to create a purpose-driven company 15 years ago.

I have more resolve and confidence than ever that Elanco is at an inflection point for delivering long-term value creation, which begins in 2021. Our outlook demonstrates growth, dependable innovation contribution and resumed progress toward margin and deleverage targets.

As we outlined in our December 2020 Investor Day, Elanco expects

to deliver 3% to 4% average annual revenue growth over the long term. We expect to achieve our long-term margin targets of 60% adjusted gross margin by the 2023-2024 timeframe, and 31% adjusted EBITDA by 2024. This begins in 2021 as we continue the momentum we saw in the fourth quarter of 2020 and begin our first full year as a combined company.

We will continue executing our aggressive value capture agenda in 2021, with expected delivery of \$300 million in synergies by 2023, two years ahead of expectations when we announced the deal. We will build on our proven track record of continuous improvement, delivering at least \$100 million in legacy Elanco productivity savings in 2021 through 2023. And we have a clear road map to reduce our net leverage ratio to below 3x by the end of 2023.

As we close out a year we will never forget, I want to end with my sincere appreciation to our Board of Directors and particularly our Chairman, Dave Hoover, for the wisdom, advice, and guidance as we've transformed Elanco into a global leader.

Finally, thank you to all of you – our investors – for your continued belief in Elanco, our strategy, and the difference that we can make for customers and our world.

A handwritten signature in black ink that reads "Jeff Simmons".

Jeff Simmons
Elanco President
and CEO

A Letter From Our Chairman



Focus and Commitment.

In a year of unparalleled challenges that included not one but two pandemics – African Swine Fever and COVID-19 – focus and commitment defined 2020 for Elanco. And with our unwavering focus and commitment to execution - from our executive team, through our 9,000 global employees to our Board - Elanco is exceptionally well positioned to deliver long-term value for our customers, our employees and our shareholders.

Despite the unprecedented challenges the two pandemics presented across our global business, 2020 was a year of significant achievement for Elanco. In only our second year as a public company, Elanco neared completion of separation from Lilly – standing up our own systems and processes – while reinvigorating our commercial model, advancing our aggressive margin expansion plans and completing the acquisition of Bayer Animal Health, largely without Transition Service Agreements.

With our demonstrated focus and commitment, today, Elanco is better positioned than ever for long-term growth and value creation.

Through the Bayer acquisition, we now have an evenly balanced portfolio between Farm Animal and Pet Health. We now have significant presence in key growth markets across the globe. We have an expanded portfolio of strong brands. And we have newfound omnichannel strength with leadership in animal health e-commerce.

In 2020, Elanco also demonstrated our focus and commitment to Diversity, Equity and Inclusion – as well as to our Environmental, Social and Corporate Governance



responsibilities through Elanco's Healthy Purpose™ and the advancement of our industry's first-of-its kind Healthy Purpose Pledges. Healthy Purpose is designed not only to help our own company achieve a more sustainable future, but our customers, communities and the planet, as well. Very few industries, much less companies, are able to have such a direct impact on the daily life of people.

None of this is possible without the focus and commitment of our executive leadership team and our dedicated employees. They share a genuine sense of ownership and accountability, driven by their passion for our vision: Food and Companionship Enriching Life. In my career, I've seldom witnessed the passion, commitment and singular focus on what a company is working to achieve as I've felt at Elanco in the past few years.

I want to thank our Board for its exceptional work throughout 2020 in a new virtual world. We welcomed three new members who added strength in innovation and finance while also bringing greater investor perspective. We strengthened our governance with the expansion of the Finance and Oversight committee and the creation of the Innovation, Science and Technology committee to continually bolster these critical areas for Elanco.

I knew becoming Chairman of the Board of Directors for Elanco in early 2018 would be a rewarding journey. But I never imagined all that Elanco would accomplish in just a few short years of independence... transforming to an industry leader, poised for its next era of growth.

Our unflinching focus and commitment will continue to be our north star, assuring those stakeholders who are counting on us that Elanco will consistently deliver with discipline.

R. David Hoover



2020 Financial Results

Elanco ended 2020 with good momentum, generating full year revenue of \$3.3 billion representing 7% growth year over year, comprised of \$2.7 billion from the legacy Elanco business and \$0.6 billion from the legacy Bayer portfolio. Revenue for the combined company was \$4.4B, assuming a full year of Bayer Animal Health revenue and excluding divestitures for both companies.

Strong execution and intact fundamentals allowed the company to drive revenue and adjusted EBITDA above guidance in the fourth quarter, and EPS at the top-end of the range.

On a reported basis, full year gross margin decreased 300 basis points to 49.1% of revenue primarily due to amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health, unfavorable product mix, and deleverage of fixed manufacturing costs across the lower legacy Elanco revenue base, more than offsetting the benefit from inclusion of the acquired gross profit, price improvement for legacy Elanco, and continued improvements in manufacturing productivity. On an adjusted basis, full year gross margin

decreased 10 basis points to 52.0% of revenue. Reported net loss and loss per share were \$560.1 million and \$1.27, respectively. Net income and earnings per share, on an adjusted basis, were \$206.7 million and \$0.47 per share, respectively. Adjusted EBITDA was \$528.5 million on 16.1% of revenue for the full year 2020.

The fourth quarter financials provide a more accurate reflection of the newly combined business. In the quarter, the reported gross margin decreased 300 basis points to 49.1% of revenue, while adjusted gross margin² increased 480 basis points to 52.7% of revenue, driven by the benefit from the inclusion of the acquired gross profit from Bayer Animal Health, price improvement for legacy Elanco products, and continued improvements in manufacturing productivity, partially offset by lower absorption driven by lower production volumes, fixed cost deleverage, and unfavorable product mix for legacy Elanco. Reported loss per share in the quarter was \$0.66. Adjusted EPS in the quarter was \$0.12 per share. Adjusted EBITDA was \$175.9 million, exceeding the high-end of the guidance range.

**\$3.3
Billion**

2020 revenue

**7%
Growth**

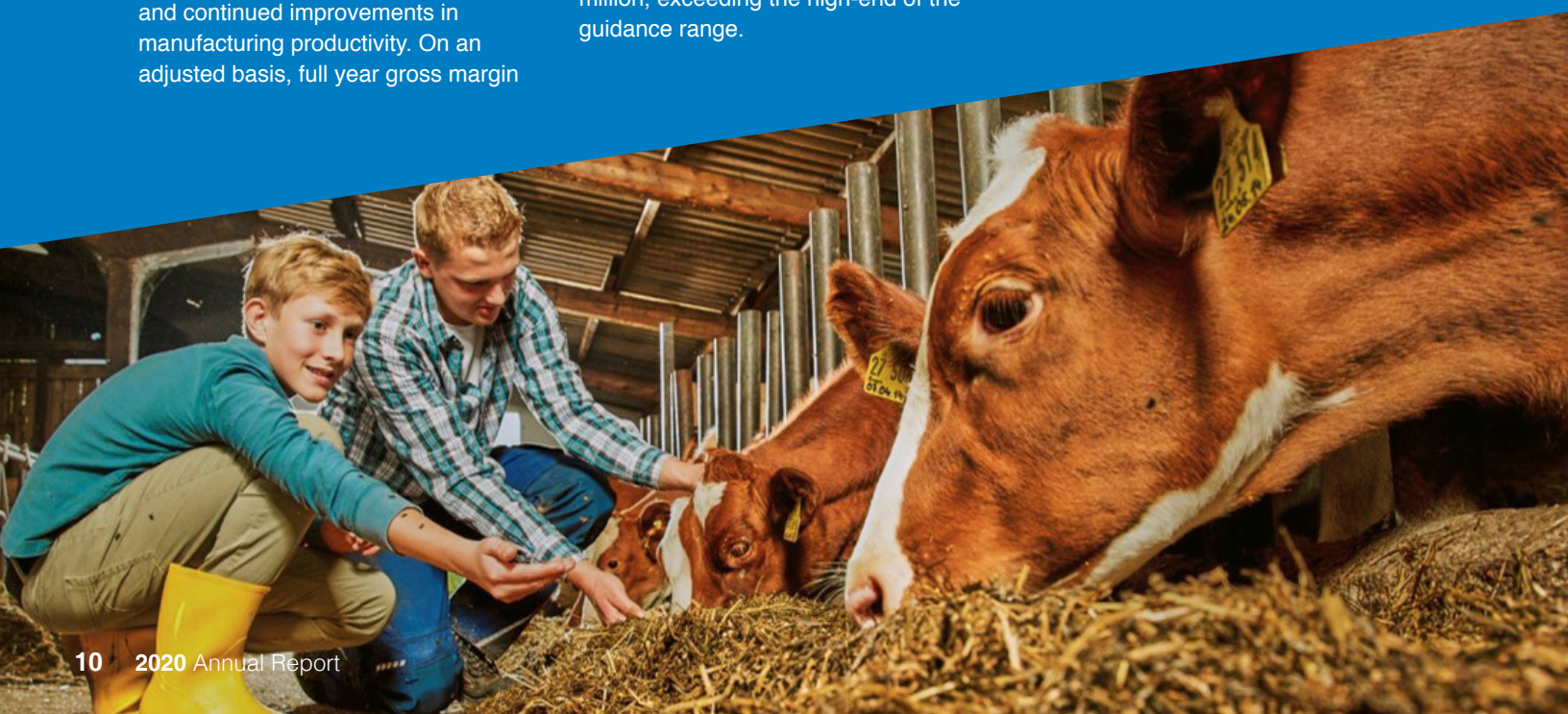
year over year¹

**\$4.4
Billion**

combined
company revenue

¹ Revenue growth inclusive of legacy Bayer Animal Health products beginning August 1, 2020.

² Adjusted gross margin is defined as adjusted gross profit (total revenue less adjusted cost of sales) divided by total revenue.



Strengthened and Expanded Innovation, Portfolio, Productivity (IPP) Strategy

Elanco's acquisition of Bayer Animal Health in 2020 strengthened and expanded the company's IPP strategy with a more robust portfolio in key categories, focused innovation to support further portfolio expansion and a comprehensive, multi-year productivity agenda to unlock greater value opportunities.

Dependable Revenue Growth from Innovation

~\$80-\$150M in annual contribution, driving 2%-3% growth

Consistent 8%-9% investment

Intentional pipeline mix to balance blockbusters with portfolio solutions

Complementary external innovation as partner of choice

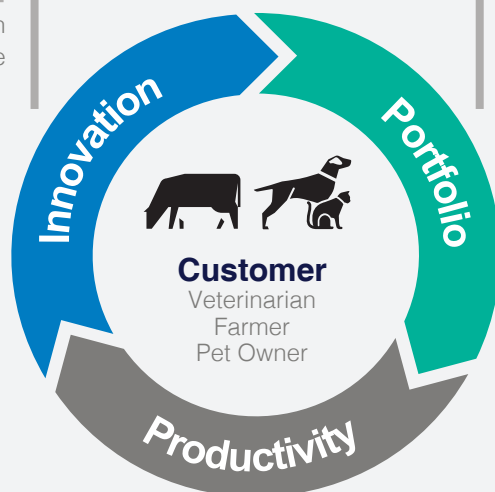
Expanded Portfolio, Capabilities, Access

Invest in focus brands; optimize defend brands

Key enablers drive growth across portfolio

Enhanced and focused commercial structure

Cross-functional collaboration supporting new launches



Unlocking Value

Quicker achievement of \$300M synergies; \$100M+ in productivity savings

Confidence in debt paydown and path to <3x leverage

Adj. gross margin 60% and adj. EBITDA margin 31% targets intact

Innovation

We believe innovation will drive Elanco's growth over the next few years with a balance of blockbusters and compelling, complementary portfolio solutions, creating dependable revenue, contributing 2-3 percentage points of growth annually.

In 2020, the 14 legacy Elanco products launched or acquired since 2015 delivered \$441 million of revenue, up 5% year over year, excluding divestitures and despite COVID-related pressures. Moving forward, these recent innovations will transition into our focus brands which will drive our sales growth in 2021 and the years to come. In 2021, we will transition to tracking the next wave of Elanco innovation, beginning with eight new launches in 2021, expected to contribute \$80 to \$100 million in revenue in their first year. **Over the 5-year period, Elanco has 45 "shots on goal" expected to translate to 25+ launch equivalents, with an anticipated revenue contribution of \$500 million to \$600 million in 2025.**

Launched or Acquired Since 2015 ⁽¹⁾ New Product Progress \$ Millions



Products Include

Pet Health

Osurmia[®] (2)
Galliprant[®]
Credelio[®]
Entyce[®]

Interceptor[®] Plus
Nocita[®]
Tanovea[®]

Farm Animal

Imrestor[®] (3)
Imvixa[™]
Kavault[®]
Integrity[®]

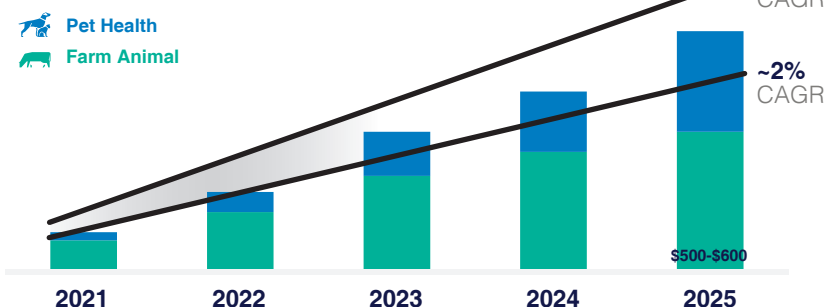
Clynav[™]
Prevacent[™] PRRS
Correlink[™]

Full Year 2020

5% growth excluding divestitures

- (1) Excludes products acquired from Bayer Animal Health
- (2) Osurnia was divested as of deal close on August 1, 2020; growth rate excludes Osurnia in 2020
- (3) Marketing of Imrestor has been suspended while additional indications are pursued

Development Pipeline Contribution to Revenue \$ Millions



2020 Innovation Milestones

Expanded feline offerings with:

1) the U.S. approval for Elura, a new prescription medicine to manage weight loss in cats with chronic kidney disease, an increasingly common condition with age; and 2) the European launch of Credelio for Cats, a monthly tick and flea chewable tablet specifically designed for cats.

Expansion of the Galliprant

franchise to additional geographies, with approvals and launches in important Pet Health markets including Australia, Brazil, and Japan. Galliprant is a first-of-its-kind NSAID treatment for canine osteoarthritis pain and inflammation.

Increxxa was approved for treatment and control of cattle and swine respiratory disease in Europe.

South Korea established a Maximum Residue Level (MRL) for Experior in

December, creating trade access in the important import market and paving the way for a first quarter product launch.

Alongside Elanco's internal efforts, the company will continue its unique approach to innovation as the external partner of choice, given its enhanced scale and access to the world's animals, farmers, veterinarians, and pet owners. In 2020, Elanco external agreements included:

An agreement with **KindredBio** to **commercialize a first-of-its-kind monoclonal antibody for the treatment and prevention of canine parvovirus**. This deadly disease impacts at least 250,000 puppies annually in the U.S. and has no approved treatment available.

An agreement with **AniV8, Inc.** to **evaluate the company's wearable technology** in research settings.

AniV8's collar-mounted device is based on high quality science, using patented proprietary algorithms and cloud-based data analytics to measure the quality – rather than quantity – of movement. It is the first wearable health monitor to diagnose and monitor osteoarthritis pain in dogs and cats in this method.

A collaboration with **VetNow** to **provide veterinarians access to a telemedicine** platform to maintain service to animals and owners, including specialist consultations, during a time when the industry has

been challenged to find new ways to connect.

Furthermore, in 2020 Elanco inked **a four-year agreement with Purdue University and Purdue Research Foundation** allowing Elanco to work side-by-side with Purdue's leading animal health research scientists, to turn ideas and technical needs into action with greater speed and agility.

Finally, Elanco created a new Innovation, Science, and Technology committee of the Board, which in tandem with a newly established external innovation advisory panel, will identify and capitalize on external collaboration opportunities.

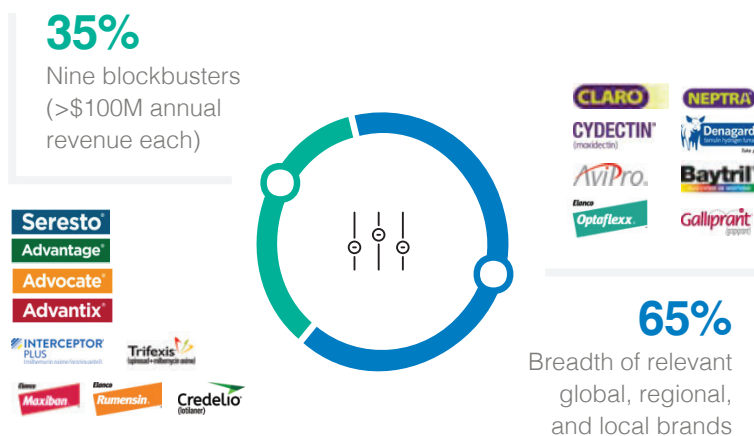
Portfolio

Elanco is a strategic global leader with a more robust, diverse, durable portfolio following the acquisition of Bayer Animal Health. **With the increased scale and reach, Elanco has more access to the world's animals than at any point in the company's history.** The Elanco business is now more evenly balanced between U.S. and International, Pet Health and Farm Animal, with new strength in emerging growth economies.

Elanco's expanded global portfolio will help provide farmers, veterinarians, and pet owners more comprehensive animal health solutions.

With the addition of Credelio this year, Elanco now has nine of the industry's approximately 40 blockbusters with one more nearing the \$100 million threshold. These big brands make up approximately 35% of Elanco's annual revenue and serve as the anchor of broad portfolios.

In 2020, Elanco introduced a framework for the company's portfolio as part of its long-term algorithm for growth:



Focus brands

Those significant Pet Health, poultry, and aqua brands that are accretive to Elanco's overall growth and where the company will invest.

Core brands

The vast portion of the portfolio that in aggregate is stable to growing slightly.

Defend brands

Rumensin, Trifexis, and the Advantage family, which are highly profitable, material brands where Elanco will work to maximize their profitability and preserve sales.

In Pet Health, Elanco provides a complete approach to care, from disease prevention and wellness for the youngest puppies to helping older pets remain active, healthy, and happy companions. Elanco has a diverse portfolio including a broad range of parasiticides, a wide-ranging pain offering, and a strong U.S. vaccine portfolio.

Elanco now brings the broadest pet parasiticide portfolio in the market, offering options for every pet need or preference, lifestyle, and budget. These range from over-the-counter topical treatments and collars,

such as the blockbuster long-lasting Seresto collar, and the flagship Advantage family of products, as well as veterinarian-prescribed chewables that prevent worms, ticks, and fleas with Credelio and Interceptor Plus. Elanco intends to launch an innovation in the global parasiticide market every year on average for the next five years,

starting with Credelio Plus in certain international markets in 2021.

Importantly, Elanco is now the leader in retail and e-commerce and has been outpacing the double-digit industry growth in the U.S. market.

Omnichannel is a sweet spot for Elanco and one of the key growth enablers.

The company's **expanded Farm Animal portfolio** positions Elanco to serve an even broader spectrum of the industry, adding anchor brands from Bayer to the cattle, swine, and aqua portfolios, making Elanco #1 in aqua

and #2 in beef globally. Meanwhile, Elanco remains the market leader in poultry and expects this category to drive revenue growth over the medium-to long-term.

In addition to strong brands in the Pet Health and Farm Animal businesses, Elanco will grow its portfolio with five key growth enablers: launch excellence, omnichannel leadership, geographic expansion, pricing, and digital ecosystem.

Productivity

Elanco's multi-year company-wide productivity agenda continues to unlock value. **The manufacturing organization captured \$115 million in cost savings and avoidance in 2020. Since 2018, the team has delivered \$250 million in cost savings and avoidance, surpassing the original \$215 million goal,** and contributing most recently to our fourth quarter gross margin expansion and outperformance.

Elanco has transitioned all its historic Elanco legal entities onto the new Elanco ERP system with new shared service centers in Poland and

Malaysia executing the company's financial transactions. Elanco has also completed the move of all Elanco employees into its own facilities on its own IT network infrastructure. As a result of this global effort, Elanco exited all material Lilly TSAs on time by the end of March 2021.

Elanco is accelerating value capture efforts to deliver \$300 million of planned EBITDA synergies from the Bayer acquisition by 2023 – two years faster than anticipated at deal announcement. The company will continue to execute its productivity

agenda to deliver an additional \$100 million in expected cost savings and avoidance benefits over the next two years on the legacy Elanco business.

The larger combined Elanco is positioned for innovation to deliver dependable revenue growth with an expanded portfolio, capabilities, and access to the majority of the world's animals, while the multi-year company-wide productivity agenda will continue unlocking value.



Making Life Better

Elanco is committed to the idea that its business can be a unique force for good for all in society, starting with animals. Therefore, its approach to sustainability - called Elanco Healthy Purpose™ - is a framework of sustainability commitments focused on advancing the well-being of animals, people, and the planet. In this context, in October 2020, Elanco became the first animal health company to launch 2030 sustainability commitments, the Elanco Healthy Purpose Pledges, designed to drive sustainable change and support the United Nations Sustainable Development Goals (SDGs).

Elanco's Healthy Purpose is built on four interconnected pillars: Healthier Animals, Healthier People, Healthier Planet, and Healthier Enterprise. These represent the areas that are the most important to customers, employees, investors, and other stakeholders, and bring to life the company's vision for driving sustainable solutions for generations to come.

Entering this decade, in the wake of

fundamental changes happening around the world due to the COVID-19 pandemic, Elanco's purpose-driven culture has potential to create societal change, beyond healthy animals, in ways that weren't possible before. It all starts with healthy animals. They are the unexpected, game-changing variable, that will unlock solutions to the seemingly disconnected issues of environmental, physical, and mental health.

These connections, from the role of nutritious protein to the positive effects of pets, have significant impact on daily human health. This realization 15 years ago transformed Elanco from being solely focused on animals, to being in the people business.

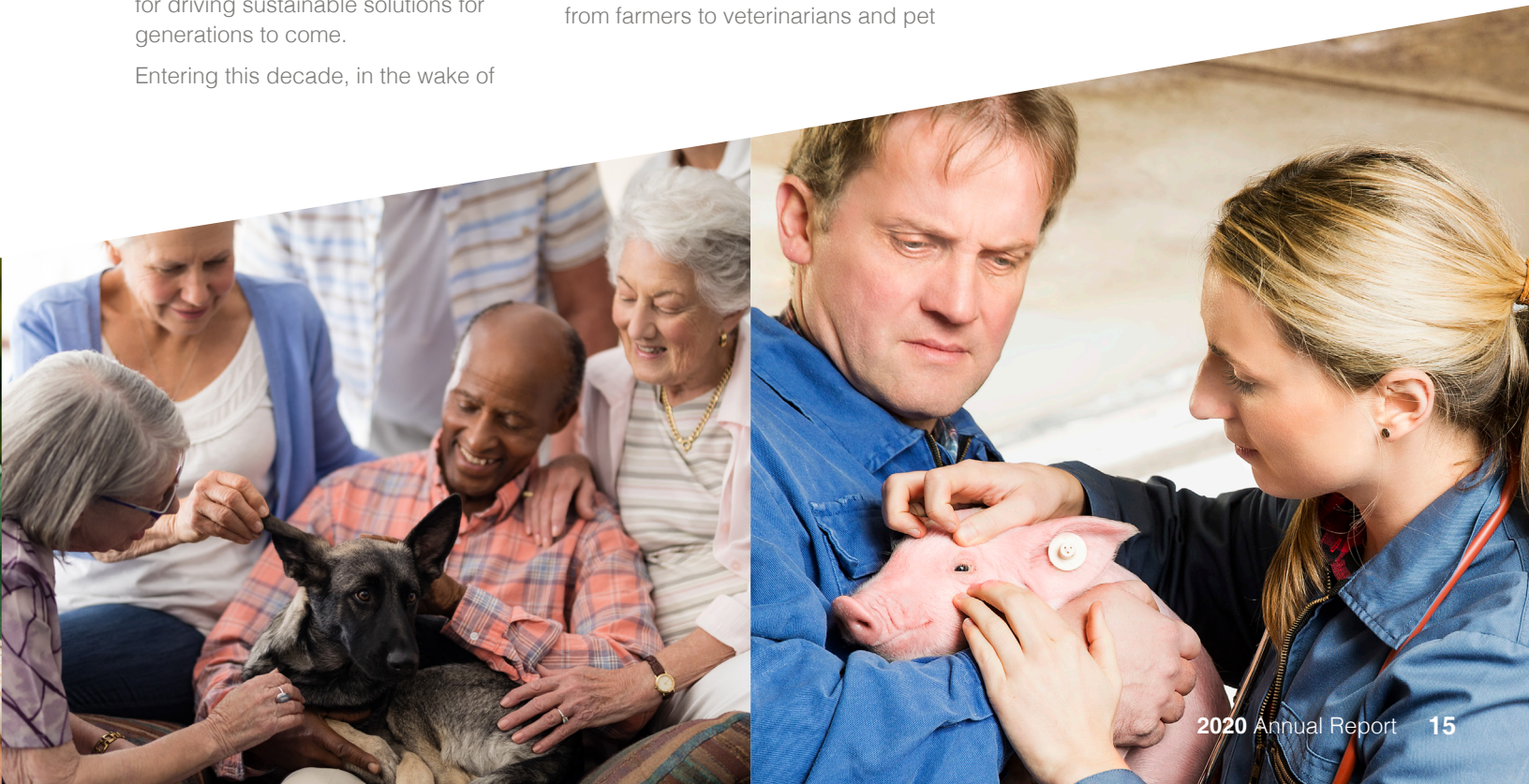
But Elanco recognizes it can't solve the problems plaguing society alone, and is committed to doing its part, to work with the right people – from farmers to veterinarians and pet

owners, all the way to legislators, non-profit organizations, and food suppliers – to build sustainable solutions for healthier people, animals and planet.

Elanco's 2030 Healthy Purpose Pledges, in support of the UN Sustainable Development Goals, are the start to this journey:

PROTEIN PLEDGE

First, Elanco pledged to create more resilient food systems by enabling **57 million more people to access their annual nutritious protein needs**. With millions in the world unable to access affordable, nutritious protein, Elanco will help improve the efficiency and sustainability of the farmers it works with. By **improving the health and well-being of about three billion farm animals**, and 300,000 small holder poultry producers, Elanco will help farmers produce more protein. That



Elanco
HEALTHY PURPOSE™

OUR 2030 PLEDGES

THE PROTEIN PLEDGE
57 million more people
with access to their annual
nutritious protein

THE PLANET PLEDGE
Remove at least
21 million tons of
emissions

THE PET PLEDGE
100 million more
healthy pets for more
healthy people

OUR AMBITIONS ARE
MADE POSSIBLE BY

THE ELANCO DIFFERENTIATORS

PEOPLE WITH PURPOSE
Elanco is a safe harbor where
passionate, highly-engaged people
have the opportunity to live
out their purpose

ACCESS WITH PURPOSE
Creating value and improving society
through greater access to the majority
of the world's animals

INNOVATION WITH PURPOSE
Every innovation addresses our
customers and society's
greatest needs

**OUR HEALTHY
PURPOSE OUTCOMES**

**HEALTHIER
ANIMALS**

**HEALTHIER
PEOPLE**

**HEALTHIER
PLANET**

**HEALTHIER
ENTERPRISE**



means more nutritious food for the people who need it.

PLANET PLEDGE

Second, **Elanco aims to remove 21 million tons of emissions from customers' farms while reducing its own impact on the planet.** The environment needs protection and as a company with a global footprint, Elanco can help reduce impacts and develop solutions that support customers. Elanco will be a lead partner in its customers' journey to reduce emissions on their farms. And will lead by example by transitioning to entirely renewable energy sources and more sustainable packaging.

PET PLEDGE

Finally, Elanco pledges **to improve the world's well-being by helping at least 100 million healthy pets help people, an increase of 40 million by 2030.** Elanco works to break down barriers and increase access to care as improving and extending pets' lives supports the health and well-being of people.

Now more than ever, it's evident that pets provide people the mental and physical benefits they need. They're

a furry prescription on four legs. Healthier pets mean healthier people too.

At the enterprise level, society's most complex problems can be solved through passionate people and purposeful innovation with a focus on greater access to animal care. Now the second largest independent animal health company in the world, Elanco can make more of an impact.

Achieving the Protein, Planet and Pet Pledges are only made possible through the Elanco Differentiators: People, Access, and Innovation.

At Elanco, highly-engaged people are the difference. Through its Employee Promise, Elanco works to create a safe harbor where employees are encouraged to bring their whole self to work to build an inclusive environment. All employees have the opportunity to discover their why and define their Personal Standard Operating Procedure (PSOP) to create a plan that supports well-being in all areas of their lives.

Second, innovation will be one of

the company's competitive edges. Elanco expects to bring first-in-class and best-in-class innovation to advance new areas of animal health. The company has proven to be an innovator over time, throughout its nearly 70-year history, growing more than 4x in the last 15 years – going from a U.S.-only farm animal, feed additive company to a global pet and livestock leader. With greater access to animals, across 19 species in nearly 100 countries, Elanco has a responsibility to be the conduit – the bridge – between animal health, the health of the planet, and the health of people.

When healthy animals are at the intersection of solutions, Elanco believes this decade will bring higher quality lives, less anxiety, less obesity, more companionship, and greater connectivity. Through partnerships with farmers, veterinarians, major food producers, and retailers, Elanco can make life better for animals, which in turn, makes life better.



ELANCO'S EAST AFRICA GROWTH ACCELERATOR INITIATIVE ENTERS FINAL YEAR

In 2017, Elanco received a grant from the Bill & Melinda Gates Foundation to provide East African smallholder farmers with both knowledge and consistent access to reliable animal health products. Since then, Elanco has been driving its Shared Value initiative "East Africa Growth Accelerator", EAGA, providing sustainable development solutions and addressing food insecurity in East African countries to make a lasting impact on the world.

Elanco and its employees around the world donate to and participate in charitable projects that benefit communities in which they live and work. But non-profit work alone is not enough. The key to empowering millions of people, especially poor farming communities, to lead a better life is creating a sustainable, longstanding business that helps communities improve their livelihoods in the long run.

Improved animal health reduces animal mortality and poverty through increased productivity and improved diets, health, and incomes of local families. The EAGA project supports smallholder farm operations in Tanzania, Kenya, and Uganda to become more productive and self-sufficient.

In the program's final year, the goal is to further strengthen the foundation of a successful business in all three countries, benefitting both the farming communities served and the company's business operations in the long term.

By the end of 2021, the company expects to provide a total of 240,000 dairy and poultry smallholder farmers in East Africa with access to high-quality veterinary medicines in adapted small pack sizes. This will benefit the health of around 1.1

million cows and 16 million chickens, helping smallholder farmers in the region improve their income and help supporting communities become more food secure.

Collaborating with local partners, the team behind EAGA has already achieved ground-breaking results.

Over the past three years, the team has offered more than 1,000 trainings to smallholder farmers in the region, teaching good handling practices, as well as the correct use of a range of animal health products and solutions.

As part of these educational efforts, Elanco also partnered with Farm Radio International to produce a 13-week radio series on animal health and husbandry, which aired via interactive radio in Northern Tanzania and reached about 4 million local livestock farmers. As shown by a recent survey, this directly impacted farmers' confidence, with more than 60% of surveyed farmers changing their behaviors when using products, leading to better production results.

As a result, more livestock keepers are now looking for expert advice on various issues as they become more knowledgeable in farming practices.

Throughout 2021, the team plans to extend virtual and on-farm training offers to reach even more farming families across the three countries. The team will continue to cooperate closely with local distributors in order to ensure correct handling of products along the value chain and sustain product safety and quality.

While the EAGA project was originally scheduled to conclude in 2020, Elanco obtained a one-year no-cost extension of the grant to sustain market access of products and ensure the last mile distribution to the farmers. This is particularly important to mitigate the impact of the COVID-19 pandemic on planned activities.

Making Life Better for Customers

REPOPULATING CHINA'S SWINE HERD

In the second half of 2020, Chinese livestock producers worked hard to recover from African Swine Fever that swept through the country. That meant every available gilt was used in breeding to build up herd numbers, even those without top quality breeding that would normally be used as a market animal. One of the most significant challenges to repopulation was ensuring a healthy sow population. It was not uncommon for these non-typical breeding sows to experience higher rates of abortion due to bacterial diseases and immune deficiencies.

Elanco's swine technical, sales, and marketing teams worked with producers to identify solutions. One particular swine producer was experiencing abortion rates of 30%. The Elanco team worked closely with the producer to reduce the bacterial loads in sow populations required for breeding and re-stocking after the ASF outbreak through a combination of Elanco's key swine health products. When administered at the right times in the breeding cycle, the team succeeded in reducing farm abortion rates from 30% to 10%. The team was able to share the learnings and positive results across other swine producers, helping to ensure a faster repopulation of China's swine herds and securing the future of affordable healthy pork for China's people.

It was not just the product that ensured a successful result and healthier animals, but also the expertise, passion, and services of Elanco's technical and customer service teams that delivered value beyond product, including

performance management and data analysis, at such a critical time for China's swine production sector. While ASF continues to be a challenge for swine producers across China, Elanco will remain a key partner for our customers as they continue to expand production.

ADDING VALUE THROUGH PRODUCTS AND SERVICES

Many times, the greatest differentiator for Elanco is an expertise, a resource, or a person who can uncover an insight or fill a void that goes beyond products. The goal of Elanco's Knowledge Solutions (EKS) expert team is to do just that: to understand the customer's problem, uncover the solution, and provide valuable solutions beyond the product that makes Elanco more than just an animal health company, but a leading partner to our customers in pet health and livestock production.

From walking alongside a feedlot operator to create greater process efficiencies in daily feeding, to

helping a veterinary clinic to improve its customer experience, Elanco's Value Beyond Product (VBP) approach combines expertise with science and technical know-how.

Once a problem is identified, Elanco experts spend time at the farm or the clinic observing, asking questions and developing both "quick wins" and longer-term operational change recommendations that can have a significant impact on the organization.

These projects not only help secure a long-term customer commitment and increased value, but they often create environmental, social, and economic benefits for the customer.

As a recent feedlot customer was identifying opportunities to continuously improve its business, the company turned to Elanco for support. The Elanco customer team called in EKS to conduct a process efficiency assessment. The result: recommendations that reduced resources needed for feed

delivery by 47%, shortening work hours required to accomplish the feeding by more than two hours a day. In addition, the team's work improved overall cattle nutrition and decreased animal stress by increasing consistency of feeding times by a third and decreasing variation in the ration with each feeding. Ultimately, the work reduced the customer's costs by more than \$15 per head. This project, like others being conducted by Elanco's VBP experts around the world, enable customers to focus resources on the highest value improvements while identifying low cost (and even no cost) solutions for greater growth.

These types of insights are a valuable part of our overall customer offerings and create measurable loyalty. We typically see EKS customers spend one and half to two times more per animal on Elanco products than those who don't utilize these services.



Future Outlook

In December 2020, Elanco hosted its first investor day, where the company unveiled its long-term growth algorithm. Elanco expects to deliver 3%-4% average annual revenue growth, complemented by increased profitability to unlock sustainable double-digit adjusted EPS and adjusted EBITDA growth.

Elanco enters 2021 with strong momentum and increased confidence in delivering its goals.



Revenue Growth

Elanco's expected portfolio growth will be led by focus brands, which are significant brands that are accretive to growth, often earlier in their lifecycle, and expected to contribute 2-3 percentage points to total company growth. The algorithm is balanced with the inclusion of core and defend brands, in which Elanco will focus on driving value and maximizing profitability. Additionally, Elanco expects innovation to contribute dependable future revenue, with 2-3 percentage points of growth annually, or an expected average of \$80 to \$150 million.



Double-Digit Adjusted EBITDA Growth

Elanco will optimize its footprint and operations, transforming to a fit-for-purpose infrastructure for the two combined prior animal health divisions, now unbound from human pharma parents. **The aggressive company-wide productivity agenda will continue along with execution of synergy capture across the business.** Ultimately, the stronger combined entity holds a greater ability to reach adjusted EBITDA and gross margin goals, with expected 60% adjusted gross margin in the 2023-2024 timeframe, and 31% adjusted EBITDA margin by 2024.



Returns

Elanco will generate significant operating cash flow and exercise strong cash management to pay down debt, reducing interest costs as quickly as possible, increasing optionality of the business and most importantly, delivering double-digit adjusted EPS growth to unlock value for our shareholders.

We believe Elanco's value proposition remains the most significant in the animal health industry. With the addition of Bayer, the company's value creation opportunity is more material and more durable than when the company became public in September 2018.

Elanco Leadership

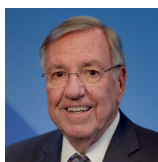
EXPERIENCED BOARD DRIVES ENHANCED GOVERNANCE, ACCOUNTABILITY, AND OUTCOMES

During the company's 2020 Investor Day, Elanco outlined its commitment to deliver industry leading transparency, strong oversight, and enriched governance.

The Board brings a robust history of public company board experience and governance, with a unique combination of backgrounds: from finance, audit, and systems, to livestock production, veterinary medicine and innovation, to digital, food industry, and consumer insights.

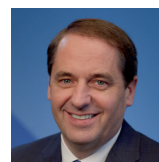
In late 2020, Elanco added three new members to its Board of Directors: William F. Doyle, executive chairman of Novocure Ltd., distinguished healthcare executive, animal health director and investor; Scott Ferguson, founder and managing partner of Sachem Head Capital Management, a value-oriented investment management firm; and Paul Herendeen, executive vice president and CFO of Bausch Health and former CFO at Zoetis, Inc. The new members bring significant leadership and expertise across animal health and pharmaceutical innovation, financial discipline, operational excellence, capital allocation, along with an investor perspective.

The company expanded the Finance and Oversight Committee and created an Innovation, Science and Technology Committee to ensure delivery for our customers, employees and shareholders. The expanded Finance and Oversight Committee added routine reviews of the company-wide productivity agenda and comprehensive value creation plans. The Innovation, Science, and Technology committee oversees and advises on the company's R&D agenda and pipeline.



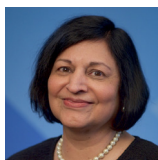
R. David Hoover

Chairman, Elanco
Retired CEO, Ball Corp.
Board Member
Since Sept 2018



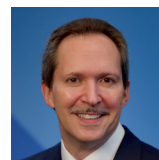
Jeffrey N. Simmons

President
and CEO
Elanco Animal Health



Kapila Kapur Anand

Retired Partner,
KPMG
Board Member
Since Sept 2018



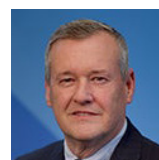
Lawrence E. Kurzius

Chairman,
President and CEO,
McCormick & Co.
Board Member
Since Sept 2018



Michael J. Harrington

Retired SVP and
General Counsel,
Eli Lilly and Company
Board Member
Since Sept 2018



John P. (J.P.) Bilbrey

Former CEO, President
and Chairman,
The Hershey Co.,
Owner, Bilbrey Farms
and Ranch
Board Member
Since Mar 2019



Deborah T. Kochevar

D.V.M., Ph.D., D.A.C.V.C.P.
Senior Fellow, Fletcher
School of Law and
Diplomacy and Dean
Emerita, Tufts University
Board Member
Since Mar 2019



Kirk McDonald

CEO, GroupM,
North America
Board Member
Since Mar 2019



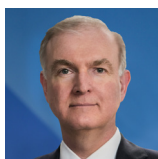
Denise Scots-Knight

CEO and Co-Founder,
Mereo BioPharma
Group plc
Board Member
Since Mar 2019



Art A. Garcia

Retired EVP
and CFO, Ryder
System, Inc.
Board Member
Since May 2019



William F. Doyle

Executive Chairman,
Novocure Ltd.,
Managing Director,
WFD Ventures, LLC
Board Member
Since Dec 2020



Scott Ferguson

Founder and
Managing Partner,
Sachem Head Capital
Management
Board Member
Since Dec 2020



Paul S. Herendeen

EVP and CFO, Bausch
Health Companies, Inc.
Board Member
Since Dec 2020

EXECUTIVE TEAM BRINGS CAPABILITIES AND EXPERTISE TO DELIVER SUSTAINED VALUE

In April 2020, Elanco announced the expansion of its Elanco Executive Committee to lead the combined company. The selection process focused on identifying diverse, people-focused leaders with a proven ability to build, lead and grow integrated, global businesses. The company changed 80% of its commercial leadership to drive better execution of its portfolio strategy. New additions included Bayer Animal Health leadership in key roles, as well as a new Chief Marketing Officer to sophisticate the company's global marketing capabilities with a goal to drive portfolio growth through a brand and omnichannel approach.

By the end of 2020, the company was already seeing early momentum from this change, evidenced by the fourth quarter results at the high end or above guidance ranges. Elanco's management structure is designed to expedite quality decision making, draw senior leadership closer to the customer, and accelerate our shift toward more consumer and brand-centricity. The executive team brings an important blend of experience and capabilities critical to lead and grow the company. They are committed to propelling the combined company to new levels of industry leadership, and developing talent and capabilities for a sustainable organization over the long term.



Jeffrey Simmons

President and CEO



Ramiro Cabral

Executive Vice President, Elanco International



Dirk Ehle

Executive Vice President and President, Elanco Europe



David Kinard

Executive Vice President, Human Resources, Corporate Affairs and Administration



Joyce Lee

Executive Vice President and President, U.S. Pet Health and Commercial Operations



Racquel Harris Mason

Executive Vice President and CMO



Aaron Schacht

Executive Vice President, Innovation, Regulatory, and Business Development



Dr. José Manuel Correia de Simas

Executive Vice President, U.S. Farm Animal Business



David Urbanek

Executive Vice President, Manufacturing and Quality



Todd Young

Executive Vice President, CFO, Corporate Governance and Strategy



Securities Information

Common Stock

Listed on the New York Stock Exchange
– trading symbol ELAN.

Tangible Equity Units listed on the
New York Stock Exchange trading
symbol ELAT.

Shareholders of Record

As of March 15, 2021, there were
472,799,742 shares outstanding.

Corporate Information

Corporate Office

Elanco Animal Health

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Sr. Assistant General Counsel Securities
and Corporate Transactions
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Forward Looking Statements

The Elanco 2020 Annual Report contains
forward looking statements as defined by
federal securities laws. Important factors
that could cause future results to differ
materially from those projected in the
forward-looking statements are discussed in
Elanco's 2020 Form 10-K.

Transfer Agent and Registrar

Communications concerning shareholder
address changes, stock transfer, changes of
ownership, lost stock certificates, payment
of dividends, dividend check replacements,
duplicate mailings or other account services
should be directed to the following:

Shareholder correspondence should be mailed to:

Computershare
C/O: Shareholder Services
PO BOX 505000
Louisville, KY 40233-5000

Overnight correspondence should be sent to:

Computershare
C/O: Shareholder Services
426 South 4th Street
Suite 1600
Louisville, KY 40202
1 (800) 736-3001 | 1 (781) 575-3100
webqueries@computershare.com
www.computershare.com/investor



Adjusted Income Statement Reconciliations

Per Share	Year Ended December 31	
	2020	2019
As Reported EPS	\$(1.27)	\$0.18
Cost of Sales	0.22	0.00
Amortization of Intangible Assets	0.82	0.54
Asset Impairment, Restructuring and Other Special Charges	1.41	0.50
Interest Expense, Net of Capitalized Interest	0.01	-
Other Expense (Income), Net	(0.38)	0.02
Subtotal	\$2.07	\$1.07
Tax Impact of Adjustments ⁽¹⁾	(0.33)	(0.19)
Total Adjustments to EPS	\$1.74	\$0.88
Adjusted EPS	\$0.47	\$1.06

Numbers may not add due to rounding.

(1) Includes the favorable adjustment relating to the valuation allowance recorded against our U.S. deferred tax assets during the fourth quarter of 2020 (impact of \$0.17 per share).

Full Year Income Statement Notes

2020

Adjusted results exclude:

Cost of sales charges associated with amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$90.2 million), charges associated with the write-off of marketing inventory recorded from the acquisition of Bayer Animal Health (\$1.5 million), and a one-time payment to settle outstanding obligations to a contract manufacturing organization in connection with a divestiture (\$4.3 million).

Asset Impairment, Restructuring and Other Special Charges associated with integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$423.9 million), severance (\$155.8 million), asset impairments (\$17.5 million), facility exit costs and asset write-downs (\$16.6 million), a one-time payment associated with our agreement to build a new corporate headquarters (\$9.4 million), the settlement of a legal matter (\$3.2 million), registration fees for Elanco common shares sold by Bayer AG during the quarter (\$1.2 million), and a payment for acquired IPR&D from a collaboration arrangement (\$1.0 million), partially offset by adjustments to write-downs of assets held for sale (\$0.4 million), a favorable adjustment from reversals for severance programs that are no longer active (\$0.8 million), and the gain on the sale of our R&D facility in Prince Edward Island, Canada (\$3.8 million).

Interest expense, net of capitalized interest, charges associated with the debt extinguishment losses recorded in connection with the repayments of our existing term loan facilities (\$2.9 million).

Other-net, (income) expense charges resulting from the gains recorded in relation to the divestiture of several products as required as a result of the acquisition of the animal health business of Bayer (\$156.7 million), a hedging gain related to the closing of the acquisition of the animal health business of Bayer (\$6.0 million), the gain on our sale of land and buildings in New South Wales, Australia (\$45.6 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$3.9 million), partially offset by financing commitment and advisory fees associated with the Bayer Animal Health acquisition (\$36.3 million) and a loss recorded in relation to the divestiture of products (\$7.3 million).

Income tax expense represents the income tax expense associated with the adjusted items, partially offset by the impact of the valuation allowance recorded against our U.S. deferred tax assets during the period (\$74.9 million).

2019

Adjusted results exclude:

Cost of sales charges associated with amortization of inventory fair value adjustments recorded from the acquisitions of Aratana and Prevtex (\$0.6 million) and inventory adjustments for the suspension of commercial activities of Imrestor® (\$0.2 million).

Asset Impairment, Restructuring and Other Special Charges associated with integration efforts and external costs related to the acquisition of businesses and charges primarily related to independent stand-up costs and other related activities (\$144.7 million), facility exit costs and asset impairments (\$32.6 million), and severance (\$19.5 million), partially offset by favorable adjustments from reversals for severance programs (\$11.3 million).

Other-net, (income) expense charges resulting from an increase in the Aratana contingent consideration (\$7.5 million) and the write-off of marketing authorizations as a result of the acquisition of Prevtex (\$0.5 million).

Income tax represents the income tax expense associated with the adjusted items.

Per Share	Q4 2020	Q4 2019
As Reported EPS	\$(0.66)	\$(0.03)
Cost of Sales	0.12	-
Amortization of Intangible Assets	0.34	0.14
Asset Impairment, Restructuring and Other Special Charges	0.34	0.14
Other Expense (Income), Net	0.00	-
Subtotal	0.79	0.28
Tax Impact of Adjustments ⁽¹⁾	(0.01)	(0.02)
Total Adjustments to EPS	\$0.78	\$0.26
Adjusted EPS	\$0.12	\$0.23

Numbers may not add due to rounding.

(1) Includes the favorable adjustment relating to the valuation allowance recorded against our U.S. deferred tax assets during the fourth quarter of 2020 (impact of \$0.15 per share).

Fourth Quarter Income Statement Notes

2020

Adjusted results exclude:

Cost of sales charges associated with amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$57.0 million).

Asset Impairment, Restructuring and Other Special Charges associated with integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$105.4 million), severance (\$23.9 million), asset impairments (\$14.0 million), facility exit costs and asset write-downs (\$12.4 million), a one-time expense associated with our agreement to build a new corporate headquarters (\$9.4 million), registration fees for Elanco common shares sold by Bayer AG during the quarter (\$1.2 million), and a payment for acquired IPR&D from a collaboration arrangement (\$1.0 million).

Other-net, (income) expense charges resulting from the gains recorded in relation to the divestiture of several products required as a result of the acquisition of the animal health business of Bayer (\$0.2 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$1.8 million).

Income tax expense represents the income tax expense associated with the adjusted items, partially offset by the impact of the valuation allowance recorded against our U.S. deferred tax assets during the period (\$74.9 million).

2019

Adjusted results exclude:

Asset Impairment, Restructuring and Other Special Charges associated with integration efforts and external costs related to the acquisition of businesses and charges primarily related to independent stand-up costs and other related activities (\$44.5 million) and facility exit costs and asset impairments (\$8.0 million), partially offset by a favorable adjustment from reversals for severance programs (\$0.9 million).

Income tax represents the income tax expense associated with the adjusted items

Adjusted EBITDA Reconciliations	3 Months Ended December 31	
\$ in Millions	2020	2019
Reported Net Income (Loss)	\$(322.8)	\$(9.5)
Net Interest Expense	60.4	18.7
Income Tax Expense (Benefit)	4.7	5.2
Depreciation and Amortization	222.1	83.3
EBITDA	\$(35.6)	\$97.7
Non-GAAP Adjustments:		
Cost of Sales	\$57.0	-
Asset Impairment, Restructuring and Other Special Charges	167.3	51.6
Accelerated Depreciation ⁽¹⁾	(10.8)	(3.0)
Other Expense (Income), Net	(2.0)	-
Adjusted EBITDA	\$175.9	\$146.3
Adjusted EBITDA Margin	15.4%	18.6%

	Year Ended December 31	
\$ in Millions	2020	2019
Reported Net Income (Loss)	\$(560.1)	\$67.9
Net Interest Expense	149.8	78.9
Income Tax Expense (Benefit)	(111.9)	10.3
Depreciation and Amortization	516.9	314.4
EBITDA	\$(5.3)	\$471.5
Non-GAAP Adjustments:		
Cost of Sales	\$96.0	0.8
Asset Impairment, Restructuring and Other Special Charges	623.7	185.5
Accelerated Depreciation ⁽¹⁾	(17.4)	(3.0)
Other Expense (Income), Net	(168.5)	8.0
Adjusted EBITDA	\$528.5	\$662.8
Adjusted EBITDA Margin	16.1%	21.6%

Numbers may not add due to rounding.

(1) Represents depreciation of certain assets that was accelerated during the periods presented. This amount must be added back to arrive at Adjusted EBITDA because it is included in Asset impairment, restructuring, and other special charges but it has already been excluded from EBITDA in the "Depreciation and amortization" row above.



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