

2022 Earnings – Second Quarter

August 8, 2022

Elanco

Notices and Disclaimers

Forward-Looking Statements. This presentation contains forward-looking statements including, without limitation, statements concerning expected synergies and cost savings, product launches and revenue from such products, cost savings and expenses related to restructuring actions, the impact of the COVID-19 pandemic and related disruptions on our business, our 2022 full year and third quarter guidance and long-term expectations, the impact of the war involving Russia and Ukraine and the potential impact on our business and global economic conditions, our expectations regarding debt levels, our industry and our operations, performance and financial condition and, including in particular, statements relating to our business, the economy and other future conditions. Such statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied in those forward-looking statements. Important factors that could cause actual results to differ materially are set forth in our earnings release, dated August 8, 2022, which is included as an exhibit to our Form 8-K furnished to the SEC on such date; and in our SEC filings, including our most recent reports on Forms 10-K and 10-Q. Although we have attempted to identify important risk factors, there may be other risk factors not presently known to us or that we presently believe are not material that could cause actual results and developments to differ materially from those made in or suggested by the forward-looking statements contained in this presentation. If any of these risks materialize, or if any of the above assumptions underlying forward-looking statements prove incorrect, actual results and developments may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. We caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this presentation. Any forward-looking statement made by us in this presentation speaks only as of the date thereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or to revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should be viewed as historical data.

Non-GAAP Financial Measures. This presentation contains non-GAAP financial measures, such as revenue excluding the impact of foreign exchange rate effects, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss), adjusted EPS, adjusted gross profit and adjusted gross margin and net debt leverage, which we use to assess and analyze our operational results and trends. Reconciliation of non-GAAP financial measures and reported GAAP financial measures are included in the tables in the appendix to this presentation and are posted on our website at www.elanco.com. These non-GAAP measures are not, and should not be viewed as, substitutes for U.S. GAAP reported measures.

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Q2 2022 | Key Messages



Execution Drives Profitability Growth, Productivity Delivering



Adj. EBITDA⁽¹⁾ +3% and Adj. EPS⁽¹⁾ +29%, both exceeded high end of guidance



Operating Cash Flow of \$312M and reduced Net Leverage Ratio to 5.3x



Outlook Adjusted, Growth Expected in Adj. EBITDA and Adj. EPS



Updating 2022 guidance to reflect pressured macro and competitive environment



Remain committed to 60% Adj. Gross Margin⁽¹⁾ and 31% Adj. EBITDA margin⁽¹⁾; extending timeline to achieve, update in 2023



Innovation Progress Laying Groundwork for Future Growth



2 regulatory submissions expected in 2022 for late-stage parasiticide and dermatology products



Multiple novel and differentiated near-term portfolio enhancing innovations in U.S. vet clinic market

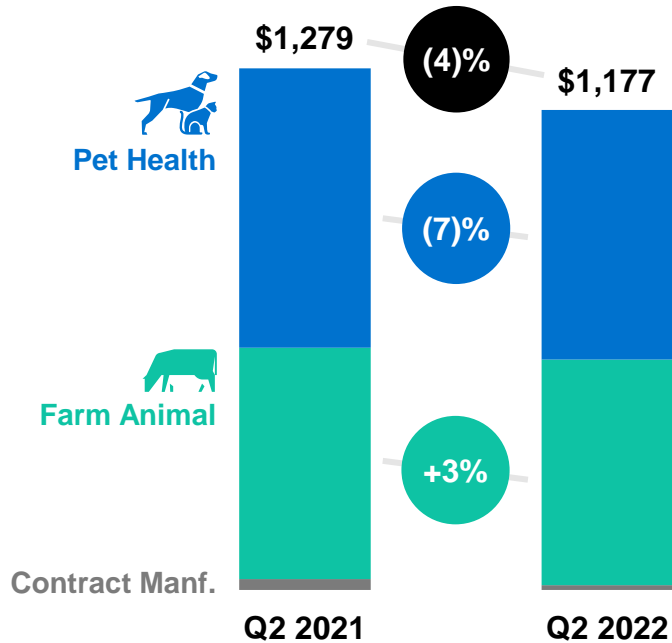
(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.
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Second Quarter 2022 | Key Financial Metrics

\$ Millions Except Per Share Data

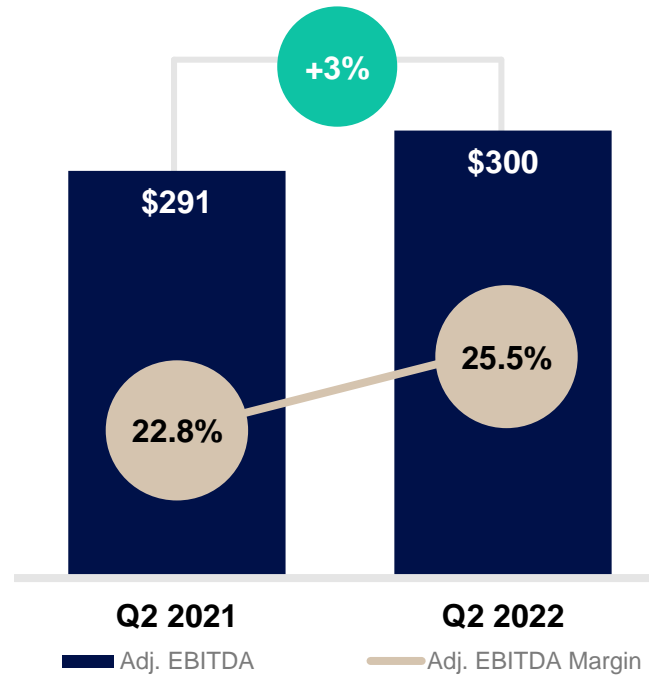
Revenue

Change in CC⁽¹⁾



Adj. EBITDA⁽²⁾

Change in reported dollars



Adj. EPS⁽²⁾

Change in reported dollars



(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

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Updating 2022 Revenue Guidance Primarily Due to Macro Factors

Changes from May Guidance:

Macro Factors \$(185)-\$(165)

- Economic	~\$(65)
Foreign Exchange Rates	~\$(65)
- Environmental	\$(120)-\$(100)
China Market Implications	\$(65)-\$(60)
Supply Chain Disruption	\$(35)-\$(30)
Economic Slowdown	\$(20)-\$(10)



Elanco-Specific Factors \$(50)-\$(40)

+ Upsides	\$25-\$50
Poultry, Aqua, CM	\$25-\$50
- Headwinds	\$(100)-\$(65)
U.S. Pet Health Para	\$(20)-\$(15)
Innovation Ramp	\$(30)-\$(20)
Pricing	\$(50)-\$(30)

\$(220)M

vs. May Guidance at Midpoint

~\$(50)M

vs. 2021 at Midpoint in CC
or **Flat to (2)%**

Progress and Actions for Elanco's Next Era of Growth

Preparing for a historical innovation launch window in '23 and '24

Approvals

- ✓ **6 of 7 portfolio enhancing approvals achieved** year to date, primarily in Pet Health, including Credelio in China, Credelio Plus in Canada, and Advantage XD for cats in the U.S.
- ✓ **Expect approval in late '22 or early '23** for dog parvovirus treatment

Submissions

- ✓ **In the next 2-4 months, intend to make regulatory submissions** for broad spectrum parasiticide and at least one dermatology product
- ✓ **Expect regulatory review cycle of 12-18 months** for FDA, potentially shorter for USDA and EMA

Feline Therapeutics

- ✓ **Zorbium**, a long-acting transdermal pain product for cats launched in the U.S., **gaining strong placements in vet clinics**
- ✓ Signed a license agreement for a revolutionary **first-in-class product for feline diabetes care**; under FDA regulatory review, **approval expected within the next 12 months**

Note: Approval and submission expectations reference major markets including U.S., European Union, United Kingdom, Brazil, China, Japan, Australia, as well as Canada in some limited project settings.

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Financial Results

Second Quarter 2022



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Second Quarter 2022

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Volume	Total	CC Change ⁽¹⁾
Pet Health	\$612	1%	(4)%	(8)%	(11)%	(7)%
Farm Animal	\$553	2%	(5)%	1%	(2)%	3%
Contract Manufacturing	\$12	0%	(2)%	(53)%	(56)%	(53)%
Total Elanco	\$1,177	1%	(4)%	(5)%	(8)%	(4)%

Note: Reported revenue in millions. Numbers may not add due to rounding.

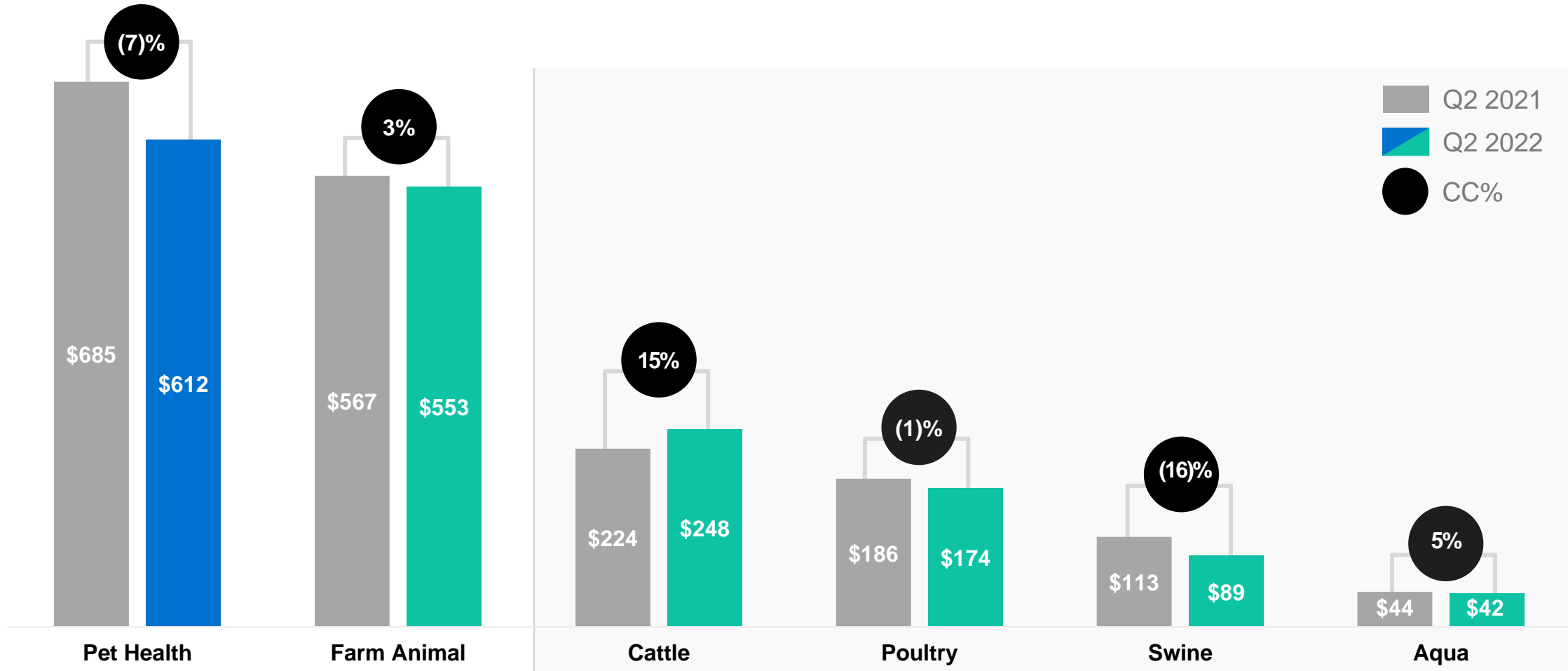
(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

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Second Quarter 2022

Reported Revenue By Species

Revenue \$ in millions, Growth Rates in Constant Currency



(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

Certain reclassifications of prior year farm animal species revenue has been made to conform to the current year's presentation.

Numbers may not add due to rounding

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Second Quarter 2022

Reported Revenue by Geography and Species

	U.S.		International		
\$ in millions	Revenue	Change	Revenue	Change	CC Change ⁽¹⁾
Pet Health	\$366	(11)%	\$245	(10)%	0%
Farm Animal	\$170	6%	\$383	(6)%	1%
Contract Manufacturing	\$3	(70)%	\$9	(46)%	(44)%
Total	\$539	(7)%	\$638	(9)%	(1)%
% of Total Elanco	46%		54%		

Numbers may not add due to rounding.

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Second Quarter 2022

Adjusted⁽¹⁾ Income Statement Highlights

\$ millions, except per share values	2022	2021	Change (\$)	Change (%)
Revenue	\$1,177	1,279	\$(102)	(8%)
Cost of Sales	\$484	\$550	\$(66)	(12%)
Adjusted Gross Profit	\$693	\$729	\$(36)	(5%)
Adjusted Gross Margin	58.9%	57.0%	NM	+190 bps
Operating Expense	\$425	\$479	\$(54)	(11%)
Interest Expense, Net	\$50	\$60	\$(10)	(17%)
Effective Tax Rate	18.0%	29.6%	NM	(1,160) bps
Adjusted Net Income	\$177	\$135	\$42	31%
Adjusted Earnings Per Share Diluted	\$0.36	\$0.28	\$0.08	29%
Adjusted EBITDA	\$300	\$291	\$9	3%
Adjusted EBITDA Margin	25.5%	22.8%	NM	+270 bps

Note: Numbers may not add due to rounding

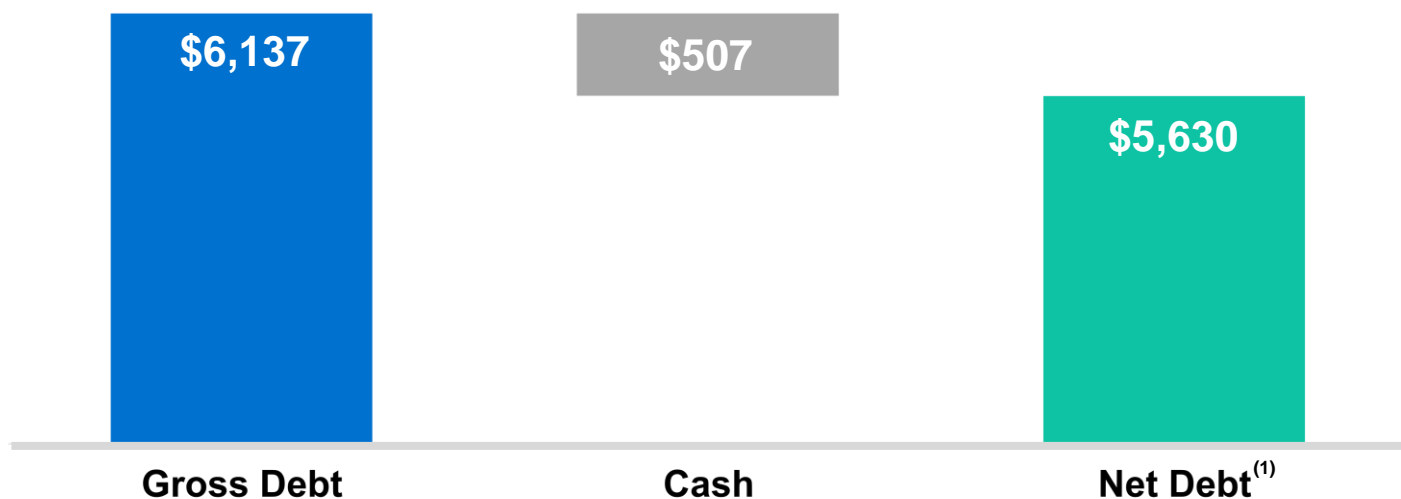
(1) Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

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Key Balance Sheet and Cash Flow Metrics

Debt Balances as of June 30, 2022

\$ millions



Note: Numbers may not add due to rounding

(1) Net debt is a non-GAAP measure calculated as gross debt less cash and cash equivalents on our balance sheet. Gross debt is the sum of current portion of long-term debt and long-term debt and excludes unamortized debt issuance costs (2) Net leverage ratio calculated as gross debt less cash and cash equivalents on our balance sheet divided by adjusted EBITDA. This calculation does not include Term Loan B covenant-related adjustments that reduce this leverage ratio.

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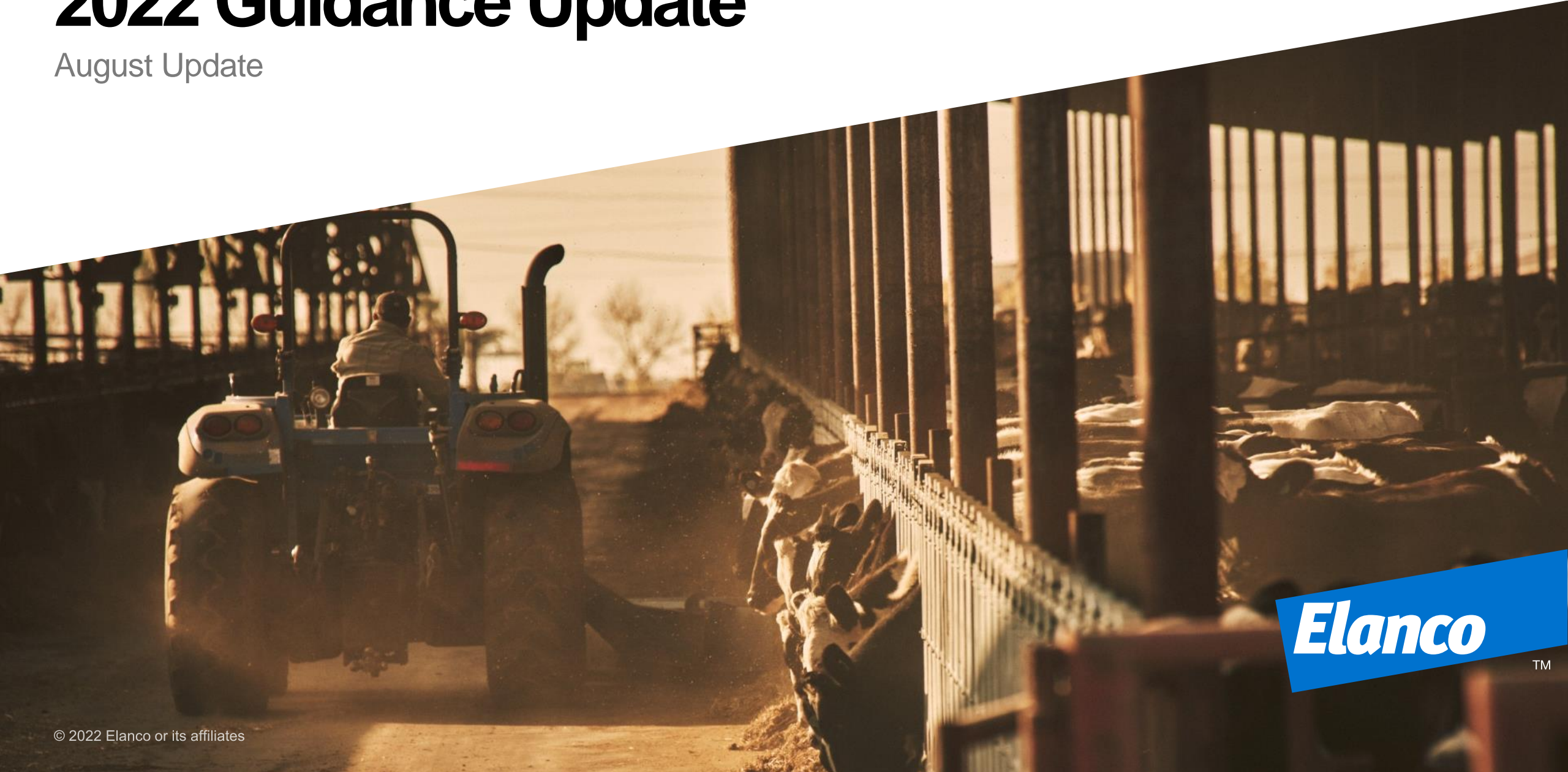
Operating Cash Flow of \$312M in Q2 reflecting lower net losses and a net \$124M benefit from an interest rate swap settlement

Net leverage ratio⁽²⁾ decreased to 5.3x vs 5.6x at the end of Q1 2022

Days sales outstanding increased to 73 days vs. 66 days at the end of Q1 2022 primarily driven by seasonality & sequential decrease in sales

2022 Guidance Update

August Update



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TM

Financial Guidance

\$ millions, except per share values

	May	August	Comments
Revenue	\$4,700-\$4,755	\$4,465-\$4,550	Reflects updated assumptions for FX, macro and Elanco-specific factors
Reported Net Income	\$10-\$41	\$(48)-\$(15)	Reflects IPR&D from feline diabetes licensing agreement and Tax
Adjusted EBITDA⁽¹⁾	\$1,125-\$1,165	\$1,060-\$1,100	Reflects updated FX, overperformance in H1 and impact of updated Revenue guidance
Reported Diluted EPS	\$0.02-\$0.09	\$(0.10)-\$(0.03)	Reflects IPR&D from feline diabetes licensing agreement and Tax
Adjusted Diluted EPS⁽¹⁾	\$1.15-\$1.21	\$1.06-\$1.13	Reflects updated FX, overperformance in H1 and impact of updated Revenue guidance



Impact of FX

Revenue, Adjusted EBITDA and Adjusted EPS updated to reflect continued strengthening of the U.S. dollar; now expect a 4% topline headwind for the year



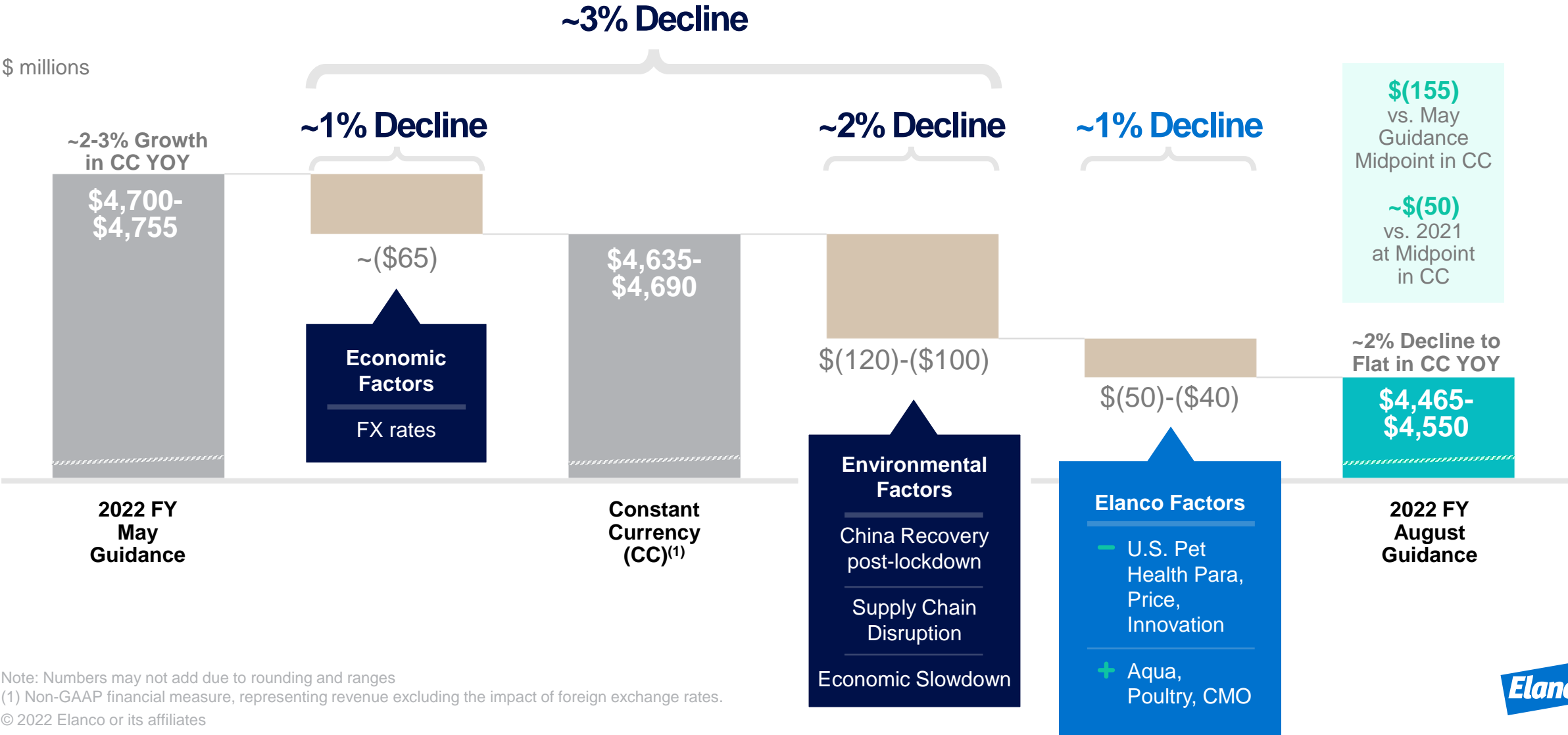
Margin Expansion

Company-wide productivity agenda and sustained cost discipline expected to drive year-over-year margin expansion despite inflation and unfavorable revenue mix

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2022 Revenue Guidance Progression

May to August

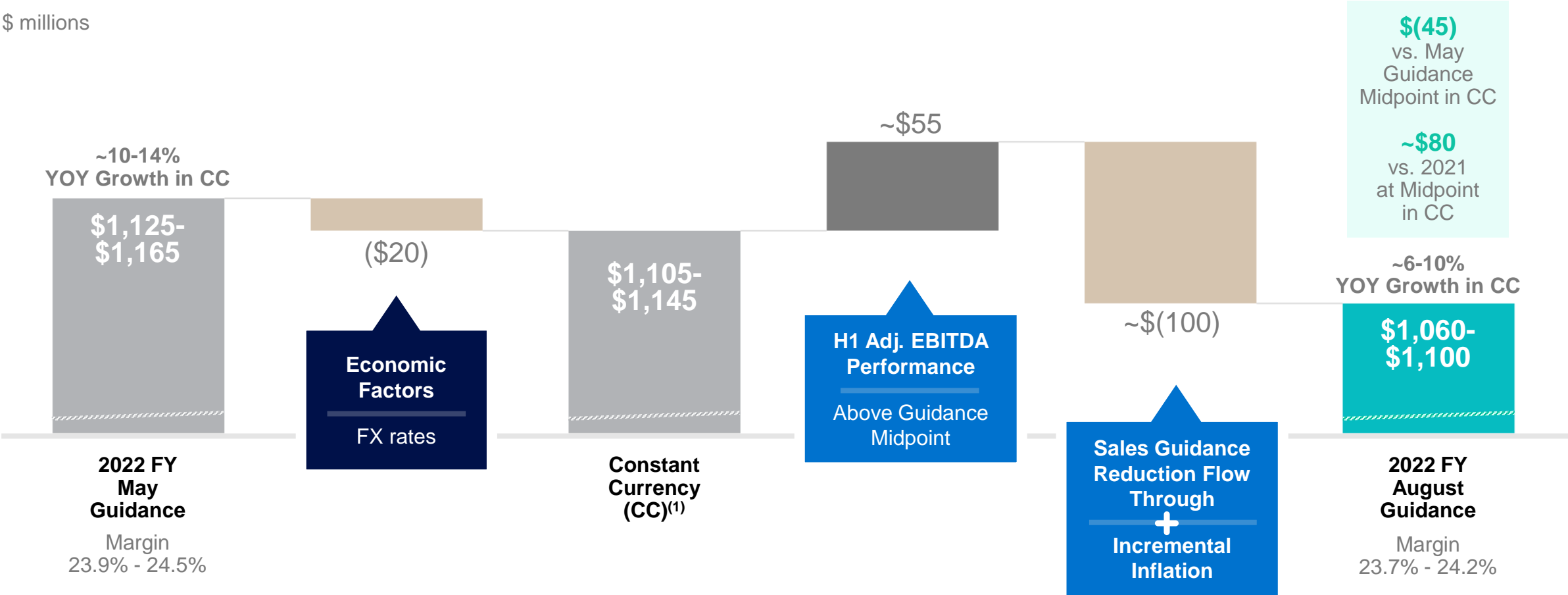


Note: Numbers may not add due to rounding and ranges
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2022 Adjusted EBITDA Guidance Progression

May to August

\$ millions



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Financial Guidance

\$ millions, except per share values

Total Revenue	\$1,010 - \$1,060
Reported Net Income (Loss)	\$(61) - \$(32)
Adjusted EBITDA⁽¹⁾	\$175 - \$215
Reported Diluted EPS	\$(0.12) - \$(0.06)
Adjusted Diluted EPS⁽¹⁾	\$0.12 - \$0.18



Impact of FX

expected ~-(6)ppt, or ~\$60M headwind on top-line, with dollar strength compared to 2021



Measured & Balanced

with expected declines in cattle, swine, and contract manufacturing, partially offset by growth in poultry and aqua; pet health expected flat



Q4 Return to Growth

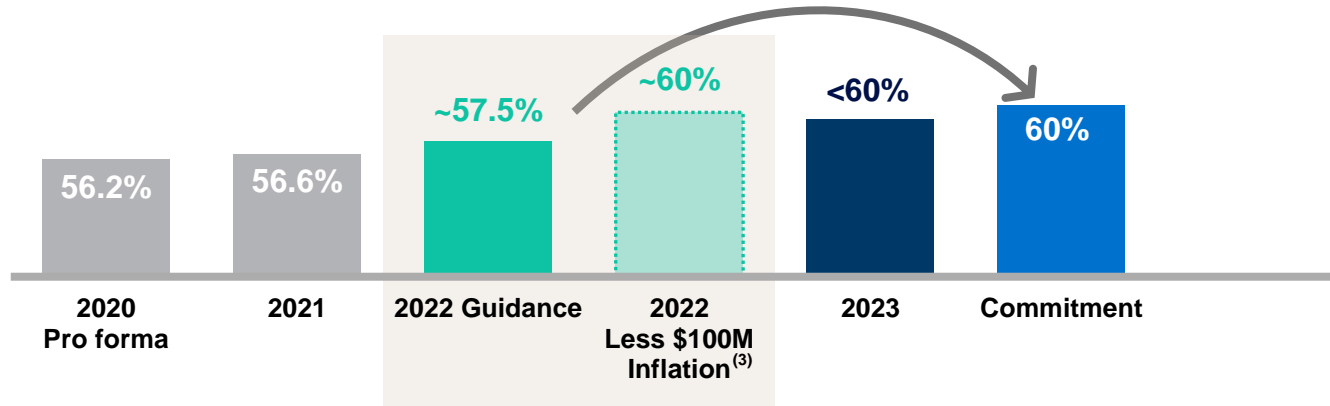
implied Q4 growth at midpoint for fourth quarter is ~2% in constant currency, with growth expected in pet health

(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.
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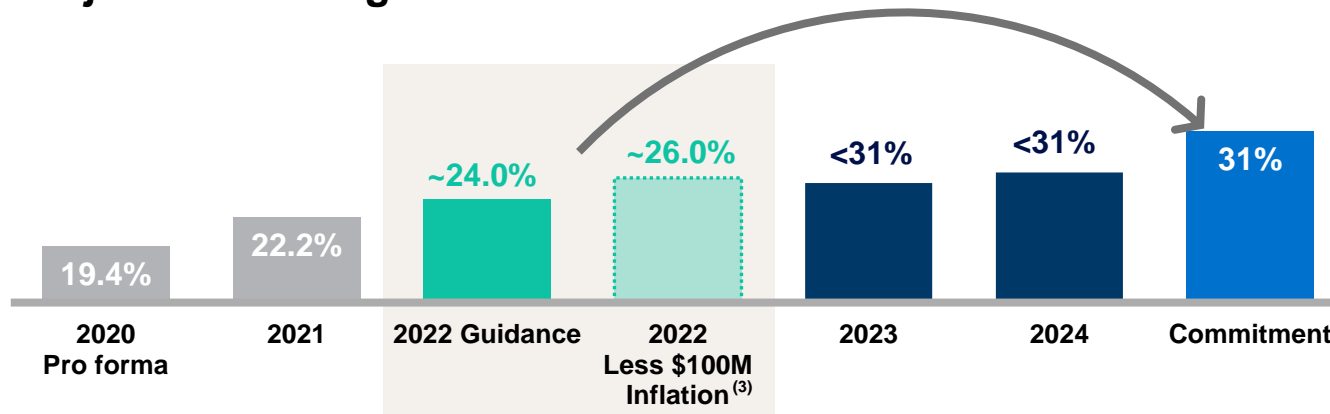
Remain Committed to 60% Gross Margin & 31% Adj. EBITDA Margin⁽¹⁾

Timeline Extended with Update in 2023

Gross Margin



Adj. EBITDA Margin⁽²⁾



Margin % expansion expected in 2022, 2023 and 2024, but at a slower pace than anticipated in December 2020, due to inflation, supply chain disruption, China disruption, and unfavorable sales mix

In 2022, expect inflation of \$100M more than in December 2020; adjusting for only this with current guidance would have expected to hit ~60% gross margin in 2022, a year earlier

Margins expected to expand as innovation launches, Expor ramps, China recovers, supply chain improves, price is captured, Elanco-wide productivity agenda delivers and integration of Bayer AH system and processes completed (annualized in 2024)

(1) December 2020 Investor Day included targets for 60% gross margin by 2023 and 31% adjusted EBITDA margin by 2024.

(2) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

(3) Estimate for 2022 Guidance after adjusting for \$100M unanticipated inflation in cost of goods sold (\$40M expected in December 2020, \$140M expected in August Guidance).

Appendix

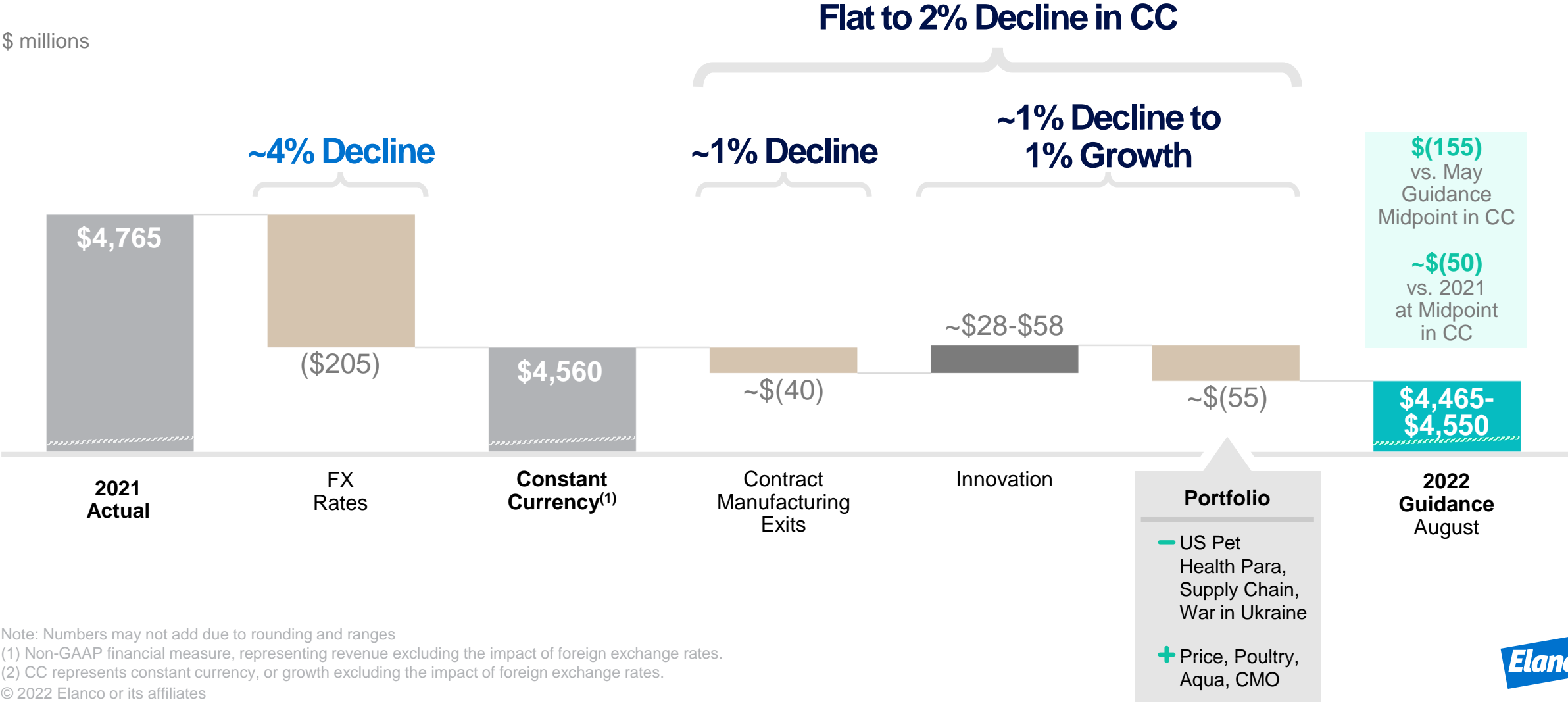
YTD Financials, Reference slides and
GAAP reported to non-GAAP adjusted
reconciliations



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2022 Revenue Guidance Reflects Updated Assumptions

August Guidance vs. 2021



Note: Numbers may not add due to rounding and ranges
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 (2) CC represents constant currency, or growth excluding the impact of foreign exchange rates.
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First Half 2022

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Volume	Total	CC Change ⁽¹⁾
Pet Health	\$1,251	1%	(3)%	(4)%	(6)%	(2)%
Farm Animal	\$1,121	1%	(4)%	0%	(2)%	2%
Contract Manufacturing	\$29	0%	(2)%	(34)%	(36)%	(34)%
Total Elanco	\$2,402	1%	(4)%	(2)%	(5)%	(1)%

Note: Reported revenue in millions. Numbers may not add due to rounding.

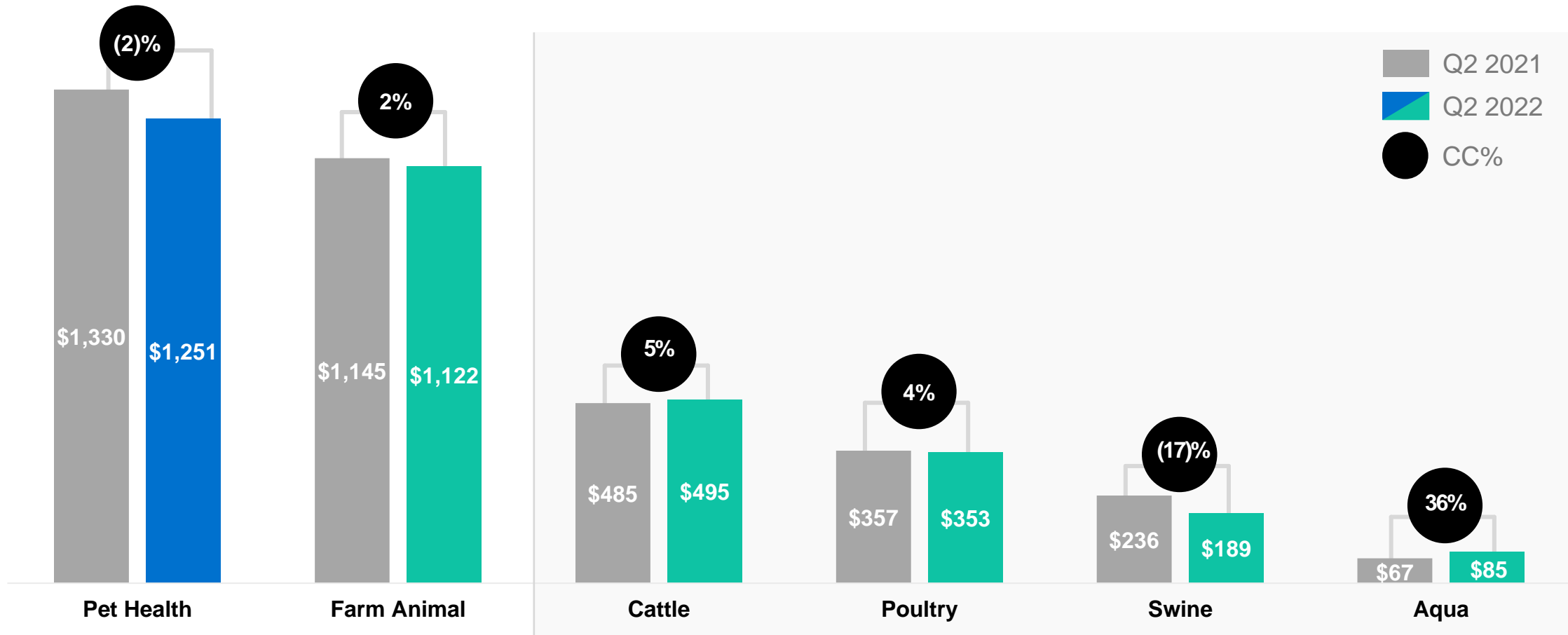
(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

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First Half 2022

Reported Revenue By Species

Revenue \$ in millions, Growth Rates in Constant Currency



(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

Certain reclassifications of prior year farm animal species revenue has been made to conform to the current year's presentation.

Numbers may not add due to rounding

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First Half 2022

Reported Revenue by Geography and Species

	U.S.		International		
\$ in millions	Revenue	Change	Revenue	Change	CC Change ⁽¹⁾
Pet Health	\$689	(8)%	\$562	(4)%	4%
Farm Animal	\$363	4%	\$759	(5)%	1%
Contract Manufacturing	\$9	(50)%	\$20	(27)%	(23)%
Total	\$1,061	(5)%	\$1,340	(5)%	2%
% of Total Elanco	44%		56%		

Numbers may not add due to rounding.

(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

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First Half 2022

Adjusted⁽¹⁾ Income Statement Highlights

\$ millions, except per share values	2022	2021	Change (\$)	Change (%)
Revenue	\$2,402	\$2,521	\$(119)	(5%)
Cost of Sales	\$993	\$1,057	\$(64)	(6%)
Adjusted Gross Profit	\$1,409	\$1,464	\$(55)	(4%)
Adjusted Gross Margin	58.7%	58.1%	NM	+60 bps
Operating Expense	\$826	\$916	\$(90)	(10%)
Interest Expense, Net	\$102	\$121	\$(19)	(16%)
Effective Tax Rate	24.7%	25.1%	NM	-40 bps
Adjusted Net Income	\$354	\$316	\$38	12%
Adjusted Earnings Per Share Diluted	\$0.72	\$0.65	\$0.07	11%
Adjusted EBITDA	\$640	\$634	\$6	1%
Adjusted EBITDA Margin	26.6%	25.1%	NM	+150 bps

Note: Numbers may not add due to rounding

(1) Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

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Second Quarter 2022

Adjusted EBITDA Reconciliation

\$ millions

	2022	2021
Reported Net Loss	\$(22)	\$(210)
Net Interest Expense	\$67	\$60
Income Tax Expense (Benefit)	\$4	\$(26)
Depreciation and Amortization	\$171	\$170
EBITDA	\$220	\$(6)
Non-GAAP Adjustments		
Cost of Sales	-	\$1
Asset Impairment, Restructuring, and Other Special Charges	\$86	\$299
Other Expense (Income), Net	\$(1)	\$(2)
Accelerated Depreciation and Amortization ⁽¹⁾	\$(5)	\$(1)
Adjusted EBITDA	\$300	\$291
Adjusted EBITDA Margin	25.5%	22.8%

Numbers may not add due to rounding

(1) Represents depreciation and amortization 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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Second Quarter 2022

Reconciliation of GAAP Reported to Non-GAAP Adjusted Income Statement Items

\$ millions, except
per share values

	2022			2021		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales ⁽¹⁾	\$484	-	\$484	\$551	\$1	\$550
Amortization of Intangible Assets	\$133	\$133	-	\$129	\$129	-
Asset Impairment, Restructuring and Other Special Charges ⁽²⁾⁽³⁾	\$86	\$86	-	\$299	\$299	-
Interest Expense, Net of Capitalized Interest ⁽⁴⁾	\$67	\$17	\$50	\$60	-	\$60
Other Expense (Income), Net ⁽⁵⁾⁽⁶⁾	-	\$(1)	\$1	\$(3)	\$(2)	\$(1)
Income (Loss) Before Taxes	\$(18)	\$235	\$217	\$(236)	\$427	\$191
Provision for Taxes ⁽⁷⁾⁽⁸⁾	\$4	\$(36)	\$40	\$(26)	\$(83)	\$57
Net Income (Loss)	\$(22)	\$199	\$177	\$(210)	\$344	\$135
Earnings (Loss) per Share Diluted	\$(0.04)	\$0.40	\$0.36	\$(0.43)	\$0.70	\$0.28
Adjusted Weighted Average Shares Outstanding Diluted ⁽⁹⁾	488.4	492.0	492.0	487.3	488.7	488.7

See slide 27 for details of adjustments to certain GAAP reported measures
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Details of Adjustments to Certain GAAP Reported Measures

For the three months ended June 30, 2022 and 2021:

- 1) 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health resulting from the delayed purchase of certain entities (\$1 million).
- 2) 2022 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$26 million), a nonrecurring charge for acquired IPR&D with no alternative future use that was recorded upon the initial consolidation of a variable interest entity that is not a business (\$59 million), a measurement period adjustment to the consideration transferred and charge associated with the settlement of a liability for future royalty and milestone payments that was triggered in connection with the acquisition of KindredBio (\$2 million), and facility exit costs (\$1 million), partially offset by adjustments resulting from the reversal of severance accruals (\$2 million).
- 3) 2021 excludes charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health, and charges primarily related to independent stand-up costs and other related activities (\$30 million), costs associated with the sale of the manufacturing sites in Shawnee, Kansas and Speke, U.K. and other business development transactions (\$3 million), severance (\$1 million), asset impairments (\$4 million), asset write-downs (\$267 million), and an adjustment to a previous gain recorded on the divestiture of early-stage IPR&D assets acquired as part of the Bayer Animal Health acquisition (\$2 million), partially offset by curtailment gains recognized due to the remeasurement of our pension benefit obligations resulting from workforce reductions associated with the recent restructuring programs (\$8 million).
- 4) 2022 excludes the debt extinguishment loss recorded in connection with the early repayment of our 4.272% Senior Notes due August 28, 2023 (\$17 million).
- 5) 2022 excludes the gain recognized on the disposal of the microbiome R&D platform (\$3 million), partially offset by the impact of hyperinflationary accounting related to Turkey (\$2 million).
- 6) 2021 excludes an up-front payment received in relation to an asset assignment agreement (\$2 million).
- 7) 2022 represents the income tax expense associated with the adjusted items and the reversal of tax expense that was previously stranded in accumulated other comprehensive income due to the interest rate swap settlement (\$17 million), partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$22 million).
- 8) 2021 represents the income tax expense associated with the adjusted items, partially offset by a net increase in the valuation allowance recorded against our U.S. deferred tax assets during the period (\$2 million).
- 9) During the three months ended June 30, 2022 and 2021, we reported a GAAP net loss and thus potential dilutive common shares were not assumed to have been issued since their effect is anti-dilutive. During the same periods, we reported non-GAAP net income. As a result, potential dilutive common shares would not have an anti-dilutive effect, and diluted weighted average shares outstanding for purposes of calculating adjusted EPS include 3.6 million and 1.4 million, respectively, of common stock equivalents.

First Half 2022

Adjusted EBITDA Reconciliation

\$ millions

	2022	2021
Reported Net Income (Loss)	\$26	\$(271)
Net Interest Expense	\$119	\$121
Income Tax Expense (Benefit)	\$27	\$(45)
Depreciation and Amortization	\$347	\$372
EBITDA	\$519	\$177
Non-GAAP Adjustments		
Cost of Sales	-	\$63
Asset Impairment, Restructuring, and Other Special Charges	\$132	\$407
Other Expense (Income), Net	\$(1)	\$(8)
Accelerated Depreciation and Amortization ⁽¹⁾	\$(10)	\$(5)
Adjusted EBITDA	\$640	\$634
Adjusted EBITDA Margin	26.6%	25.1%

Numbers may not add due to rounding

(1) Represents depreciation and amortization 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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First Half 2022

Reconciliation of GAAP Reported to Non-GAAP Adjusted Income Statement Items

\$ millions, except
per share values

	2022			2021		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales ⁽¹⁾	\$993	-	\$993	\$1,120	\$63	\$1,057
Amortization of Intangible Assets	\$270	\$270	-	\$276	\$276	-
Asset Impairment, Restructuring and Other Special Charges ⁽²⁾⁽³⁾	\$132	\$132	-	\$407	\$407	-
Interest Expense, Net of Capitalized Interest ⁽⁴⁾	\$119	\$17	\$102	\$121	-	\$121
Other Expense (Income), Net ⁽⁵⁾⁽⁶⁾	\$9	\$(1)	\$10	\$(3)	\$(8)	\$5
Income (Loss) Before Taxes	\$53	\$418	\$471	\$(316)	\$738	\$422
Provision for Taxes ⁽⁷⁾⁽⁸⁾	\$27	\$(90)	\$117	\$(45)	\$(151)	\$106
Net Income (Loss)	\$26	\$328	\$354	\$(271)	\$587	\$316
Earnings (Loss) per Share Diluted	\$0.05	\$0.67	\$0.72	\$(0.56)	\$1.20	\$0.65
Adjusted Weighted Average Shares Outstanding Diluted ⁽⁹⁾	492.1	492.1	492.1	487.0	488.4	488.4

See slide 30 for details of adjustments to certain GAAP reported measures
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Details of Adjustments to Certain GAAP Reported Measures

For the six months ended June 30, 2022 and 2021:

- 1) 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$63 million).
- 2) 2022 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$50 million), a nonrecurring charge for acquired IPR&D with no alternative future use that we recorded upon the initial consolidation of a variable interest entity that is not a business (\$59 million), the finalization of a write-down charge associated with the sale of our manufacturing site in Speke, U.K. (\$28 million), a measurement period adjustment to the consideration transferred and charge associated with the settlement of a liability for future royalty and milestone payments that was triggered in connection with the acquisition of KindredBio (\$2 million), and facility exit costs (\$2 million), partially offset by adjustments resulting from the reversal of severance accruals (\$9 million).
- 3) 2021 excludes charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health, and charges primarily related to independent stand-up costs and other related activities (\$111 million), costs associated with the sale of the manufacturing sites in Shawnee, Kansas and Speke, U.K. and other business development transactions (\$3 million), severance (\$28 million), asset impairments (\$13 million), and asset write-downs (\$269 million), partially offset by curtailment gains recognized due to the remeasurement of our pension benefit obligations resulting from workforce reductions associated with our recent restructuring programs (\$17 million).
- 4) 2022 excludes the debt extinguishment loss recorded in connection with the early repayment of our 4.272% Senior Notes due August 28, 2023 (\$17 million).
- 5) 2022 excludes the gain recognized on the disposal of the microbiome R&D platform (\$3 million), partially offset by the impact of hyperinflationary accounting related to Turkey (\$2 million).
- 6) 2021 excludes up-front payments received and equity issued to us in relation to license and asset assignment agreements (\$9 million), partially offset by net losses recorded in relation to divestitures (\$1 million).
- 7) 2022 represents the income tax expense associated with the adjusted items and the reversal of tax expense that was previously stranded in accumulated other comprehensive income due to the interest rate swap settlement (\$17 million), partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$6 million).
- 8) 2021 represents the income tax expense associated with the adjusted items, partially offset by a net increase in the valuation allowance recorded against our U.S. deferred tax assets during the period (\$4 million).
- 9) During the six months ended June 30, 2021, we reported a GAAP net loss and thus potential dilutive common shares were not assumed to have been issued since their effect is anti-dilutive. During the same period, we reported non-GAAP net income. As a result, potential dilutive common shares would not have an anti-dilutive effect, and diluted weighted average shares outstanding for purposes of calculating adjusted EPS include 1.4 million of common stock equivalents.

Full Year 2022

EPS Guidance Reconciliation August Update

Reported (Loss) per Share	\$(0.10) - \$(0.03)
Amortization of Intangible Assets	\$1.09
Asset Impairment, Restructuring, and Other Special Charges ⁽¹⁾	\$0.42 - \$0.44
Other Expense, Net	\$0.03
Subtotal	\$1.54 - \$1.56
Tax Impact of Adjustments	\$(0.41) - \$(0.37)
Total Adjustments to Earnings (Loss) per Share	\$1.16 - \$1.16
Adjusted Earnings per Share⁽²⁾	\$1.06 - \$1.13

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments primarily relate to integration efforts of acquired businesses, including the animal health business of Bayer, and IPR&D related to the feline diabetes care asset Elanco licensed during the second quarter.

(2) Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.

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Full Year 2022

EBITDA Guidance Reconciliation August Update

\$ millions

Reported Net Income	\$(48) - \$(15)
Net Interest Expense	Approx. \$250
Income Tax Provision	\$(26) - \$(4)
Depreciation and Amortization	Approx. \$700
EBITDA	\$867 - \$920
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$215
Accelerated Depreciation and Other Special Charges	Approx. (\$20)
Other Expense, Net	\$(6)
Adjusted EBITDA	\$1,060 - \$1,100
Adjusted EBITDA Margin	23.7% - 24.2%

Note: Numbers may not add due to rounding
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Third Quarter 2022

EPS Guidance Reconciliation August Update

Reported Earnings (Loss) per Share	\$(0.12) - \$(0.06)
Amortization of Intangible Assets	\$0.27
Asset Impairment, Restructuring, and Other Special Charges ⁽¹⁾	\$0.07 - \$0.08
Subtotal	\$0.34 - \$0.35
Tax Impact of Adjustments	\$(0.11) - \$(0.10)
Total Adjustments to Earnings (Loss) per Share	\$0.24 - \$0.24
Adjusted Earnings per Share⁽²⁾	\$0.12 - \$0.18

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments are related to integration efforts, including the acquisition of the animal health business of Bayer.

(2) Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.

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Third Quarter 2022

EBITDA Guidance Reconciliation August Update

\$ millions

Reported Net Income (Loss)	\$(61) - \$(32)
Net Interest Expense	Approx. \$65
Income Tax Provision	\$(32) - \$(20)
Depreciation and Amortization	Approx. \$175
EBITDA	\$143 - \$185
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$35
Accelerated Depreciation and Other Special Charges	Approx. \$(5)
Other Expense, Net	
Adjusted EBITDA	\$175 - \$215
Adjusted EBITDA Margin	17.3% - 20.3%

Note: Numbers may not add due to rounding
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