

2021 Earnings – Second Quarter

August 9, 2021

Elanco

Safe Harbor Provision

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), including, without limitation, statements concerning our expectations relating to the pending acquisition of Kindred BioSciences, Inc., integration of Bayer Animal Health, expected synergies and cost savings, expectations relating to sales of manufacturing facilities, product launches and revenue from such products, independent company stand-up costs and timing, reduction of debt and leverage, cost savings and expenses relating to restructuring actions, the impact of the COVID-19 pandemic on our business, our 2021 full year and third quarter guidance and long-term expectations, safety profile and expectations about Seresto revenue in 2021, our industry and our operations, performance and financial condition, and including in particular, statements relating to our business, growth strategies, distribution strategies, product development efforts and future expenses. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict.

As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national, or global political, economic, business, competitive, market, and regulatory conditions, including but not limited to the following: heightened competition, including from generics; the impact of disruptive innovations and advances in veterinary medical practices, animal health technologies and alternatives to animal-derived protein; changes in regulatory restrictions on the use of antibiotics in farm animals; our ability to implement our business strategies or achieve targeted cost efficiencies and gross margin improvements; consolidation of our customers and distributors; an outbreak of infectious disease carried by farm animals; the impact on our operations, the supply chain, customer demand, and our liquidity as a result of the COVID-19 global health pandemic; the success of our research and development (R&D) and licensing efforts; misuse, off-label or counterfeiting use of our products; unanticipated safety, quality or efficacy concerns and the impact of identified concerns associated with our products; the impact of weather conditions and the availability of natural resources; use of alternative distribution channels and the impact of increased or decreased sales to our channel distributors resulting fluctuation in our revenues; manufacturing problems and capacity imbalances; challenges to our intellectual property rights or our alleged violation of rights of others; risks related to our presence in foreign markets; breaches of our information technology systems; our ability to complete acquisitions and successfully integrate the businesses we acquire, including Kindred BioSciences, Inc. and the animal health business of Bayer AG (Bayer Animal Health); the effect of our substantial indebtedness on our business; the effect on our business resulting from our separation from Eli Lilly and Company (Lilly); the uncertainties inherent in research relating to product safety and additional analyses of existing safety data; actions by regulatory bodies, including as a result of their interpretation of studies on product safety; unfavorable publicity resulting from media reports on our products; and public acceptance of our products; and the impact of litigation, regulatory investigations, and other legal matters.

For additional information about the factors that could cause actual results to differ materially from forward-looking statements, please see the company's latest Form 10-K and subsequent Form 10-Qs filed with the Securities and Exchange Commission.

The company undertakes no duty to update forward-looking statements

Executing Across Our Commitments

Q2 2021 Results Above Our Expectations

Outperformance in both Pet Health and Farm Animal, led by international execution

Robust margin expansion achieved alongside commercial reinvestment for future growth

Balanced Full Year Outlook

Raised revenue guidance incorporating strong momentum exiting Q2, moderation of industry tailwinds, and competitive dynamics

Core R&D pipeline in line with plan; reduced innovation revenue range in 2021 due to greater than anticipated market supply of the leading competitive product for externally sourced ZoaShield

Positioned for Sustainable Long- Term Value Creation

Clear payoff from our strengthened and expanded IPP strategy

KindredBio acquisition expected to unlock upside to our long-term growth algorithm and expand our margins over time

Second Quarter 2021

Actuals vs. Guidance Comparison

	June Guidance	Q2 2021 Actual	Comparison to Midpoint
Revenue	\$1,225 - \$1,255	\$1,279	+\$39
Reported Net Loss	\$(300) - \$(220)	\$(210)	+\$50
Adj. EBITDA⁽¹⁾	\$250 - \$275	\$291	+\$29
Reported Earnings Per Share Diluted	\$(0.62) - \$(0.44)	\$(0.43)	+\$0.10
Adjusted Earnings Per Share Diluted⁽¹⁾	\$0.22 - \$0.27	\$0.28	+\$0.04

\$ millions, except per share values

Note: Second quarter 2021 guidance updated on June 9th for an impairment charge of \$245 million to \$305 million with the exit of three manufacturing sites, driving a reduction of \$0.43 to \$0.54 in second quarter and full year 2021 GAAP financial guidance for EPS vs. the prior \$(0.08) to \$(0.01) range for the second quarter and \$(0.35) to \$(0.26) for the full year. Second quarter 2021 guidance reiterated on June 16th. (1) Includes non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations

Driving Growth Across Our Global Portfolio



Pet Health

Contributed approximately two-thirds of outperformance in Q2

Continued industry tailwinds and robust vet clinic traffic trends

Challenging weather impacting U.S. OTC parasiticides in May

Strength in U.S. vaccines and international markets

Successful launch of three innovations, with revenue tracking ahead of plan



Farm Animal

Contributed approximately one-third of outperformance in Q2

Demand-driven improvement in U.S. cattle and swine, including Rumensin above forecast

Re-emerging ASF pressure with falling Chinese hog prices

Industry improvement in international poultry and aqua, with easing compares ahead

Key Enablers Driving Growth

Launch
Excellence

Omnichannel
Leadership

Geographic
Focus

Pricing

Digital
Ecosystem

Building Momentum Through Our Strengthened and Expanded IPP Strategy

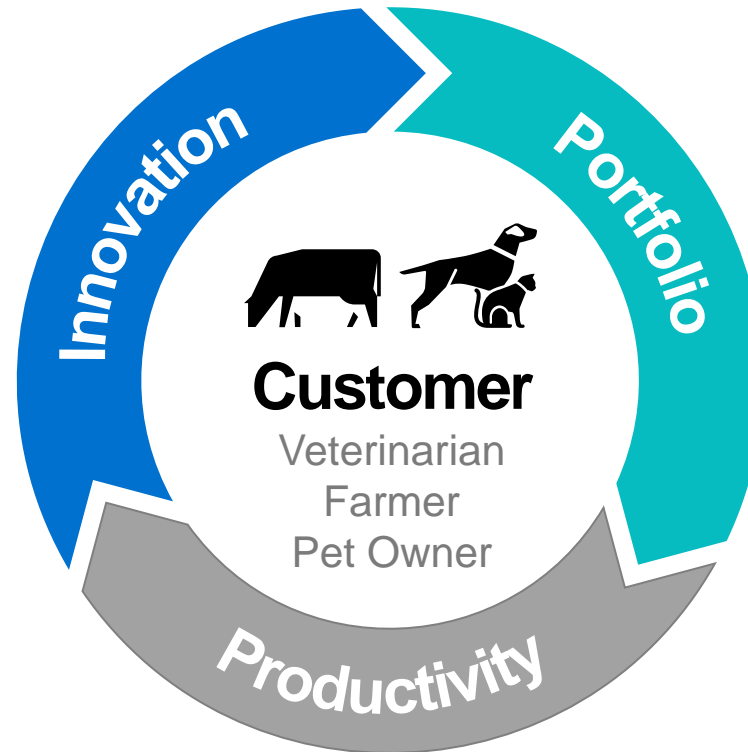
Dependable Revenue Growth from Innovation

Pet Health launches outperforming 2021 expectations; Farm Animal largely on track

Continued progress toward 2025 innovation revenue of \$600-\$700 million

KindredBio contributing an expected three potential blockbusters alongside our own in dermatology

KindredBio potential to add a full percentage point of consistent top-line innovation growth to our long-term growth algorithm



Expanded Portfolio, Capabilities, Access

Retail leadership, paired with long-standing vet relationships

Value-based pricing as a differentiator

Continuous digital ecosystem enhancement

Highly competitive offering across our international markets






























Unlocking Value

Enhanced profitability with accelerated restructuring, moving long-term gross margin target to 2023 from the prior 2023-2024 timeframe

Streamlined manufacturing footprint with reduced capex and improved working capital

Rapid progress toward \$300 million of synergy realization

2021 New Product Launches

Product	Species	Description	Geography	Launch Quarter	Status (Updates)
	 Cattle	Novel in Feed Technology with Environmental Claim	 	Q1 2021	U.S.: Launched CA: Approved
	  Swine	Injectable <i>Tulathromycin</i> Antibiotic in BRD ⁽¹⁾ /SRD ⁽²⁾	 	Q1 2021	EU: Launched U.S.: Launched
	 Poultry	Non-Medicated Feed Ingredient Supporting the Natural Defense System; Suitable for RWA ⁽³⁾	 	Q4 2021	Field trials underway
	 Poultry	Anticoccidial Portfolio Expansion; Suitable for RWA		Q1 2021	Launched
				Q2 2021	Launched
	 Dog	Oral Monthly Flea/Tick/Heartworm	  	Q1 2021	JP: Launched EU: Launched AU: Approved
	 Cat	Oral Monthly Flea/Tick		Q2 2021	Launched
	 Cat	Oral Solution for Weight Loss Management in CKD ⁽⁴⁾		Q1 2021	Launched

(1) Bovine Respiratory Disease, (2) Swine Respiratory Disease, (3) Raised Without Antibiotics, (4) Chronic Kidney Disease

Second Quarter 2021

Financial Performance Highlights

\$ millions, except per share values

		2021	2020
Reported	Revenue	\$1,279	\$586
	Net Loss	\$(210)	\$(53)
	Earnings Per Share Diluted	\$(0.43)	\$(0.13)
Adjusted⁽¹⁾	Net Income	\$135	\$36
	Earnings Per Share Diluted	\$0.28	\$0.09
	EBITDA	\$291	\$98
	EBITDA Margin	22.8%	16.7%

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

Second Quarter 2021

Adjusted⁽¹⁾ Income Statement Highlights

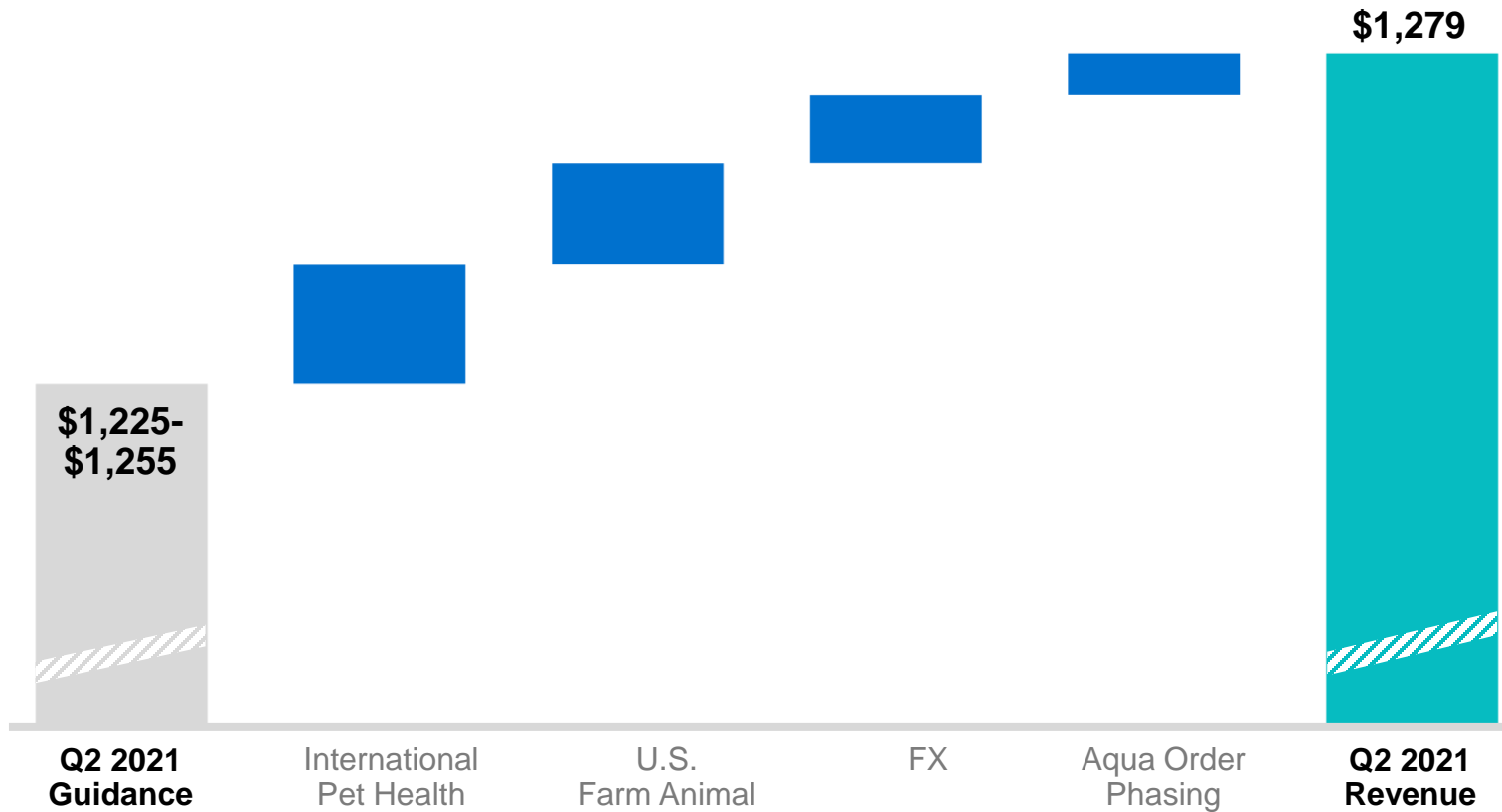
\$ millions, except
per share values

	2021	2020	Change
Revenue	\$1,279	\$586	118%
Adjusted Gross Profit	729	290	151%
Adjusted Gross Margin	57.0%	49.5%	750 bps
Marketing, Selling, & Admin Expenses	385	163	136%
R&D Expenses	94	59	59%
Interest Expense, Net	60	25	140%
Effective Tax Rate	29.6%	17.2%	1,240 bps
Adjusted Net Income	135	36	275%
Adjusted Earnings Per Share Diluted	\$0.28	\$0.09	211%

(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations. We define adjusted gross margin as adjusted gross profit divided by total revenue. Adjusted gross profit is defined as total revenue less adjusted cost of sales

Drivers of Q2 2021 Revenue vs. Guidance

(\$ millions)



Key Drivers

- + Commercial execution in International Pet Health
- + Continued improvement in U.S. cattle and swine
- + FX tailwinds vs. expectations
- + Aqua order phasing into Q2 from Q3

Second Quarter 2021

Revenue Summary by Category

	Legacy Elanco	Legacy Elanco YOY Change	Legacy Bayer	Total	Total YOY Change
Pet Health	\$336	32%	\$348	\$685	170%
Cattle	---	---	---	231	---
Poultry	---	---	---	179	---
Swine	---	---	---	113	---
Aqua	---	---	---	44	---
Farm Animal	\$411	30%	\$157	\$567	79%
Contract Manufacturing	3	(81)%	24	27	69%
Global Total	\$750	28%	\$529	\$1,279	118%

Note: Reported revenue in millions. Numbers may not add due to rounding. Year-over-year change noted in reported terms.
The comparison period in 2020 does not include revenue from animal health products acquired from Bayer, which was completed August 1, 2020

Second Quarter 2021

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate ⁽¹⁾	Volume ⁽²⁾	Total	CER Growth ⁽³⁾
Pet Health	\$685	6%	3%	161%	170%	167%
Farm Animal	\$567	0%	6%	73%	79%	73%
Contract Manufacturing	27	0%	0%	69%	69%	69%
Total Elanco	\$1,279	2%	5%	111%	118%	114%

Note: Reported revenue in millions. Numbers may not add due to rounding. The comparison period in 2020 does not include revenue from animal health products acquired from Bayer, which was completed of August 1, 2020

(1) Represents impact of foreign exchange rate on growth attributable to the legacy Elanco portfolio only

(2) Impact of current year revenue from the Bayer Animal Health acquisition is reflected in volume. As is typical with acquisitions, we will continue to report the addition of the Bayer business in volume through the third quarter of 2021

(3) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates attributable to the legacy Elanco portfolio only

Second Quarter 2021

Revenue by Geography

\$ millions

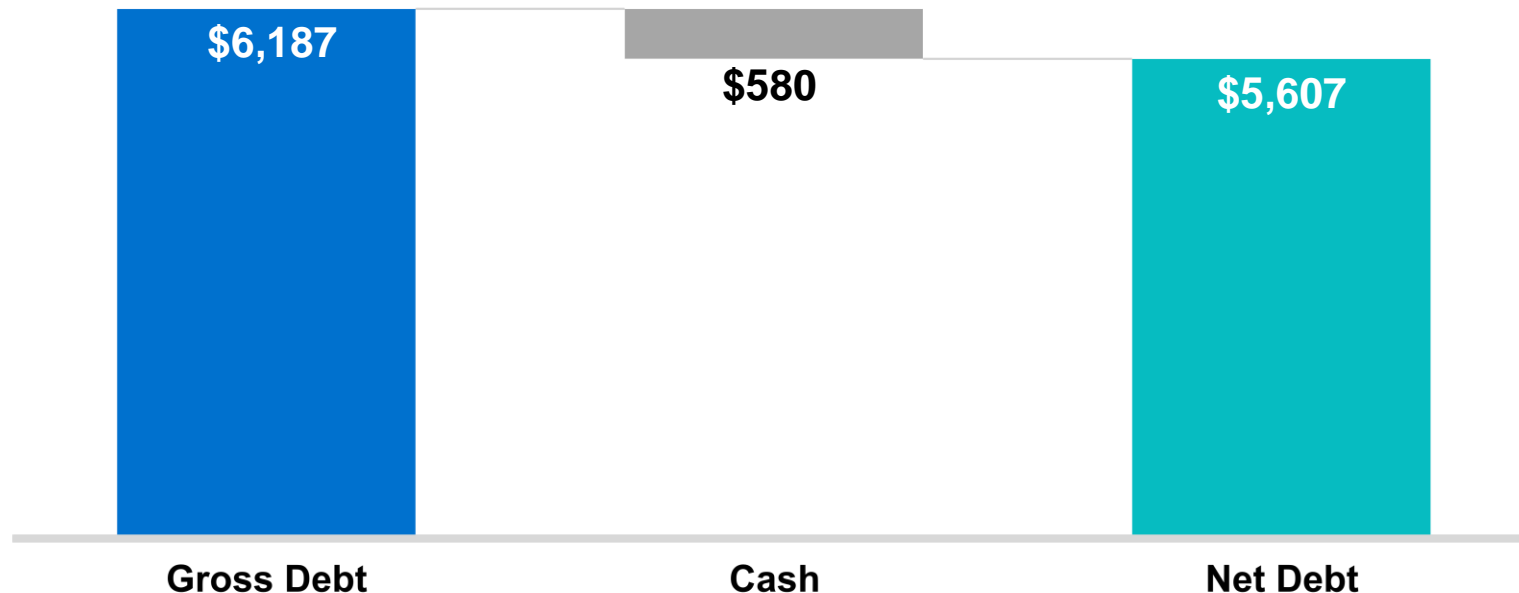
	U.S.	International	Global
Pet Health	\$412	\$274	\$685
Farm Animal	\$159	\$407	\$567
Contract Manufacturing	\$10	\$17	\$27
Total Elanco	\$581	\$698	\$1,279
% of Total Elanco	45%	55%	100%

Note: Numbers may not add due to rounding

Key Balance Sheet and Cash Flow Metrics

Debt⁽¹⁾ Balances as of June 30, 2021

\$ 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 & equivalents on our balance sheet divided by adjusted EBITDA as reported. Does not include Term Loan B covenant-related adjustments that reduce this leverage ratio

Days sales outstanding

increased to 75 days vs. 69 days at the end of Q1 2021, reflecting seasonally higher account receivables

Year-end net leverage⁽²⁾

expected at ~5.5x

Three-month extension of leverage target to gain three potential blockbusters

with net leverage goal of <3x by the end of the first quarter of 2024

2021 Guidance

Raising full year guidance for revenue, updating adj. EPS outlook to incorporate second quarter outperformance, and providing guidance for the third quarter



Elanco

2021

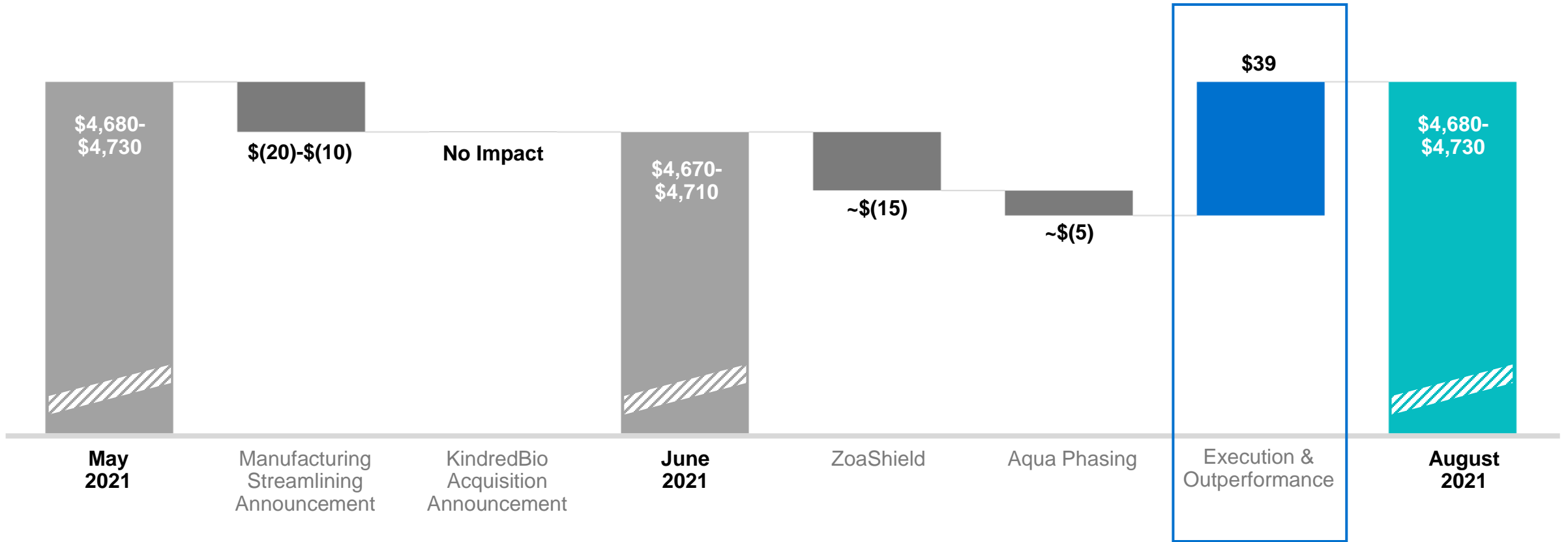
Full Year Guidance

(\$ millions, except per share values)	December Guide	February Update	May Update	June Update	August Update
Total Revenue	\$4,520 – \$4,600	\$4,550 – \$4,630	\$4,680 – \$4,730	\$4,670 – \$4,710	\$4,680 – \$4,730
Adjusted Gross Margin ⁽¹⁾	55.5% – 56.5%	56.0% – 57.0%	56.75% – 57.25%	–	56.75% – 57.0%
Operating Expenses	\$1,730 – \$1,760	\$1,730 – \$1,750	\$1,780 – \$1,800	–	Unchanged
Adjusted EBITDA⁽¹⁾	\$940 – \$1,000	\$980 – \$1,040	\$1,055 – \$1,095	–	\$1,035 – \$1,075
Adjusted EBITDA Margin⁽¹⁾	21% – 22%	21% – 22%	22% – 23%	–	22% – 23%
Depreciation	Approx. \$175	Unchanged	Approx. \$195	–	\$180 – \$185
Interest Expense, Net of Capitalized Interest	\$236 – \$244	Unchanged	Unchanged	–	Unchanged
Tax Rate	21% – 22%	Unchanged	Unchanged	–	Approx. 24%
Reported Earnings per Share	\$(0.28) – \$(0.14)	\$(0.30) – \$(0.20)	\$(0.35) – \$(0.26)	\$(0.89) – \$(0.69) + slight dilution	\$(0.72) – \$(0.64)
Adjusted Earnings per Share⁽¹⁾	\$0.83 – \$0.95	\$0.90 – \$1.00	\$1.00 – \$1.06	\$1.00 – \$1.06 + slight dilution	\$0.97 – \$1.03
Weighted Average Diluted Share Count	Approx. 494.5 million	Unchanged	Approx. 488.7 million	–	Unchanged
Capital Expenditures	\$145 – \$165	Unchanged	Unchanged	–	Unchanged
Net Cash Impact from Bayer, Stand-Up, Integration, and Restructuring	Approx. \$250	Unchanged	Unchanged	–	Unchanged
Cash Taxes ⁽²⁾	\$30 – \$35	\$25 – \$30	Unchanged	–	Unchanged

Note: Guidance updated on June 9th for the loss of \$10 million to \$20 million of contract manufacturing revenue from the Shawnee facility post-close, and an impairment charge of \$245 million to \$305 million with the exit of three manufacturing sites driving a reduction of \$0.43 to \$0.54 in Q2 and full year 2021 GAAP financial guidance for EPS vs. the prior \$(0.08) to \$(0.01) range for Q2 and \$(0.35) to \$(0.26) for the full year. Guidance updated on June 16th with KindredBio transaction and operating costs expected to be slightly dilutive to Elanco's reported and adj. EPS in 2021 and 2022; (1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations; (2) Net of an expected U.S. federal income tax refund of \$16 million and U.S. state income tax refund of \$3 million

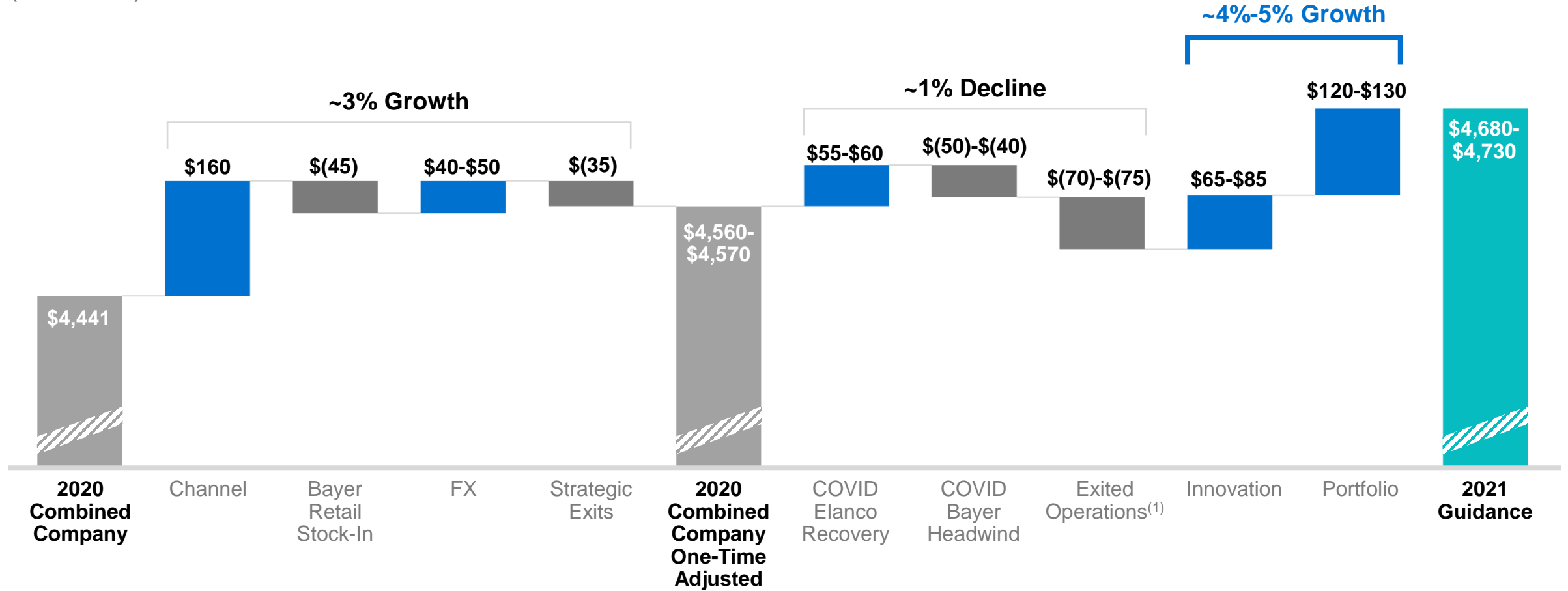
Raising Our 2021 Revenue Outlook from the June Update

(\$ millions)



2021 Revenue Growth Includes ~4%-5% Underlying Growth

(\$ millions)

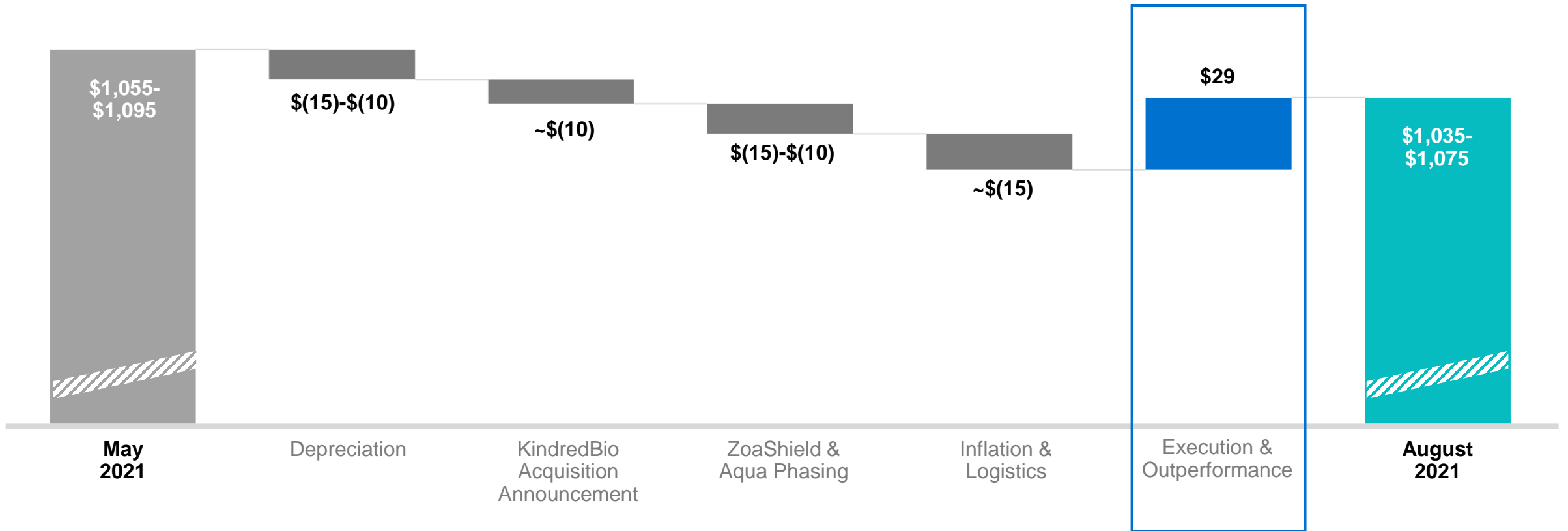


(1) Includes the loss of \$10 million to \$20 million of contract manufacturing revenue from the Shawnee facility post-close, and the impact from exiting certain low margin distribution agreements across both legacy Elanco and Bayer portfolios

August Guidance Update

Adjusting Our 2021 Adj. EBITDA⁽¹⁾ Outlook

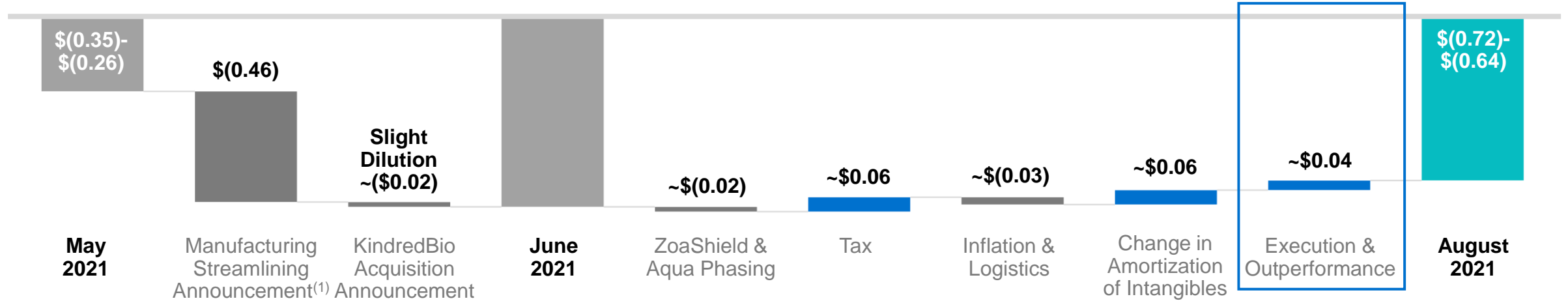
(\$ millions)



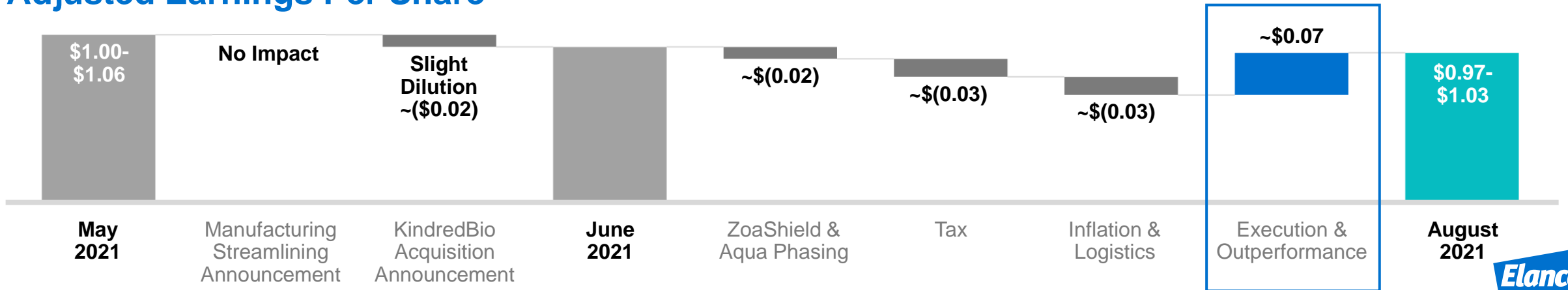
(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations

2021 EPS Outlook Reflects Recent Execution and Outperformance

Reported Earnings Per Share



Adjusted Earnings Per Share⁽²⁾



(1) Announced on June 9th as a reduction of \$0.43 to \$0.54 in Q2 and full year 2021 GAAP financial guidance for EPS, and finalized at \$0.46

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

Guidance

\$ millions, except
per share values

Total Revenue	\$1,075 – \$1,100
Reported Net Loss	\$(70) – \$(40)
Adjusted EBITDA⁽¹⁾	\$195 – \$220
Reported Diluted EPS	\$(0.14) – \$(0.08)
Adjusted Diluted EPS⁽¹⁾	\$0.15 – \$0.19



Strong momentum
to exit the second
quarter



Balanced outlook
with anticipated moderation in
pandemic-driven Pet Health
tailwinds in the vet clinic, and
ongoing competitive dynamics

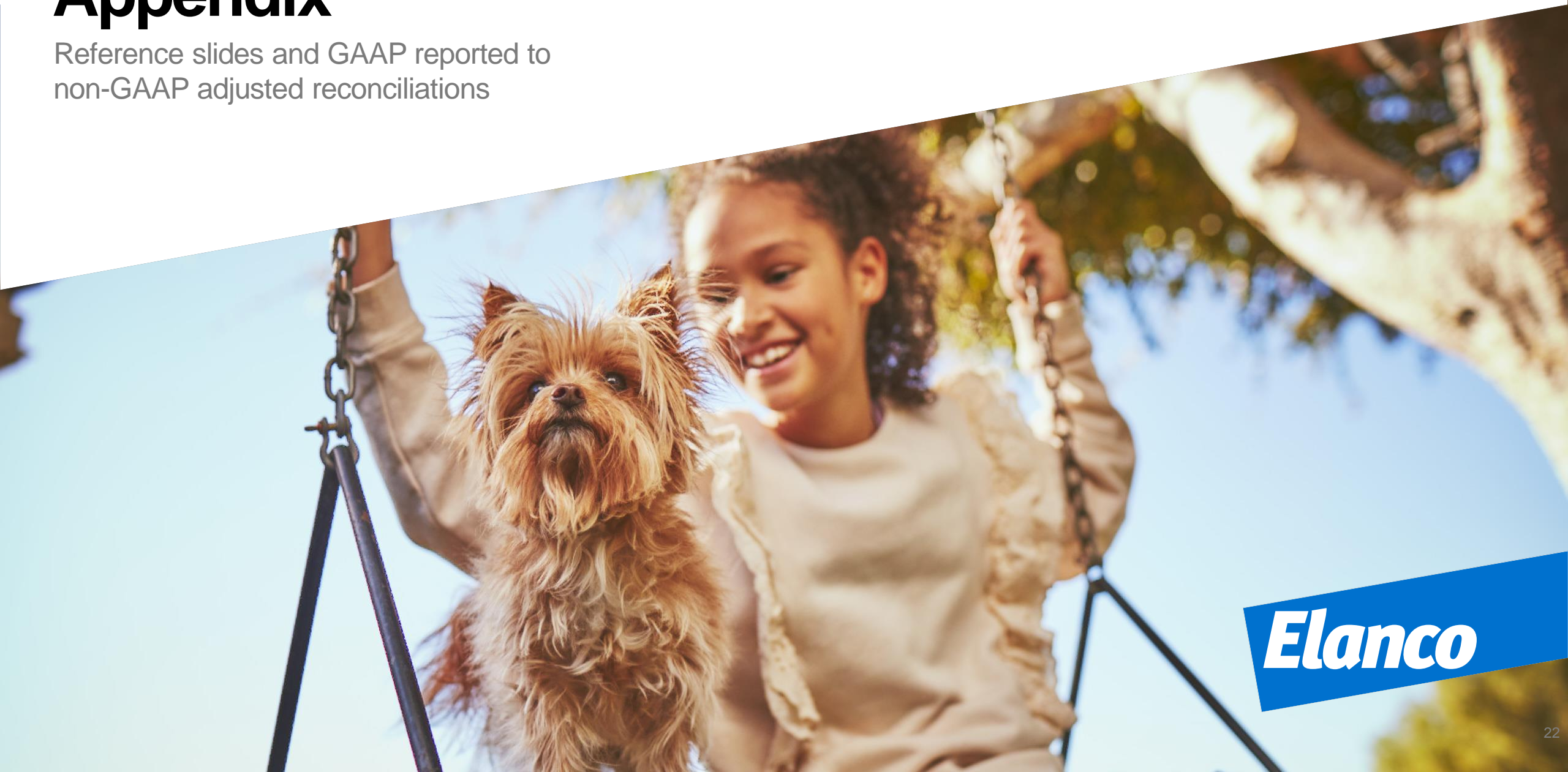


Quarterly cadence
reflective of seasonality in
Elanco's higher-margin
parasiticide products

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

Appendix

Reference slides and GAAP reported to
non-GAAP adjusted reconciliations



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Combined Company Revenue

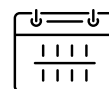
2020 Reference Base⁽¹⁾

\$ millions

Elanco Reported Revenue	\$3,273
Bayer Animal Health (Prior to Close)⁽²⁾	\$1,249
Less: Divestitures from Combined Company ⁽³⁾	\$82
Combined Company Revenue	\$4,441



**Updated from
Investor Day**
with Q4
reported revenue



**Assumes Bayer Animal
Health transaction**
closed January 1, 2020



Assumes related divestitures
completed January 1, 2020
and accounting
reclassifications complete

(1) This reference base is materially correct based on the public filings of Bayer and Elanco; however, due to certain data limitations, including foreign exchange rates, these numbers may have some non-material differences to actuals. This reference base is a good faith summary to provide better financial context to investors about the expected performance of Elanco in 2021

(2) Includes revenue from Bayer Animal Health for the first seven months of 2020, that has been adjusted for differences in accounting methodologies between IFRS and GAAP, and for foreign exchange rates

(3) Less revenue from products that were included in Elanco and Bayer reported revenue prior being divested, in most cases, as of August 1, 2020. Divestitures from legacy Elanco include: Osurina, Capstar, StandGuard, Vecoxan, Itrafungol, and Clomicalm. Divestitures from legacy Bayer Animal Health include: Drontal, Profender, Avenge, Maggo, and Zapp Encore

First Half 2021

Financial Performance Highlights

\$ millions, except per share values

		2021	2020
Reported	Revenue	\$2,521	\$1,244
	Net Income Loss	\$(271)	\$(102)
	Earnings Per Share Diluted	\$(0.56)	\$(0.25)
Adjusted⁽¹⁾	Net Income	\$316	\$90
	Earnings Per Share Diluted	\$0.65	\$0.22
	EBITDA	\$634	\$204
	EBITDA Margin	25.1%	16.4%

(1) Non-GAAP financial measure. See slides 34-36 for more information, including GAAP to non-GAAP reconciliations

First Half 2021

Adjusted⁽¹⁾ Income Statement Highlights

\$ millions, except
per share values

	2021	2020	Change
Revenue	\$2,521	\$1,244	103%
Adjusted Gross Profit	1,464	620	136%
Adjusted Gross Margin	58.1%	49.8%	830 bps
Marketing, Selling, & Admin Expenses	733	345	112%
R&D Expenses	183	126	45%
Interest Expense, Net	121	41	195%
Effective Tax Rate	25.1%	16.4%	870 bps
Adjusted Net Income	316	90	251%
Adjusted Earnings Per Share Diluted	\$0.65	\$0.22	195%

(1) Non-GAAP financial measure. See slides 34-36 for more information, including GAAP to non-GAAP reconciliations. We define adjusted gross margin as adjusted gross profit divided by total revenue. Adjusted gross profit is defined as total revenue less adjusted cost of sales

First Half 2021

Revenue Summary by Category

	Legacy Elanco	Legacy Elanco YOY Change	Legacy Bayer	Total	Total YOY Change
Pet Health	\$612	33%	\$717	\$1,330	189%
Cattle	---	---	---	498	---
Poultry	---	---	---	344	---
Swine	---	---	---	236	---
Aqua	---	---	---	67	---
Farm Animal	\$815	9%	\$331	\$1,145	53%
Contract Manufacturing	6	(83)%	40	46	31%
Global Total	\$1,433	15%	\$1,088	\$2,521	103%

Note: Reported revenue in millions. Numbers may not add due to rounding. Year-over-year change noted in reported terms.
The comparison period in 2020 does not include revenue from animal health products acquired from Bayer, which was completed August 1, 2020

First Half 2021

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate ⁽¹⁾	Volume ⁽²⁾	Total	CER Growth ⁽³⁾
Pet Health	\$1,330	4%	2%	183%	189%	187%
Farm Animal	\$1,145	1%	3%	49%	53%	50%
Contract Manufacturing	46	0%	0%	31%	31%	31%
Total Elanco	\$2,521	2%	3%	98%	103%	100%

Note: Reported revenue in millions. Numbers may not add due to rounding. The comparison period in 2020 does not include revenue from animal health products acquired from Bayer, which was completed of August 1, 2020

(1) Represents impact of foreign exchange rate on growth attributable to the legacy Elanco portfolio only

(2) Impact of current year revenue from the Bayer Animal Health acquisition is reflected in volume. As is typical with acquisitions, we will continue to report the addition of the Bayer business in volume through the third quarter of 2021

(3) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates attributable to the legacy Elanco portfolio only

First Half 2021

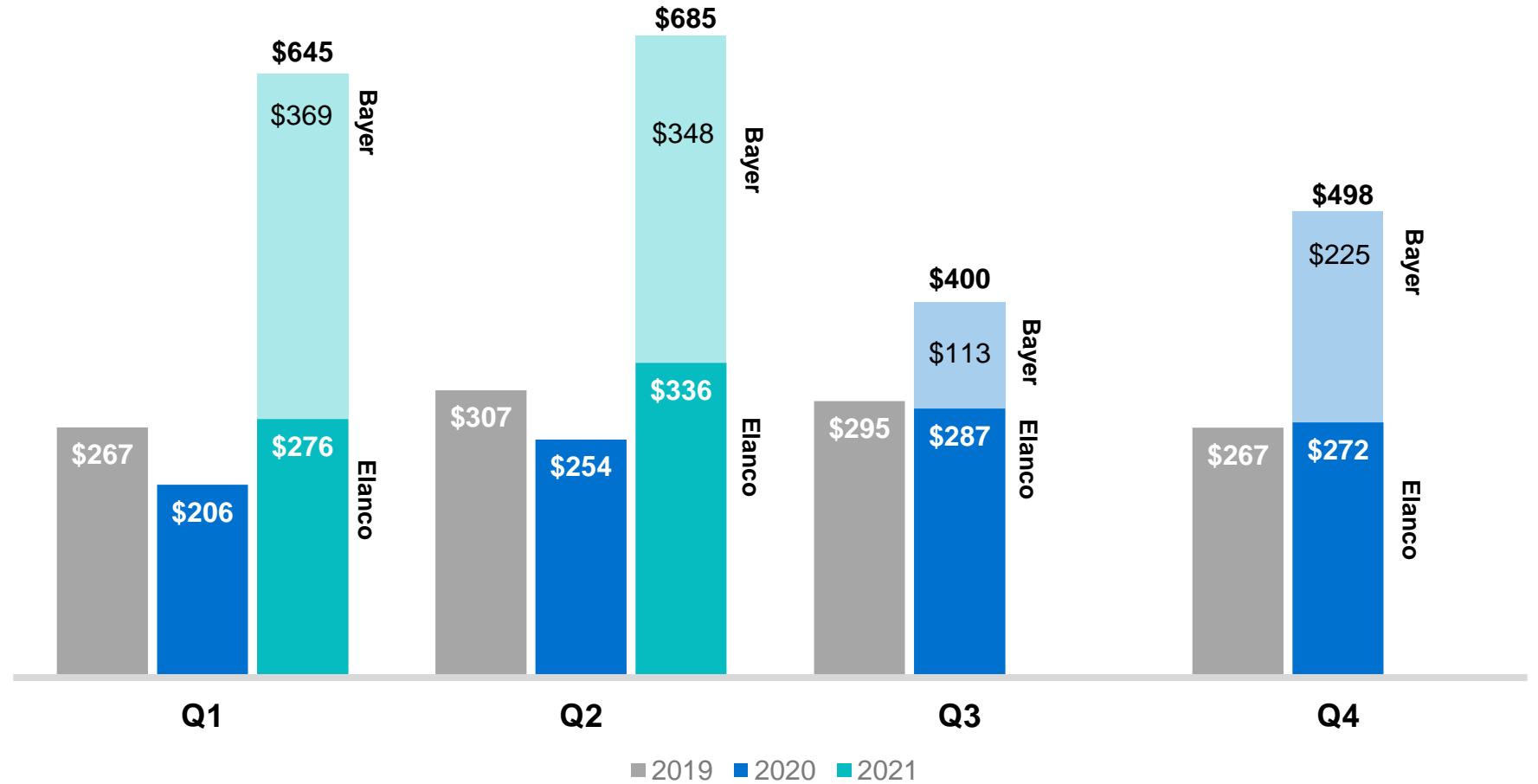
Revenue by Geography

\$ millions

	U.S.	International	Global
Pet Health	\$747	\$585	\$1,330
Farm Animal	\$349	\$795	\$1,145
Contract Manufacturing	\$19	\$27	\$46
Total Elanco	\$1,115	\$1,407	\$2,521
% of Total Elanco	44%	56%	100%

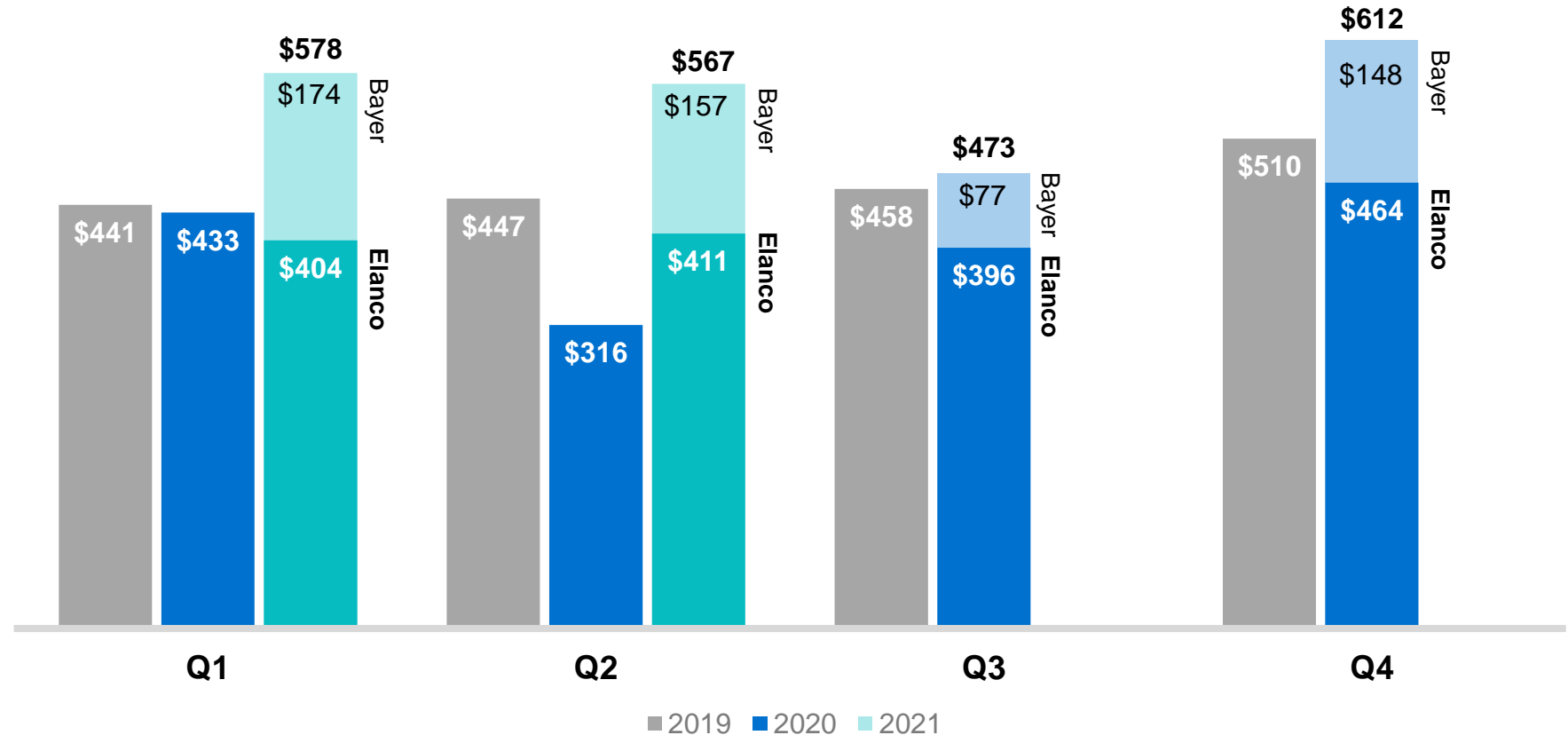
Note: Numbers may not add due to rounding

Revenue by Quarter



Note: Revenue in reported dollars in millions. Numbers may not add due to rounding

Revenue by Quarter



Note: Revenue in reported dollars in millions. Numbers may not add due to rounding

Second Quarter 2021

Adjusted EBITDA Reconciliation

\$ millions

	2021	2020
Reported Net Loss	\$(210)	\$(53)
Net Interest Expense	\$60	\$25
Income Tax Benefit	\$(26)	\$(24)
Depreciation and Amortization	\$170	\$81
EBITDA	\$(6)	\$29
Non-GAAP Adjustments		
Cost of Sales	\$1	-
Asset Impairment, Restructuring, and Other Special Charges	\$299	\$119
Other Income, Net	\$(2)	\$(48)
Accelerated Depreciation and Amortization ⁽¹⁾	\$(1)	\$(2)
Adjusted EBITDA	\$291	\$98
Adjusted EBITDA Margin	22.8%	16.7%

(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

Second Quarter 2021

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

\$ millions

	2021			2020		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Cost of Sales ⁽¹⁾	\$551	\$1	\$550	\$296	–	\$296
Amortization of Intangible Assets	\$129	\$129	–	\$49	\$49	–
Asset Impairment, Restructuring and Other Special Charges ⁽²⁾⁽³⁾	\$299	\$299	–	\$119	\$119	–
Other Expense (Income), Net ⁽⁴⁾⁽⁵⁾	\$(3)	\$(2)	\$(1)	\$(48)	\$(48)	–
Income (Loss) Before Taxes	\$(236)	\$427	\$191	\$(77)	\$120	\$43
Provision for Taxes ⁽⁶⁾⁽⁷⁾	\$(26)	\$(83)	\$57	\$(24)	\$(31)	\$7
Net Income (Loss)	\$(210)	\$344	\$135	\$(53)	\$89	\$36
Earnings (Loss) per Share Diluted	\$(0.43)	\$0.70	\$0.28	\$(0.13)	\$0.22	\$0.09
Adjusted Weighted Average Shares Outstanding Diluted ⁽⁸⁾	487.3	488.7	488.7	413.2	414.0	414.0

See slide 33 for details of adjustments to certain GAAP reported measures

Details of Adjustments to Certain GAAP Reported Measures

For the three months ended June 30, 2021 and 2020:

- 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) 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 upcoming sale of our 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 our recent restructuring programs (\$8 million).
- 3) 2020 excludes charges associated with integration efforts and external costs related to the acquisition of businesses, including the pending acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$111 million), facility exit costs and asset write-downs (\$1 million), severance (\$1 million), the settlement of a legal matter (\$3 million), and the impairment of intangible assets (\$3 million).
- 4) 2021 excludes an up-front payment received in relation to an asset assignment agreement (\$2 million).
- 5) 2020 excludes the gain on our sale of land and buildings in New South Wales, Australia (\$46 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$2 million).
- 6) 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).
- 7) 2020 represents the income tax expense associated with the adjusted items.
- 8) During the three months ended June 30, 2021 and 2020, 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 1.4 million and 0.8 million, respectively, of common stock equivalents.

First Half 2021

Adjusted EBITDA Reconciliation

\$ millions

	2021	2020
Reported Net Loss	\$(271)	\$(102)
Net Interest Expense	\$121	\$41
Income Tax Benefit	\$(45)	\$(43)
Depreciation and Amortization	\$372	\$162
EBITDA	\$177	\$59
Non-GAAP Adjustments		
Cost of Sales	\$63	\$4
Asset Impairment, Restructuring, and Other Special Charges	\$407	\$194
Other Income, Net	\$(8)	\$(48)
Accelerated Depreciation and Amortization ⁽¹⁾	\$(5)	\$(5)
Adjusted EBITDA	\$634	\$204
Adjusted EBITDA Margin	25.1%	16.4%

(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

First Half 2021

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

\$ millions

	2021			2020		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Cost of Sales ⁽¹⁾⁽²⁾	\$1,120	\$63	\$1,057	\$629	\$4	\$625
Amortization of Intangible Assets	\$276	\$276	–	\$101	\$101	–
Asset Impairment, Restructuring and Other Special Charges ⁽³⁾⁽⁴⁾	\$407	\$407	–	\$194	\$194	–
Interest Expense, Net ⁽⁵⁾	\$121	–	\$121	\$41	\$1	\$40
Other Expense (Income), Net ⁽⁶⁾⁽⁷⁾	\$(3)	\$(8)	\$5	\$(47)	\$(48)	\$1
Income (Loss) Before Taxes	\$(316)	\$738	\$422	\$(145)	\$252	\$107
Provision for Taxes ⁽⁸⁾⁽⁹⁾	\$(45)	\$(151)	\$106	\$(43)	\$(60)	\$17
Net Income (Loss)	\$(271)	\$587	\$316	\$(102)	\$192	\$90
Earnings (Loss) per Share Diluted	\$(0.56)	\$1.20	\$0.65	\$(0.25)	\$0.47	\$0.22
Adjusted Weighted Average Shares Outstanding Diluted ⁽¹⁰⁾	487.0	488.4	488.4	408.5	409.6	409.6

See slide 36 for details of adjustments to certain GAAP reported measures

Details of Adjustments to Certain GAAP Reported Measures

For the six months ended June 30, 2021 and 2020:

- 1) 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$63 million).
- 2) 2020 excludes a one-time payment to settle outstanding obligations to a contract manufacturing organization in connection with a divestiture due to the acquisition of Bayer Animal Health (\$4 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 upcoming sale of our 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 our pension benefit obligations resulting from workforce reductions associated with our recent restructuring programs (\$17 million).
- 4) 2020 excludes charges associated with integration efforts and external costs related to the acquisition of businesses, including the pending acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$188 million), facility exit costs and asset write-downs (\$3 million), severance (\$2 million), the settlement of a legal matter (\$3 million), and the impairment of intangible assets (\$3 million), partially offset by a favorable adjustment from reversals for severance programs that are no longer active (\$1 million) and the gain on the sale of our R&D facility in Prince Edward Island, Canada (\$4 million).
- 5) 2020 excludes the debt extinguishment loss recorded in connection with the repayment of our existing term loan facility (\$1 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) 2020 excludes the gain on our sale of land and buildings in New South Wales, Australia (\$46 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$2 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) 2020 represents the income tax expense associated with the adjusted items.
- 10) During the six months ended June 30, 2021 and 2020, 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 1.4 million and 1.1 million, respectively, of common stock equivalents.

Full Year 2021

EPS Guidance Reconciliation

August Update

Reported Loss per Share	\$(0.72) – \$(0.64)
Cost of Sales ⁽¹⁾	\$0.13
Amortization of Intangible Assets	\$1.14
Asset Impairment, Restructuring, and Other Special Charges ⁽²⁾	\$0.96 – \$1.00
Other Expense (Income), Net	(\$0.01)
Subtotal	\$2.22 – \$2.26
Tax Impact of Adjustments	\$(0.56) – \$(0.55)
Total Adjustments to Earnings (Loss) per Share	\$1.67 – \$1.70
Adjusted Earnings per Share⁽³⁾	\$0.97 – \$1.03

Note: Numbers may not add due to rounding

(1) Cost of Sales adjustment is related to the amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health

(2) Asset impairment, restructuring, and other special charges adjustments are related to 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, including severance

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

Full Year 2021

**EBITDA
Guidance
Reconciliation**
August Update

\$ millions

Reported Net Loss	\$(355) – \$(315)
Net Interest Expense	\$240 – \$245
Income Tax Provision	\$(110) – \$(125)
Depreciation and Amortization	\$730 – \$735
EBITDA	\$495 – \$550
Non-GAAP Adjustments	
Cost of Sales	Approx. \$60
Asset Impairment, Restructuring, and Other Special Charges	\$470 – \$490
Other Expense, Net	\$(10) – \$(5)
Adjusted EBITDA	\$1,035 – \$1,075
Adjusted EBITDA Margin	22% – 23%

Note: Numbers may not add due to rounding

Third Quarter 2021

EPS Guidance Reconciliation

Reported Loss per Share	\$(0.14) – \$(0.08)
Amortization of Intangible Assets	\$0.29
Asset Impairment, Restructuring, and Other Special Charges ⁽¹⁾	\$0.06 – \$0.09
Subtotal	\$0.35 – \$0.38
Tax Impact of Adjustments	\$(0.09) – \$(0.08)
Total Adjustments to Earnings (Loss) per Share	\$0.27 – \$0.29
Adjusted Earnings per Share⁽²⁾	\$0.15 – \$0.19

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments are related to 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, including severance

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

Third Quarter 2021

EBITDA Guidance Reconciliation

\$ millions

Reported Net Loss	\$(70) – \$(40)
Net Interest Expense	\$60
Income Tax Provision	\$(25) – \$(15)
Depreciation and Amortization	\$185
EBITDA	\$150 – \$190
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	\$30 – \$45
Adjusted EBITDA	\$195 – \$220
Adjusted EBITDA Margin	18% – 20%

Note: Numbers may not add due to rounding