

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2021  
OR

Transition Report Pursuant To Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
COMMISSION FILE NUMBER 001-38661



Elanco Animal Health Incorporated

(Exact name of Registrant as specified in its charter)

INDIANA  
(State or other jurisdiction of  
incorporation or organization)

82-5497352  
(I.R.S. Employer  
Identification No.)

2500 INNOVATION WAY, GREENFIELD, INDIANA 46140  
(Address of principal executive offices)

Registrant's telephone number, including area code (877) 352-6261

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	ELAN	New York Stock Exchange
5.00% Tangible Equity Units	ELAT	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of a "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of common stock outstanding as of May 3, 2021 were 472,995,963

**ELANCO ANIMAL HEALTH INCORPORATED**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2021**  
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## FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the federal securities laws. This quarterly report contains forward-looking statements, including, without limitation, statements concerning the impact on Elanco Animal Health Incorporated and its subsidiaries (collectively, Elanco, the Company, we, us or our) caused by the integration of the animal health business of Bayer Aktiengesellschaft (Bayer), expected synergies and our cost savings, product launches, independent company stand-up costs and timing, expectations relating to human capital resources, the coronavirus (COVID-19) global pandemic, reduction of debt, expectations relating to liquidity and sources of capital, our expected compliance with debt covenants, 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 risk 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 in 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 successfully integrate the businesses we acquire, including the animal health business of Bayer (Bayer Animal Health);
- effect of our substantial indebtedness on our business; and
- the effect on our business resulting from our separation from Eli Lilly and Company (Lilly).

See “Risk Factors,” of Part I of our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission (SEC) and Part II of this Quarterly Report on Form 10-Q, for a further description of these and other factors. 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 quarterly report. 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 quarterly report. For the reasons described above, 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 quarterly report. Any forward-looking statement made by us in this quarterly report speaks only as of the date hereof. 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.

## PART I

### ITEM 1. FINANCIAL STATEMENTS

**Elanco Animal Health Incorporated**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
(in millions, except per-share data)

	Three Months Ended March 31,	
	2021	2020
Revenue	\$ 1,242	\$ 658
Costs, expenses and other:		
Cost of sales	569	333
Research and development	89	67
Marketing, selling and administrative	348	182
Amortization of intangible assets	147	52
Asset impairment, restructuring and other special charges	108	75
Interest expense, net of capitalized interest	61	16
Other expense, net	—	1
	<u>1,322</u>	<u>726</u>
Loss before income taxes	(80)	(68)
Income tax benefit	(19)	(19)
Net loss	<u>\$ (61)</u>	<u>\$ (49)</u>
Loss per share:		
Basic	\$ (0.12)	\$ (0.12)
Diluted	\$ (0.12)	\$ (0.12)
Weighted average shares outstanding:		
Basic	486.7	403.9
Diluted	486.7	403.9

See notes to condensed consolidated financial statements.

**Elanco Animal Health Incorporated**  
**Condensed Consolidated Statements of Comprehensive Loss (Unaudited)**  
(in millions)

	<u>Three Months Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Net loss	\$ (61)	\$ (49)
Other comprehensive income (loss):		
Unrealized gain (loss) on derivatives for cash flow hedges, net of taxes	53	(39)
Foreign currency translation	(466)	(29)
Defined benefit pension and retiree health benefit plans, net of taxes	8	(1)
Other comprehensive loss, net of taxes	(405)	(69)
Comprehensive loss	<u>\$ (466)</u>	<u>\$ (118)</u>

See notes to condensed consolidated financial statements.

**Elanco Animal Health Incorporated**  
**Condensed Consolidated Balance Sheets**  
(in millions)

	March 31, 2021 (Unaudited)	December 31, 2020
<b>Assets</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 515	\$ 495
Accounts receivable, net of allowances of \$9 (2021) and \$9 (2020)	1,028	872
Other receivables	104	205
Inventories	1,424	1,578
Prepaid expenses and other	273	256
Restricted cash	—	11
<b>Total current assets</b>	<b>3,344</b>	<b>3,417</b>
<i>Noncurrent Assets</i>		
Goodwill	6,016	6,225
Other intangibles, net	6,032	6,387
Other noncurrent assets	325	348
Property and equipment, net of accumulated depreciation of \$1,060 (2021) and \$1,038 (2020)	1,271	1,316
<b>Total assets</b>	<b>\$ 16,988</b>	<b>\$ 17,693</b>
<b>Liabilities and Equity</b>		
<i>Current Liabilities</i>		
Accounts payable	\$ 411	\$ 501
Employee compensation	114	144
Sales rebates and discounts	331	295
Current portion of long-term debt	605	555
Other current liabilities	573	582
<b>Total current liabilities</b>	<b>2,034</b>	<b>2,077</b>
<i>Noncurrent Liabilities</i>		
Long-term debt	5,556	5,572
Accrued retirement benefits	316	346
Deferred taxes	828	900
Other noncurrent liabilities	247	322
<b>Total liabilities</b>	<b>8,981</b>	<b>9,217</b>
<i>Commitments and Contingencies</i>		
	—	—
<i>Equity</i>		
Preferred stock, no par value, 1,000,000,000 shares authorized; none issued	—	—
Common stock, no par value, 5,000,000,000 shares authorized, 472,968,567 and 471,921,116 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	8,647	8,650
Accumulated deficit	(538)	(477)
Accumulated other comprehensive income (loss)	(102)	303
<b>Total equity</b>	<b>8,007</b>	<b>8,476</b>
<b>Total liabilities and equity</b>	<b>\$ 16,988</b>	<b>\$ 17,693</b>

See notes to condensed consolidated financial statements.

**Elanco Animal Health Incorporated**  
**Condensed Consolidated Statements of Equity (Unaudited)**  
(Dollars and shares in millions)

	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)			Total	Total Equity
	Shares	Amount	Additional Paid-in Capital		Cash Flow Hedge Gain (Loss)	Foreign Currency Translation	Defined Benefit Pension and Retiree Health Benefit Plans		
December 31, 2019	373	\$ —	\$ 5,636	\$ 84	\$ —	\$ (199)	\$ 25	\$ (174)	\$ 5,546
Net loss	—	—	—	(49)	—	—	—	—	(49)
Adoption of Accounting Standards Update 2016-13	—	—	—	(1)	—	—	—	—	(1)
Other comprehensive loss, net of tax	—	—	—	—	(39)	(29)	(1)	(69)	(69)
Separation activities <sup>(1)</sup>	—	—	16	—	—	—	—	—	16
Stock compensation	—	—	11	—	—	—	—	—	11
Issuance of stock under employee stock plans, net	1	—	(13)	—	—	—	—	—	(13)
Issuance of common stock, net of issuance costs	25	—	768	—	—	—	—	—	768
Issuance of tangible equity units, net of issuance costs	—	—	452	—	—	—	—	—	452
March 31, 2020	399	\$ —	\$ 6,870	\$ 34	\$ (39)	\$ (228)	\$ 24	\$ (243)	\$ 6,661
December 31, 2020	472	\$ —	\$ 8,650	\$ (477)	\$ (61)	\$ 360	\$ 4	\$ 303	\$ 8,476
Net loss	—	—	—	(61)	—	—	—	—	(61)
Other comprehensive income (loss), net of tax	—	—	—	—	53	(466)	8	(405)	(405)
Stock compensation	—	—	15	—	—	—	—	—	15
Issuance of stock under employee stock plans, net	1	—	(18)	—	—	—	—	—	(18)
March 31, 2021	473	\$ —	\$ 8,647	\$ (538)	\$ (8)	\$ (106)	\$ 12	\$ (102)	\$ 8,007

(1) Represent amounts associated with transactions between us and Lilly, related primarily to the completion of the local country asset purchases, the finalization of assets and liabilities associated with the legal separation from Lilly, centralized cash management, and resulting impacts on deferred tax assets, that occurred subsequent to our initial public offering.

See notes to condensed consolidated financial statements.



**Elanco Animal Health Incorporated**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(Dollars in millions)

	Three Months Ended March 31,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (61)	\$ (49)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	202	82
Change in deferred income taxes	(32)	(25)
Stock-based compensation expense	15	11
Asset impairment charges	9	—
Gain on sale of assets	—	(4)
Inventory fair value step-up amortization	62	—
Changes in operating assets and liabilities, net of acquisitions	(183)	(10)
Other non-cash operating activities, net	10	(1)
<b>Net Cash Provided by Operating Activities</b>	<b>22</b>	<b>4</b>
<b>Cash Flows from Investing Activities</b>		
Net purchases of property and equipment	(18)	(13)
Cash paid for acquisitions, net of cash acquired	73	—
Proceeds from settlement of net investment hedges	—	25
Purchases of intangible assets	(33)	—
Purchases of software	(5)	(32)
Other investing activities, net	(7)	—
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>10</b>	<b>(20)</b>
<b>Cash Flows from Financing Activities</b>		
Repayments of borrowings	(20)	(371)
Net proceeds from revolving credit facility	50	—
Proceeds from issuance of long-term debt	—	79
Proceeds from issuance of common stock and tangible equity units	—	1,220
Debt issuance costs	—	(3)
Other net financing transactions with Lilly	(11)	(15)
Other financing activities, net	(17)	(13)
<b>Net Cash Provided by Financing Activities</b>	<b>2</b>	<b>897</b>
Effect of exchange rate changes on cash and cash equivalents	(25)	(9)
Net increase in cash, cash equivalents and restricted cash	9	872
Cash, cash equivalents and restricted cash at January 1	506	345
<b>Cash, cash equivalents and restricted cash at March 31</b>	<b>\$ 515</b>	<b>\$ 1,217</b>
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 515	\$ 1,206
Restricted cash	—	11
<b>Cash, cash equivalents and restricted cash at March 31</b>	<b>\$ 515</b>	<b>\$ 1,217</b>

See notes to condensed consolidated financial statements.

**Elanco Animal Health Incorporated**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
**(Tables present dollars and shares in millions, except per-share data)**

**Note 1. Basis of Presentation and Summary of Significant Accounting Policies**

Elanco was formed as a wholly-owned subsidiary of Eli Lilly and Company (Lilly). Elanco Parent was formed in May 2018 to serve as the ultimate parent company of substantially all of the animal health businesses of Lilly. In September 2018, Elanco Parent completed an initial public offering (IPO). In connection with the completion of the IPO, through a series of equity and other transactions, Lilly transferred to Elanco Parent the animal health businesses that form its business. The disposition of Elanco shares by Lilly was completed in March 2019, which resulted in the full separation of Elanco.

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with the United States (U.S.) Securities and Exchange Commission (SEC) requirements for interim reporting. As permitted under those rules, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the U.S. (GAAP) have been condensed or omitted. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with our consolidated and combined financial statements and accompanying notes for the year ended December 31, 2020 included in our Annual Report on Form 10-K filed with the SEC on March 1, 2021.

In our opinion, the financial statements reflect all adjustments (including those that are normal and recurring) that are necessary for fair presentation of the results of operations for the periods shown. In preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

The significant accounting policies set forth in Note 4 to the consolidated and combined financial statements in our Annual Report on Form 10-K for the year ended December 31, 2020 appropriately represent, in all material respects, the current status of our accounting policies, except as it relates to the adoption of the standard that was effective January 1, 2021 as described in Note 2: Implementation of New Financial Accounting Pronouncements.

On August 1, 2020, we completed the previously announced acquisition of Bayer Animal Health. See Note 4: Acquisitions and Divestitures for additional information.

**Note 2. Implementation of New Financial Accounting Pronouncements**

The following table provides a brief description of an accounting standard that was effective January 1, 2021 and was adopted on that date:

<b>Standard</b>	<b>Description</b>	<b>Effect on the financial statements or other significant matters</b>
Accounting Standards Update (ASU) 2019-12, <i>Simplifying the Accounting for Income Taxes</i>	The amendments in this update include simplifications related to accounting for income taxes including removing certain exceptions related to the approach for intraperiod tax allocation and the recognition of deferred tax liabilities for outside basis differences. The standard also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill.	The adoption of this guidance did not have a material impact on our consolidated financial statements.

The following table provides a brief description of an accounting standard that is applicable to us but has not yet been adopted:

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-04, <i>Reference rate reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i> ; ASU 2021-01, <i>Reference Rate Reform (Topic 848): Scope</i>	ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. ASU 2021-01 clarifies the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions.	These standards were effective as of March 12, 2020 through December 31, 2022 and adoption is permitted at any time during the period on a prospective basis.	We are currently in the process of evaluating the impact of the London Interbank Offered Rate (LIBOR) on our existing contracts and may elect optional expedients in future periods as reference rate reform activities occur. We do not expect that these updates will have a material impact on our consolidated financial statements.

### Note 3. Revenue

Our sales rebates are based on specific agreements. The most significant of our sales rebate programs in terms of accrual and payment amounts, percentage of our products that are sold via these programs, and level of judgment required in estimating the appropriate transaction price, relate to our programs in the U.S., France and the United Kingdom (U.K.). As of March 31, 2021 and 2020, the aggregate liability for sales rebates for these countries represented approximately 76% and 82%, respectively, of our total liability with the next largest country representing approximately 4% and 6%, respectively, of our total liability.

The following table summarizes the activity in the sales rebates liability in the U.S., France, and the U.K.:

	Three Months Ended March 31,	
	2021	2020
Beginning balance	\$ 217	\$ 176
Reduction of revenue	142	71
Payments	(106)	(87)
Foreign currency translation adjustments	(2)	(1)
Ending balance	\$ 251	\$ 159

Adjustments to revenue recognized as a result of changes in estimates for the judgments described above during the three months ended March 31, 2021 and 2020 for product shipped in previous periods were not material.

Actual global product returns were approximately 1% and 2% of net revenue for the three months ended March 31, 2021 and 2020, respectively.

## Disaggregation of Revenue

In the first quarter of 2021, management revisited how it analyzes revenue, both internally and externally, and determined that disaggregation by major product line provides a more meaningful view of our results. Accordingly, we updated our disaggregated revenue presentation from the previous five categories (i.e., pet health disease prevention, pet health therapeutics, farm animal future protein & health, farm animal ruminants & swine, and contract manufacturing) to the following:

	Three Months Ended March 31,	
	2021	2020
Pet Health	\$ 645	\$ 206
Farm Animal	578	433
Contract Manufacturing <sup>(1)</sup>	19	19
Revenue	<u>\$ 1,242</u>	<u>\$ 658</u>

<sup>(1)</sup> Represents revenue from arrangements in which we act as a contract manufacturer, including supply agreements associated with divestitures of products related to the acquisition of Bayer Animal Health.

## Note 4. Acquisitions and Divestitures

### Bayer Animal Health Acquisition

On August 1, 2020, we completed our previously announced acquisition of Bayer Animal Health, a provider of products intended to improve the health and well-being of pets and farm animals, in a cash and stock transaction. The transaction was accounted for as a business combination under the acquisition method of accounting. The acquisition method requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. The determination of estimated fair value requires management to make significant estimates and assumptions. The excess of the purchase price over the fair value of the acquired net assets, where applicable, has been recorded as goodwill. The results of operations of Bayer Animal Health are included in our condensed consolidated financial statements from the date of acquisition.

The acquisition has expanded our pet health product category, advancing our planned portfolio mix transformation and creating a better balance between our farm animal and pet health product categories. Our existing product portfolio and pipeline have been enhanced by the addition of Bayer Animal Health, which complements our commercial operations and international infrastructure while expanding our direct to retailer/e-commerce presence.

Total consideration transferred to Bayer and its subsidiaries for the acquisition is summarized as follows:

Cash consideration <sup>(1)</sup>	\$ 5,058
Fair value of Elanco common stock <sup>(2)</sup>	1,724
Fair value of total consideration transferred <sup>(3)</sup>	<u>\$ 6,782</u>

<sup>(1)</sup> Includes initial cash consideration of \$5,170 million less working capital and tax adjustments of \$112 million.

<sup>(2)</sup> Represents the acquisition date fair value of 73 million shares of Elanco common stock at \$23.64 per share. Per the terms of the stock and asset purchase agreement, the number of shares was based on approximately \$2.3 billion divided by the 20-day volume-weighted average stock price as of the last day of trading before the closing of the acquisition (but subject to a 7.5% symmetrical collar centered on the baseline share number of approximately \$2.3 billion divided by an initial share price of \$33.60).

<sup>(3)</sup> The purchase price is preliminary and subject to certain minor customary purchase price adjustments.

We recognized transaction costs related to the acquisition of Bayer Animal Health of \$3 million and \$20 million during the three months ended March 31, 2021 and 2020, respectively. These costs were primarily associated with financial advisory, legal and other professional services related to the acquisition and are reflected within asset impairment, restructuring and other special charges in our condensed consolidated statements of operations.

The amount of revenue attributable to Bayer Animal Health included in our condensed consolidated statement of operations for the three months ended March 31, 2021 is \$559 million. Based on our current operational structure,

we have not recorded standalone costs for Bayer Animal Health after the date of the acquisition. As a result, we are unable to accurately determine earnings or loss attributable to Bayer Animal Health since the date of acquisition.

The valuation of assets acquired and liabilities assumed has not yet been finalized as of March 31, 2021. The purchase price allocation is preliminary and subject to change, including the valuation of inventories, property and equipment, intangible assets, income taxes and goodwill, among other items. The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year after the acquisition date. During the three months ended March 31, 2021, we recorded immaterial measurement period adjustments which were made to reflect the facts and circumstances in existence as of the acquisition date. These adjustments primarily related to changes in inventory balances and gross margin assumptions as well as minor working capital adjustments. The fair values in the table below have been updated to reflect these measurement period adjustments. Finalization of the valuation during the measurement period could result in additional changes in the amounts recorded for the acquisition date fair value.

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed as of the acquisition date:

**Estimated Fair Value at August 1, 2020**

Cash and cash equivalents	\$	169
Accounts receivable		9
Inventories		487
Prepaid expenses and other current assets		57
Property and equipment		347
Intangible assets:		
Acquired in-process research and development		65
Marketed products		3,930
Assets held for sale		138
Accounts payable and accrued liabilities		(240)
Accrued retirement benefits		(217)
Other noncurrent assets and liabilities, net		(894)
Total identifiable net assets		3,851
Goodwill		2,931
Total consideration transferred	\$	6,782

Inventories comprised of \$314 million, \$79 million, \$94 million in finished products, work in process, and raw materials, respectively. The preliminary estimate of fair value of finished products was determined based on net realizable value adjusted for the costs to complete the sales process, a reasonable profit allowance from the sales process, and estimated holding costs. The preliminary estimate of fair value of work in process was determined based on net realizable value adjusted for costs to complete the manufacturing process, costs of the sales process, a reasonable profit allowance for the remaining manufacturing and sales process effort, and an estimate of holding costs. The fair value of raw materials was determined to approximate book value. The net fair value step-up adjustment to inventories of \$148 million has been amortized to cost of sales as the inventory is sold to customers. As of March 31, 2021, the fair value step-up adjustment has been fully amortized.

Property and equipment is mostly composed of land, buildings, equipment (including machinery, furniture and fixtures, and computer equipment), and construction in progress. The preliminary estimate of fair value of real property was determined using the sales comparison data valuation technique and the preliminary estimate of fair value of personal property was determined using the direct replacement cost method. The recorded fair value of property and equipment located at the Shawnee, Kansas site is currently equal to its net book value at the time of the acquisition, as we are in the process of gathering information to finalize our fair value assessment.

Intangible assets relate to \$65 million of in-process research and development (IPR&D) and \$3,930 million of marketed products. The acquired definite-lived intangible assets are being amortized over a weighted-average

estimated useful life of approximately 10 years on a straight-line basis. The estimated fair values of identifiable intangible assets were determined using the "income approach," which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the significant assumptions inherent in the development of these asset valuations include the estimated net cash flows for each year for each asset or product (including revenues, cost of sales, R&D expenses, marketing, selling and administrative expenses, and contributory asset charges), the appropriate discount rate necessary to measure the risk inherent in each future cash flow stream, the life cycle of each asset, the potential regulatory and commercial success risk, and competitive trends impacting the asset and each cash flow stream, as well as other factors. The fair value of intangible assets as of March 31, 2021 is based on preliminary assumptions which are subject to change as we complete our valuation procedures.

Assets held for sale include \$133 million of intangible assets, consisting of marketed products and IPR&D, and \$5 million of inventory related to the divestitures of *Drontal*<sup>™</sup>, *Profender*<sup>™</sup> and other products. In order to secure the necessary regulatory clearances for the acquisition of Bayer Animal Health, we signed agreements to divest the rights to the *Drontal* and *Profender* product families within the United Kingdom and European Economic Area as well as other IPR&D. We completed the transactions, which were accounted for as asset divestitures, in the third quarter of 2020.

Accrued retirement benefits primarily relate to certain Bayer Animal Health international subsidiaries that have underfunded defined benefit pension plans. We have recorded the fair value of these plans using assumptions and accounting policies similar to those disclosed in Note 19: Retirement Benefits to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2020. Upon acquisition, the excess of projected benefit obligation over the fair value of plan assets was recognized as a liability and previously existing deferred actuarial gains and losses and unrecognized service costs or benefits were eliminated.

The goodwill recognized from this acquisition represents the value of additional growth platforms and an expanded revenue base as well as anticipated operational synergies and cost savings from the creation of a single combined global organization. The majority of goodwill associated with this acquisition is not deductible for tax purposes.

*Pro forma financial information (unaudited)*

The following table presents the estimated unaudited pro forma combined results of Elanco and Bayer Animal Health for the three months ended March 31, 2020 as if the acquisition of Bayer Animal Health had occurred on January 1, 2020:

Revenue	\$	1,170
Loss before income taxes		(67)

The supplemental pro forma financial information has been prepared using the acquisition method of accounting and is based on the historical financial information of Elanco and Bayer Animal Health. The supplemental pro forma financial information does not necessarily represent what the combined companies' revenue or results of operations would have been had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future operating results of the combined company. It also does not reflect any operating efficiencies or potential cost savings that might be achieved from synergies of combining Elanco and Bayer Animal Health.

The unaudited supplemental pro forma financial information reflects primarily pro forma adjustments related to divestitures, fair value estimates for intangibles and inventory, and interest expense and amortization of debt issuance costs for the debt issuance to finance the acquisition of Bayer Animal Health. The unaudited supplemental pro forma financial information includes transaction charges associated with the acquisition. There are no material, nonrecurring pro forma adjustments directly attributable to the acquisition included in the reported pro forma revenue and loss before income taxes.

## Divestitures and Assets Held For Sale

In connection with advancing our efforts to secure the necessary regulatory clearances for our acquisition of Bayer Animal Health, we signed agreements in 2020 to divest the rights to manufacture and commercialize certain products, including currently marketed products and certain IPR&D assets. As part of those transactions, we signed an agreement to divest the worldwide rights to the legacy Elanco products *Itrafungol*<sup>™</sup> and *Clomicalm*<sup>™</sup> in connection with the required disposal of an early-stage IPR&D asset. We also made a payment during the three months ended March 31, 2021 and accrued for future amounts we are required to pay to the buyer of the IPR&D asset to help fund their development costs for a set period of time. The related assets met the assets held for sale criteria as of December 31, 2020. The divestiture closed during the three months ended March 31, 2021. There were no proceeds received from the disposition of these assets and the resulting immaterial impact was recorded in other expense, net in our condensed consolidated statement of operations.

Assets and liabilities considered held for sale in connection with the above divestiture were included in the respective line items on the consolidated balance sheet as follows:

	December 31, 2020
Inventories	\$ 2
Other intangibles, net	4
Property and equipment, net	—
Deferred tax asset	1
Total assets held for sale	<u>\$ 7</u>

Other intangibles, net classified as held for sale primarily consisted of marketed products.

## Note 5. Asset Impairment, Restructuring and Other Special Charges

In recent years, we have incurred substantial costs associated with restructuring programs and cost-reduction initiatives designed to achieve a flexible and competitive cost structure. Restructuring activities primarily include charges associated with facility rationalization and workforce reductions. In connection with our recent acquisitions, including the acquisition of Bayer Animal Health, we have also incurred costs associated with executing transactions and integrating acquired operations, which may include expenditures for banking, legal, accounting, and other similar services. In addition, we have incurred costs to stand up our organization as an independent company. All operating functions can be impacted by these actions; therefore, non-cash expenses associated with our tangible and intangible assets can be incurred as a result of revised fair value projections and/or determinations to no longer utilize certain assets in the business on an ongoing basis.

For finite-lived intangible asset and other long-lived assets, whenever impairment indicators are present, we calculate the undiscounted value of projected cash flows associated with the asset, or group of assets, and compare it to the carrying amount. If the carrying amount is greater, we record an impairment loss for the excess of book value over fair value. Determinations of fair value can result from a complex series of judgments and rely on estimates and assumptions. See Note 1: Basis of Presentation and Summary of Significant Accounting Policies for discussion regarding estimates and assumptions.

Components of asset impairment, restructuring and other special charges are as follows:

	Three Months Ended March 31,	
	2021	2020
<b>Restructuring charges:</b>		
Severance and other costs <sup>(1)</sup>	\$ 26	\$ 1
Facility exit costs <sup>(1)</sup>	—	1
<b>Acquisition related charges:</b>		
Transaction and integration costs <sup>(2)</sup>	81	76
<b>Non-cash and other items:</b>		
Asset impairment <sup>(3)</sup>	9	—
Asset write-down <sup>(4)</sup>	2	1
Gain on sale of fixed assets <sup>(5)</sup>	—	(4)
Settlements and other <sup>(6)</sup>	(10)	—
<b>Total expense</b>	<b>\$ 108</b>	<b>\$ 75</b>

<sup>(1)</sup> For the three months ended March 31, 2021, these charges primarily relate to a restructuring program announced and initiated in January 2021. These costs were partially offset by the reversal of severance accruals under the September 2020 program that are no longer needed. See below for further details.

For the three months ended March 31, 2020, these charges primarily relate to the announced 2019 program to streamline operations in Speke, England as well as the remaining costs to close the Larchwood, Iowa facility.

<sup>(2)</sup> Transaction costs represent external costs directly related to acquiring businesses and primarily include expenditures for banking, legal, accounting and other similar services. Integration costs represent internal and external incremental costs directly related to integrating acquired businesses, including the acquisition of Bayer Animal Health (e.g., expenditures for consulting, system and process integration, and product transfers), as well as stand-up costs related to the implementation of new systems, programs, and processes.

<sup>(3)</sup> Asset impairment charges for the three months ended March 31, 2021 related to an adjustment to fair value of intangible assets that were subject to product rationalization.

<sup>(4)</sup> Asset write-down expenses for the three months ended March 31, 2021 resulted from adjustments recorded to write assets classified as held and used down to their current fair value. These included charges related to fixed assets in Basel, Switzerland; Cuxhaven, Germany; and Manukau, New Zealand in connection with announced restructuring programs.

Asset write-down expenses for the three months ended March 31, 2020 resulted from adjustments recorded to write assets classified as held and used down to their current fair value. These charges primarily related to fixed assets in Wusi, China in connection with the announced 2019 program to streamline operations.

<sup>(5)</sup> Represents a gain on the disposal from the sale of an R&D facility in Prince Edward Island, Canada.

<sup>(6)</sup> As a result of workforce reductions in connection with our September 2020 and January 2021 restructuring programs, we remeasured the impacted pension benefit obligations as of March 31, 2021, which resulted in a curtailment gain. See Note 13: Retirement Benefits for further information. This amount also includes the gain recorded on the divestiture of an early-stage IPR&D asset acquired as part of the Bayer Animal Health acquisition.

In January 2021, we announced a restructuring aligned with our ongoing efforts to improve operating efficiencies. The proposed actions are focused on streamlining processes and delivering increased efficiency in functional areas, while improving the productivity of our investments in innovation. As part of the restructuring plan, we intend to close R&D sites in Manukau, New Zealand and Cuxhaven, Germany. We will also reduce duplication and optimize structures in U.S. operations, marketing, manufacturing and quality central functions, and administrative areas. The restructuring will result in the elimination of approximately 330 positions around the world. Charges related to this initiative were approximately \$41 million for the three months ended March 31, 2021. The overall project is expected to be substantially complete by the end of 2021.

In September 2020, following the closing of the Bayer Animal Health acquisition, we implemented a restructuring program designed to reduce duplication, drive efficiency and optimize our footprint in key geographies. As part of the restructuring plan, we have eliminated approximately 900 positions across 40 countries, primarily in the commercial and marketing functions, but also in R&D, manufacturing and quality, and back office support functions.

During the three months ended March 31, 2021 we recorded a favorable adjustment of \$13 million as a change in estimate related to this initiative, which reflects adjustments to severance accruals resulting from favorable negotiations and certain restructured employees filling open positions. The overall project is expected to be substantially complete by the end of 2021.

The following table summarizes the activity in our reserves established in connection with restructuring activities:

	Facility exit costs	Severance	Total
Balance at December 31, 2019	\$ 5	\$ 16	\$ 21
Charges	1	1	2
Reserve adjustments	—	(1)	(1)
Cash paid	(1)	(10)	(11)
Balance at March 31, 2020	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 11</u>
Balance at December 31, 2020	\$ —	\$ 130	\$ 130
Charges	—	39	39
Reserve adjustments	—	(13)	(13)
Cash paid	—	(38)	(38)
Balance at March 31, 2021	<u>\$ —</u>	<u>\$ 118</u>	<u>\$ 118</u>

These reserves are included in other current and noncurrent liabilities on the consolidated balance sheets. Substantially all of the reserves are expected to be paid in the next 18 months primarily due to certain country negotiations and regulations. We believe that the reserves are adequate.

## Note 6. Inventories

We state all inventories at the lower of cost or net realizable value. We use the last-in, first-out (LIFO) method for a portion of our inventories located in the continental U.S. Other inventories are valued by the first-in, first-out (FIFO) method or the weighted average cost method.

Inventories consisted of the following:

	March 31, 2021	December 31, 2020
Finished products	\$ 613	\$ 772
Work in process	630	625
Raw materials and supplies	211	210
Total	1,454	1,607
Decrease to LIFO cost	(30)	(29)
Inventories	<u>\$ 1,424</u>	<u>\$ 1,578</u>

## Note 7. Equity

### Common Stock Offering

On January 22, 2020, we entered into an underwriting agreement in which we agreed to sell approximately 23 million shares of our common stock at a public offering price of \$32.00 per share. In connection with the offering, we granted the underwriters an option to purchase up to an additional 2 million shares, which was exercised in full on January 23, 2020. As a result, we issued and sold a total of approximately 25 million shares of our common stock for \$768 million, after issuance costs.

### Tangible Equity Unit (TEU) Offering

On January 22, 2020, we also completed our offering of 11 million, 5.00% TEUs. Total proceeds, net of issuance costs, were \$528 million. Each TEU, which has a stated amount of \$50, is comprised of a prepaid stock purchase contract (prepaid stock) and a senior amortizing note due February 1, 2023. Subsequent to issuance, each TEU may be legally separated into the two components. The prepaid stock is considered a freestanding financial instrument, indexed to Elanco common stock, and meets the conditions for equity classification.

The value allocated to the prepaid stock is reflected net of issuance costs in additional paid-in capital. The value allocated to the senior amortizing notes is reflected in long-term debt on the consolidated balance sheet, with payments expected in the next twelve months reflected in current portion of long-term debt. Issuance costs related to the amortizing notes are reflected as a reduction of the carrying amount and will be amortized through the maturity date using the effective interest rate method.

The proceeds from the issuance were allocated to equity and debt based on the relative fair value of the respective components of each TEU as follows:

	Equity Component	Debt Component	Total
Fair value per unit	\$ 42.80	\$ 7.20	\$ 50.00
Gross proceeds	\$ 471	\$ 79	\$ 550
Less: Issuance costs	19	3	22
Net proceeds	\$ 452	\$ 76	\$ 528

The senior amortizing notes have an aggregate principal amount of \$79 million and bear interest at 2.75% per year. On each February 1, May 1, August 1, and November 1 until the maturity date, we will pay equal quarterly cash installments of \$0.6250 per each amortizing note with an initial principal amount of \$7.2007 (except for the first installment payment of \$0.6528 per amortizing note paid on May 1, 2020). Each installment constitutes a payment of interest and partial payment of principal, and in the aggregate will be equivalent to 5.00% per year with respect to the \$50 stated amount per TEU.

Unless settled early at the holder's or our election, each prepaid stock purchase contract will automatically settle on February 1, 2023 (the mandatory settlement date) for a number of shares of common stock per contract based on the average of the volume-weighted average trading prices during the 20 consecutive trading day period beginning on, and including the 21st scheduled trading day immediately preceding February 1, 2023 (applicable market value) with reference to the following settlement rates:

Applicable Market Value	Common Stock Issued
Equal to or greater than \$38.40	1.3021 shares (minimum settlement rate)
Less than \$38.40, but greater than \$32.00	\$50 divided by applicable market value
Less than or equal to \$32.00	1.5625 (maximum settlement rate)

The prepaid stock purchase contracts are mandatorily convertible into a minimum of 14 million shares or a maximum of 17 million shares of our common stock on the mandatory settlement date (unless redeemed by us or settled earlier at the unit holder's option). The 14 million minimum shares are included in the calculation of basic weighted average shares outstanding. The difference between the minimum and maximum shares represents potentially dilutive securities, which are included in the calculation of diluted weighted average shares outstanding on a pro rata basis to the extent that the average applicable market value is higher than \$32.00 but is less than \$38.40 during the period.

## Note 8. Debt

Long-term debt consisted of the following:

	March 31, 2021	December 31, 2020
Term loan B credit facility	\$ 4,151	\$ 4,164
Revolving credit facility	50	—
3.912% Senior Notes due 2021	500	500
4.272% Senior Notes due 2023	750	750
4.900% Senior Notes due 2028	750	750
TEU amortizing notes	53	60
Other obligations	—	1
Unamortized debt issuance costs	(93)	(98)
	6,161	6,127
Less current portion of long-term debt	605	555
Total long-term debt	\$ 5,556	\$ 5,572

### Bayer Animal Health Related Financing

In connection with the acquisition of Bayer Animal Health, on August 1, 2020, we borrowed \$4,275 million under a term loan B credit facility. The term loan B facility bears interest at a floating rate of LIBOR plus 175 basis points over a seven-year term.

Simultaneously, we entered into a revolving credit facility providing up to \$750 million (with incremental capacity available if certain conditions are met) and maturing over a five-year term. The revolving credit facility bears interest at LIBOR plus an applicable margin ranging between 1.50% and 2.25% per annum based on our corporate family rating or corporate credit rating. In February 2021, we drew down \$150 million on the revolving credit facility for working capital needs. We subsequently repaid \$100 million in March 2021 and the remaining \$50 million in April 2021.

These senior secured first lien credit facilities are secured by a significant portion of our assets. They include two financial maintenance covenants which are solely for the benefit of lenders under the revolving credit facility. There are no financial maintenance covenants for the benefit of the term loan B facility. The lenders under the term loan B facility have no enforcement rights with respect to the financial maintenance covenants for the revolving credit facility.

The first financial maintenance covenant for the revolving credit facility requires us to maintain a net total leverage ratio level (which is not subject to step-downs) as of the end of each quarter. The required level of this covenant is based on closing date pro forma net leverage and pro forma adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) not exceeding 7.71 to 1.00 of our pro forma adjusted EBITDA for the four fiscal quarters ended March 31, 2021.

The second financial maintenance covenant for the revolving credit facility requires us to maintain a ratio of pro forma adjusted EBITDA to cash interest expense of no less than 2.00 to 1.00, tested as of the end of each fiscal quarter. We were in compliance with all covenants under the credit facility as of March 31, 2021.

### Senior Notes

In August 2018, we issued \$2 billion of senior notes (Senior Notes). The Senior Notes comprised of \$500 million of 3.912% Senior Notes due August 27, 2021, \$750 million of 4.272% Senior Notes due August 28, 2023, and \$750 million of 4.900% Senior Notes due August 28, 2028. The interest rate payable on each series of Senior Notes is subject to adjustment if Moody's Investor Services, Inc. or Standard & Poor's Financial Services LLC downgrades, or subsequently upgrades, its ratings on the respective series of Senior Notes.

The indenture that governs the Senior Notes contains covenants, including limitations on our ability, and certain of our subsidiaries, to incur liens or engage in sale-leaseback transactions. The indenture also contains restrictions on our ability to consolidate, merge or sell substantially all of our assets, in addition, to other customary terms. We were in compliance with all such covenants under the indenture governing the Senior Notes as of March 31, 2021.

### **TEU Amortizing Notes**

On January 22, 2020, we issued \$550 million in TEUs. We offered 11 million, 5.00% TEUs at the stated amount of \$50 per unit, comprised of prepaid stock purchase contracts and a senior amortizing note due February 1, 2023 (the mandatory settlement date). Total cash of \$528 million was received, comprised of \$452 million of prepaid stock purchase contracts and \$76 million of senior amortizing notes, net of issuance costs. We paid \$7 million representing partial payment of principal and interest on the TEU amortizing notes during the three months ended March 31, 2021. See Note 7: Equity for further information.

### **Debt Extinguishment**

On January 31, 2020, we repaid indebtedness outstanding under our previous term loan facility. We paid \$372 million in cash, composed of \$371 million of principal and \$1 million of accrued interest, resulting in a debt extinguishment loss of \$1 million (recognized in interest expense, net of capitalized interest in the condensed consolidated statement of operations for the three months ended March 31, 2020), primarily related to the write-off of deferred debt issuance costs.

### **Note 9. Financial Instruments and Fair Value**

Financial instruments that are potentially subject to credit risk consist principally of trade receivables. We evaluate the creditworthiness of our customers on a regular basis, monitor economic conditions, and calculate allowances for estimated credit losses on our trade receivables on a quarterly basis using an expected credit loss model. We assess whether collectability is probable at the time of sale and on an ongoing basis. Collateral is generally not required. The risk associated with this concentration is mitigated by our ongoing credit-review procedures.

A large portion of our cash is held by a few major financial institutions. We monitor the exposure with these institutions and do not expect any of these institutions to fail to meet their obligations. All highly liquid investments with a maturity of three months or less from the date of purchase are considered to be cash equivalents. The cost of these investments approximates fair value. We also consider the carrying value of restricted cash balances to be representative of its fair value.

As of March 31, 2021 and December 31, 2020, we had \$34 million and \$33 million, respectively, of investments included in other noncurrent assets on our condensed consolidated balance sheet. These include investments with readily determinable fair values, investments without readily determinable fair values, and equity method investments. Unrealized net gains and losses during the three months ended March 31, 2021 and March 31, 2020 were immaterial.

The following table summarizes the fair value information at March 31, 2021 and December 31, 2020 for foreign exchange contract assets (liabilities), contingent consideration liabilities, and cash flow hedge assets (liabilities) measured at fair value on a recurring basis in the respective balance sheet line items, as well as long-term debt (including TEU amortizing notes) for which fair value is disclosed on a recurring basis:

Financial statement line item	Carrying Amount	Fair Value Measurements Using			Fair Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>March 31, 2021</b>					
Prepaid expenses and other - foreign exchange contracts not designated as hedging instruments	\$ 22	\$ —	\$ 22	\$ —	\$ 22
Other current liabilities - foreign exchange contracts not designated as hedging instruments	(45)	—	(45)	—	(45)
Other noncurrent liabilities - contingent consideration	(1)	—	—	(1)	(1)
Other noncurrent liabilities - forward-starting interest rate contracts designated as cash flow hedges	(23)	—	(23)	—	(23)
Long-term debt - senior notes	(2,000)	—	(2,171)	—	(2,171)
TEU amortizing note	(53)	—	(49)	—	(49)
Term loan B	(4,151)	—	(4,125)	—	(4,125)
Revolving credit facility <sup>(1)</sup>	(50)	—	(50)	—	(50)
<b>December 31, 2020</b>					
Prepaid expenses and other - foreign exchange contracts not designated as hedging instruments	\$ 36	\$ —	\$ 36	\$ —	\$ 36
Other current liabilities - foreign exchange contracts not designated as hedging instruments	(36)	—	(36)	—	(36)
Other noncurrent liabilities - contingent consideration	(1)	—	—	(1)	(1)
Other noncurrent liabilities - forward-starting interest rate contracts designated as cash flow hedges	(76)	—	(76)	—	(76)
Long-term debt - senior notes	(2,000)	—	(2,218)	—	(2,218)
TEU amortizing notes	(60)	—	(58)	—	(58)
Term loan B	(4,164)	—	(4,144)	—	(4,144)

<sup>(1)</sup> We consider the carrying value to be representative of its fair value due to the short-term nature of this instrument.

We determine our Level 2 fair value measurements based on a market approach using quoted market values or significant other observable inputs for identical or comparable assets or liabilities.

Contingent consideration liabilities as of March 31, 2021 and December 31, 2020 related to contingent consideration associated with the acquisitions of Aratana Therapeutics, Inc. (Aratana) and Prevtec Microbia Inc. (Prevtec) during 2019. For Aratana, we will pay up to \$12 million in contingent value rights that are dependent on the achievement of a specified milestone as outlined in the merger agreement. For Prevtec, based on the terms of the purchase agreement, we will pay up to \$16 million contingent upon the achievement of specific *Coliprotec* sales

milestones by December 31, 2021. The fair value of both contingent consideration liabilities was estimated using the Monte Carlo simulation model and Level 3 inputs including historical revenue, discount rate, asset volatility, and revenue volatility.

### Derivative Instruments and Hedging Activities

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures, we have entered into various derivative transactions. We formally assess, designate and document, as a hedge of an underlying exposure, each qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess, both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures.

#### Derivatives Not Designated as Hedges

We may enter into foreign exchange forward or option contracts to reduce the effect of fluctuating currency exchange rates. These derivative financial instruments primarily offset exposures in the British pound, Canadian dollar, Euro, Japanese yen, Swiss franc (CHF), and Chinese yuan. Foreign currency derivatives used for hedging are put in place using the same or like currencies and duration as the underlying exposures and are recorded at fair value with the gain or loss recognized in other expense, net in the condensed consolidated statement of operations. Forward contracts generally have maturities not exceeding 12 months. At March 31, 2021 and December 31, 2020, we had outstanding foreign exchange contracts with aggregate notional amounts of \$1,503 million and \$1,391 million, respectively.

The amount of net gain on derivative instruments not designated as hedging instruments, recorded in other expense, net are as follows:

	Three Months Ended March 31,	
	2021	2020
Foreign exchange forward contracts <sup>(1)</sup>	\$ 34	\$ 28

<sup>(1)</sup> These amounts were substantially offset in other expense, net by the effect of changing exchange rates on the underlying foreign currency exposures.

#### Derivatives Designated as Hedges

In October 2018, as a means of mitigating the impact of currency fluctuations on our operations in Switzerland, we entered into a five-year cross-currency fixed interest rate swap with a 750 million CHF notional amount, which was designated as a net investment hedge (NIH) against CHF denominated assets (the fair value of which was estimated based on quoted market values of similar hedges and was classified as Level 2). During the three months ended March 31, 2020, approximately 75% of our cross-currency swaps were liquidated for a cash benefit of \$27 million (including \$2 million in interest). We had an approximately 190 million CHF notional remaining on our NIH as of March 31, 2020, which was fully liquidated in April 2020. Notwithstanding settlement, gains and losses within accumulated other comprehensive income (loss) will remain in accumulated other comprehensive income (loss) until either the sale or substantial liquidation of the hedged subsidiary.

Gains on the NIH, recognized within interest expense, net of capitalized interest, are as follows:

	Three Months Ended March 31,	
	2021	2020
Cross-currency interest rate swap contracts	\$ —	\$ 6

Over the life of the derivative, gains or losses due to spot rate fluctuations were recorded in cumulative translation adjustment in other comprehensive income (loss). The amounts of net gains on interest rate swap contracts, recorded, net of tax, in accumulated other comprehensive income (loss), are as follows:

	Three Months Ended March 31,	
	2021	2020
Cross-currency interest rate swap contracts	\$ —	\$ 23

Separately, in March 2020, as a means of mitigating variability in cash flows associated with the anticipated term loan B issuance, we executed forward-starting interest rate swaps with a \$4.1 billion notional amount, which are designated as cash flow hedges and have maturity dates ranging between 2022 and 2025. These instruments effectively convert floating-rate debt to fixed-rate debt. The cash flow hedges are recorded at fair value on our condensed consolidated balance sheet, while changes in the fair value of the hedge are recognized in other comprehensive income (loss). Fair value is estimated based on quoted market values of similar hedges and is classified as Level 2. Amounts recorded in accumulated other comprehensive income (loss) will be recognized in earnings in interest expense, net of capitalized interest when the hedged transaction affects earnings (i.e., when interest payments are accrued on the term loan B). During the three months ended March 31, 2021 and 2020 we recorded a gain of \$53 million (net of tax expense of \$0 after valuation allowance) and a loss of \$39 million (net of tax benefit of \$11 million), respectively, on the cash flow hedges in other comprehensive loss. Over the next 12 months we expect to reclassify \$28 million from accumulated other comprehensive income (loss) to interest expense, net of capitalized interest due to the amortization of net losses on the interest rate swaps. During the three months ended March 31, 2021, we reclassified \$7 million of net losses into interest expense.

## Note 10. Income Taxes

### Income Tax Benefit

	Three Months Ended March 31,	
	2021	2020
Income tax benefit	\$ (19)	\$ (19)
Effective tax rate	23.5 %	27.6 %

We were included in Lilly's U.S. tax examinations by the Internal Revenue Service through the full separation date of March 11, 2019. Pursuant to the tax matters agreement we executed with Lilly in connection with the IPO, the potential liabilities or potential refunds attributable to pre-IPO periods in which Elanco was included in a Lilly consolidated or combined tax return remain with Lilly. The U.S. examination of tax years 2016 - 2018 began in the fourth quarter of 2019 and remains ongoing; therefore, the resolution of this audit period will likely extend beyond the next 12 months.

For the three months ended March 31, 2021, we recognized an income tax benefit of \$19 million. Our effective tax rate of 23.5% differs from the statutory income tax rate primarily due to tax-exempt interest income in certain foreign jurisdictions. Income tax benefit was partially offset by a \$2 million increase to the valuation allowance on our U.S. federal and state deferred tax assets during the period.

For the three months ended March 31, 2020, we recognized an income tax benefit of \$19 million. The effective tax of 27.6% differs from the statutory income tax rate primarily due to a pre-tax loss mainly driven by acquisition and integration costs. In addition, a discrete income tax benefit of \$2 million was recognized related to the excess tax benefits for stock-based compensation that vested in the three months ended March 31, 2020.

## Note 11. Commitments and Contingencies

### Legal Matters

On May 20, 2020, a shareholder class action lawsuit captioned Hunter v. Elanco Animal Health Inc., et al. was filed in the United States District Court for the Southern District of Indiana (the Court) against Elanco, Jeffrey Simmons and Todd Young. On September 3, 2020, the Court appointed a lead plaintiff, and on November 9, 2020, the lead plaintiff filed an amended complaint. The lawsuit alleges, in part, that Elanco and certain of its executives made materially false and/or misleading statements and/or failed to disclose certain facts about Elanco's supply chain, inventory, revenue and projections. The lawsuit seeks unspecified monetary damages and purports to represent purchasers of Elanco securities between September 30, 2018 and May 6, 2020, and purchasers of Elanco common stock issued in connection with Elanco's acquisition of Aratana Therapeutics, Inc. We filed a motion to dismiss on January 13, 2021. The timing of the Court's decision is uncertain. We believe the claims made in the

case are meritless, and we intend to vigorously defend our position. The process of resolving these matters is inherently uncertain and may develop over an extended period of time; therefore, at this time, the ultimate resolution cannot be predicted.

On October 16, 2020, a shareholder class action lawsuit captioned Safron Capital Corporation v. Elanco Animal Health Inc., et al. was filed in the Marion Superior Court of Indiana against Elanco, certain executives, and other individuals. On December 23, 2020, the plaintiffs filed an amended complaint adding an additional plaintiff. The lawsuit alleges, in part, that Elanco and certain of its executives made materially false and/or misleading statements and/or failed to disclose certain facts about Elanco's relationships with third party distributors and revenue attributable to those distributors within the registration statement on Form S-3 dated January 21, 2020 and accompanying prospectus filed in connection with Elanco's public offering which closed on or about January 27, 2020. The lawsuit seeks unspecified monetary damages and purports to represent purchasers of Elanco common stock or 5.00% TEUs issued in connection with the public offering. This case is currently stayed in deference to Hunter v. Elanco Animal Health Inc. We believe the claims made in the case are meritless, and we intend to vigorously defend our position. The process of resolving these matters is inherently uncertain and may develop over an extended period of time; therefore, at this time, the ultimate resolution cannot be predicted.

Claims seeking actual damages, injunctive relief, and/or restitution for the allegedly deceptive marketing have been made against Elanco Animal Health Inc. and Bayer HealthCare LLC arising out of the use of *Seresto*<sup>™</sup>, a non-prescription flea and tick collar for cats and dogs. In March, April, and May 2021, class action lawsuits were filed in state and federal courts in the U.S. alleging that the *Seresto* collars contain pesticides and other ingredients that can cause serious injury and death to cats and/or dogs wearing the product. The cases mention the existence of incident reports involving humans, but no plaintiff has claimed personal harm from the product. Further, a U.S. House of Representative subcommittee chair requested Elanco to produce certain documents and information related to the *Seresto* collar and further made a request to temporarily remove *Seresto* collars from the market. We are cooperating with the subcommittee and have produced information pursuant to the request. In addition, as *Seresto* is registered with the Environmental Protection Agency (EPA), we are providing information to the EPA regarding the safety profile of *Seresto*. All data and scientific evaluation used during the product registration process and through pharmacovigilance review supports the product's positive safety profile and efficacy. Therefore, we believe no removal or recall is warranted, nor has it been suggested by any regulatory agency. We continue to stand behind the safety profile for *Seresto*, and it remains available to consumers globally. We continue to receive information with respect to potential litigation costs and the anticipated number of cases, and we will be taking appropriate steps to defend these class action lawsuits.

We are party to various other legal actions in the normal course of business. In determining whether a pending matter is significant for financial reporting and disclosure purposes, we consider both quantitative and qualitative factors in order to assess materiality. We accrue for certain liability claims to the extent that it is probable we will incur a loss and we can formulate a reasonable estimate of the costs. As of March 31, 2021 and December 31, 2020, we had no material liabilities established related to litigation as there were no significant claims which were probable and estimable. We have not historically had any significant litigation expense and are not currently subject to a significant claim other than the lawsuits noted above.

## Note 12. Geographic Information

We operate as a single operating segment engaged in the development, manufacturing, marketing and sales of animal health products worldwide for both farm animals and pets. Consistent with our operational structure, our President and Chief Executive Officer (CEO), as the Chief Operating Decision Maker, makes resource allocation and business process decisions globally across our consolidated business. Strategic decisions are managed globally with global functional leaders responsible for determining significant costs/investments and with regional leaders responsible for overseeing the execution of the global strategy. Our global research and development organization is responsible for development of new products. Our manufacturing organization is responsible for the manufacturing and supply of products and for the optimization of our supply chain. Regional leaders are responsible for the distribution and sale of our products and for local direct costs. The business is also supported by global corporate staff functions. Managing and allocating resources at the global corporate level enables our CEO to assess the overall level of resources available and how to best deploy these resources across functions, product types, regional commercial organizations and research and development projects in line with our overarching long-term corporate-wide strategic goals, rather than on a product or geographic basis. Consistent with this decision-making process, our CEO uses consolidated, single-segment financial information for purposes of evaluating performance, allocating resources, setting incentive compensation targets, as well as forecasting future period financial results.

Our products include *Baycox*<sup>™</sup>, *Cydectin*<sup>™</sup>, *Denagard*<sup>™</sup>, *Maxiban*<sup>™</sup>, *Optaflexx*<sup>™</sup>, *Rumensin*<sup>™</sup>, *Tylan*<sup>™</sup>, and other products for livestock and poultry, as well as *Advantage*<sup>™</sup>, *Advantix*<sup>™</sup>, *Advocate*<sup>™</sup> (collectively referred to as the *Advantage Family*), *Credelio*<sup>™</sup>, *Duramune*<sup>™</sup>, *Galliprant*<sup>™</sup>, *Interceptor*<sup>™ Plus</sup>, *Seresto*, *Trifexis*<sup>™</sup>, and other products for pets.

We have a single customer that accounted for 7% and 14% of revenue for the three months ended March 31, 2021 and 2020, respectively. Product sales with this customer resulted in accounts receivable of \$75 million and \$87 million as of March 31, 2021 and December 31, 2020, respectively.

We are exposed to the risk of changes in social, political and economic conditions inherent in foreign operations and our results of operations and the value of our foreign assets are affected by fluctuations in foreign currency exchange rates.

Selected geographic area information was as follows:

	Three Months Ended March 31,	
	2021	2020
Revenue—to unaffiliated customers <sup>(1)</sup>		
United States	\$ 533	\$ 300
International	709	358
Revenue	<u>\$ 1,242</u>	<u>\$ 658</u>

<sup>(1)</sup> Revenue is attributed to the countries based on the location of the customer.

### Note 13. Retirement Benefits

The following table summarizes net periodic benefit cost relating to our defined benefit pension plans:

	Three Months Ended March 31,	
	2021	2020
Service cost	\$ 5	\$ 3
Interest cost	1	—
Expected return on plan assets	(2)	(1)
Amortization of prior service cost	(2)	(2)
Amortization of net actuarial loss	1	1
Curtailments (Note 5)	(9)	—
Net periodic benefit cost	<u>\$ (6)</u>	<u>\$ 1</u>

The components of net periodic benefit cost other than service cost and curtailments are included in other expense, net in the condensed consolidated statements of operations. Curtailments are included in asset impairment, restructuring and other special charges, in the condensed consolidated statements of operations.

### Note 14. Loss Per Share

We compute basic loss per share by dividing net loss available to common shareholders by the actual weighted average number of common shares outstanding for the reporting period. Elanco has variable common stock equivalents relating to certain equity awards in stock-based compensation arrangements and the TEU prepaid stock purchase contracts (see Note 7: Equity for further discussion). Diluted earnings per share reflects the potential dilution that could occur if holders of the unvested equity awards and unsettled TEUs converted their holdings into common stock. The weighted average number of potentially dilutive shares outstanding is calculated using the treasury stock method. Potential common shares that would have the effect of increasing diluted earnings per share (or reducing loss per share) are considered to be anti-dilutive and as such, these shares are not included in the calculation of diluted loss per share.

Basic and diluted loss per share are calculated as follows:

	Three Months Ended March 31,	
	2021	2020
Net loss available to common shareholders	<u>\$ (61)</u>	<u>\$ (49)</u>
Determination of shares:		
Weighted average common shares outstanding	486.7	403.9
Assumed conversion of dilutive common stock equivalents <sup>(1)</sup>	—	—
Diluted weighted average shares outstanding	<u>486.7</u>	<u>403.9</u>
Loss per share <sup>(2)</sup>		
Basic	\$ (0.12)	\$ (0.12)
Diluted	\$ (0.12)	\$ (0.12)

<sup>(1)</sup> During the three months ended March 31, 2021 and 2020, we reported a net loss. Therefore, dilutive common stock equivalents are not assumed to have been issued since their effect is anti-dilutive. As a result, basic and diluted weighted average shares are the same, causing diluted net loss per share to be equivalent to basic net loss per share. For the three months ended March 31, 2021 and 2020, approximately 1.6 million and 1.8 million, respectively, of potential common shares were excluded from the calculation of diluted earnings per share because their effect was anti-dilutive.

<sup>(2)</sup> Due to rounding conventions, loss per share may not recalculate precisely based on the amounts presented within this table.

## Note 15. Transactions and Agreements with Bayer

While Bayer is no longer considered a related party, we have transacted with Bayer during the period after the acquisition of Bayer Animal Health, including the period in which Bayer was considered a principal owner of Elanco. These transactions primarily related to local country asset purchases and various transitional services agreements (TSAs), contract manufacturing arrangements, and certain lease agreements to ensure business continuity after the acquisition.

For regulatory purposes in certain jurisdictions, consideration was required to be paid locally at closing in addition to amounts paid globally for the acquisition. Pursuant to the stock and asset purchase agreement, Bayer has provided a refund for payment amounts duplicated in these regions. The total amount paid to and received from Bayer during the three months ended March 31, 2021 for these local country asset purchases was approximately \$16 million. All local country asset purchases have been completed as of March 31, 2021.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Management's discussion and analysis of financial condition and results of operations (MD&A) is intended to assist the reader in understanding and assessing significant changes and trends related to our results of operations and financial position. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and accompanying footnotes in Item 1 of Part I of this Quarterly Report on Form 10-Q. Certain statements in this Item 2 of Part I of this Quarterly Report on Form 10-Q constitute forward-looking statements. Various risks and uncertainties, including those discussed in "Forward-Looking Statements," Item 1A, "Risk Factors," of Part II of this Quarterly Report on Form 10-Q, and Item 1A, "Risk Factors," of Part I of our Annual Report on Form 10-K for the year ended December 31, 2020, may cause our actual results, financial position, and cash generated from operations to differ materially from these forward-looking statements.

### Overview

Founded in 1954, Elanco is a premier animal health company that innovates, develops, manufactures and markets products for pets and farm animals. Headquartered in Greenfield, Indiana, we are one of the largest animal health companies in the world, with pro forma combined revenue of Elanco and Bayer Animal Health of approximately \$4.4 billion for the year ended December 31, 2020.

On August 1, 2020, we completed the acquisition of Bayer Animal Health. The acquisition expanded our pet health product category, advancing our planned portfolio mix transformation and creating a better balance between our farm animal and pet health product categories. Our existing product portfolio and pipeline have been enhanced by the addition of Bayer Animal Health, which complements our commercial operations and international infrastructure. See Note 4: Acquisitions and Divestitures to the condensed consolidated financial statements for additional information on the acquisition. Subsequent to the acquisition date, our consolidated financial statements include the assets, liabilities, operating results and cash flows of Bayer Animal Health.

We offer a diverse portfolio of approximately 190 brands that make us a trusted partner to veterinarians and farm animal producers in more than 90 countries. Our products are generally sold worldwide to third-party distributors, retailers, and directly to farm animal producers and veterinarians. With the acquisition of Bayer Animal Health, we have expanded our presence in retail and e-commerce channels in order to meet pet owners where they want to purchase.

We operate our business in a single segment directed at fulfilling our vision of enriching the lives of people through food, making protein more accessible and affordable and through pet companionship, helping pets live longer, healthier lives. In 2020, we renamed our four primary product categories by replacing "food animal" and "companion animal" with "farm animal" and "pet health," respectively, to better reflect the terminology used by our customers. We advance our vision with the following offering of portfolio solutions:

***Pet Health:*** Our portfolio is focused on parasiticides, vaccines and therapeutics. We have one of the broadest parasiticide portfolios in the pet health sector based on indications, species and formulations, with products that protect pets from worms, fleas and ticks. Our *Seresto* and *Advantage*, *Advantix*, *Advocate* (collectively referred to as the Advantage Family) products are over-the-counter treatments for the elimination and prevention, respectively, of fleas and ticks, and complement our prescription parasiticide products, *Credelio*, *Interceptor Plus*, and *Trifexis*. Our vaccines portfolio provides differentiated prevention coverage for a number of important pet health risks and is available in the U.S. only. In therapeutics, we have a broad pain and osteoarthritis portfolio across species, modes of action, indications and disease stages. Pet owners are increasingly treating osteoarthritis in their pets, and our *Galliprant*<sup>™</sup> product is one of the fastest growing osteoarthritis treatments in the U.S. Additionally, we have products that offer treatment for otitis (ear infections) with *Claro*<sup>™</sup>, as well as treatments for certain cardiovascular and dermatology indications.

*Farm Animal:* Our farm animal portfolio consists of products to prevent, control and treat health challenges primarily focused on cattle (beef and dairy), swine, poultry, and aquaculture (cold and warm water) production. Our products include medicated feed additives, injectable antibiotics, vaccines, insecticides, and enzymes, among others. We have a wide range of farm animal products, including *Rumensin* and *Baytril*<sup>™</sup>, both of which are used extensively in ruminants (e.g., cattle, sheep and goats) and swine production. In poultry, our *Maxiban* product, is a valuable offering for the control and prevention of intestinal disease.

A summary of our 2021 revenue and net loss compared with the same period in 2020 is as follows:

(Dollars in millions)	Three Months Ended March 31,	
	2021	2020
Revenue	\$ 1,242	\$ 658
Net loss	(61)	(49)

Increases or decreases in inventory levels at our channel distributors can positively or negatively impact our quarterly and annual revenue results, leading to variations in quarterly revenues. This can be a result of various factors, such as end customer demand, new customer contracts, heightened and generic competition, the need for certain inventory levels, our ability to renew distribution contracts with expected terms, our ability to implement commercial strategies, regulatory restrictions, unexpected customer behavior, proactive measures taken by us in response to shifting market dynamics, payment terms we extend, which are subject to internal policies, and procedures and environmental factors beyond our control, including weather conditions and the COVID-19 global pandemic.

## Key Trends and Conditions Affecting Our Results of Operations

### Industry Trends

The animal health industry, which includes both farm animals and pets, is a growing industry that benefits billions of people worldwide.

As demand for animal protein grows, farm animal health is becoming increasingly important. We believe that factors influencing growth in demand for farm animal medicines and vaccines include:

- one in three people needing improved nutrition;
- increased global demand for protein, particularly poultry and aquaculture;
- natural resource constraints, such as scarcity of arable land, fresh water and increased competition for cultivated land, driving the need for more efficient food production;
- loss of productivity due to farm animal disease and death;
- increased focus on food safety and food security; and
- human population growth, increased standards of living, particularly in many emerging markets, and increased urbanization.

Growth in farm animal nutritional health products (enzymes, probiotics and prebiotics) is influenced, among other factors, by demand for antibiotic alternatives that can promote animal health and increase productivity.

We believe that factors influencing growth in demand for pet medicines and vaccines include:

- increased pet ownership globally;
- pets living longer; and
- increased pet spending as pets are viewed as members of the family by owners.

## Factors Affecting Our Results of Operations

### COVID-19 Pandemic

Our business has been impacted by the COVID-19 pandemic that originated in December 2019. We continue to monitor the global outbreak of COVID-19 and have worked with our customers, employees, suppliers and other stakeholders to mitigate the risks posed by its spread. The COVID-19 pandemic continues to impact the economy in the United States and globally, and has had an effect on the operations of our company, vendors and suppliers, and supply of and demand for our products as follows:

#### *Operations*

As a result of the COVID-19 pandemic, governmental authorities implemented measures to try to contain the virus, such as travel bans and restrictions, limits on gatherings, quarantines, shelter-in-place orders, site closures and business shutdowns. These measures have affected the ability of our employees, vendors, and suppliers to perform their respective responsibilities and obligations relative to the conduct of our business. We have important manufacturing operations worldwide that have been impacted by the outbreak. Measures requiring business shutdowns generally exclude certain essential services, and those essential services commonly include critical infrastructure and the businesses that support that critical infrastructure. Because the animal health industry has been designated an essential business, our manufacturing and research facilities remain operational, while our employees in other company functions continue to primarily work remotely. These measures have impacted and may further impact our workforce and operations, as well as those of our customers, vendors and suppliers.

#### *Supply*

In the first quarter of 2021, we did not experience significant impacts or interruptions to our supply chain as a result of the COVID-19 pandemic. However, as the pandemic continues, we may face supply chain disruptions due to operational difficulties experienced by our suppliers. Although we regularly monitor the financial health of companies in our supply chain, the financial hardship on our suppliers caused by the COVID-19 pandemic could cause a disruption in our ability to obtain raw materials or components required to manufacture our products, adversely affecting our operations. Freight processes have experienced, and could continue to experience, lead time disruptions and increases in shipping costs, negatively impacting our profitability.

#### *Demand*

The COVID-19 pandemic has adversely impacted global economic conditions. In particular, the COVID-19 pandemic created significant uncertainty for our channel distribution partners with respect to end customer demand and working capital, particularly in early 2020. Based on these factors, in addition to a shift in tactics for demand generation with our distributors, in the first and second quarters of 2020, we reduced the amount of inventory held in the channel. For our pet health business, demand in our direct to retailer and e-commerce channels could be negatively impacted by economic conditions as they fluctuate.

In our farm animal business, demand has been negatively impacted by processing plant closures, resulting in a backlog of animals ready for processing, and weakened food service demand, which collectively have pressured producer economics. Processing plants have adjusted operations and have cleared most of the backlog, and demand for certain protein categories continues to recover. While the impact has been most significant for the U.S. livestock industry, particularly in the second and third quarters of 2020, the pressure has occurred globally and across species. As the pandemic has continued through the beginning of 2021, our business has been affected by lower levels of demand in certain markets due to unfavorable macroeconomic conditions and reduced food service consumption. As a result, the industry has seen pressured prices and producer profitability across species, most notably in international poultry and aqua. We anticipate that recovery of end consumer demand, particularly in the food service business as compared to prior year will continue to occur, particularly impacting our farm animal business, throughout 2021.

Our third party distributors may face difficulties maintaining operations and normal liquidity in light of government-mandated restrictions. Due to liquidity and working capital pressure caused by the COVID-19 pandemic, our distributors continue to manage inventory more tightly. In response to this along with a shift in tactics for demand generation with our distributors, we reduced channel inventory levels during the first half of 2020 as we tightened our approach across all facets of our distributor relationships. We estimate that this decreased our revenue by

approximately \$160 million. These actions have allowed us to improve working capital management, increase gross margin, implement new compensation structures with our distributors and enable greater control of overall stock levels. We continue to monitor the impacts on our customers' liquidity and therefore our ability to collect on our accounts receivable. While our allowance on these receivables factors in expected credit losses, disruption and declines in the global economy could result in difficulties in our ability to collect, which we have not experienced on a material basis at this time. If significant issues with collections occur, material increases in our allowance for doubtful accounts may be required.

### ***Our Acquisition of Bayer Animal Health***

We have incurred and expect to continue to incur expenses in connection with our acquisition of Bayer Animal Health including fees for professional services such as legal, accounting, consulting, and other advisory fees and expenses. Expenses incurred in 2021 primarily relate to integration activities. In addition, we have incurred and expect to continue to incur costs related to the build out of processes and systems to support finance and global supply and logistics and to expand administrative functions, including, but not limited to, information technology, facilities management, distribution, human resources, and manufacturing, to replace services previously provided by the former parent company of Bayer Animal Health. We anticipate that these additional costs will be partially offset by expected synergies.

### ***Product Development and New Product Launches***

A key element of our targeted value creation strategy is to drive growth through portfolio development and product innovation. We continue to pursue the development of new chemical and biological molecules through our approach to innovation. Our future growth and success depend on both our pipeline of new products, including new products that we may develop through joint ventures and products that we are able to obtain through license or acquisition, and the expansion of the use of our existing products. We believe we are an industry leader in animal health R&D, with a track record of product innovation, business development and commercialization.

### ***Competition***

We face intense competition. Principal methods of competition vary depending on the particular region, species, product category, or individual product. Some of these methods include new product development, including generic alternatives to our products, quality, price, service and promotion.

Our primary competitors include animal health medicines and vaccines companies such as Zoetis Inc.; Boehringer Ingelheim Vetmedica, Inc., the animal health division of Boehringer Ingelheim GmbH; and Merck Animal Health, the animal health division of Merck & Co., Inc. We also face competition globally from manufacturers of generic drugs, as well as from producers of nutritional health products, such as DSM Nutritional Products AG and Danisco Animal Nutrition, the animal health division of E.I. du Pont de Nemours and Company, a subsidiary of DowDuPont, Inc. There are also several new start-up companies working in the animal health area. In addition, we compete with numerous other producers of animal health products throughout the world.

### ***Productivity***

Our results during the periods presented have benefited from operational and productivity initiatives implemented following recent acquisitions and in response to changing market demand for antibiotics and other headwinds.

Prior to the acquisition of Bayer Animal Health, our acquisitions within the last six years added in the aggregate \$1.4 billion in revenue, 4,600 full-time employees, 12 manufacturing and eight R&D sites. The acquisition of Bayer Animal Health on August 1, 2020 added 3,900 full-time employees, eight manufacturing sites, and four R&D sites. In addition, from 2015 to 2020, changing market demand for antibiotics and other headwinds, such as competition with generics and innovation, affected some of our highest gross margin products, resulting in a change to our product mix and driving operating margin lower. In response, we implemented a number of initiatives across the manufacturing, R&D and selling, general and administrative (SG&A) functions. Our manufacturing cost savings strategies included improving manufacturing processes and headcount through lean manufacturing (minimizing waste while maintaining productivity), closing manufacturing sites, consolidating our CMO network, strategically insourcing certain projects, and pursuing cost savings opportunities with respect to raw materials via a new procurement process. Additional cost savings have resulted from reducing the number of R&D sites, SG&A savings

from sales force consolidation, and reducing discretionary and other general and administrative (G&A) operating expense.

### **Foreign Exchange Rates**

Significant portions of our revenue and costs are exposed to changes in foreign exchange rates. Our products are sold in more than 90 countries and, as a result, our revenue is influenced by changes in foreign exchange rates. During the three months ended March 31, 2021 and 2020, approximately 54% and 49%, respectively, of our revenue was denominated in foreign currencies. As we operate in multiple foreign currencies, including the Euro, British pound, Swiss franc, Brazilian real, Australian dollar, Japanese yen, Canadian dollar, Chinese yuan, and other currencies, changes in those currencies relative to the U.S. dollar impact our revenue, cost of sales and expenses, and consequently, net income. These fluctuations may also affect the ability to buy and sell our products between markets impacted by significant exchange rate variances. Currency movements had a limited impact on revenue during the three months ended March 31, 2021 and 2020.

### **Our Relationship with Lilly and Additional Standalone Costs**

All operations-focused TSAs that went into effect after our 2018 separation from Lilly were exited as planned on March 31, 2021. We are nearly complete with investments in expanding our own administrative functions, including, but not limited to, information technology, facilities management, distribution, human resources, and manufacturing, to replace services previously provided by Lilly. Because of initial stand up costs and overlaps with services previously provided by Lilly, we have incurred and expect to continue to incur certain temporary, duplicative expenses in connection with the Separation. We have also incurred and expect to continue to incur costs related to the build out of processes and systems to support finance and global supply and logistics, among others. We currently estimate these costs taken together to be in a range from \$315 million to \$335 million, net of completed and planned real estate dispositions and employee benefit changes, of which a portion will be capitalized and the remainder will be expensed.

### **Asset Impairment, Restructuring and Other Special Charges**

During the three months ended March 31, 2021 and 2020 including in connection with the productivity initiatives described above under "Factors Affecting Our Results of Operations - Productivity," we incurred charges related to asset impairment, restructuring and other special charges, including integration of acquired businesses. These charges include severance costs resulting from actions taken to reduce our costs, asset impairment charges primarily related to competitive pressures for certain pet health products, product rationalizations, site closures and integration costs related to acquired businesses, primarily Bayer Animal Health, and costs related to the build out of processes and systems to support finance and global supply and logistics, among others, as we stand our organization up as an independent company.

For more information on these charges, see Note 5: Asset Impairment, Restructuring and Other Special Charges to the condensed consolidated financial statements.

## **Results of Operations**

The following discussion and analysis of our results of operations should be read along with our condensed consolidated financial statements and the notes thereto.

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Revenue	\$ 1,242	\$ 658	89 %
Costs, expenses and other:			
Cost of sales	569	333	71 %
% of revenue	46 %	51 %	(5) %
Research and development	89	67	33 %
% of revenue	7 %	10 %	(2) %
Marketing, selling and administrative	348	182	91 %
% of revenue	28 %	28 %	— %
Amortization of intangible assets	147	52	183 %
% of revenue	12 %	8 %	4 %
Asset impairment, restructuring and other special charges	108	75	44 %
Interest expense, net of capitalized interest	61	16	281 %
Other expense, net	—	1	NM
Loss before income taxes	(80)	(68)	18 %
% of revenue	(6)%	(10)%	4 %
Income tax benefit	(19)	(19)	— %
Net loss	\$ (61)	\$ (49)	24 %

Certain amounts and percentages may reflect rounding adjustments.

NM - Not meaningful

### Disaggregated Revenue

On a global basis, our revenue for the three months ended March 31 is summarized as follows:

(Dollars in millions)	Revenue		% of Total Revenue		Increase (Decrease)		
	2021	2020	2021	2020	\$ Change	% Change	CER <sup>(1)</sup>
Pet Health	\$ 645	\$ 206	52 %	31 %	\$ 439	213 %	211 %
Farm Animal	578	433	47 %	66 %	145	33 %	34 %
Subtotal	1,223	639	98 %	97 %	584	91 %	91 %
Contract Manufacturing <sup>(2)</sup>	19	19	2 %	3 %	—	— %	— %
Total	\$ 1,242	\$ 658	100 %	100 %	584	89 %	88 %

(1) Constant exchange rate (CER) is defined as revenue growth excluding the impact of foreign exchange. The calculation assumes the same foreign currency exchange rates that were in effect for the comparable prior-year period were used in translation of the current period results. We believe this metric provides a useful comparison to previous periods.

(2) Represents revenue from arrangements in which we act as a contract manufacturer, including supply agreements associated with divestitures of products related to the acquisition of Bayer Animal Health.

Total revenue increased \$584 million to \$1,242 million comprised of \$683 million from the legacy Elanco portfolio and \$559 million from the legacy Bayer Animal Health portfolio. This 89% increase reflects a 86% increase in volume, a 2% increase in price, and a limited favorable impact from foreign exchange rates.

The detailed change in revenue by product category was as follows:

- Pet Health revenue increased by \$439 million, or 213%, for the quarter, driven by an increase in revenue as a result of the addition of Bayer Animal Health product revenue of \$369 million in the quarter. The increase in the legacy Elanco business was driven by a favorable comparison to the prior year, during which we reduced channel inventory levels with our distributors, negatively impacting revenue by approximately \$60 million. Growth in the legacy Elanco business was also attributable to higher volume in newer generation parasiticide and pain products.

- Farm Animal revenue increased by \$145 million, or 33%, for the quarter, driven by an increase in revenue as a result of the addition of Bayer Animal Health product revenue of \$174 million in the quarter. Legacy Elanco revenue declined as a result of an unfavorable comparison to the prior year, which included anticipatory buying by direct customers in international export markets to ensure continuity of supply ahead of potential COVID-19 disruptions. In addition, the decline in the current period was driven by lower levels of demand in certain markets due to the negative impact of the COVID-19 pandemic on poultry and aqua consumption, production, and profitability as well as generic competition, partly offset by increased demand in China and price growth.
- Contract Manufacturing revenue remained flat at \$19 million, and represented 2% of total revenue. Contract manufacturing revenue for the period includes \$16 million resulting from the acquisition of Bayer Animal Health.

### Cost of Sales

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Cost of sales	\$ 569	\$ 333	71 %
% of revenue	46 %	51 %	

Cost of sales increased 71%, primarily due to the amortization of the fair value adjustment to inventory of \$62 million due to the acquisition of Bayer Animal Health along with an increase in legacy Elanco sales. Excluding the amortization of the inventory fair value adjustment, cost of sales would have been approximately 41% of revenue, compared to 51% in the prior year. This decrease is due to the inclusion of Bayer Animal Health products, which have higher margins, along with continued improvements in manufacturing productivity and increases in price.

### Research and development

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Research and development	\$ 89	\$ 67	33 %
% of revenue	7 %	10 %	

R&D expenses increased 33%, primarily due to the inclusion of the Bayer Animal Health business. As a percent of revenue, research and development was 7% compared to 10% in the prior year, partly due to a delay of some project spend from the first quarter to the second quarter.

### Marketing, selling and administrative

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Marketing, selling and administrative	\$ 348	\$ 182	91 %
% of revenue	28 %	28 %	

Marketing, selling and administrative expenses as a percentage of revenue were flat year over year. Expenses as a percentage of revenue remained flat primarily due to a delay of planned spend for direct-to-consumer and digital advertising from the first quarter to the second quarter resulting from a cooler early parasiticide season. Expenses increased 91% over prior year, primarily due to the acquisition of Bayer Animal Health and increased information technology spending.

### Amortization of intangible assets

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Amortization of intangible assets	\$ 147	\$ 52	183 %

Amortization of intangible assets increased \$95 million, primarily due to the addition of amortization of intangible assets recorded from the acquisition of Bayer Animal Health.

### Asset impairment, restructuring and other special charges

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Asset impairment, restructuring and other special charges	\$ 108	\$ 75	44 %

Asset impairment, restructuring and other special charges increased \$33 million, primarily due to severance associated with the restructuring program announced during the first quarter of 2021, an asset impairment charge recorded to adjust the fair value of intangible assets that were subject to product rationalization, higher integration costs of acquisitions, and costs associated with the implementation of new systems, programs, and processes due to our separation from Lilly and in connection with the acquisition of Bayer Animal Health, as more fully described in Note 5. These increases were partially offset by adjustments to severance accruals under the September 2020 program primarily as a result of restructured personnel filling open positions and favorable negotiations, and a related pension curtailment gain from the September 2020 and January 2021 programs.

For additional information regarding our asset impairment, restructuring and other special charges, see Note 5: Asset Impairment, Restructuring and Other Special Charges to the condensed consolidated financial statements.

### Interest expense, net of capitalized interest

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Interest expense, net of capitalized interest	\$ 61	\$ 16	281 %

Interest expense, net of capitalized interest, increased \$45 million, primarily due to interest associated with the term loan B entered into August 1, 2020 and used to finance the Bayer Animal Health acquisition.

### Other expense, net

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Other expense, net	\$ —	\$ 1	NM

Other expense recorded during the three months ended March 31, 2021 consisted of losses recorded in relation to divestitures. This was fully offset by up-front payments received, milestones earned, and equity issued to us in relation to a license agreement. Other expense recorded during the three months ended March 31, 2020 was primarily composed of foreign exchange losses.

### Income tax benefit

(Dollars in millions)	Three Months Ended March 31,		
	2021	2020	% Change
Income tax benefit	\$ (19)	\$ (19)	— %
Effective tax rate	23.5 %	27.6 %	

Income tax benefit was \$19 million for the three months ended March 31, 2021 and 2020. The effective tax rates

for both periods were impacted by net discrete tax items. See Note 10: Income Taxes to the condensed consolidated financial statements for further discussion.

## Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash flows from operations and funds available under our Credit Facilities. As a significant portion of our business is conducted internationally, we hold a significant portion of cash outside of the U.S. We monitor and adjust the amount of foreign cash based on projected cash flow requirements. Our ability to use foreign cash to fund cash flow requirements in the U.S. may be impacted by local regulations and, to a lesser extent, following U.S. tax reforms, the income taxes associated with transferring cash to the U.S. We currently intend to indefinitely reinvest foreign earnings for continued use in our foreign operations. As our structure evolves as a standalone company, we may change that strategy, particularly to the extent we identify tax efficient reinvestment alternatives for our foreign earnings or change our cash management strategy.

We believe our primary sources of liquidity are sufficient to fund our short-term and long-term existing and planned capital requirements, which include working capital obligations, funding existing marketed and pipeline products, capital expenditures, business development in our targeted areas, short-term and long-term debt obligations which include principal and interest payments as well as interest rate swaps, operating lease payments, purchase obligations, and costs associated with the integration of Bayer Animal Health. In addition, we have the ability to access capital markets to obtain debt refinancing for longer-term funding, if required, to service our long-term debt obligations. Further, we believe we have sufficient cash flow and liquidity to remain in compliance with our debt covenants.

Our ability to meet future funding requirements may be impacted by macroeconomic, business and financial volatility. As markets change, we will continue to monitor our liquidity position. However, a challenging economic environment or an economic downturn may impact our liquidity or ability to obtain future financing. See "Item 1A. Risk Factors - We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful" in Part I of our Annual Report on Form 10-K for the year ended December 31, 2020.

### Cash Flows

The following table provides a summary of cash flows from operating, investing and financing activities for the periods presented:

(Dollars in millions) Net cash provided by (used for):	Three Months Ended March 31,		
	2021	2020	\$ Change
Operating activities	\$ 22	\$ 4	\$ 18
Investing activities	10	(20)	30
Financing activities	2	897	(895)
Effect of exchange-rate changes on cash and cash equivalents	(25)	(9)	(16)
Net increase in cash, cash equivalents and restricted cash	\$ 9	\$ 872	\$ (863)

#### Operating activities

Our cash provided by operating activities increased by \$18 million, to \$22 million for the three months ended March 31, 2021 from \$4 million for the three months ended March 31, 2020. The increase was driven by higher net income after excluding amounts related to non-cash operating activities, including depreciation and amortization and inventory fair value step-up amortization. This increase was partially offset by the impact of changes in operating assets and liabilities. The COVID-19 global health pandemic and related economic downturn led to an increase in customer accounts receivable that were past due at the end of the first quarter of 2020; however, customer collections improved throughout the remainder of the year and payment terms decreased. In the past, we have extended our payment terms for distributors on occasion. Although we presently have no plans to do so in the future, it is possible that we will need to extend payment terms in certain situations as a result of the COVID-19 global health pandemic, competitive pressures and the need for certain inventory levels at our channel distributors to avoid supply disruptions. If so, such extensions of customer payment terms could result in additional uses of our cash flow.

### *Investing activities*

Our cash provided by investing activities was \$10 million for the three months ended March 31, 2021 as compared to cash used for investing activities of \$20 million for the three months ended March 31, 2020. The change was primarily driven by a decrease in the cash consideration paid to acquire Bayer Animal Health due to the finalization of the working capital adjustment during the period, partially offset by purchases of intangible assets.

### *Financing activities*

Our cash provided by financing activities decreased by \$895 million to \$2 million for the three months ended March 31, 2021 from \$897 million for the three months ended March 31, 2020. Cash provided by financing activities during the three months ended March 31, 2021 reflected net proceeds from our revolving credit facility, partially offset by the repayment of indebtedness outstanding under our term loan B credit facility. Cash provided by financing activities during the three months ended March 31, 2020, reflected proceeds from issuances of common stock and TEUs during the period, partially offset by the repayment of indebtedness outstanding under our previous term loan facility.

### **Description of Indebtedness**

For a complete description of our description of our debt and available credit facilities as of March 31, 2021 and December 31, 2020, see Note 8: Debt to the condensed consolidated financial statements.

### **Off Balance-Sheet Arrangements**

Other than the commitments and contingencies disclosed in Note 11: Commitments and Contingencies, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, or liquidity.

### **Contractual Obligations**

Our contractual obligations and commitments as of March 31, 2021 are primarily comprised of long-term debt obligations, including interest payments, and purchase obligations. Our long-term debt obligations are comprised of our expected principal and interest obligations and our interest rate swaps. Purchase obligations consist of open purchase orders as of March 31, 2021 and contractual payment obligations with significant vendors which are noncancelable and are not contingent. These obligations are primarily short-term in nature.

### **Critical Accounting Policies**

The preparation of financial statements in accordance with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Certain of our accounting policies are considered critical because these policies are the most important to the depiction of our financial statements and require significant, difficult or complex judgments by us, often requiring the use of estimates about the effects of matters that are inherently uncertain. Actual results that differ from our estimates could have an unfavorable effect on our financial position and results of operations. We apply estimation methodologies consistently from year to year. Such policies are summarized in Item 7, "Management's Discussion & Analysis of Results of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no significant changes in the application of our critical accounting policies during the three months ended March 31, 2021.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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### **Foreign Exchange Risk**

We operate on a global basis and are exposed to the risk that our earnings, cash flows and equity could be adversely impacted by fluctuations in foreign exchange rates. We are primarily exposed to foreign exchange risk with respect to net assets denominated in the Euro, British pound, Swiss franc, Brazilian real, Australian dollar,

Japanese yen, Canadian dollar, and Chinese yuan.

We face foreign currency exchange exposures when we enter into transactions arising from subsidiary trade and loan payables and receivables denominated in foreign currencies and purchases of local subsidiaries due to local regulations as a result of the acquisition of Bayer Animal Health. We also face currency exposure that arises from translating the results of our global operations to the U.S. dollar at exchange rates that have fluctuated from the beginning of the period. We may enter into foreign currency forward or option derivative contracts to reduce the effect of fluctuating currency exchange rates in future periods.

We estimate that a hypothetical 10% adverse movement in all foreign currency exchange rates related to the translation of the results of our foreign operations would decrease our net income by approximately \$6 million for the three months ended March 31, 2021.

### Interest Risk

Borrowings under our term loan B credit facility are exposed to interest rate fluctuations based on LIBOR. As of March 31, 2021, we held certain interest rate swap agreements with a notional value of approximately \$4.1 billion that have the economic effect of modifying the variable-interest obligations associated with the term loan B credit facility, so that a portion of the variable-rate interest payable becomes fixed. During the three months ended March 31, 2021, we recorded a gain of \$53 million, net of taxes on these interest rate swaps in other comprehensive loss. The gain is primarily attributable to an increase in the U.S. Treasury yield curve during the first quarter of 2021. See Note 9: Financial Instruments and Fair Value to the condensed consolidated financial statements for further information.

### Recently Issued Accounting Pronouncements

For discussion of our new accounting standards, see Note 2: Implementation of New Financial Accounting Pronouncements to the condensed consolidated financial statements.

## ITEM 4. CONTROLS AND PROCEDURES

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(a) *Evaluation of Disclosure Controls and Procedures.* Under applicable SEC regulations, management of a reporting company, with the participation of the principal executive officer and principal financial officer, must periodically evaluate the company's "disclosure controls and procedures," which are defined generally as controls and other procedures of a reporting company designed to ensure that information required to be disclosed by the reporting company in its periodic reports filed with the SEC (such as this Form 10-Q) is recorded, processed, summarized, and reported on a timely basis.

Our management, with the participation of Jeffrey N. Simmons, president and chief executive officer, and Todd S. Young, executive vice president and chief financial officer, evaluated our disclosure controls and procedures as of March 31, 2021. Based on this evaluation, the chief executive officer and the chief financial officer concluded that the disclosure controls and procedures are effective.

(b) *Changes in Internal Controls.* As of March 31, 2021, management is in the process of integrating the internal controls of the acquired Bayer Animal Health business into our existing operations as part of planned integration activities. In addition, we have transitioned from a Lilly solutions center to a newly established Elanco solutions center and substantially completed the implementation of our new Enterprise Resource Planning (ERP) system during the three months ended March 31, 2021. Other than the controls enhanced or implemented to integrate the Bayer Animal Health business and certain control processes that were updated to reflect our ERP implementation, there has been no change in our internal control over financial reporting during the quarter ended March 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As additional transformation activities occur, we will continue to monitor and evaluate our internal control over financial reporting. Further, we have not experienced any material impact to our internal controls over financial reporting despite our accounting, finance, and legal employees working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing COVID-19 on our internal controls to minimize the impact on their design and operating effectiveness.

## PART II

### ITEM 1. LEGAL PROCEEDINGS

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See Note 11: Commitments and Contingencies to the condensed consolidated financial statements for a summary of our legal proceedings.

### ITEM 1A. RISK FACTORS

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Other than the revisions set forth below, there have been no material changes from the risk factors disclosed in Part I of our Annual Report on Form 10-K for the year ended December 31, 2020.

The following risk factor has been changed from the risk factor that was previously disclosed:

***Unanticipated safety, quality or efficacy concerns or identified concerns associated with our products may harm our reputation and have an adverse impact on our performance.***

Unanticipated safety, quality or efficacy concerns arise from time to time with respect to animal health products, whether or not scientifically or clinically supported, potentially leading to product recalls, withdrawals or suspended or declining sales, as well as product liability and other claims. Regulatory actions based on these types of safety, quality or efficacy concerns could impact all, or a significant portion, of a product's sales.

For example, lawsuits seeking actual damages, injunctive relief, and/or restitution for allegedly deceptive marketing have been filed against us arising out of the use of *Seresto*, a non-prescription flea and tick collar for cats and dogs, based on reports alleging that the collar has caused injury and death to pets. Further, a U.S. House of Representative subcommittee chair requested that we produce certain documents and information related to the *Seresto* collar and further made a request to temporarily remove *Seresto* collars from the market. Similar actions relating to *Seresto* could be taken by regulatory agencies. If any such claims with respect to *Seresto* or our other products are resolved adversely to us, or if a regulatory agency determines that a recall of any of our products, including *Seresto*, is necessary, such action could cause harm to our reputation, reduce our product sales, result in monetary penalties and other costly remedies against us, and could therefore have a material adverse effect on our business, financial condition and results of operations.

In addition, we depend on positive perceptions of the safety, quality and efficacy of our products, and animal health products in general, by food producers, veterinarians and pet owners. Any concern as to the safety, quality or efficacy of our products, whether actual or perceived, may harm our reputation. These concerns, including those relating to *Seresto*, and the related harm to our reputation could materially adversely affect our business, financial condition and results of operations, regardless of whether such reports are accurate.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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(none)

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

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(none)

## ITEM 4. MINE SAFETY DISCLOSURES

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(none)

## ITEM 5. OTHER INFORMATION

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(none)

## ITEM 6. EXHIBITS

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The following exhibits are either filed or furnished herewith (as applicable) or, if so indicated, incorporated by reference to the documents indicated in parentheses, which have previously been filed or furnished with the Securities and Exchange Commission.

Exhibit Number	Description
10.1	<a href="#">Form of Elanco Animal Health Incorporated Restricted Stock Unit Award Agreement for executives with respect to annual awards (filed herewith).</a>
10.2	<a href="#">Form of Elanco Animal Health Incorporated Performance-Based Restricted Stock Unit Award Agreement for executives with respect to annual awards (filed herewith).</a>
10.3	<a href="#">Elanco Animal Health Incorporated Corporate Bonus Plan (filed herewith).</a>
31.1	<a href="#">Section 302 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
31.2	<a href="#">Section 302 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
32	<a href="#">Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
101	Interactive Data Files
104	Cover Page Interactive Data File (formatted as Inline XBRL document and included in Exhibit 101)

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ELANCO ANIMAL HEALTH INCORPORATED  
(Registrant)

Date: May 7, 2021

/s/ Jeffrey N. Simmons

Jeffrey N. Simmons  
President and Chief Executive Officer

Date: May 7, 2021

/s/ Todd S. Young

Todd S. Young  
Executive Vice President, Chief Financial Officer

## Elanco Animal Health Incorporated Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award is granted on \_\_\_\_\_, 2021 (“Grant Date”) by Elanco Animal Health Incorporated, an Indiana corporation (“Elanco” or the “Company”), to the Eligible Individual who has received this Restricted Stock Unit Award Agreement (the “Grantee”).

**Number of Shares:** Log into UBS account at  
<http://equity.elancoirect.com>

**Grantee:**

**Vesting Date(s):** 33% on March 1, 2022  
33% on March 1, 2023  
34% on March 1, 2024

(except as otherwise provided in this  
Restricted Stock Unit Award Agreement)

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**Section 1. Grant of Restricted Stock Units**

Elanco, an Indiana corporation (“Elanco” or the “Company”), has granted to the Eligible Individual who has received this Restricted Stock Unit Award Agreement (the “Grantee”) an award of restricted stock units (the “Restricted Stock Units” or the “Award”) with respect to the number of shares of Elanco Common Stock (the “Shares”) referenced on page 1 of this document, pursuant to and subject to the terms and conditions set forth in the 2018 Elanco Stock Plan (the “Plan”) and to the terms and conditions set forth in this Restricted Stock Unit Award Agreement, including any appendices, exhibits and addenda hereto (the “Award Agreement”). Unless otherwise stated in the Plan where the terms in this Award Agreement may govern in the event of any conflict between the terms of the Plan and this Award Agreement, in the event of any such conflict, the terms of the Plan shall otherwise govern.

Any capitalized terms used but not defined in this Award Agreement shall have the meanings set forth in the Plan.

**Section 2. Vesting**

- a. The Award shall vest as to all or a portion of the Award at the close of business in Greenfield, Indiana, U.S.A. on the earliest of the following dates (each, a “Vesting Date”):
  - i. the Vesting Date(s) set forth on page 1 of this document;
  - ii. a Qualifying Termination, as defined below; or
  - iii. the Grantee’s Retirement, as defined below.
- b. In the event the Grantee’s Service is terminated due to the Grantee’s death, any unvested portion of the Award will accelerate and vest in full.
- c. In the event the Grantee’s Service is terminated due to a Qualifying Termination for a reason other than death, a pro-rata portion of the Award will accelerate and vest based on the ratio of (x) the number of full or partial months worked by the Grantee from the Grant Date to the Qualifying Termination to (y) the total number of months from the Grant Date to the next scheduled Vesting Date set forth on page 1 of this document.
- d. In the event the Grantee’s Service is terminated due to Retirement prior to a Vesting Date set forth in Section 2(a)(i) above, a pro-rata portion of the Award will continue to vest on the Vesting Date(s) set forth in Section 2(a)(i) above (unless the Committee specifies another vesting date, in its sole discretion, under Section 3.3(j) of the Plan) based on the ratio of (x) the number of full or partial months worked by the Grantee from the Grant Date to Grantee’s Retirement to (y) the total number of months from the Grant Date to the next scheduled Vesting Date set forth on page 1 of this document. “Retirement” for purposes of this Award Agreement means either (A) age sixty (60) unless otherwise prescribed under Applicable Laws or (B) thirty (30) years of Service with the Company or an Affiliate, including any years of Service with Eli Lilly & Company (“Lilly”) prior to the Company’s spin-off from Lilly.

- e. Any portion of the Award that does not vest pursuant to Section 2(a), 2(b), 2(c) or 2(d) shall be forfeited upon the Grantee's termination of Service or Qualifying Termination. Further, in the event the Grantee's Service is terminated prior to a Vesting Date for any reason or in any circumstance other than those specified in Section 2(a), 2(b), 2(c) or 2(d) above, any unvested portion of the Award shall be forfeited.
- f. For purposes of this Award Agreement, a "Qualifying Termination" means any one of the following:
  - i. the date the Grantee's Service is terminated due to the Grantee's death;
  - ii. the date the Grantee's Service is terminated by reason of Disability;
  - iii. the date the Grantee's Service is terminated due to a closing of a plant site or other corporate location;
  - iv. the date the Grantee's Service is terminated due to the elimination of a work group, functional or business unit or other broadly applicable reduction in job positions; or
  - v. the date the Grantee's Service is terminated as a result of the Grantee's failure to locate a position within the Company or an Affiliate following the placement of the Grantee on reallocation or medical reassignment in the United States.

The Committee, in its sole discretion, shall determine whether and when a Qualifying Termination has occurred and/or if a leave of absence or transfer of employment between the Company and an Affiliate or between Affiliates constitutes a termination of Service. Such determination shall be final and binding on the Grantee.

### **Section 3. Change in Control**

The provisions of Section 13.2 of the Plan apply to this Award with the following modifications:

- a. The only Change in Control event that shall result in a benefit under this Section 3 shall be the consummation of a merger, share exchange, or consolidation of the Company, as defined in Section 2.6(c) of the Plan (a "Transaction").
- b. In the event that the Award is not converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction, then immediately prior to the Transaction, the Award shall vest automatically in full.
- c. In the event that the Award is converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction and the Grantee is subject to a Covered Termination (as defined below) prior to any applicable Vesting Date, the Award shall vest automatically in full.

For purposes of this provision, "Covered Termination" shall mean a Qualifying Termination, Grantee's termination without Cause or the Grantee's resignation for Good Reason. "Cause" and "Good Reason" shall have the meanings ascribed to

them in the Elanco Animal Health, Inc. 2018 Change in Control Severance Pay Plan for Employees or the Elanco Animal Health, Inc. 2018 Change in Control Severance Pay Plan for Select Employees (both as amended from time to time) or any successor plan or arrangement thereto, as applicable.

- d. If the Grantee is entitled to receive stock of the acquiring entity or successor to the Company as a result of the application of this Section 3, then references to Shares in this Award Agreement shall be read to mean stock of the successor or surviving corporation, or a parent or subsidiary thereof, as and when applicable.

**Section 4. Settlement**

- a. Except as provided below, the Award shall be paid to the Grantee as soon as practicable, and in no event later than sixty (60) days, following the applicable Vesting Date, or, if earlier, a vesting event contemplated under Section 3 above.
- b. If the Award is considered an item of non-qualified deferred compensation subject to Section 409A of the Code (“NQ Deferred Compensation”) and the settlement date or period is determined by reference to the date of the termination of the Grantee’s Service, (i) the Award shall not be paid unless and until the Grantee experiences a “separation from service” within the meaning of Section 409A of the Code (a “Section 409A Separation”) and (ii) if the Grantee is a “specified employee” within the meaning of Section 409A of the Code as of the date of the Grantee’s Section 409A Separation, the vested portion of the Award shall instead be paid on the earliest of (1) the Vesting Dates set forth in Section 2(a)(i) with respect to the portion of the Award that was scheduled to vest on such Vesting Dates, (2) the first day following the six (6) month anniversary of the Grantee’s Section 409A Separation, (3) the date of a Section 409A CIC (as defined below), and (4) the date of the Grantee’s death. If the Award is considered NQ Deferred Compensation and the vesting event is a Transaction that does not constitute a “change in control event” within the meaning of Section 409A of the Code (a “Section 409A CIC”), the Award shall instead be settled on the earliest of (A) the Vesting Dates set forth in Section 2(a)(i) with respect to the portion of the Award that was scheduled to vest on such Vesting Dates, (B) the date of a Section 409A CIC, and (C) the date of the Grantee’s death.
- c. At the time of settlement provided in this Section 4, the Company shall issue or transfer Shares or the cash equivalent, as contemplated under Section 4(d) below, to the Grantee. In the event the Grantee is entitled to a fractional Share, the fraction may be paid in cash or rounded, in the Committee’s discretion.
- d. At any time prior to the applicable Vesting Date or until the Award is paid in accordance with this Section 4, the Committee may, if it so elects, determine to pay part or all of the Award in cash in lieu of issuing or transferring Shares. The amount of cash shall be based on the Fair Market Value of the Shares on the applicable Vesting Date.
- e. In the event of the death of the Grantee, the payments described above shall be made to the successor of the Grantee.

**Section 5. Rights of the Grantee**

- a. No Shareholder Rights. The Restricted Stock Units do not entitle the Grantee to any rights of a shareholder of the Company until such time as the Restricted Stock Units vest and Shares are issued or transferred to the Grantee.
- b. No Trust; Grantee's Rights Unsecured. Neither this Award Agreement nor any action in accordance with this Award Agreement shall be construed to create a trust of any kind. The right of the Grantee to receive payments of cash or Shares pursuant to this Award Agreement shall be an unsecured claim against the general assets of the Company.

**Section 6. Prohibition Against Transfer**

The right of a Grantee to receive payments of Shares and/or cash under this Award may not be transferred except to a duly appointed guardian of the estate of the Grantee or to a successor of the Grantee by will or the applicable laws of descent and distribution and then only subject to the provisions of this Award Agreement. A Grantee may not assign, sell, pledge, or otherwise transfer Shares or cash to which Grantee may be entitled hereunder prior to transfer or payment thereof to the Grantee, and any such attempted assignment, sale, pledge or transfer shall be void.

**Section 7. Responsibility for Taxes**

- a. Regardless of any action the Company and/or the Grantee's employer (the "Employer") takes with respect to any or all income tax (including federal, state, local and non-U.S. tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax-Related Items"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant of the Restricted Stock Units, the vesting of the Restricted Stock Units and the lapse of restrictions, the transfer and issuance of any Shares, the receipt of any cash payment pursuant to the Award, the receipt of any dividends and the sale of any Shares acquired pursuant to this Award; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Grantee becomes subject to Tax-Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
- b. Prior to the applicable taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items.
- c. If the Restricted Stock Units are paid to the Grantee in cash in lieu of Shares, the Grantee authorizes the Company and/or the Employer, or their respective agents, at

their discretion, to satisfy any obligation for Tax-Related Items by withholding from the cash amount paid to the Grantee pursuant to the Award or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

- d. If the Restricted Stock Units are paid to the Grantee in Shares and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to (i) withhold from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer, (ii) arrange for the sale of Shares to be issued upon settlement of the Award (on the Grantee's behalf and at the Grantee's direction pursuant to this authorization or such other authorization as the Grantee may be required to provide to the Company or its designated broker in order for such sale to be effectuated) and withhold from the proceeds of such sale, and/or (iii) withhold in Shares otherwise issuable to the Grantee pursuant to this Award.
- e. If the Restricted Stock Units are paid to the Grantee in Shares and the Grantee is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Company will withhold in Shares otherwise issuable to the Grantee pursuant to this Award, unless the use of such withholding method is prevented by applicable law or has materially adverse accounting or tax consequences, in which case the withholding obligation for Tax-Related Items may be satisfied by one or a combination of the methods set forth in Section 7(d)(i) and (ii) above.
- f. Depending on the withholding method, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Grantee may receive a refund of any over-withheld amount in cash as soon as practicable and without interest and will not be entitled to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, the Grantee will be deemed to have been issued the full number of Shares to which Grantee is entitled pursuant to this Award, notwithstanding that a number of Shares are withheld to satisfy the obligation for Tax-Related Items.
- g. The Company may require the Grantee to pay the Company and/or the Employer any amount of Tax-Related Items that the Company and/or the Employer may be required to withhold or account for as a result of any aspect of this Award that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares or any cash payment to the Grantee if the Grantee fails to comply with the Grantee's obligation in connection with the Tax-Related Items as described in this Section 7.

**Section 8. Section 409A Compliance**

To the extent applicable, it is intended that this Award comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended and the Treasury Regulations and other guidance issued thereunder ("Section 409A") and this Award shall be interpreted and applied by the

Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A.

**Section 9. Nature of Grant**

In accepting the grant, Grantee acknowledges, understands and agrees that:

- a. the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan;
- b. the Award is voluntary and occasional and does not create any contractual or other right to receive future awards of Restricted Stock Units, or benefits in lieu thereof, even if Restricted Stock Units have been granted in the past;
- c. all decisions with respect to future awards of Restricted Stock Units or other awards, if any, will be at the sole discretion of the Committee;
- d. the Grantee's participation in the Plan is voluntary;
- e. the Award and any Shares subject to the Award are not intended to replace any pension rights or compensation;
- f. the Award and any Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, leave pay, pension or welfare or retirement benefits or similar mandatory payments;
- g. unless otherwise agreed with the Company, the Award and any Shares subject to the Award, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of an Affiliate;
- h. neither the Award nor any provision of this Award Agreement, the Plan or the policies adopted pursuant to the Plan, confer upon the Grantee any right with respect to employment or continuation of current employment, and in the event that the Grantee is not an employee of the Company or any subsidiary of the Company, the Award shall not be interpreted to form an employment contract or relationship with the Company or any Affiliate;
- i. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- j. no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the Grantee ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of local labor laws in the jurisdiction where the Grantee is employed or the terms of Grantee's employment agreement, if any);
- k. for purposes of the Award, the Grantee's employment will be considered terminated as of the date Grantee is no longer actively providing services to the Company, an

Employer or an Affiliate and the Grantee's right, if any, to vest in and be paid any portion of the Award after such termination of employment or services (regardless of the reason for such termination and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any) will be measured by the date the Grantee ceases to actively provide services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing services for purposes of the Award (including whether the Grantee may still be considered to be actively providing services while on a leave of absence);

- l. unless otherwise provided in the Plan or by the Committee in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- m. none of the Company, the Employer or any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Award or any amounts due to the Grantee pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

**Section 10. Data Privacy**

- a. *Data Collection and Usage. The Company and the Employer may collect, process and use certain personal information about the Grantee, and persons closely associated with the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Grantee's consent. Where required under Applicable Laws, Data may also be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure is the Applicable Laws.*
- b. *Stock Plan Administration Service Providers. The Company transfers Data to UBS Financial Services Inc. and/or its affiliated companies ("UBS"), an independent service provider, which is assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Grantee may be asked to agree on separate terms and data*

*processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

- c. *International Data Transfers.* *The Company and its service providers are based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction and in which the Company participates with respect to employee data. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.*
- d. *Data Retention.* *The Company will hold and use the Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*
- e. *Data Subject Rights.* *The Grantee understands that data subject rights regarding the processing of Data vary depending on Applicable Law and that, depending on where the Grantee is based and subject to the conditions set out in such Applicable Law, the Grantee may have, without limitation, the right to (i) inquire whether and what kind of Data the Company holds about the Grantee and how it is processed, and to access or request copies of such Data, (ii) request the correction or supplementation of Data about the Grantee that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, (iv) request the Company to restrict the processing of the Grantee's Data in certain situations where the Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and (vi) request portability of the Grantee's Data that the Grantee has actively or passively provided to the Company or the Employer (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Grantee's employment and is carried out by automated means. In case of concerns, the Grantee understands that Grantee may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Grantee's rights, the Grantee understands that Grantee should contact Grantee's local human resources representative.*
- f. *Voluntariness and Consequences of Consent Denial or Withdrawal.* *Participation in the Plan is voluntary and the Grantee is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke the Grantee's consent, the Grantee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant this Award or other awards to the Grantee or administer or maintain such awards.*
- g. *Declaration of Consent.* *By accepting the Award and indicating consent via the Company's online acceptance procedure, the Grantee is declaring that Grantee agrees with the data processing practices described herein and consents to the*

*collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

**Section 11. Additional Terms and Conditions**

- a. Country-Specific Conditions. The Award shall be subject to any special terms and conditions set forth in any Appendix to this Award Agreement for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Award Agreement.
- b. Insider Trading / Market Abuse Laws. The Grantee may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States and the Grantee's country of residence, which may affect the Grantee's ability to directly or indirectly, for the Grantee or for a third party, acquire or sell, or attempt to sell, or otherwise dispose of Shares or rights to acquire Shares (e.g., Restricted Stock Units) under the Plan during such times as the Grantee is considered to have "inside information" regarding the Company (as determined under the laws or regulations in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Grantee acknowledges that it is Grantee's responsibility to comply with any applicable restrictions, and the Grantee should consult with Grantee's personal legal advisor on this matter.
- c. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing. Without limitation to the foregoing, the Grantee agrees that the Restricted Stock Unit Award and any benefits or proceeds the Grantee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any requirements imposed under Applicable Laws, or pursuant to any clawback or compensation recovery policy of the Company.

**Section 12. Governing Law and Choice of Venue**

The validity and construction of this Award Agreement shall be governed by the laws of the State of Indiana, U.S.A. without regard to laws that might cause other law to govern under applicable principles of conflict of laws. For purposes of litigating any dispute that arises under this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Indiana, and agree that such litigation shall be conducted in the courts of Hancock County, Indiana, or the federal courts for the United States for the Southern District of Indiana, and no other courts, where this Award is granted and/or to be performed.

**Section 13. Miscellaneous Provisions**

- a. Notices and Electronic Delivery and Participation. Any notice to be given by the Grantee or successor Grantee shall be in writing, and any notice shall be deemed to have been given or made only upon receipt thereof by the Corporate Secretary of the Company at the Elanco Animal Health Global Headquarters, Greenfield, Indiana 46140, U.S.A. Any notice or communication by the Company in writing shall be deemed to have been given in the case of the Grantee if mailed or delivered to the Grantee at any address specified in writing to the Company by the Grantee and, in the case of any successor Grantee, at the address specified in writing to the Company by the successor Grantee. In addition, the Company may, in its sole discretion, decide to deliver any documents related to the Award and participation in the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. By accepting this Award, the Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
- b. Language. If the Grantee has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
- c. Waiver. The waiver by the Company of any provision of this Award Agreement at any time or for any purpose shall not operate as or be construed to be a waiver of the same or any other provision of this Award Agreement at any subsequent time or for any other purpose.
- d. Severability and Section Headings. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

The section headings in this Award Agreement are for convenience of reference only and shall not be deemed a part of, or germane to, the interpretation or construction of this instrument.

- e. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition or sale of the underlying Shares. The Grantee should consult with Grantee's own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

**Section 14. Award Subject to Acknowledgement of Acceptance**

Notwithstanding any provisions of this Award Agreement, the Award is subject to acknowledgement of acceptance by the Grantee on or prior to 4:00 PM (EDT) on the 60th day after the Grant Date, through the website of UBS, the Company's stock plan administrator. If the Grantee does not acknowledge acceptance of the Award prior to 4:00 PM (EDT) on or prior to the 60th day after the Grant Date, the Award will be cancelled, subject to the Committee's discretion for unforeseen circumstances, provided, however, if the Grantee's Service is terminated due to a Qualifying Termination prior to the 60th day after the Grant Date, the Award will not be cancelled and will be deemed accepted on behalf of the Grantee or the Grantee's legal successor.

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed in Greenfield, Indiana, by its proper officer.

ELANCO ANIMAL HEALTH INCORPORATED



By:

Jeffrey N. Simmons  
President, Chief Executive Officer  
and Director

*Appendix to*  
**Elanco Animal Health Incorporated  
Restricted Stock Unit Award Agreement**

This Appendix includes special terms and conditions applicable to the Grantee's country. These terms and conditions supplement or replace (as indicated) the terms and conditions set forth in the Award Agreement to which it is attached. If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently working and/or residing (or is considered as such for local law purposes), or if the Grantee transfers employment or residency to a different country after the Award is granted, Elanco will, in its discretion, determine the extent to which the terms and conditions herein will apply. This Appendix also includes other information relevant to the Award.

Unless otherwise defined herein, the terms defined in the Plan or the Award Agreement, as applicable, shall have the same meanings in this Appendix.

There are no special terms and conditions or information for the following countries:

Austria	Germany	Korea	Slovenia
Belgium	Indonesia	Netherlands	Sweden
Czech Republic	Ireland	Norway	Thailand
Egypt	Japan	Poland	

However, the Grantee should be aware that Grantee may be required to take certain steps to comply with Applicable Laws in the Grantee's country in connection with the Award. For example, exchange control, foreign asset and/or account and/or other tax reporting obligations may apply to the Grantee upon receipt of the Award or the Shares subject to the Award or upon the sale of Shares. *For more information regarding such obligations, the Grantee should refer to the Employee Information Supplement for the Grantee's country, if any. The Grantee should also consult with Grantee's own personal tax and legal advisors to determine what, if any, obligations exist with respect to the Award and/or the acquisition or sale of Shares. Neither the Company nor the Employer is responsible for any failure on the part of the Grantee to be aware of or comply with Applicable Laws.*

\*\*\*\*\*

## **ARGENTINA**

### ***Notifications***

Securities Law Information. The Award and the Shares to be issued pursuant to the Award are offered as a private transaction and are not listed on any stock exchange in Argentina. This offering is not subject to supervision by any Argentine governmental authority.

## **AUSTRALIA**

### ***Terms and Conditions***

Securities Law Information. Additional details regarding the offer of the Award are set out in the Australian Offer Document, a copy of which is attached to this Appendix for Australia as Annex 1.

Breach of Law. Notwithstanding anything to the contrary in the Award Agreement or the Plan, the Grantee will not be entitled to, and shall not claim, any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the *Corporations Act 2001*, any other provision of that act, or any other applicable statute, rule or regulation that limits or restricts the provision of such benefit.

### ***Notifications***

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Ctch) applies (subject to the conditions in that act).

**Annex 1 to Appendix for Australia**

AUSTRALIA - OFFER DOCUMENT

ELANCO ANIMAL HEALTH INCORPORATED

RESTRICTED STOCK UNIT AWARD AGREEMENT

The Company is pleased to provide the Grantee with this offer to participate in the Plan. This offer sets out information regarding the grant of Restricted Stock Unit Awards to Australian resident employees of the Company and its Affiliates. This offer is provided by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission ("ASIC") Class Order 14/1000 and relevant provisions of the *Corporations Act 2001*.

In addition to the information set out in the Award Agreement, the Grantee is also being provided with copies of the following documents (collectively, the "Additional Documents"):

1. Notification regarding Award;
2. Plan;
3. Information Summary/Prospectus; and
4. Employee Information Supplement for Australia

The Additional Documents provide further information to help the Grantee make an informed investment decision about participating in the Plan. Neither the Plan nor the Information Summary/Prospectus is a prospectus for the purposes of the *Corporations Act 2001*.

The Grantee should not rely upon any oral statements made in relation to this offer. The Grantee should rely only upon the statements contained in the Award Agreement and the Additional Documents when considering participation in the Plan.

**Securities Law Notification**

Investment in shares involves a degree of risk. Grantees who elect to participate in the Plan should monitor their participation and consider all risk factors relevant to the acquisition of Shares under the Plan as set out in the Award Agreement and the Additional Documents.

The information contained in this offer is general information only. It is not advice or information that takes into account the Grantee's objectives, financial situation and needs.

The Grantee should consider obtaining Grantee's own financial product advice from an independent person who is licensed by ASIC to give advice about participation in the Plan.

**Additional Risk Factors for Australian Residents**

The Grantee should have regard to risk factors relevant to investment in securities generally and, in particular, to the holding of Common Stock. For example, the price at which the Common Stock is traded on the New York Stock Exchange may increase or decrease due to a number of factors. There is no guarantee that the price of the Common Stock will increase. Factors which may affect the price of Common Stock include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil

prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

In addition, the Grantee should be aware that the Australian dollar value of any Shares acquired pursuant to the Award will be affected by the U.S. dollar/Australian dollar exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

### **Common Stock**

Common stock of a U.S. corporation is analogous to ordinary shares of an Australian corporation. Each holder of the Common Stock is entitled to one vote for each Share held.

Dividends may be paid on the Common Stock out of any funds of the Company legally available for dividends at the discretion of the Board.

The Common Stock is traded on the New York Stock Exchange in the United States of America under the symbol "ELAN."

The Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

### **Ascertaining the Market Price of Shares**

The Grantee may ascertain the current market price of the Common Stock as traded on the New York Stock Exchange at <http://www.nyse.com> under the symbol "ELAN." The Australian dollar equivalent of that price can be obtained at: <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

*This is not a prediction of what the market price of the Common Stock will be on any applicable vesting date or when Shares are issued to the Grantee or at any other time or of the applicable exchange rate at such time.*

## **BRAZIL**

### ***Terms and Conditions***

Nature of Grant. This provision supplements Section 9 of the Award Agreement:

By accepting the Award, the Grantee agrees that (i) Grantee is making an investment decision, (ii) the Shares will be issued to the Grantee only if the vesting conditions are met and any necessary Services are rendered between the Grant Date and each applicable Vesting Date, and (iii) the value of the underlying Shares is not fixed and may increase or decrease in value over the vesting period without compensation to the Grantee.

Labor Law Acknowledgment. The Grantee agrees, for all legal purposes, (i) the benefits provided under the Award Agreement and the Plan are the result of commercial transactions unrelated to the Grantee's employment; (ii) the Award Agreement and the Plan are not a part of the terms and conditions of the Grantee's employment; and (iii) the income from the Award or Shares, if any, is not part of the Grantee's remuneration from employment.

Compliance with Law. By accepting the Award, the Grantee agrees to comply with all applicable Brazilian laws and agrees to report and pay any and all applicable taxes associated with the Award and the sale of the Shares acquired under the Plan.

## **CANADA**

### ***Terms and Conditions***

Award Payable Only in Shares. The Award shall be paid in Shares only and does not provide the Grantee with any right to receive a cash payment.

Termination of Service. The following provision replaces Section 9(i) of the Award Agreement:

For purposes of the Award, the Grantee's Service shall be considered terminated as of the date that is the earliest of (i) the date on which the Grantee's Service is terminated, (ii) the date that the Grantee receives notice of termination of the Grantee's Service, or (iii) the date the Grantee is no longer actively providing Service to the Company or any Affiliate, regardless of any notice period or period of pay in lieu of such notice required under applicable employment laws in the jurisdiction where the Grantee is employed or otherwise providing Service (including, but not limited to statutory law, regulatory law and/or common law) or the terms of the Grantee's employment or other service agreement, if any. The Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing Service for purposes of the Award (including whether the Grantee may still be considered to be providing Service while on a leave of absence).

*The following terms and conditions apply to employees resident in Quebec:*

Language. The parties acknowledge that it is their express wish that the Award Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

*Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

Data Privacy. This provision supplements Section 10 of the Award Agreement:

The Grantee hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved in the administration and operation of the Plan. The Grantee further authorizes the Company and any Affiliate and the Committee to disclose and discuss the Plan with their advisors and to record all relevant information and keep such information in the Grantee's employee file.

### **Notifications**

Securities Law Information. The Grantee is permitted to sell Shares acquired under the Plan through UBS or such other broker designated under the Plan, provided the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Company's Shares are listed. The Company's Shares are currently traded on the New York Stock Exchange ("NYSE") which is located outside of Canada, under the ticker symbol "ELAN", and Shares acquired under the Plan may be sold through this exchange.

## **CHILE**

### **Notifications**

**Securities Law Notice**. The grant of the Award constitutes a private offering in Chile effective as of the date of the Award Agreement. This offer of the Award is made subject to General Ruling N° 336 of the Chilean Commission for the Financial Market ("CMF"). This offer refers to securities not registered at the Securities Registry or at the Foreign Securities Registry of the CMF, and, therefore, such securities are not subject to oversight of the CMF. Given that the Award is not registered in Chile, the Company is not required to provide public information about the Award or Shares in Chile. Unless the Award and/or the Shares are registered with the CMF, a public offering of such securities cannot be made in Chile.

*Esta oferta de los Derechos de Acciones Restringidas constituye una oferta privada de valores en Chile se inicia en la fecha de este documento. Esta oferta de los Derechos de Acciones Restringidas se acoge a las disposiciones de la norma de Carácter General N° 336 de la Comisión para el Mercado Financiero (CMF). Esta oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de los Derechos de Acciones Restringidas no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública respecto de los mismos. Estos Derechos de Acciones Restringidas no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el registro de valores correspondiente.*

## **CHINA**

### **Terms and Conditions**

Vesting. This provision replaces Section 2(d) of the Award Agreement:

In the event the Grantee's Service is terminated due to Retirement, the a pro-rata portion of the Award shall accelerate and vest at the close of business in Greenfield, Indiana, U.S.A., on the date the Grantee's Service is terminated due to Retirement based on the ratio of (x) the number of full or partial months worked by the Grantee from the Grant Date to Grantee's Retirement to (y) the total number of months from the Grant Date to the next scheduled Vesting Date set forth on page 1 of

the Award Agreement. "Retirement" for purposes of this Award Agreement means either (A) age sixty (60) unless otherwise prescribed under Applicable Laws or (B) thirty (30) years of Service with the Company or an Affiliate, including any years of Service with Lilly prior to the Company's spin-off from Lilly.

*This provision supplements Section 2 of the Award Agreement:*

To facilitate compliance with any Applicable Laws or regulations in China, the Grantee agrees and acknowledges that the Company (or a brokerage firm instructed by the Company) is entitled to sell any or all Shares issued to the Grantee on or as soon as practicable after the applicable Vesting Date or other vesting event (on behalf of the Grantee and at the Grantee's direction pursuant to this authorization), either immediately after such Shares are issued to the Grantee or when the Grantee ceases Service or at such other time as the Company may determine is necessary or advisable to facilitate compliance with Applicable Laws or the administration of the Plan. The Grantee also agrees to sign any forms and/or consents that may be required by the Company and acknowledges that neither the Company nor the brokerage firm is under any obligation to arrange for such sale of the Shares at any particular price. In any event, when the Shares acquired under the Plan are sold, the proceeds of the sale of the Shares, less any Tax-Related Items and broker's fees or commissions, will be remitted to the Grantee in accordance with applicable exchange control laws and regulations.

Exchange Control Restrictions. The Grantee understands and agrees that, due to exchange control laws in China, the Grantee will be required to immediately repatriate to China any funds (e.g., proceeds from the sale of Shares) received pursuant to this Award. The Grantee further understands that such repatriation of the funds may need to be effected through a special exchange control account established by the Company or any Affiliate. The Grantee hereby consents and agrees that any funds received pursuant to this Award may be transferred to such special account prior to being delivered to the Grantee's personal account. The Grantee also understands that the Company will deliver the funds to the Grantee as soon as possible, but there may be delays in distributing the funds to the Grantee due to exchange control requirements in China. Funds may be paid to the Grantee in U.S. dollars or local currency at the Company's discretion. If the funds are paid to the Grantee in U.S. dollars, the Grantee will be required to set up a U.S. dollar bank account in China so that the funds may be deposited into this account. If the funds are paid to the Grantee in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the funds to local currency due to exchange control restrictions. The Grantee further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

Neither the Company nor any Affiliate shall be liable for any costs, fees, lost interest or dividends or other losses the Grantee may incur or suffer resulting from the enforcement of the terms of this Addendum or otherwise from the Company's operation and enforcement of the Plan, the Award Agreement and the Shares in accordance with Chinese law, including, without limitation, any applicable State Administration of Foreign Exchange rules, regulations and requirements.

## COLOMBIA

### **Terms and Conditions**

Nature of Grant. This provision supplements Section 9 of the Award Agreement:

In accepting the Award, the Grantee acknowledges, understands and agrees that, pursuant to Article 128 of the Colombian Labor Code, the Award and any payment the Grantee receives pursuant to the Award do not constitute a component of “salary” and will not be considered as a salary nature payment for any legal purpose. Therefore, the Award and any related benefit will not be included and/or considered for purposes of calculating any labor benefits, such as legal/fringe benefits, vacations, indemnities, payroll taxes, social insurance contributions and/or any other labor-related amount which may be payable.

### **Notifications**

Securities Law Information. The Shares are not and will not be registered with the Colombian registry of publicly traded securities (Registro Nacional de Valores y Emisores) and therefore the Shares may not be offered to the public in Colombia. Nothing in the Award Agreement should be construed as making a public offer of securities in Colombia.

## DENMARK

### **Terms and Conditions**

Employer Statement. The Grantee acknowledges that Grantee has received an Employer Statement, translated into Danish, which includes a description of the terms of the Award as required by the Danish Stock Option Act.

## FRANCE

### **Terms and Conditions**

Award Not French-Qualified. The Award is not intended to be “French-qualified,” *i.e.*, it is not intended to qualify for specific tax and/or social security treatment in France.

Language Consent. In accepting the Award, the Grantee confirms having read and understood the documents relating to the Award (the Plan and the Award Agreement, including this Appendix), which were provided in English. The Grantee accepts the terms of those documents accordingly.

*Consentement Relatif à la Langue Utilisée. En acceptant cette Attribution, le Bénéficiaire confirme avoir lu et compris les documents relatifs à cette Attribution (le Plan le Contrat d'Attribution incluant cette Annexe), qui ont été remis en langue anglaise. Le Bénéficiaire accepte les termes de ces documents en conséquence.*

## INDIA

### **Notifications**

Exchange Control Information. The Grantee is required to repatriate the proceeds from the sale of Shares and any dividends received in relation to the Shares to India within any time frame

prescribed under applicable Indian exchange control laws, as may be amended from time to time. The Grantee must maintain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Grantee's employer requests proof of repatriation. It is the Grantee's responsibility to comply with applicable exchange control laws in India.

## **ITALY**

### ***Terms and Conditions***

Plan Document Acknowledgment. In accepting the Award, the Grantee acknowledges that Grantee has received a copy of the Plan, has reviewed the Plan and the Award Agreement (including this Appendix) in their entirety and fully understands and accepts all provisions of the Plan and the Award Agreement (including this Appendix) and, in particular, Section 2 (Vesting).

## **LEBANON**

### ***Terms and Conditions***

Securities Law Information. The Plan does not constitute the marketing or offering of securities in Lebanon pursuant to Law No. 161 (2011), the Capital Markets Law. Offers under the Plan are being made only to Eligible Individuals.

## **MALAYSIA**

### ***Notifications***

Director Notification Information. If the Grantee is a director of a Malaysian Affiliate, Grantee is subject to certain notification requirements under the Malaysian Companies Act, 2016. Among these requirements is an obligation to notify the Malaysian Affiliate in writing when the Grantee receives or disposes of an interest (e.g., the Award or Shares) in the Company or a related company. This notification must be made within fourteen (14) days after acquiring or disposing of any interest in the Company or a related company.

## **MEXICO**

### ***Terms and Conditions***

Acknowledgement of the Award Agreement. By accepting the Restricted Stock Unit Award, the Grantee acknowledges that Grantee has received a copy of the Plan and the Award Agreement, including this Appendix, which Grantee has reviewed. The Grantee further acknowledges that Grantee accepts all the provisions of the Plan and the Award Agreement, including this Appendix. The Grantee also acknowledges that Grantee has read and specifically and expressly approves the terms and conditions set forth in the "Grantee's Acknowledgement" section of the Award Agreement, which clearly provide as follows:

- (1) The Grantee's participation in the Plan does not constitute an acquired right;
- (2) The Plan and the Grantee's participation in it are offered by the Company on a wholly discretionary basis;

- (3) The Grantee's participation in the Plan is voluntary; and
- (4) The Company and its Affiliates are not responsible for any decrease in the value of any Shares acquired pursuant to the Restricted Stock Unit Awards.

**Labor Law Acknowledgement and Policy Statement.** By accepting the Award, the Grantee acknowledges that the Company, with registered offices at the Elanco Animal Health Inc. Global Headquarters, Greenfield, Indiana 46140, U.S.A., is solely responsible for the administration of the Plan. The Grantee further acknowledges that Grantee's participation in the Plan, the grant of Restricted Stock Unit Awards and any acquisition of Shares under the Plan do not constitute an employment relationship between the Grantee and the Company because the Grantee is participating in the Plan on a wholly commercial basis and Grantee's sole employer is Elanco Salud Animal SA de CV ("Elanco-Mexico"). Based on the foregoing, the Grantee expressly acknowledges that the Plan and the benefits that Grantee may derive from participation in the Plan do not establish any rights between the Grantee and Grantee's Employer, Elanco-Mexico, and do not form part of the employment conditions and/or benefits provided by Elanco-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Grantee's employment.

The Grantee further understands that Grantee's participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue the Grantee's participation in the Plan at any time, without any liability to the Grantee.

Finally, the Grantee hereby declares that Grantee does not reserve to him- or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that Grantee therefore grants a full and broad release to the Company, its subsidiaries, affiliates, branches, representation offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

### **Spanish Translation**

*Reconocimiento del Convenio de Concesión. Al aceptar el Premio de Desempeño, el Beneficiario reconoce que ha recibido y revisado una copia del Plan y del Convenio de Concesión, incluyendo este Apéndice. El Beneficiario reconoce y acepta todas las disposiciones del Plan y del Convenio de Concesión, incluyendo este Apéndice. El Beneficiario también reconoce que ha leído y aprobado de forma expresa los términos y condiciones establecidos en la sección: "Naturaleza de la Concesión" del Convenio de Concesión, que claramente establece lo siguiente:*

- (1) *La participación del Beneficiario en el Plan no constituye un derecho adquirido;*
- (2) *El Plan y la participación del Beneficiario en el es ofrecido por la Compañía de manera completamente discrecional;*
- (3) *La participación del Beneficiario en el Plan es voluntaria; y*
- (4) *La Compañía y sus Afiliadas no son responsables por ninguna disminución en el valor de las Acciones adquiridas de conformidad con el Premio de Desempeño.*

*Reconocimiento de la legislación Laboral aplicable y Declaración de la Política. Al aceptar el Premio, el Beneficiario reconoce que Company, con domicilio social en the Elanco Animal Health*

*Global Headquarters, Greenfield, Indiana 46140, U.S.A., es la única responsable por la administración del Plan. Además, el Beneficiario reconoce que su participación en el Plan, la concesión de Unidades de Acciones Restringidas y cualquier adquisición de Acciones bajo el Plan no constituyen una relación laboral entre el Beneficiario y Company, en virtud de que el Beneficiario está participando en el Plan en su totalidad sobre una base comercial y su único empleador es Elanco Salud Animal SA de CV (“Elanco-México”). Por lo anterior, el Beneficiario expresamente reconoce que el Plan y los beneficios que puedan derivarse de su participación no establecen ningún derecho entre el Beneficiario y su empleador, Elanco-México, y que no forman parte de las condiciones de trabajo y/o beneficios otorgados por Elanco-México, y cualquier modificación del Plan o la terminación del mismo no constituirá un cambio o modificación de los términos y condiciones en el empleo del Beneficiario.*

*Además, el Beneficiario comprende que su participación en el Plan es el resultado de una decisión discrecional y unilateral de la Company, por lo que Company se reserva el derecho absoluto de modificar y/o suspender la participación del Beneficiario en el Plan en cualquier momento, sin responsabilidad frente al Beneficiario.*

*Finalmente, el Beneficiario manifiesta que no se reserva acción o derecho alguno que origine una demanda en contra de Company, por cualquier compensación o daño relacionada con las disposiciones del Plan o de los beneficios otorgados en el mismo, y en consecuencia el Beneficiario libera de la manera más amplia y total de responsabilidad a E Company, sus subsidiarias, afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales de cualquier demanda que pudiera surgir.*

## **NEW ZEALAND**

### **Terms and Conditions**

The Grantee has been granted an award under the 2018 Elanco Stock Plan (“Plan”) and has been or will be provided with a description of the Plan and its terms and conditions separately from the Award Agreement. Copies of the Plan and the Plan prospectus are available at: <http://equity.elancodirect.com>. The following information is provided in compliance with an exemption under New Zealand law.

### **Notifications**

Annual Report and Financial Statements. Grantee has the right to receive from Elanco, on request and free of charge, a copy of Elanco’s latest annual report, financial statements and audit report on those financial statements. The Grantee also can view or obtain copies of these documents electronically at the following website: <https://investor.elanco.com/financials/quarterly-results/default.aspx>.

Securities Law Notice. This is an offer of restricted stock units (“RSUs”). To the extent that the RSUs vest and are settled in accordance with the terms of the Plan and the Award Agreement, they will be converted into shares of Elanco common stock. The shares will give Grantee a stake in the ownership of Elanco. The Grantee may receive a return on the shares if Elanco pays dividends.

If Elanco encounters financial difficulties and is wound up, Grantee will be paid only after all creditors have been paid and may lose some or all of Grantee’s investment (if any). New Zealand law normally requires people who offer financial products to give information to investors before

they invest. This information is designed to help investors make informed decisions. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, Grantee may not be given all of the information that is usually required and will have fewer other legal protections for this investment. The Grantee should ask questions, read all documents carefully, and seek independent financial advice before committing to the Award.

The RSUs are not listed, but Elanco shares are traded on the New York Stock Exchange (“NYSE”). This means that if Grantee receives Elanco shares following the vesting of RSUs, Grantee may be able to sell the shares on the NYSE if there are interested buyers. The price will depend on the demand for the shares. For information about risk factors affecting Elanco’s business that may affect the value of the shares, please refer to the risk factors discussion in Elanco’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at [www.sec.gov](http://www.sec.gov) and <https://investor.elanco.com/financials/sec-filings/default.aspx>.

The Grantee may request copies of Elanco’s SEC filings free of charge by contacting Elanco. The Grantee should read the referenced materials carefully before making a decision whether to participate in the Plan and note that values generally are reported in US dollars unless otherwise specified. In addition, Grantee should consult Grantee’s tax advisor for specific information concerning Grantee’s personal tax situation with regard to Plan participation.

## **PHILIPPINES**

### ***Terms and Conditions***

Compliance with Law. The following provision supplements Section 3.3(h) of the Plan:

The Grantee acknowledges that the Grantee’s participation in the Plan is subject to the Company obtaining an exemption from the registration requirements under Section 10.2 of the Philippines Securities Regulation Code. Without limitation to the foregoing, the Grantee understands and agrees that the issuance and delivery of Shares pursuant to the Award will be delayed until the Company obtains such exemption or the Committee has otherwise determined that the issuance of the Shares can be made in compliance with applicable laws and that the Company may settle the Award in cash, in its sole discretion if such requirements have not been met.

### ***Notifications***

Securities Law Notice. The risks of participating in the Plan include (without limitation) the risk of fluctuation in the price of the Shares on the New York Stock Exchange and the risk of currency fluctuations between the U.S. Dollar and Grantee’s local currency. The value of any Shares the Grantee may acquire under the Plan may decrease below the value of the Shares at vesting and fluctuations in foreign exchange rates between the Grantee’s local currency and the U.S. Dollar may affect the value of any amounts due to Grantee pursuant to the subsequent sale of any Shares acquired upon vesting. The Company is not making any representations, projections or assurances about the value of the Shares now or in the future.

For further information on risk factors impacting the Company’s business that may affect the value of the Shares, Grantee may refer to the risk factors discussion in the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and

Exchange Commission and are available online at [www.sec.gov](http://www.sec.gov), as well as on the Company's "Investor Relations" website at <https://investor.elanco.com/home/default.aspx>.

The Grantee is permitted to sell Shares acquired under the Plan through the designated Plan broker appointed by the Company (or such other broker to whom the Grantee transfers Shares), provided that such sale takes place outside of the Philippines through the facilities of the New York Stock Exchange on which the Shares are listed.

## **PORTUGAL**

### ***Terms and Conditions***

Language Acknowledgement. The Grantee hereby expressly declares that Grantee has full knowledge of the English language and has read, understood and freely accepted and agreed with the terms and conditions established in the Plan and the Award Agreement.

Conhecimento da Língua. O Contratado, pelo presente instrumento, declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo de Atribuição (Award Agreement em inglês).

## **RUSSIA**

### ***Terms and Conditions***

U.S. Transaction. The Grantee understands that accepting the Award and the terms and conditions of the Award Agreement will result in a contract between the Grantee and the Company completed in the United States and that the Award Agreement is governed by U.S. law. The Grantee understands and acknowledges that any Shares issued under the Plan shall be delivered to the Grantee through a brokerage account maintained outside Russia. The Grantee understands that the Grantee may hold Shares in a brokerage account outside Russia; however, in no event will Shares issued to the Grantee and/or share certificates or other instruments be delivered to the Grantee in Russia. The Grantee acknowledges and agrees that the Grantee is not permitted to sell or otherwise transfer the Shares directly to other Russian legal entities or individuals. Finally, the Grantee acknowledges and agrees that the Grantee may sell or otherwise transfer the Shares only outside Russia.

### ***Notifications***

Securities Law Information. This Appendix, the Award Agreement, the Plan and all other materials that the Grantee may receive regarding the Plan, do not constitute advertising or an offering of securities in Russia. The issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

Exchange Control Information. Under current exchange control regulations in Russia, certain funds received outside of Russia must be repatriated to Russia as soon as the Grantee intends to use those amounts for any purpose, including reinvestment. Such funds must initially be credited to the Grantee through a foreign currency account at an authorized bank in Russia. After the funds are

initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

As an exception to the above-mentioned repatriation rule, (i) cash proceeds from the sale of shares listed on one of the foreign stock exchanges on the list provided for by the Russian Federal law "On the Securities Market" (which currently includes the New York Stock Exchange) can be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD (Organization for Economic Co-operation and Development) or FATF (Financial Action Task Force) country, and (ii) cash dividends paid on shares can be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD or FATF country. Other exceptions may apply.

## **SOUTH AFRICA**

### ***Terms and Conditions***

Securities Law Information. In compliance with South African securities law, the Grantee acknowledges that Grantee has been notified that the following documents listed below are available for the Grantee's review at the applicable website listed below:

- (1) The Company's most recent annual financial statement, available at: <https://investor.elanco.com/financials/quarterly-results/default.aspx>.
- (2) The Company's most recent Information Summary/Prospectus, which is viewable within the Recordkeeping Information Document Library on UBS Financial Services Inc. at: <http://equity.elancodirect.com>.

The Grantee acknowledges that Grantee may have a copy of the above documents sent to him or her, without fee, on written request to the Secretary of the Company at the Elanco Animal Health Global Headquarters, Greenfield, Indiana 46140, U.S.A.

Responsibility for Taxes. This provision supplements Section 7 of the Award Agreement:

By accepting the Award, the Grantee agrees to notify the Employer of the amount of any gain realized when the Award vests and Shares are issued (or the cash equivalent is paid) to the Grantee. If the Grantee fails to advise the Employer of the gain realized when the Award vests and Shares are issued, the Grantee may be liable for a fine.

## **SPAIN**

### ***Terms and Conditions***

Vesting. This provision supplements Section 2 of the Award Agreement:

As a condition of the grant of the Award, termination of the Grantee's Service for any reason (including for the reasons listed below but excluding for the reasons specified in Section 2(f) of the Award Agreement) will automatically result in the forfeiture and loss of the Award and the underlying Shares to the extent that the Award has not yet vested as of the date of termination of the Grantee's Service. In particular, and without limitation to the provisions of the Award Agreement and the Plan, the Grantee understands and agrees that the Award will be cancelled without entitlement to the underlying Shares or to any amount as indemnification if the Grantee terminates employment by reason of, including, but not limited to: resignation, disciplinary dismissal adjudged to be with cause,

disciplinary dismissal adjudged or recognized to be without good cause (*i.e.*, subject to a “*despido improcedente*”), individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without cause (unless such layoff falls within the meaning of a plant closing or reduction in workforce as described in Section 2(f)), material modification of the terms of employment under Article 41 of the Workers’ Statute, relocation under Article 40 of the Workers’ Statute, Article 50 of the Workers’ Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985 (unless such layoff falls within the meaning of a medical reassignment as described in Section 2(f)). The Grantee acknowledges that Grantee has read and specifically accepts the vesting conditions referred to in Section 2 of the Award Agreement.

Grantee’s Acknowledgement. This provision supplements Section 9 of the Award Agreement:

The Grantee understands that the Company has unilaterally, gratuitously and discretionally decided to grant Restricted Stock Unit Awards under the Plan to individuals who may be Employees of the Company or its Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Affiliates on an ongoing basis except to the extent otherwise provided in the Plan and this Award Agreement. Consequently, the Grantee understands that the Restricted Stock Unit Awards are granted on the assumption and condition that the Restricted Stock Unit Awards and any Shares acquired pursuant to the Restricted Stock Unit Awards shall not become a part of any employment contract (either with the Company or any of its Affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Grantee understands that this grant would not be made to the Grantee but for the assumptions and conditions referred to above; thus, the Grantee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of Restricted Stock Unit Awards may be cancelled.

**Notifications**

Securities Law Information. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the Award. The Award Agreement has not nor will it be registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering prospectus.

**SWITZERLAND**

**Notifications**

Securities Law Information. The grant of the Restricted Stock Unit Awards and the issuance of Shares is not intended to be publicly offered in or from Switzerland. Because this is a private offering in Switzerland, the Restricted Stock Unit Awards are not subject to registration in Switzerland. Neither this Award Agreement nor any other materials relating to the Restricted Stock Unit Awards (i) constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, (ii) may be publicly distributed nor otherwise made publicly available in Switzerland, or (iii) have been or will be filed with, approved or supervised by any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (“FINMA”).

## **TAIWAN**

### ***Notifications***

Securities Law Information. The offer of participation in the Plan is available only for Employees of the Company and its Affiliates. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

## **TURKEY**

### ***Notifications***

Securities Law Information. Under Turkish law, the Grantee is not permitted to sell any Shares acquired under the Plan in Turkey. The Shares are currently traded on the New York Stock Exchange in the United States of America, under the ticker symbol of "ELAN" and Shares acquired under the Plan may be sold through this exchange.

## **UNITED KINGDOM**

### ***Terms and Conditions***

Settlement. Section 4(d) of the Award Agreement shall not apply to Restricted Stock Unit Awards granted in the United Kingdom.

Responsibility for Taxes. This provision supplements Section 7 of the Award Agreement:

Without limitation to Section 7 of the Award Agreement, the Grantee agrees that Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company and/or the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and/or the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee's behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the foregoing provision will not apply. In this case, the amount of any Tax-Related Items not collected from or paid by the Grantee may constitute a benefit to the Grantee on which additional income tax and National Insurance contributions ("NICs") may be payable. The Grantee understands that Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee NICs due on this additional benefit. Grantee acknowledges that the Company and/or the Employer (as appropriate) may recover such additional NICs at any time thereafter by any of the means referred to in Section 7 of the Award Agreement.

Joint Election. As a condition of Grantee's participation in the Plan and vesting of the Restricted Stock Unit Awards, the Grantee agrees to accept any liability for secondary Class 1 national insurance contributions which may be payable by the Company and/or the Employer in connection with the Restricted Stock Unit Awards and any event giving rise to Tax-Related Items (the "Employer NICs"). Without prejudice to the foregoing, by accepting this Award, the Grantee is entering into a joint election with the Company or the Employer if Grantee has not already done so, the form of

such joint election being formally approved by HMRC (the "Joint Election"), a copy of which is attached to this Appendix for the United Kingdom as Annex 1, and any other required consent or election. The Grantee further agrees to execute such other joint elections as may be required between him or her and any successor to the Company and/or the Employer. The Grantee further agrees that the Company and/or the Employer may collect the Employer NICs from him or her by any of the means set forth in Section 7 of the Award Agreement.

**Annex 1 to Appendix for United Kingdom**

**Important Note on the Joint Election for Transfer of Liability for Employer National Insurance Contributions to the Grantee:**

As a condition of the Grantee's participation in the Elanco 2018 Stock Plan, as amended from time to time (the "Plan"), the Grantee is required to enter into a joint election to transfer to the Grantee any liability for employer National Insurance contributions (the "Employer NICs") that may arise in connection with the Restricted Stock Unit Award (the "Award") and in connection with future awards, if any, that may be granted to the Grantee under the Plan (the "Joint Election").

By entering into the Joint Election:

- the Grantee agrees that any liability for Employer NICs that may arise in connection with or pursuant to the vesting of the Award and the acquisition of shares of common stock of Elanco Animal Health Inc. (the "Company") or other taxable events in connection with the Award will be transferred to the Grantee; and
- the Grantee authorizes the Company and/or the Grantee's employer to recover an amount sufficient to cover this liability by any method set forth in the Award Agreement and/or the Joint Election.

*To enter into the Joint Election and to accept the Award, please select the button next to "Accept" where indicated on the Pending Acceptance screen. Please note that selecting the button next to "Accept" indicates the Grantee's agreement to be bound by all of the terms of the Joint Election.*

*Please note that even if the Grantee has indicated Grantee's acceptance of this Joint Election electronically, the Grantee may still be required to sign a paper copy of this Joint Election (or a substantially similar form) if the Company determines such is necessary to give effect to the Joint Election.*

**Please read the terms of the Joint Election carefully before accepting the Award Agreement and the Joint Election. The Grantee should print and keep a copy of this Joint Election for Grantee's records.**

**United Kingdom**  
**Joint Election for Transfer of Liability for**  
**Employer National Insurance Contributions to Employee**  
**Election To Transfer the Employer's National Insurance Liability to the Employee**

This Election is between:

- A. The individual who has obtained authorised access to this Election (the "**Employee**"), who is employed by one of the employing companies listed in the attached schedule (the "**Employer**") and who is eligible to receive restricted stock unit awards (the "**Restricted Stock Unit Award**") pursuant to the 2018 Elanco Stock Plan (the "**Plan**"), and
- B. Elanco Animal Health Inc., an Indiana corporation, with registered offices at Greenfield, Indiana 46140, U.S.A. (the "**Company**"), which may grant Restricted Stock Unit Awards under the Plan and is entering into this Election on behalf of the Employer.

**1. Introduction**

- 1.1 This Election relates to all Restricted Stock Unit Awards granted to the Employee under the Plan on or after February 1, 2019 up to the termination date of the Plan.
- 1.2 In this Election the following words and phrases have the following meanings:
  - (a) "**Chargeable Event**" means any event giving rise to Relevant Employment Income.
  - (b) "**ITEPA**" means the Income Tax (Earnings and Pensions) Act 2003.
  - (c) "**Relevant Employment Income**" from Restricted Stock Unit Awards on which Employer's National Insurance Contributions becomes due is defined as:
    - (i) an amount that counts as employment income of the earner under section 426 ITEPA (restricted securities: charge on certain post-acquisition events);
    - (ii) an amount that counts as employment income of the earner under section 438 of ITEPA (convertible securities: charge on certain post-acquisition events); or
    - (iii) any gain that is treated as remuneration derived from the earner's employment by virtue of section 4(4)(a) SSCBA, including without limitation:
      - (A) the acquisition of securities pursuant to the Restricted Stock Unit Awards (within the meaning of section 477(3)(a) of ITEPA);
      - (B) the assignment (if applicable) or release of the Restricted Stock Unit Awards in return for consideration (within the meaning of section 477(3)(b) of ITEPA);
      - (C) the receipt of a benefit in connection with the Restricted Stock Unit Awards, other than a benefit within (i) or (ii) above (within the meaning of section 477(3)(c) of ITEPA).
  - (d) "**SSCBA**" means the Social Security Contributions and Benefits Act 1992.

- 1.3 This Election relates to the Employer's secondary Class 1 National Insurance Contributions (the "Employer's Liability") which may arise in respect of Relevant Employment Income in respect of the Restricted Stock Unit Awards pursuant to section 4(4)(a) and/or paragraph 3B(1A) of Schedule 1 of the SSCBA.
- 1.4 This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SSCBA, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- 1.5 This Election does not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part VII of ITEPA (employment income: securities with artificially depressed market value).

## **2. The Election**

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability that arises on any Relevant Employment Income is hereby transferred to the Employee. The Employee understands that, by accepting the Restricted Stock Unit Award (whether in hard copy or electronically) or by accepting this Election (whether in hard copy or electronically), Grantee will become personally liable for the Employer's Liability covered by this Election. This Election is made in accordance with paragraph 3B(1) of Schedule 1 of the SSCBA.

## **3. Payment of the Employer's Liability**

- 3.1 The Employee hereby authorises the Company and/or the Employer to collect the Employer's Liability in respect of any Relevant Employment Income from the Employee at any time after the Chargeable Event:
- (a) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Chargeable Event; and/or
  - (b) directly from the Employee by payment in cash or cleared funds; and/or
  - (c) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the Restricted Stock Unit Awards, the proceeds from which must be delivered to the Employer in sufficient time for payment to be made to Her Majesty's Revenue & Customs ("HMRC") by the due date; and/or
  - (d) where the proceeds of the gain are to be paid through a third party, the Employee will authorize that party to withhold an amount from the payment or to sell some of the securities which the Employee is entitled to receive in respect of the Restricted Stock Unit Awards, such amount to be paid in sufficient time to enable the Company and/or the Employer to make payment to HMRC by the due date; and/or
  - (e) by any other means specified in the applicable Restricted Stock Unit Award agreement entered into between the Employee and the Company.
- 3.2 The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Employee in respect of the Restricted Stock Unit Awards until full payment of the Employer's Liability is received.

3.3 The Company agrees to procure the remittance by the Employer of the Employer's Liability to HMRC on behalf of the Employee within 14 days after the end of the UK tax month during which the Chargeable Event occurs (or within 17 days after the end of the UK tax month during which the Chargeable Event occurs if payments are made electronically).

#### **4. Duration of Election**

4.1 The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the Employer on the date on which the Employer's Liability becomes due.

4.2 Any reference to the Company and/or the Employer shall include that entity's successors in title and assigns as permitted in accordance with the terms of the Plan and relevant award agreement. This Election will continue in effect in respect of any awards which replace the Restricted Stock Unit Awards in circumstances where section 483 of ITEPA applies.

4.3 This Election will continue in effect until the earliest of the following:

- (a) the date on which the Employee and the Company agree in writing that it should cease to have effect;
- (b) the date on which the Company serves written notice on the Employee terminating its effect;
- (c) the date on which HMRC withdraws approval of this Election; or
- (d) the date on which, after due payment of the Employer's Liability in respect of the entirety of the Restricted Stock Unit Awards to which this Election relates or could relate, the Election ceases to have effect in accordance with its own terms.

4.4 This Election will continue in force regardless of whether the Employee ceases to be an employee of the Employer.

#### **Acceptance by the Employee**

**The Employee acknowledges that, by clicking on the button next to "Accept" to accept the Restricted Stock Unit Awards Agreement and this Election (or by signing the Restricted Stock Unit Awards Agreement or this Election whether in hard copy or electronically), the Employee agrees to be bound by the terms of this Election.**

#### **Acceptance by the Company**

**The Company acknowledges that, by signing this Election or arranging for the scanned signature of an authorised representative to appear on this Election, the Company agrees to be bound by the terms of this Election.**

\_\_\_\_\_  
Signature for and on behalf of the Company

\_\_\_\_\_  
Position

**Schedule of Employer Companies**

The employing companies to which this Election relates include:

Name:	Elanco UK AH Limited
Registered Office:	Lilly House, Priestley Road, Basingstoke, Hants RG24 9NL
Company Registration Number:	11378434
Corporation Tax Reference:	4312717782
PAYE Reference:	475/FB88335

## Elanco Animal Health Incorporated Performance-Based Award Agreement

This Performance-Based Award is granted on \_\_\_\_\_, 2021 (“Grant Date”), by Elanco Animal Health Incorporated, an Indiana corporation (“Elanco” or the “Company”), to the Eligible Individual who has received this Performance-Based Award Agreement (the “Grantee”).

**Number of Shares:** Log into UBS account at  
<http://equity.elanco.com>

**Grantee:**

**Performance Period:** January 1, 2021 - December 31, 2022

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**Section 1. Grant of Performance-Based Award**

Elanco, an Indiana corporation (“Elanco” or the “Company”), has granted to the Eligible Individual who has received this Performance-Based Award Agreement (the “Grantee”) an award of performance-based restricted stock units (the “Performance-Based Award” or the “Award”). The number of shares of Elanco Common Stock (the “Shares”) (as set forth on the first page of this document) underlying the Award will vest based on the attainment of the Company's performance conditions, in whole or in part, for the Performance Period and the other vesting conditions set forth below under Section 2. The Grantee may view the number of Shares underlying the Award by logging on to the UBS Financial Services Inc. website at <http://equity.elanocdirect.com>. The Award is made pursuant to and subject to the terms and conditions set forth in the 2018 Elanco Stock Plan (the “Plan”) and to the terms and conditions set forth in this Performance-Based Award Agreement, including any appendices, exhibits and addenda hereto (the “Award Agreement”). Unless otherwise stated in the Plan where the terms in this Award Agreement may govern in the event of any conflict between the terms of the Plan and this Award Agreement, in the event of any such conflict, the terms of the Plan shall otherwise govern.

Any capitalized terms used but not defined in this Award Agreement shall have the meanings set forth in the Plan.

**Section 2. Vesting**

- a. The Award shall vest at the close of business in Greenfield, Indiana, U.S.A. on the last day of the Performance Period with respect to the Shares that become eligible to vest based on the attainment of the performance conditions set forth on page 1 of this Award Agreement, provided the Grantee continues in Service through the last day of the Performance Period.

For purposes of the vesting determination under this Section 2, the Shares underlying this Award shall be divided in relation to the Performance Period as follows:

<b>Performance Period Segment</b>	<b>Portion of Shares Eligible to Vest</b>
Fiscal Year 2021	33% of Shares
Fiscal Year 2022	33% of Shares
Fiscal Year 2023	34% of Shares

- i. As soon as reasonably practicable following the end of the Performance Period, the Committee shall determine the number of Shares eligible to vest based on the Company's net income (“Net Income”) ascertained from the Company's audited consolidated financial statements for each fiscal year or other specified measurement period in the Performance Period in accordance with accounting principles currently applicable in the United States (“US GAAP”), adjusted to the extent deemed appropriate by the Committee as set forth in Section 2(c) below for the Performance Period, the corresponding payout multiple and the number of Shares subject to this Award.

- ii. The Net Income for the Performance Period shall be ascertained from the Company's audited consolidated financial statements for each fiscal year or other specified measurement period of the Performance Period in accordance with U.S. GAAP each year, adjusted to the extent deemed appropriate by the Committee as set forth in Section 2(c) below.
  - iii. The payout multiple corresponding to the Net Income (as shown on page 1 of this document) for each fiscal year or other specified measurement period shall then be applied to the number of Shares subject to this Award.
  - iv. The number of Shares eligible to vest with respect to this Award will be the number of Shares resulting from the calculations described in subsections (ii) and (iii) above.
- b. In the event the Grantee's Service is terminated prior to the last day of the Performance Period for any reason or in any circumstance other than a Qualifying Termination (as described below), the Award shall be forfeited. Further, any portion of the Award that does not vest in accordance with Section 3(c) shall be forfeited in the event the Grantee's Service is terminated due to a Qualifying Termination.
- c. In the event of any unplanned events that may impact the business results positively or negatively, the Committee, in its sole discretion, may adjust the Net Income for the Performance Period for purposes of determining the payout multiple. The adjustments may include:
- i. the impact from the operations of any business divestiture, such as a major product or geography;
  - ii. the impact of any acquisitions, significant collaborations, restructuring or external litigation;
  - iii. foreign currency fluctuation impact greater than a 2% change to applicable plan rates;
  - iv. the impact of any non-GAAP adjustment provided each adjustment is approved by the Committee; and/or
  - v. any unforeseen adjustment provided such adjustment is approved by the Committee.

### **Section 3. Adjustments for Certain Employment Status Changes**

Unless the Committee determines, in its sole discretion, that such adjustments are not advisable after consideration of employment laws in the country where the Grantee resides, the number of Shares shall be adjusted for changes in employment status during the Performance Period as follows:

- a. Leaves of Absence. The number of Shares eligible to vest shall be reduced proportionally for any portion of the total days in the Performance Period during which the Grantee is on an approved unpaid leave of absence longer than ninety (90) days.

- b. Demotions, Disciplinary Actions and Misconduct. The Committee may, in its sole discretion, cancel this Performance-Based Award or reduce the number of Shares eligible to vest, prorated according to time or other measure as determined appropriate by the Committee, if during any portion of the Performance Period the Grantee has been (i) subject to disciplinary action by the Company or (ii) determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such conduct causes significant harm to the Company, as determined in the sole discretion of the Company.
- c. Qualifying Termination. In the event the Grantee's employment is subject to a Qualifying Termination (as defined below), a pro-rata portion of the Award will vest on the originally scheduled vesting date (unless the Committee specifies another vesting date, in its sole discretion, under Section 3.3(j) of the Plan) based on the ratio of (x) the number of full or partial months worked by the Grantee from the Grant Date to the Qualifying Termination to (y) the total number of months from the Grant Date to the scheduled vesting date.

For purposes of this Award Agreement, a "Qualifying Termination" means any one of the following:

- i. the date of the Grantee's Retirement;
- ii. the date the Grantee's Service is terminated due to the Grantee's death;
- iii. the date the Grantee's Service is terminated by reason of Disability;
- iv. the date the Grantee's Service is terminated due to a closing of a plant site or other corporate location;
- v. the date the Grantee's Service is terminated due to the elimination of a work group, functional or business unit or other broadly applicable reduction in job positions; or
- vi. the date the Grantee's Service is terminated as a result of the Grantee's failure to locate a position within the Company or an Affiliate following the placement of the Grantee on reallocation or medical reassignment in the United States.

"Retirement" for purposes of this Award means either (A) age sixty (60) unless otherwise prescribed under Applicable Laws or (B) thirty (30) years of Service with the Company or an Affiliate, including any years of Service with Eli Lilly & Company ("Lilly") prior to the Company's spin-off from Lilly.

The Committee, in its sole discretion, shall determine whether and when a Qualifying Termination has occurred and/or if a leave of absence or transfer of employment between the Company and an Affiliate or between Affiliates constitutes a termination of Service. Such determination shall be final and binding on the Grantee.

#### **Section 4. Change in Control**

The provisions of Section 13.2 of the Plan apply to this Award with the following modifications:

- a. The only Change in Control event that shall result in a benefit under this Section 4 shall be the consummation of a merger, share exchange, or consolidation of the Company, as defined in Section 2.6(c) of the Plan (a "Transaction").
- b. In the event that the Award is not converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction, then immediately prior to the Transaction, the Award shall accelerate and vest, with the portion of the Award subject to Company performance vesting determined based on the target level of attainment.
- c. In the event that the Award is converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction and the Grantee is subject to a Covered Termination (as defined below) prior to any applicable vesting date, the Award shall accelerate and vest automatically in full with the portion of the Award subject to Company performance vesting determined based on the target level of attainment.

For purposes of this provision, "Covered Termination" shall mean a Qualifying Termination, Grantee's termination without Cause or the Grantee's resignation for Good Reason. "Cause" and "Good Reason" shall have the meanings ascribed to them in the Elanco Animal Health, Inc. 2018 Change in Control Severance Pay Plan for Employees or the Elanco Animal Health, Inc. 2018 Change in Control Severance Pay Plan for Select Employees (both as amended from time to time) or any successor plan or arrangement thereto, as applicable.

- d. If the Grantee is entitled to receive stock of the acquiring entity or successor to the Company as a result of the application of this Section 4, then references to Shares in this Award Agreement shall be read to mean stock of the successor or surviving corporation, or a parent or subsidiary thereof, as and when applicable.

#### **Section 5. Settlement**

- a. Except as provided below, the Award shall be paid to the Grantee as soon as practicable, but in no event later than sixty (60) days, following the last day of the Performance Period.
- b. If the Award vests pursuant to Section 4(b), the Award shall be paid to the Grantee immediately prior to the Transaction, provided that if the Award is considered an item of non-qualified deferred compensation subject to Section 409A of the Code ("NQ Deferred Compensation") and the Transaction does not constitute a "change in control event," within the meaning of the U.S. Treasury Regulations (a "409A CIC"), then the Award shall be paid in cash (calculated based on the value of the Shares established for the consideration to be paid to holders of Shares in the Transaction) on the earliest of the date that the Grantee experiences a "separation from service" within the meaning of Section 409A of the Code (a "Section 409A Separation") (subject to any delay applicable to "specified employees" described in

Section 5(c) below), the date of the Grantee's death and the date set forth in Section 2(a) above.

- c. If the Award vests pursuant to Section 4(c) and the Award is NQ Deferred Compensation, (i) the Award shall be paid within sixty (60) days following the date the Grantee experiences a Section 409A Separation and (ii) if the Grantee is a "specified employee" within the meaning of Section 409A of the Code as of the date of the Grantee's Section 409A Separation, the Award shall instead be paid on the earliest of (1) the first day following the six (6) month anniversary of the Grantee's Section 409A Separation, (2) the date set forth in Section 2(a) above, and (3) the date of the Grantee's death.
- d. At the time of settlement provided in this Section 5, the Company shall issue or transfer Shares or the cash equivalent, as contemplated under Section 5(e) below, to the Grantee. In the event the Grantee is entitled to a fractional Share, the fraction may be paid in cash or rounded, in the Committee's discretion.
- e. At any time prior to the end of the Performance Period or until the Award is paid in accordance with this Section 5, the Committee may, if it so elects, determine to pay part or all of the Award in cash in lieu of issuing or transferring Shares. The amount of cash shall be calculated based on the Fair Market Value of the Shares on the last day of the Performance Period in the case of payment pursuant to Section 5(a) and on the date of payment in the case of a payment pursuant to Section 5(c).
- f. In the event of the death of the Grantee, the payments described above shall be made to the successor of the Grantee.

#### **Section 6. Rights of the Grantee**

- a. No Trust; Grantee's Rights Unsecured. Neither this Performance-Based Award nor any action pursuant to or in accordance with this Performance-Based Award shall be construed to create a trust of any kind. The right of Grantee to receive payments of cash or Shares under this Performance-Based Award shall be an unsecured claim against the general assets of the Company
- b. No Shareholder Rights. The Performance-Based Award does not entitle the Grantee to any rights of a shareholder of the Company until such time as the Performance-Based Award is settled and Shares are issued or transferred to the Grantee.

#### **Section 7. Prohibition Against Transfer**

The right of a Grantee to receive payments of Shares and/or cash under this Award may not be transferred except to a duly appointed guardian of the estate of the Grantee or to a successor of the Grantee by will or the applicable laws of descent and distribution and then only subject to the provisions of this Award Agreement. A Grantee may not assign, sell, pledge, or otherwise transfer Shares or cash to which Grantee may be entitled hereunder prior to transfer or payment thereof to the Grantee, and any such attempted assignment, sale, pledge or transfer shall be void.

## **Section 8. Responsibility for Taxes**

Regardless of any action the Company and/or the Grantee's employer (the "Employer") takes with respect to any or all income tax (including federal, state, local and non-U.S. tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax-Related Items"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant of the Performance-Based Award, the expiration of the Performance Period, the issuance of Shares, the transfer and issuance of Shares, the receipt of any cash pursuant to the Award, the receipt of any dividends and the sale of any Shares acquired pursuant to this Award; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Grantee becomes subject to Tax-Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the applicable taxable or tax withholding event, as applicable, the Grantee shall pay, or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items.

- a. In the case of any cash payment made to the Grantee pursuant to this Award, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligation for Tax-Related Items by withholding from the cash amount paid to the Grantee or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.
- b. If the Performance-Based Award is paid in Shares and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to (i) withhold from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer, (ii) arrange for the sale of Shares to be issued pursuant to the Award (on the Grantee's behalf and at the Grantee's direction pursuant to this authorization or such other authorization as the Grantee may be required to provide to the Company or its designated broker in order for such sale to be effectuated) and withhold from the proceeds of such sale, and/or (iii) withhold in Shares otherwise issuable to the Grantee pursuant to this Award.
- c. If the Performance-Based Award is paid in Shares and the Grantee is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Company will withhold in Shares otherwise issuable to the Grantee pursuant to this Award, unless the use of such withholding method is prevented by applicable law or has materially adverse accounting or tax consequences, in which case the withholding obligation for Tax-Related Items may be satisfied by one or a combination of the methods set forth in Section 8(b)(i) and (ii) above.

Depending on the withholding method, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Grantee will receive a refund of any over-withheld amount in cash as soon as practicable and without interest and will not be entitled to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, the Grantee will be deemed to have been issued the full number of Shares to which Grantee is entitled pursuant to the Performance-Based Award, notwithstanding that a number of Shares are withheld to satisfy the obligation for Tax-Related Items.

The Company may require Grantee to pay the Company and/or the Employer any amount of Tax-Related Items that the Company and/or the Employer may be required to withhold or account for as a result of any aspect of this Award that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares or any cash payment to the Grantee if the Grantee fails to comply with the Grantee's obligation in connection with the Tax-Related Items as described in this Section 8.

### **Section 9. Section 409A Compliance**

To the extent applicable, it is intended that this Performance-Based Award comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended and the Treasury Regulations and other guidance issued thereunder ("Section 409A") and this Award shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A.

### **Section 10. Nature of Grant**

In accepting this Performance-Based Award, the Grantee acknowledges, understands and agrees that:

- a. the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan;
- b. the Performance-Based Award is voluntary and occasional and does not create any contractual or other right to receive future Awards, or benefits in lieu thereof, even if Awards have been granted in the past;
- c. all decisions with respect to future grants of Awards or other grants, if any, will be at the sole discretion of the Company;
- d. the Grantee's participation in the Plan is voluntary;
- e. the Performance-Based Award and any Shares subject to the Award are not intended to replace any pension rights or compensation;
- f. the Award and any Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy,

end of service payments, bonuses, long-service awards, holiday pay, leave pay, pension or welfare or retirement benefits or similar mandatory payments;

- g. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- h. no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the Grantee ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever and whether or not later found to be invalid or in breach of local labor laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any);
- i. for purposes of the Award, the Grantee's employment will be considered terminated as of the date Grantee is no longer actively providing services to the Company, an Employer or an Affiliate and the Grantee's right, if any, to earn and be paid any portion of the Award, after such termination of employment or services (regardless of the reason for such termination and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any) will be measured by the date the Grantee ceases to actively provide services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing services for purposes of the Award (including whether the Grantee may still be considered to be actively providing services while on a leave of absence);
- j. unless otherwise provided in the Plan or by the Committee in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- k. none of the Company, the Employer or any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Award or any amounts due to the Grantee pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

## Section 11. Data Privacy

- a. *Data Collection and Usage.* The Company and the Employer may collect, process and use certain personal information about the Grantee, and persons closely associated with the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or

directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Grantee's consent. Where required under Applicable Laws, Data may also be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure is the Applicable Laws.

- b. Stock Plan Administration Service Providers. The Company transfers Data to UBS Financial Services Inc. and/or its affiliated companies ("UBS"), an independent service provider, which is assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Grantee may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.
- c. International Data Transfers. The Company and its service providers are based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction and in which the Company participates with respect to employee data. The Company's legal basis, where required, for the transfer of Data is the Grantee's consent.
- d. Data Retention. The Company will hold and use the Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.
- e. Data Subject Rights. The Grantee understands that data subject rights regarding the processing of Data vary depending on Applicable Law and that, depending on where the Grantee is based and subject to the conditions set out in such Applicable Law, the Grantee may have, without limitation, the right to (i) inquire whether and what kind of Data the Company holds about the Grantee and how it is processed, and to access or request copies of such Data, (ii) request the correction or supplementation of Data about the Grantee that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, (iv) request the Company to restrict the processing of the Grantee's Data in certain situations where the Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and (vi) request portability of the Grantee's Data that the Grantee has actively or passively provided to the Company or the Employer (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Grantee's employment and is carried out by automated means. In case of concerns, the Grantee understands that Grantee may also have the right to lodge a

*complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Grantee's rights, the Grantee understands that Grantee should contact Grantee's local human resources representative.*

- f. Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Grantee is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke the Grantee's consent, the Grantee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant this Award or other awards to the Grantee or administer or maintain such awards.*
- g. Declaration of Consent. By accepting the Award and indicating consent via the Company's online acceptance procedure, the Grantee is declaring that Grantee agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

## **Section 12. Additional Terms and Conditions**

- a. Country-Specific Conditions. The Award shall be subject to any special terms and conditions set forth in any Appendix to this Award Agreement for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Award Agreement.
- b. Insider Trading / Market Abuse Laws. The Grantee may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States and the Grantee's country of residence, which may affect the Grantee's ability to directly or indirectly, for the Grantee or for a third party, acquire or sell, or attempt to sell, or otherwise dispose of Shares or rights to acquire Shares (e.g., the Performance-Based Award) under the Plan during such times as the Grantee is considered to have "inside information" regarding the Company (as determined under the laws or regulations in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Grantee acknowledges that it is Grantee's responsibility to comply with any applicable restrictions, and the Grantee should consult with Grantee's personal legal advisor on this matter.
- c. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing. Without limitation to the foregoing, the Grantee agrees that the Award and any

benefits or proceeds the Grantee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any requirements imposed under Applicable Laws, or pursuant to any clawback or compensation recovery policy of the Company.

**Section 13. Miscellaneous Provisions**

- a. Notices and Electronic Delivery and Participation. Any notice to be given by the Grantee or successor Grantee shall be in writing, and any notice or payment shall be deemed to have been given or made only upon receipt thereof by the Corporate Secretary of the Company at the Elanco Animal Health Global Headquarters, Greenfield, Indiana 46140, U.S.A. Any notice or communication by the Company in writing shall be deemed to have been given in the case of the Grantee if mailed or delivered to the Grantee at any address specified in writing to the Company by the Grantee and, in the case of any successor Grantee, at the address specified in writing to the Company by the successor Grantee. In addition, the Company may, in its sole discretion, decide to deliver any documents related to the Award and participation in the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. By accepting this Award, the Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
- b. Language. Grantee acknowledges that Grantee is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Grantee to understand the terms and conditions of this Award Agreement. If the Grantee has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different from the English version, the English version will control.
- c. Waiver. The waiver by the Company of any provision of this instrument at any time or for any purpose shall not operate as or be construed to be a waiver of that provision or any other provision of this instrument at any subsequent time or for any other purpose.
- d. Severability and Section Headings. If one or more of the provisions of this instrument shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this instrument to be construed so as to foster the intent of this Award and the Plan. The section headings in this instrument are for convenience of reference only and shall not be deemed a part of, or germane to, the interpretation or construction of this instrument.
- e. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition or sale of the

underlying Shares. The Grantee should consult with Grantee's own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

**Section 14. Governing Law and Choice of Venue**

The validity and construction of this Performance-Based Award shall be governed by the laws of the State of Indiana, U.S.A. without regard to laws that might cause other law to govern under applicable principles of conflict of laws. For purposes of litigating any dispute that arises under this Performance-Based Award, the parties hereby submit to and consent to the jurisdiction of the State of Indiana, and agree that such litigation shall be conducted in the courts of Marion County, Indiana, or the federal courts for the United States for the Southern District of Indiana, and no other courts, where this e Award is granted and/or to be performed.

**Section 15. Award Subject to Acknowledgement of Acceptance**

Notwithstanding any provisions of this Award Agreement, the Award is subject to acknowledgement of acceptance by the Grantee on or prior to 4:00 PM (EDT) on the 60th day after the Grant Date, through the website of UBS, the Company's stock plan administrator. If the Grantee does not acknowledge acceptance of the Award prior to 4:00 PM (EDT) on or prior to the 60th day after the Grant Date, the Award will be cancelled, subject to the Committee's discretion for unforeseen circumstances, provided, however, if the Grantee's Service is terminated due to a Qualifying Termination prior to the 60th day after the Grant Date, the Award will not be cancelled and will be deemed accepted on behalf of the Grantee or the Grantee's legal successor.

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed in Greenfield, Indiana, by its proper officer.

ELANCO ANIMAL HEALTH INCORPORATED



Jeffrey N. Simmons  
President, Chief Executive Officer and Director

***Appendix to***  
**Elanco Animal Health Incorporated**  
**Performance-Based Award Agreement**

This Appendix includes special terms and conditions applicable to the Grantee's country. These terms and conditions supplement or replace (as indicated) the terms and conditions set forth in the Award Agreement to which it is attached. If the Grantee is a citizen or resident of a country other than the one in which the Grantee is currently working and/or residing (or is considered as such for local law purposes), or if the Grantee transfers employment or residency to a different country after the Award is granted, Elanco will, in its discretion, determine the extent to which the terms and conditions herein will apply. This Appendix also includes other information relevant to the Award.

Unless otherwise defined herein, the terms defined in the Plan or the Award Agreement, as applicable, shall have the same meanings in this Appendix.

There are no special terms and conditions or information for the following countries:

Austria	Germany	Korea	Slovenia
Belgium	Indonesia	Netherlands	Sweden
Czech Republic	Ireland	Norway	Thailand
Egypt	Japan	Poland	

However, the Grantee should be aware that Grantee may be required to take certain steps to comply with Applicable Laws in the Grantee's country in connection with the Award. For example, exchange control, foreign asset and/or account and/or other tax reporting obligations may apply to the Grantee upon receipt of the Award or the Shares subject to the Award or upon the sale of Shares. *For more information regarding such obligations, the Grantee should refer to the Employee Information Supplement for the Grantee's country, if any. The Grantee should also consult with Grantee's own personal tax and legal advisors to determine what, if any, obligations exist with respect to the Award and/or the acquisition or sale of Shares. Neither the Company nor the Employer is responsible for any failure on the part of the Grantee to be aware of or comply with Applicable Laws.*

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## **ARGENTINA**

### ***Notifications***

Securities Law Information. The Award and the Shares to be issued pursuant to the Award are offered as a private transaction and are not listed on any stock exchange in Argentina. This offering is not subject to supervision by any Argentine governmental authority.

## **AUSTRALIA**

### ***Terms and Conditions***

Securities Law Information. Additional details regarding the offer of the Award are set out in the Australian Offer Document, a copy of which is attached to this Appendix for Australia as Annex 1.

Breach of Law. Notwithstanding anything to the contrary in the Award Agreement or the Plan, the Grantee will not be entitled to, and shall not claim, any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the *Corporations Act 2001*, any other provision of that act, or any other applicable statute, rule or regulation that limits or restricts the provision of such benefit.

### ***Notifications***

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Ctch) applies (subject to the conditions in that act).

**Annex 1 to Appendix for Australia**

AUSTRALIA - OFFER DOCUMENT

ELANCO ANIMAL HEALTH INCORPORATED  
2018 ELANCO STOCK PLAN

PERFORMANCE-BASED AWARD AGREEMENT

The Company is pleased to provide the Grantee with this offer to participate in the Plan. This offer sets out information regarding the grant of Performance-Based Awards to Australian resident employees of the Company and its Affiliates. This offer is provided by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission ("ASIC") Class Order 14/1000 and relevant provisions of the *Corporations Act 2001*.

In addition to the information set out in the Award Agreement, the Grantee is also being provided with copies of the following documents (collectively, the "Additional Documents"):

1. Notification regarding Award;
2. Plan;
3. Information Summary/Prospectus; and
4. Employee Information Supplement for Australia

The Additional Documents provide further information to help the Grantee make an informed investment decision about participating in the Plan. Neither the Plan nor the Information Summary/Prospectus is a prospectus for purposes of the *Corporations Act 2001*.

The Grantee should not rely upon any oral statements made in relation to this offer. The Grantee should rely only upon the statements contained in the Award Agreement and the Additional Documents when considering participation in the Plan.

**Securities Law Notification**

Investment in shares involves a degree of risk. Grantees who elect to participate in the Plan should monitor their participation and consider all risk factors relevant to the acquisition of Shares under the Plan as set out in the Award Agreement and the Additional Documents.

The information contained in this offer is general information only. It is not advice or information that takes into account the Grantee's objectives, financial situation and needs.

The Grantee should consider obtaining Grantee's own financial product advice from an independent person who is licensed by ASIC to give advice about participation in the Plan.

**Additional Risk Factors for Australian Residents**

The Grantee should have regard to risk factors relevant to investment in securities generally and, in particular, to the holding of Common Stock. For example, the price at which the Common Stock is traded on the New York Stock Exchange may increase or decrease due to a number of factors. There is no guarantee that the price of the Common Stock will increase. Factors which may affect the price of Common Stock include fluctuations in the domestic and international market for listed

stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

In addition, the Grantee should be aware that the Australian dollar value of any Shares acquired pursuant to the Award will be affected by the U.S. dollar/Australian dollar exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

### **Common Stock**

Common stock of a U.S. corporation is analogous to ordinary shares of an Australian corporation. Each holder of the Common Stock is entitled to one vote for each Share held.

Dividends may be paid on the Common Stock out of any funds of the Company legally available for dividends at the discretion of the Board.

The Common Stock is traded on the New York Stock Exchange in the United States of America under the symbol "ELAN."

The Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

### **Ascertaining the Market Price of Shares**

**The Grantee may ascertain the current market price of the Common Stock as traded on the New York Stock Exchange at <http://www.nyse.com> under the symbol "ELAN." The Australian dollar equivalent of that price can be obtained at: <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>.**

*This is not a prediction of what the market price of the Common Stock will be on any applicable vesting date or when Shares are issued to the Grantee or at any other time or of the applicable exchange rate at such time.*

## **BRAZIL**

### ***Terms and Conditions***

Nature of Grant. This provision supplements Section 10 of the Award Agreement:

By accepting the Award, the Grantee agrees that (i) Grantee is making an investment decision, (ii) the Shares will be issued to the Grantee only if the Performance Goals are met and any necessary Services are rendered between the Grant Date and the end of the Performance Period, and (iii) the value of the underlying Shares is not fixed and may increase or decrease in value over the Performance Period without compensation to the Grantee.

Labor Law Acknowledgment. The Grantee agrees, for all legal purposes, (i) the benefits provided under the Award Agreement and the Plan are the result of commercial transactions unrelated to the Grantee's employment; (ii) the Award Agreement and the Plan are not a part of the terms and conditions of the Grantee's employment; and (iii) the income from the Award or Shares, if any, is not part of the Grantee's remuneration from employment.

Compliance with Law. By accepting the Award, the Grantee agrees to comply with all applicable Brazilian laws and agrees to report and pay any and all applicable taxes associated with the Award and the sale of the Shares acquired under the Plan.

## **CANADA**

### ***Terms and Conditions***

Award Payable Only in Shares. The Award shall be paid in Shares only and does not provide the Grantee with any right to receive a cash payment.

Termination of Service. The following provision replaces Section 10(i) of the Award Agreement:

For purposes of the Award, the Grantee's Service shall be considered terminated as of the date that is the earliest of (i) the date on which the Grantee's Service is terminated, (ii) the date that the Grantee receives notice of termination of the Grantee's Service, or (iii) the date the Grantee is no longer actively providing Service to the Company or any Affiliate, regardless of any notice period or period of pay in lieu of such notice required under applicable employment laws in the jurisdiction where the Grantee is employed or otherwise providing Service (including, but not limited to statutory law, regulatory law and/or common law) or the terms of the Grantee's employment or other service agreement, if any. The Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing Service for purposes of the Award (including whether the Grantee may still be considered to be providing Service while on a leave of absence).

*The following terms and conditions apply to employees resident in Quebec:*

Language. The parties acknowledge that it is their express wish that the Award Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

*Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

Data Privacy. This provision supplements Section 11 of the Award Agreement:

The Grantee hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved in the administration and operation of the Plan. The Grantee further authorizes the Company and any Affiliate and the Committee to disclose and discuss the Plan with their advisors and to record all relevant information and keep such information in the Grantee's employee file.

### **Notifications**

Securities Law Information. The Grantee is permitted to sell Shares acquired under the Plan through UBS or such other broker designated under the Plan, provided the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Company's Shares are listed. The Company's Shares are currently traded on the New York Stock Exchange ("NYSE") which is located outside of Canada, under the ticker symbol "ELAN", and Shares acquired under the Plan may be sold through this exchange.

## **CHILE**

### **Notifications**

Securities Law Notice. The grant of the Award constitutes a private offering in Chile effective as of the date of the Award Agreement. This offer of the Award is made subject to General Ruling N° 336 of the Chilean Commission for the Financial Market ("CMF"). This offer refers to securities not registered at the Securities Registry or at the Foreign Securities Registry of the CMF, and, therefore, such securities are not subject to oversight of the CMF. Given that the Award is not registered in Chile, the Company is not required to provide public information about the Award or Shares in Chile. Unless the Award and/or the Shares are registered with the CMF, a public offering of such securities cannot be made in Chile.

*Esta oferta de los Derechos de Acciones Restringidas constituye una oferta privada de valores en Chile se inicia en la fecha de este documento. Esta oferta de los Derechos de Acciones Restringidas se acoge a las disposiciones de la norma de Carácter General N° 336 de la Comisión para el Mercado Financiero (CMF). Esta oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de los Derechos de Acciones Restringidas no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública respecto de los mismos. Estos Derechos de Acciones Restringidas no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el registro de valores correspondiente.*

## CHINA

### **Terms and Conditions**

Vesting. This provision replaces Sections 2(b) and 3(c) of the Award Agreement:

In the event the Grantee's Service is terminated due to Retirement, the Award shall accelerate and vest pro-rata at Target at the close of business in Greenfield, Indiana, U.S.A., on the date the Grantee's Service is terminated due to Retirement based on the ratio of (x) the number of full or partial months worked by the Grantee from the Grant Date to Grantee's Retirement to (y) the total number of months from the Grant Date to the next scheduled vesting date. "Retirement" for purposes of this Award Agreement means either (A) age sixty (60) unless otherwise prescribed under Applicable Laws or (B) thirty (30) years of Service with the Company or an Affiliate, including any years of Service with Lilly prior to the Company's spin-off from Lilly.

*This provision supplements Section 2 and Section 3 of the Award Agreement:*

To facilitate compliance with any Applicable Laws or regulations in China, the Grantee agrees and acknowledges that the Company (or a brokerage firm instructed by the Company) is entitled to sell any or all Shares issued to the Grantee on or as soon as practicable after the applicable Vesting Date or other vesting event (on behalf of the Grantee and at the Grantee's direction pursuant to this authorization), either immediately after such Shares are issued to the Grantee or when the Grantee ceases Service or at such other time as the Company may determine is necessary or advisable to facilitate compliance with Applicable Laws or the administration of the Plan. The Grantee also agrees to sign any forms and/or consents that may be required by the Company and acknowledges that neither the Company nor the brokerage firm is under any obligation to arrange for such sale of the Shares at any particular price. In any event, when the Shares acquired under the Plan are sold, the proceeds of the sale of the Shares, less any Tax-Related Items and broker's fees or commissions, will be remitted to the Grantee in accordance with applicable exchange control laws and regulations.

Exchange Control Restrictions. The Grantee understands and agrees that, due to exchange control laws in China, the Grantee will be required to immediately repatriate to China any funds (e.g., proceeds from the sale of Shares) received pursuant to this Award. The Grantee further understands that such repatriation of the funds may need to be effected through a special exchange control account established by the Company or any Affiliate. The Grantee hereby consents and agrees that any funds received pursuant to this Award may be transferred to such special account prior to being delivered to the Grantee's personal account. The Grantee also understands that the Company will deliver the funds to the Grantee as soon as possible, but there may be delays in distributing the funds to the Grantee due to exchange control requirements in China. Funds may be paid to the Grantee in U.S. dollars or local currency at the Company's discretion. If the funds are paid to the Grantee in U.S. dollars, the Grantee will be required to set up a U.S. dollar bank account in China so that the funds may be deposited into this account. If the funds are paid to the Grantee in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the funds to local currency due to exchange control restrictions. The Grantee further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

Neither the Company nor any Affiliate shall be liable for any costs, fees, lost interest or dividends or other losses the Grantee may incur or suffer resulting from the enforcement of the terms of this Addendum or otherwise from the Company's operation and enforcement of the Plan, the Award Agreement and the Shares in accordance with Chinese law, including, without limitation, any applicable State Administration of Foreign Exchange rules, regulations and requirements.

## COLOMBIA

### **Terms and Conditions**

Nature of Grant. This provision supplements Section 10 of the Award Agreement:

In accepting the Award, the Grantee acknowledges, understands and agrees that, pursuant to Article 128 of the Colombian Labor Code, the Award and any payment the Grantee receives pursuant to the Award do not constitute a component of "salary" and will not be considered as a salary nature payment for any legal purpose. Therefore, the Award and any related benefit will not be included and/or considered for purposes of calculating any labor benefits, such as legal/fringe benefits, vacations, indemnities, payroll taxes, social insurance contributions and/or any other labor-related amount which may be payable.

### **Notifications**

Securities Law Information. The Shares are not and will not be registered with the Colombian registry of publicly traded securities (Registro Nacional de Valores y Emisores) and therefore the Shares may not be offered to the public in Colombia. Nothing in the Award Agreement should be construed as making a public offer of securities in Colombia.

## DENMARK

### **Terms and Conditions**

Employer Statement. The Grantee acknowledges that Grantee has received an Employer Statement, translated into Danish, which includes a description of the terms of the Award as required by the Danish Stock Option Act.

## FRANCE

### **Terms and Conditions**

Award Not French-Qualified. The Award is not intended to be "French-qualified," *i.e.*, it is not intended to qualify for specific tax and/or social security treatment in France.

Language Consent. In accepting the Award, the Grantee confirms having read and understood the documents relating to the Award (the Plan and the Award Agreement, including this Appendix), which were provided in English. The Grantee accepts the terms of those documents accordingly.

*Consentement Relatif à la Langue Utilisée. En acceptant cette Attribution, le Bénéficiaire confirme avoir lu et compris les documents relatifs à cette Attribution (le Plan le Contrat d'Attribution)*

*incluant cette Annexe), qui ont été remis en langue anglaise. Le Bénéficiaire accepte les termes de ces documents en conséquence.*

## **INDIA**

### ***Notifications***

Exchange Control Information. The Grantee is required to repatriate the proceeds from the sale of Shares and any dividends received in relation to the Shares to India within any time frame prescribed under applicable Indian exchange control laws, as may be amended from time to time. The Grantee must maintain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Grantee's employer requests proof of repatriation. It is the Grantee's responsibility to comply with applicable exchange control laws in India.

## **ITALY**

### ***Terms and Conditions***

Plan Document Acknowledgment. In accepting the Award, the Grantee acknowledges that Grantee has received a copy of the Plan, has reviewed the Plan and the Award Agreement (including this Appendix) in their entirety and fully understands and accepts all provisions of the Plan and the Award Agreement (including this Appendix) and, in particular, Section 2 (Vesting).

## **LEBANON**

### ***Terms and Conditions***

Securities Law Information. The Plan does not constitute the marketing or offering of securities in Lebanon pursuant to Law No. 161 (2011), the Capital Markets Law. Offers under the Plan are being made only to Eligible Individuals.

## **MALAYSIA**

### ***Notifications***

Director Notification Information. If the Grantee is a director of a Malaysian Affiliate, Grantee is subject to certain notification requirements under the Malaysian Companies Act, 2016. Among these requirements is an obligation to notify the Malaysian Affiliate in writing when the Grantee receives or disposes of an interest (e.g., the Award, Shares) in the Company or a related company. This notification must be made within fourteen (14) days after acquiring or disposing of any interest in the Company or a related company.

## **MEXICO**

### ***Terms and Conditions***

Acknowledgement of the Award Agreement. By accepting the Performance-Based Award, the Grantee acknowledges that Grantee has received a copy of the Plan and the Award Agreement,

including this Appendix, which Grantee has reviewed. The Grantee further acknowledges that Grantee accepts all the provisions of the Plan and the Award Agreement, including this Appendix. The Grantee also acknowledges that Grantee has read and specifically and expressly approves the terms and conditions set forth in the “Grantee’s Acknowledgement” section of the Award Agreement, which clearly provide as follows:

- (1) The Grantee’s participation in the Plan does not constitute an acquired right;
- (2) The Plan and the Grantee’s participation in it are offered by the Company on a wholly discretionary basis;
- (3) The Grantee’s participation in the Plan is voluntary; and
- (4) The Company and its Affiliates are not responsible for any decrease in the value of any Shares acquired pursuant to the Performance-Based Awards.

Labor Law Acknowledgement and Policy Statement. By accepting the Award, the Grantee acknowledges that the Company, with registered offices at the Elanco Animal Health Inc. Global Headquarters, Greenfield, Indiana 46140, U.S.A., is solely responsible for the administration of the Plan. The Grantee further acknowledges that Grantee’s participation in the Plan, the grant of Performance-Based Awards and any acquisition of Shares under the Plan do not constitute an employment relationship between the Grantee and the Company because the Grantee is participating in the Plan on a wholly commercial basis and Grantee’s sole employer is Elanco Salud Animal SA de CV (“Elanco-Mexico”). Based on the foregoing, the Grantee expressly acknowledges that the Plan and the benefits that Grantee may derive from participation in the Plan do not establish any rights between the Grantee and Grantee’s Employer, Elanco-Mexico, and do not form part of the employment conditions and/or benefits provided by Elanco-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Grantee’s employment.

The Grantee further understands that Grantee’s participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue the Grantee’s participation in the Plan at any time, without any liability to the Grantee.

Finally, the Grantee hereby declares that Grantee does not reserve to him- or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that Grantee therefore grants a full and broad release to the Company, its subsidiaries, affiliates, branches, representation offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

### **Spanish Translation**

*Reconocimiento del Convenio de Concesión. Al aceptar el Premio de Desempeño, el Beneficiario reconoce que ha recibido y revisado una copia del Plan y del Convenio de Concesión, incluyendo este Apéndice. El Beneficiario reconoce y acepta todas las disposiciones del Plan y del Convenio de Concesión, incluyendo este Apéndice. El Beneficiario también reconoce que ha leído y aprobado de forma expresa los términos y condiciones establecidos en la sección: “Naturaleza de la Concesión” del Convenio de Concesión, que claramente establece lo siguiente:*

- (1) *La participación del Beneficiario en el Plan no constituye un derecho adquirido;*
- (2) *El Plan y la participación del Beneficiario en el es ofrecido por la Compañía de manera completamente discrecional;*
- (3) *La participación del Beneficiario en el Plan es voluntaria; y*
- (4) *La Compañía y sus Afiliadas no son responsables por ninguna disminución en el valor de las Acciones adquiridas de conformidad con el Premio de Desempeño.*

*Reconocimiento de la legislación Laboral aplicable y Declaración de la Política. Al aceptar el Premio, el Beneficiario reconoce que Company, con domicilio social en the Elanco Animal Health Global Headquarters, Greenfield, Indiana 46140, U.S.A., es la única responsable por la administración del Plan. Además, el Beneficiario reconoce que su participación en el Plan, la concesión de Unidades de Acciones Restringidas y cualquier adquisición de Acciones bajo el Plan no constituyen una relación laboral entre el Beneficiario y Company, en virtud de que el Beneficiario está participando en el Plan en su totalidad sobre una base comercial y su único empleador es Elanco Salud Animal SA de CV ("Elanco-Mexico"). Por lo anterior, el Beneficiario expresamente reconoce que el Plan y los beneficios que puedan derivarse de su participación no establecen ningún derecho entre el Beneficiario y su empleador, Elanco-México, y que no forman parte de las condiciones de trabajo y/o beneficios otorgados por Elanco-México, y cualquier modificación del Plan o la terminación del mismo no constituirá un cambio o modificación de los términos y condiciones en el empleo del Beneficiario.*

*Además, el Beneficiario comprende que su participación en el Plan es el resultado de una decisión discrecional y unilateral de la Company, por lo que Company se reserva el derecho absoluto de modificar y/o suspender la participación del Beneficiario en el Plan en cualquier momento, sin responsabilidad frente al Beneficiario.*

*Finalmente, el Beneficiario manifiesta que no se reserva acción o derecho alguno que origine una demanda en contra de Company, por cualquier compensación o daño relacionada con las disposiciones del Plan o de los beneficios otorgados en el mismo, y en consecuencia el Beneficiario libera de la manera más amplia y total de responsabilidad a E Company, sus subsidiarias, afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales de cualquier demanda que pudiera surgir.*

## **NEW ZEALAND**

### **Terms and Conditions**

The Grantee has been granted an award under the 2018 Elanco Stock Plan ("Plan") and has been or will be provided with a description of the Plan and its terms and conditions separately from the Award Agreement. Copies of the Plan and the Plan prospectus are available at: <http://equity.elancodirect.com>. The following information is provided in compliance with an exemption under New Zealand law.

## **Notifications**

**Annual Report and Financial Statements.** Grantee has the right to receive from Elanco, on request and free of charge, a copy of Elanco's latest annual report, financial statements and audit report on those financial statements. Grantee also can view or obtain copies of these documents electronically at the following website: <https://investor.elanco.com/financials/quarterly-results/default.aspx>.

**Securities Law Notice.** This is an offer of restricted stock units ("RSUs"). To the extent that the RSUs vest and are settled in accordance with the terms of the Plan and the Award Agreement, they will be converted into shares of Elanco common stock. The shares will give Grantee a stake in the ownership of Elanco. The Grantee may receive a return on the shares if Elanco pays dividends.

If Elanco encounters financial difficulties and is wound up, Grantee will be paid only after all creditors have been paid and may lose some or all of Grantee's investment (if any). New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make informed decisions. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, Grantee may not be given all of the information that is usually required and will have fewer other legal protections for this investment. The Grantee should ask questions, read all documents carefully, and seek independent financial advice before committing to the Award.

The RSUs are not listed, but Elanco shares are traded on the New York Stock Exchange ("NYSE"). This means that if Grantee receives Elanco shares following the vesting of RSUs, Grantee may be able to sell the shares on the NYSE if there are interested buyers. The price will depend on the demand for the shares. For information about risk factors affecting Elanco's business that may affect the value of the shares, please refer to the risk factors discussion in Elanco's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at [www.sec.gov](http://www.sec.gov) and <https://investor.elanco.com/financials/sec-filings/default.aspx>.

The Grantee may request copies of Elanco's SEC filings free of charge by contacting Elanco. The Grantee should read the referenced materials carefully before making a decision whether to participate in the Plan and note that values generally are reported in US dollars unless otherwise specified. In addition, Grantee should consult Grantee's tax advisor for specific information concerning Grantee's personal tax situation with regard to Plan participation.

## **PHILIPPINES**

### ***Terms and Conditions***

**Compliance with Law.** The following provision supplements Section 3.3(h) of the Plan:

The Grantee acknowledges that the Grantee's participation in the Plan is subject to the Company obtaining an exemption from the registration requirements under Section 10.2 of the Philippines Securities Regulation Code. Without limitation to the foregoing, the Grantee understands and agrees that the issuance and delivery of Shares pursuant to the Award will be delayed until the Company obtains such exemption or the Committee has otherwise determined that the issuance

of the Shares can be made in compliance with applicable laws and that the Company may settle the Award in cash, in its sole discretion if such requirements have not been met.

### **Notifications**

Securities Law Notice. The risks of participating in the Plan include (without limitation) the risk of fluctuation in the price of the Shares on the New York Stock Exchange and the risk of currency fluctuations between the U.S. Dollar and Grantee's local currency. The value of any Shares the Grantee may acquire under the Plan may decrease below the value of the Shares at vesting and fluctuations in foreign exchange rates between the Grantee's local currency and the U.S. Dollar may affect the value of any amounts due to Grantee pursuant to the subsequent sale of any Shares acquired upon vesting. The Company is not making any representations, projections or assurances about the value of the Shares now or in the future.

For further information on risk factors impacting the Company's business that may affect the value of the Shares, Grantee may refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at [www.sec.gov](http://www.sec.gov), as well as on the Company's "Investor Relations" website at <https://investor.elanco.com/home/default.aspx>.

The Grantee is permitted to sell Shares acquired under the Plan through the designated Plan broker appointed by the Company (or such other broker to whom the Grantee transfers Shares), provided that such sale takes place outside of the Philippines through the facilities of the New York Stock Exchange on which the Shares are listed.

## **PORTUGAL**

### **Terms and Conditions**

Language Acknowledgement. The Grantee hereby expressly declares that Grantee has full knowledge of the English language and has read, understood and freely accepted and agreed with the terms and conditions established in the Plan and the Award Agreement.

Conhecimento da Língua. O Contratado, pelo presente instrumento, declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo de Atribuição (Award Agreement em inglês).

## **RUSSIA**

### **Terms and Conditions**

U.S. Transaction. The Grantee understands that accepting the Award and the terms and conditions of the Award Agreement will result in a contract between the Grantee and the Company completed in the United States and that the Award Agreement is governed by U.S. law. The Grantee understands and acknowledges that any Shares issued under the Plan shall be delivered to the Grantee through a brokerage account maintained outside Russia. The Grantee understands that the Grantee may hold Shares in a brokerage account outside Russia; however, in no event will Shares issued to the Grantee and/or share certificates or other instruments be delivered to the

Grantee in Russia. The Grantee acknowledges and agrees that the Grantee is not permitted to sell or otherwise transfer the Shares directly to other Russian legal entities or individuals. Finally, the Grantee acknowledges and agrees that the Grantee may sell or otherwise transfer the Shares only outside Russia.

**Notifications**

Securities Law Information. This Appendix, the Award Agreement, the Plan and all other materials that the Grantee may receive regarding the Plan, do not constitute advertising or an offering of securities in Russia. The issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

Exchange Control Information. Under current exchange control regulations in Russia, certain funds received outside of Russia must be repatriated to Russia as soon as the Grantee intends to use those amounts for any purpose, including reinvestment. Such funds must initially be credited to the Grantee through a foreign currency account at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

As an exception to the above-mentioned repatriation rule, (i) cash proceeds from the sale of shares listed on one of the foreign stock exchanges on the list provided for by the Russian Federal law "On the Securities Market" (which currently includes the New York Stock Exchange) can be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD (Organization for Economic Co-operation and Development) or FATF (Financial Action Task Force) country, and (ii) cash dividends paid on shares can be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD or FATF country. Other exceptions may apply.

**SOUTH AFRICA**

**Terms and Conditions**

Securities Law Information. In compliance with South African securities law, the Grantee acknowledges that Grantee has been notified that the following documents listed below are available for the Grantee's review at the applicable website listed below:

- (1) The Company's most recent annual financial statement, available at: <https://investor.elanco.com/financials/quarterly-results/default.aspx>.
- (2) The Company's most recent Information Summary/Prospectus, which is viewable within the Recordkeeping Information Document Library on UBS Financial Services Inc. at: <http://equity.elancodirect.com>.

The Grantee acknowledges that Grantee may have a copy of the above documents sent to him or her, without fee, on written request to the Secretary of the Company at the Elanco Animal Health Global Headquarters, Greenfield, Indiana 46140, U.S.A.

Responsibility for Taxes. This provision supplements Section 8 of the Award Agreement:

By accepting the Award, the Grantee agrees to notify the Employer of the amount of any gain realized when the Award vests and Shares are issued (or the cash equivalent is paid) to the Grantee. If the Grantee fails to advise the Employer of the gain realized when the Award vests and Shares are issued, the Grantee may be liable for a fine.

## **SPAIN**

### ***Terms and Conditions***

Vesting. This provision supplements Section 2 of the Award Agreement:

As a condition of the grant of the Award, termination of the Grantee's Service for any reason (including for the reasons listed below but excluding for the reasons specified in Section 3(c) of the Award Agreement) will automatically result in the forfeiture and loss of the Award and the underlying Shares to the extent that the Award has not yet vested as of the date of termination of the Grantee's Service. In particular, and without limitation to the provisions of the Award Agreement and the Plan, the Grantee understands and agrees that the Award will be cancelled without entitlement to the underlying Shares or to any amount as indemnification if the Grantee terminates employment by reason of, including, but not limited to: resignation, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without good cause (*i.e.*, subject to a "*despido improcedente*"), individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without cause (unless such layoff falls within the meaning of a plant closing or reduction in workforce as described in Section 3(c)), material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985 (unless such layoff falls within the meaning of a medical reassignment as described in Section 3(c)). The Grantee acknowledges that Grantee has read and specifically accepts the vesting conditions referred to in Section 2 of the Award Agreement.

Grantee's Acknowledgement. This provision supplements Section 10 of the Award Agreement:

The Grantee understands that the Company has unilaterally, gratuitously and discretionally decided to grant Performance-Based Awards under the Plan to individuals who may be Employees of the Company or its Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Affiliates on an ongoing basis except to the extent otherwise provided in the Plan and this Award Agreement. Consequently, the Grantee understands that the Performance-Based Awards are granted on the assumption and condition that the Performance-Based Awards and any Shares acquired pursuant to the Performance-Based Awards shall not become a part of any employment contract (either with the Company or any of its Affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Grantee understands that this grant would not be made to the Grantee but for the assumptions and conditions referred to above; thus, the Grantee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of Performance-Based Awards may be cancelled.

### ***Notifications***

Securities Law Information. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the Award. The Award Agreement has not nor will it be registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering prospectus.

## **SWITZERLAND**

### ***Notifications***

Securities Law Information. The grant of the Performance-Based Awards and the issuance of Shares is not intended to be publicly offered in or from Switzerland. Because this is a private offering in Switzerland, the Performance-Based Awards are not subject to registration in Switzerland. Neither this Award Agreement nor any other materials relating to the Performance-Based Awards (i) constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, (ii) may be publicly distributed nor otherwise made publicly available in Switzerland, or (iii) have been or will be filed with, approved or supervised by any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (“FINMA”).

## **TAIWAN**

### ***Notifications***

Securities Law Information. The offer of participation in the Plan is available only for Employees of the Company and its Affiliates. The offer of participation in the Plan is not a public offer of securities by a Taiwanese company.

## **TURKEY**

### ***Notifications***

Securities Law Information. Under Turkish law, the Grantee is not permitted to sell any Shares acquired under the Plan in Turkey. The Shares are currently traded on the New York Stock Exchange in the United States of America, under the ticker symbol of “ELAN” and Shares acquired under the Plan may be sold through this exchange.

## **UNITED KINGDOM**

### ***Terms and Conditions***

Settlement. Section 5(e) of the Award Agreement shall not apply to Performance-Based Awards granted in the United Kingdom.

Responsibility for Taxes. This provision supplements Section 8 of the Award Agreement:

Without limitation to Section 8 of the Award Agreement, the Grantee agrees that Grantee is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company and/or the Employer or by Her Majesty’s Revenue & Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and/or the Employer against any Tax-Related Items

that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee's behalf.

Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the foregoing provision will not apply. In this case, the amount of any Tax-Related Items not collected from or paid by the Grantee may constitute a benefit to the Grantee on which additional income tax and National Insurance contributions ("NICs") may be payable. The Grantee understands that Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee NICs due on this additional benefit. Grantee acknowledges that the Company and/or the Employer (as appropriate) may recover such additional NICs at any time thereafter by any of the means referred to in Section 8 of the Award Agreement.

Joint Election. As a condition of Grantee's participation in the Plan and vesting of the Performance-Based Awards, the Grantee agrees to accept any liability for secondary Class 1 national insurance contributions which may be payable by the Company and/or the Employer in connection with the Performance-Based Awards and any event giving rise to Tax-Related Items (the "Employer NICs"). Without prejudice to the foregoing, by accepting this Award, the Grantee is entering into a joint election with the Company or the Employer if Grantee has not already done so, the form of such joint election being formally approved by HMRC (the "Joint Election"), a copy of which is attached to this Appendix for the United Kingdom as Annex 1, and any other required consent or election. The Grantee further agrees to execute such other joint elections as may be required between him or her and any successor to the Company and/or the Employer. The Grantee further agrees that the Company and/or the Employer may collect the Employer NICs from him or her by any of the means set forth in Section 8 of the Award Agreement.

**Annex 1 to Appendix for United Kingdom**

**Important Note on the Joint Election for Transfer of Liability for Employer National Insurance Contributions to the Grantee:**

As a condition of the Grantee's participation in the Elanco 2018 Stock Plan, as amended from time to time (the "Plan"), the Grantee is required to enter into a joint election to transfer to the Grantee any liability for employer National Insurance contributions (the "Employer NICs") that may arise in connection with the Performance-Based Award (the "Award") and in connection with future awards, if any, that may be granted to the Grantee under the Plan (the "Joint Election").

By entering into the Joint Election:

- the Grantee agrees that any liability for Employer NICs that may arise in connection with or pursuant to the vesting of the Award and the acquisition of shares of common stock of Elanco Animal Health Inc. (the "Company") or other taxable events in connection with the Award will be transferred to the Grantee; and
- the Grantee authorizes the Company and/or the Grantee's employer to recover an amount sufficient to cover this liability by any method set forth in the Award Agreement and/or the Joint Election.

*To enter into the Joint Election and to accept the Award, please select the button next to "Accept" where indicated on the Pending Acceptance screen. Please note that selecting the button next to "Accept" indicates the Grantee's agreement to be bound by all of the terms of the Joint Election.*

*Please note that even if the Grantee has indicated Grantee's acceptance of this Joint Election electronically, the Grantee may still be required to sign a paper copy of this Joint Election (or a substantially similar form) if the Company determines such is necessary to give effect to the Joint Election.*

**Please read the terms of the Joint Election carefully before accepting the Award Agreement and the Joint Election. The Grantee should print and keep a copy of this Joint Election for Grantee's records.**

**United Kingdom**

**Joint Election for Transfer of Liability for  
Employer National Insurance Contributions to Employee**

**Election To Transfer the Employer's National Insurance Liability to the Employee**

This Election is between:

- A. The individual who has obtained authorised access to this Election (the "**Employee**"), who is employed by one of the employing companies listed in the attached schedule (the "**Employer**") and who is eligible to receive performance based awards (the "**Performance-Based Award**") pursuant to the 2018 Elanco Stock Plan (the "**Plan**"), and
- B. Elanco Animal Health Inc., an Indiana corporation, with registered offices at Greenfield, Indiana 46140, U.S.A. (the "**Company**"), which may grant Performance-Based Awards under the Plan and is entering into this Election on behalf of the Employer.

**1. Introduction**

1.1 This Election relates to all Performance-Based Awards granted to the Employee under the Plan on or after February 1, 2019 up to the termination date of the Plan.

1.2 In this Election the following words and phrases have the following meanings:

- (a) "**Chargeable Event**" means any event giving rise to Relevant Employment Income.
- (b) "**ITEPA**" means the Income Tax (Earnings and Pensions) Act 2003.
- (c) "**Relevant Employment Income**" from Performance-Based Awards on which Employer's National Insurance Contributions becomes due is defined as:
  - (i) an amount that counts as employment income of the earner under section 426 ITEPA (restricted securities: charge on certain post-acquisition events);
  - (ii) an amount that counts as employment income of the earner under section 438 of ITEPA (convertible securities: charge on certain post-acquisition events); or
  - (iii) any gain that is treated as remuneration derived from the earner's employment by virtue of section 4(4)(a) SSCBA, including without limitation:
    - (A) the acquisition of securities pursuant to the Performance-Based Awards (within the meaning of section 477(3)(a) of ITEPA);
    - (B) the assignment (if applicable) or release of the Performance-Based Awards in return for consideration (within the meaning of section 477(3)(b) of ITEPA);
    - (C) the receipt of a benefit in connection with the Performance-Based Awards, other than a benefit within (i) or (ii) above (within the meaning of section 477(3)(c) of ITEPA).
- (d) "**SSCBA**" means the Social Security Contributions and Benefits Act 1992.

- 1.3 This Election relates to the Employer's secondary Class 1 National Insurance Contributions (the "Employer's Liability") which may arise in respect of Relevant Employment Income in respect of the Performance-Based Awards pursuant to section 4(4)(a) and/or paragraph 3B(1A) of Schedule 1 of the SSCBA.
- 1.4 This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SSCBA, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- 1.5 This Election does not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part VII of ITEPA (employment income: securities with artificially depressed market value).

## **2. The Election**

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability that arises on any Relevant Employment Income is hereby transferred to the Employee. The Employee understands that, by accepting the Performance-Based Award (whether in hard copy or electronically) or by accepting this Election (whether in hard copy or electronically), Grantee will become personally liable for the Employer's Liability covered by this Election. This Election is made in accordance with paragraph 3B(1) of Schedule 1 of the SSCBA.

## **3. Payment of the Employer's Liability**

- 3.1 The Employee hereby authorises the Company and/or the Employer to collect the Employer's Liability in respect of any Relevant Employment Income from the Employee at any time after the Chargeable Event:
  - (a) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Chargeable Event; and/or
  - (b) directly from the Employee by payment in cash or cleared funds; and/or
  - (c) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the Performance-Based Awards, the proceeds from which must be delivered to the Employer in sufficient time for payment to be made to Her Majesty's Revenue & Customs ("HMRC") by the due date; and/or
  - (d) where the proceeds of the gain are to be paid through a third party, the Employee will authorize that party to withhold an amount from the payment or to sell some of the securities which the Employee is entitled to receive in respect of the Performance-Based Awards, such amount to be paid in sufficient time to enable the Company and/or the Employer to make payment to HMRC by the due date; and/or
  - (e) by any other means specified in the applicable Performance-Based Award agreement entered into between the Employee and the Company.

3.2 The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Employee in respect of the Performance-Based Awards until full payment of the Employer's Liability is received.

3.3 The Company agrees to procure the remittance by the Employer of the Employer's Liability to HMRC on behalf of the Employee within 14 days after the end of the UK tax month during which the Chargeable Event occurs (or within 17 days after the end of the UK tax month during which the Chargeable Event occurs if payments are made electronically).

#### **4. Duration of Election**

4.1 The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the Employer on the date on which the Employer's Liability becomes due.

4.2 Any reference to the Company and/or the Employer shall include that entity's successors in title and assigns as permitted in accordance with the terms of the Plan and relevant award agreement. This Election will continue in effect in respect of any awards which replace the Performance-Based Awards in circumstances where section 483 of ITEPA applies.

4.3 This Election will continue in effect until the earliest of the following:

- (a) the date on which the Employee and the Company agree in writing that it should cease to have effect;
- (b) the date on which the Company serves written notice on the Employee terminating its effect;
- (c) the date on which HMRC withdraws approval of this Election; or
- (d) the date on which, after due payment of the Employer's Liability in respect of the entirety of the Performance-Based Awards to which this Election relates or could relate, the Election ceases to have effect in accordance with its own terms.

4.4 This Election will continue in force regardless of whether the Employee ceases to be an employee of the Employer.

#### **Acceptance by the Employee**

**The Employee acknowledges that, by clicking on the button next to "Accept" to accept the Performance-Based Awards Agreement and this Election (or by signing the Performance-Based Awards Agreement or this Election whether in hard copy or electronically), the Employee agrees to be bound by the terms of this Election.**

#### **Acceptance by the Company**

**The Company acknowledges that, by signing this Election or arranging for the scanned signature of an authorised representative to appear on this Election, the Company agrees to be bound by the terms of this Election.**

\_\_\_\_\_  
Signature for and on behalf of the Company

\_\_\_\_\_  
Position

**Schedule of Employer Companies**

The employing companies to which this Election relates include:

Name:	Elanco UK AH Limited
Registered Office:	Lilly House, Priestley Road, Basingstoke, Hants RG24 9NL
Company Registration Number:	11378434
Corporation Tax Reference:	4312717782
PAYE Reference:	475/FB88335

**The Elanco Corporate Bonus Plan**  
**(as amended effective January 1, 2021)**

**As Amended Effective January 1, 2021**

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**The Elanco Corporate Bonus Plan**  
**(as amended effective January 1, 2021)**

**SECTION 1. PURPOSE**

The purpose of The Elanco Corporate Bonus Plan (the “Plan”) is to encourage and promote eligible employees to create and deliver innovative animal health-based solutions that enable Elanco Animal Health Incorporated (the “Company” or “Elanco”) to meet or exceed its business objectives through a constant stream of innovation. The Plan is designed to accomplish the following key objectives:

- a. Motivate superior employee performance through the implementation of a performance-based bonus system for all eligible global employees providing services to the Company;
- b. Create a direct relationship between key Company measurements and individual bonus payouts; and
- c. Enable the Company to attract and retain employees who will be instrumental in driving the Company’s sustained growth and performance by providing a competitive bonus program that rewards outstanding performance consistent with the Company’s mission, values and increased shareholder value.

**SECTION 2. DEFINITIONS**

The following words and phrases as used in this Plan will have the following meanings unless a different meaning is clearly required by the context. Masculine pronouns will refer both to males and to females:

- 2.1 Applicable Year means the calendar year immediately preceding the year in which payment of the Company Bonus is payable pursuant to Section 6. For example, the Applicable Year for 2021 payout is January 1, 2021 through December 31, 2021.
- 2.2 Bonus Target means the percentage of Participant Earnings for each Participant as described in Section 5.6(a) below.
- 2.3 Business Plan means Elanco Animal Health Incorporated’s annual plan for Revenue and Earnings Before Interest and Taxes, Depreciation and Amortization.
- 2.4 Committee means the Compensation Committee of the Board of Directors of Elanco Animal Health Incorporated.
- 2.5 Company means Elanco Animal Health Incorporated and its subsidiaries.

- 2.6 Company Bonus means the amount of bonus compensation payable to a Participant as described in Section 5 below. Notwithstanding the foregoing, however, the Committee may determine, in its sole discretion, to reduce the amount of a Participant's Company Bonus if such Participant becomes eligible to participate in such other bonus program of the Company as may be specifically designated by the Committee. Such reduction may be by a stated percentage up to and including 100% of the Company Bonus.
- 2.7 Company Performance Bonus Multiple means the amount as calculated in Sections 5.3 and 5.4 below.
- 2.8 Disabled means a Participant who has become "disabled" and unable to work under the applicable disability benefit plan or program for the Participant, or, in the event that there is no such disability benefit plan or program, has become disabled and unable to work under applicable law.
- 2.9 Earnings means the Company's Earnings Before Interest and Taxes, Depreciation and Amortization included in the Company's 10-K filed with the U.S. Securities and Exchange Commission, excluding such items as may be adjusted by the Committee in accordance with Section 3.4 below.
- 2.10 EBITDA means Earnings Before Interest and Taxes, Depreciation and Amortization.
- 2.11 EBITDA to Plan means the profit from business operations (gross profit less operating expenses) before deduction of interest and taxes, depreciation and amortization, based on actual foreign currency rates, and excluding such items as may be adjusted by the Committee in accordance with Section 3.4 below, relative to the Company's annual plan for EBITDA.
- 2.12 Effective Date means January 1, 2021, as amended from time to time.
- 2.13 Elanco means Elanco Animal Health Incorporated and its subsidiaries.
- 2.14 Eligible Employee means:
- a. with respect to employees of the Company working in the United States, including employees in Puerto Rico, a person who (1) is employed as an employee by Elanco; (2) does not participate in a local Elanco affiliate bonus or incentive program (i.e., a plan for eligible employees in sales, marketing and technical consulting) or any local site manufacturing bonus plan for Elanco; (3) works on a scheduled basis of twenty (20) or more hours per week and is scheduled to work at least five (5) months per year; and (4) is receiving compensation, including temporary illness pay under a temporary illness pay program or similar short-term disability program, from the Company for services

rendered as an employee. Notwithstanding anything herein to the contrary, the term “Eligible Employee” will not include:

- (1) a person who is Disabled;
  - (2) a person who is a “leased employee” within the meaning of Section 414(n) of the Internal Revenue Code of 1986, as amended, or whose basic compensation for services on behalf of the Company is not paid directly by the Company;
  - (3) a person who is classified as a “Fixed Duration Employee”, as that term is used by the Company;
  - (4) a person who is classified as a special status employee because his employment status is temporary, seasonal, or otherwise inconsistent with regular employment status;
  - (5) a person who is a member of a recognized collective-bargaining unit, including those members of the United Food and Commercial Workers Local 6 at Fort Dodge, Iowa;
  - (6) a person who is eligible to participate in other Company bonus or incentive programs as may be specifically designated by the Committee or its designee;
  - (7) a person who submits to the Committee in writing a request that they not be considered eligible for participation in the Plan or is a member of the Board of Directors of Elanco unless they are also an Eligible Employee; or
  - (8) any other category of employees designated by the Committee in its discretion with respect to any Applicable Year.
- b. with respect to those employees who are employed by the Company and working outside the United States, an employee of the Company designated by the Committee as a Participant in the Plan with respect to any Applicable Year. In its discretion, the Committee may designate Participants either on an individual basis or by determining that all employees in specified job categories, classifications, levels, subsidiaries or other appropriate classification will be Participants.
- c. Notwithstanding anything herein to the contrary, the term Eligible Employee will not include any person who is not so recorded on the payroll records of the Company, including any such person who is subsequently reclassified by a court of law or regulatory body as a common law employee of the Company. Consistent with the foregoing, and for purposes of clarification only, the term employee or Eligible Employee does not include any individual who performs

services for the Company as an independent contractor or under any other non-employee classification.

- 2.15 Innovation Progression means measurements of Elanco's key scientific project progression and milestone delivery during the Applicable Year against goals established and approved by the Committee to be used for purposes of bonus calculations as described below. Such measures may include, but are not limited to, product approvals, products entering early or late-stage development, reaching specified project milestones and/or qualitative assessment of the portfolio's progress during the Applicable Year.
- 2.16 Participant means an Eligible Employee who is participating in the Plan.
- 2.17 Participant Earnings means:
- a. those amounts described below that are earned during the portion of the Applicable Year during which the employee is a Participant in the Plan:
    - (1) regular compensation (including applicable deferred compensation amounts), overtime, shift premiums and other forms of additional compensation determined by and paid currently pursuant to an established formula or procedure;
    - (2) salary reduction contributions to the Company's 401(k) plan or elective contributions under any similar tax-qualified plan that is intended to meet the requirements of Section 401(k) of the Internal Revenue Code or similar Company savings program;
    - (3) elective contributions to any cafeteria plan that is intended to meet the requirements of Section 125 of the Internal Revenue Code or other pre-tax contributions to a similar Company benefit plan;
    - (4) payments made under the terms of the Company's temporary illness pay program or other similar Company or government-required leave program during an Applicable Year to a Participant who is on approved leave of absence and is receiving one hundred percent (100%) of his base pay; and
    - (5) other legally-mandated or otherwise required pre-tax deductions from a Participant's base salary.
  - b. The term "Participant Earnings" does not include:
    - (1) compensation paid in lieu of earned vacation;
    - (2) payments made under the terms of the Company's temporary illness pay program or other similar Company or government-required leave program

during an Applicable Year to a Participant who is on approved leave of absence and is receiving less than the full amount of his base pay;

- (3) amounts paid under this Plan or other bonus, commission, or incentive program of the Company;
- (4) payments made under any severance-type benefits (whether company-sponsored or mandated by law) arising out of or relating to a Participant's termination of employment;
- (5) payments based upon the discretion of the Company; and
- (6) earnings with respect to the exercise of stock options, vesting of restricted stock units or vesting of restricted stock.

2.18 Plan means The Elanco Corporate Bonus Plan as set forth herein and as hereafter modified or amended from time to time. The Plan is an incentive compensation program and is not subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), pursuant to Department of Labor Regulation Section 2510.3.

2.19 Plant Closing means the closing of a plant site or other Company location that directly results in termination of employment.

2.20 Reduction in Workforce means the elimination of a work group, functional or business unit or other broadly applicable reduction in job positions that directly results in termination of employment.

2.21 Revenue means, for any Applicable Year, the cumulative amount of total net sales by Elanco as reported by Elanco's Corporate Financial Planning Department based on actual foreign currency rates, excluding such items as may be adjusted by the Committee in accordance with Section 3.4 below.

2.22 Revenue to Plan means, for any Applicable Year, the cumulative amount of total net sales by Elanco as reported by Elanco's Corporate Financial Planning Department based on actual foreign currency rates, excluding such items as may be adjusted by the Committee in accordance with Section 3.4 below, relative to the Company's annual plan for Revenue.

2.23 Service means the aggregate time of employment of an Eligible Employee by the Company.

### **SECTION 3. ADMINISTRATION**

3.1 Committee. The Plan will be administered by the Committee, or any successor committee having the same function as the Committee.

- 3.2 Powers of the Committee. The Committee will have the right to interpret the terms and provisions of the Plan and to resolve any and all questions arising under the Plan, including, without limitation, the right to remedy possible ambiguities, inconsistencies, or omissions by a general rule or particular decision. The Committee will have authority to adopt, amend and rescind rules consistent with the Plan, to make exceptions in particular cases to the rules of eligibility for participation in the Plan, and to delegate authority for approval of participation of any Eligible Employee. The Committee will take all necessary action to establish annual performance benchmarks and approve the timing of payments, as necessary. The Committee may delegate all or a portion of its responsibilities within its sole discretion by resolution. Any reference in this Plan to the Committee or its authority will be deemed to include such designees (other than with respect to the purposes of Section 9).
- 3.3 Determination of Results. Before any amount is paid under the Plan, the Committee will determine in writing the calculation of Revenue, Revenue to Plan, EBITDA, EBITDA to Plan (or other applicable performance measures) and Innovation Progression for the Applicable Year and the satisfaction of all other material terms of the calculation of the Company Performance Bonus Multiple and Company Bonus.
- 3.4 Adjustments for Significant Events. Not later than 90 days after the beginning of an Applicable Year, the Committee may specify with respect to Company Bonuses for the Applicable Year that the performance measures described in Section 5.2 will be determined before the effects of acquisitions, divestitures, restructurings or special charges or gains, changes in corporate capitalization, accounting changes, and/or events that are treated as extraordinary items for accounting purposes.
- 3.5 Finality of Committee Determinations. Any determination by the Committee of Revenue, Revenue to Plan, EBITDA, EBITDA to Plan, Innovation Progression, any other performance measure, performance benchmarks and the level and entitlement to Company Bonus, and any interpretation, rule, or decision adopted by the Committee under the Plan or in carrying out or administering the Plan, will be final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Committee may rely on determinations made by its auditors to determine Revenue, Revenue to Plan, EBITDA, EBITDA to Plan, Innovation Progression and related information for administration of the Plan, whether such information is determined by the Company, auditors or a third-party vendor engaged specifically to provide such information to the Company. This subsection is not intended to limit the Committee's power, to the extent it deems proper in its discretion, to take any action permitted under the Plan.

#### **SECTION 4. PARTICIPATION IN THE PLAN**

- 4.1 General Rule. Only Eligible Employees may participate in and receive payments under the Plan.

- 4.2 Commencement of Participation. An Eligible Employee will become a Participant in the Plan as follows: (i) in the case of an Eligible Employee under Section 2.14(a), on the date on which the individual completes at least one hour of employment as an Eligible Employee within the United States, and (ii) in the case of an Eligible Employee under Section 2.14(b), the later of the date on which the individual completes at least one hour of employment as an Eligible Employee or the date as of which the Committee has designated the individual to become a Participant in the Plan.
- 4.3 Termination of Participation. An Eligible Employee will cease to be a Participant upon termination of employment with the Company for any reason, or at the time they otherwise ceases to be an Eligible Employee under the Plan; provided, however, a terminated Participant shall be eligible for a Company Bonus to the extent provided in Section 5.8.

## **SECTION 5. DEFINITION AND COMPUTATION OF COMPANY BONUS**

- 5.1 Computation for Eligible Employees. Company Bonus amounts will depend significantly on Company performance, as well as whether Participants met their job expectations for certain Eligible Employees. As more specifically described below, a Participant's Company Bonus is calculated by multiplying the Participant's Bonus Target by his or her Participant Earnings and the Company Performance Bonus Multiple. For eligible management and those Participants designated by the Committee, whether an individual met his or her job expectations will also impact the Company Bonus calculation, as described in Section 5.6(c) below. Company Bonuses are paid to eligible Participants in the manner provided below.
- 5.2 Establishment of Performance Measures. Not later than 90 days after the beginning of each Applicable Year, the Committee will, in its sole discretion, determine appropriate performance measures for use in calculating Company Bonus amounts. These performance measures may include, but are not limited to, Revenue to Plan, EBITDA to Plan, growth in net income, return on assets, return on equity, total shareholder return, Innovation Progression, or any of the foregoing before the effect of acquisitions, divestitures, accounting changes, restructurings and special charges or gains. Unless otherwise specified pursuant to a written resolution adopted by the Committee for the Applicable Year, the Committee will use as performance measures Revenue to Plan and EBITDA to Plan, in each case before the effect of acquisitions, divestitures, accounting changes, restructurings and special charges or gains (determined as described above) as performance measures and an Innovation Progression multiple.
- 5.3 Establishment of Performance Benchmarks. Not later than 90 days after the beginning of each Applicable Year, the Committee will establish performance benchmarks for the Company based on the performance measures described in Section 5.2 above. Unless otherwise specified pursuant to a written resolution adopted by the Committee for the Applicable Year, the performance benchmarks will correspond with Revenue and

EBITDA for the Applicable Year and Innovation Progression. The Committee will also adopt a formula that will determine the extent to which the performance measure multiples will vary as the Company's actual results vary from the performance benchmarks. Notwithstanding the foregoing, each performance measure multiple established above will be between 0.0 and 2.0 in any Applicable Year, regardless of the Company's actual results.

- 5.4 Company Performance Bonus Multiple. Unless otherwise specified pursuant to a written resolution adopted by the Committee not later than 90 days after the beginning of the Applicable Year, the Company Performance Bonus Multiple is equal to the product of the EBITDA multiple and 0.40 plus the product of the Revenue to Plan multiple and 0.30 plus the product of the Innovation Progression multiple and 0.30 (i.e.,  $\text{Company Performance Bonus Multiple} = (\text{EBITDA multiple} * 0.40) + (\text{Revenue to Plan multiple} * 0.30) + (\text{Innovation Progression multiple} * 0.30)$ ).
- 5.5 Company Performance Bonus Multiple Threshold and Maximum. Notwithstanding Sections 5.3 and 5.4 above, the Company Performance Bonus Multiple will not be less than 0.0 or greater than 2.0 in an Applicable Year. Notwithstanding the foregoing Sections 5.3 and 5.4, and this Section 5.5, the Committee may reduce the Company Performance Bonus Multiple (including but not limited to a reduction to 0.0) for some or all Eligible Employees, in its discretion.
- 5.6 Participant Company Bonus.
- a. Bonus Target. Not later than 90 days after the beginning of the Applicable Year, the Bonus Target for each Participant, whether such Participant is designated on an individual basis or by specified job category, classification, level, subsidiary or other appropriate classification, will be determined by the Committee on a basis that takes into consideration a Participant's pay grade level and job responsibilities. The Bonus Target for each Participant for the Applicable Year will be expressed as a percentage of Participant Earnings as of December 31 of the Applicable Year. Early in the Applicable Year, each Participant will receive information regarding the Participant's Bonus Target. In the event that a Participant's pay grade level changes during the Applicable Year (e.g., because of promotion, demotion or otherwise), the Participant's Bonus Target will be prorated based on the Bonus Target applicable to each pay grade level (with related job responsibilities) and the percentage of time that the Participant is employed at each pay grade level during the Applicable Year.
- b. Company Bonus Calculation. Except as described in Section 5.6(c) below, a Participant's Company Bonus will equal the product of the Company Performance Bonus Multiple and the Participant's Bonus Target and the Participant's Earnings.

- c. Adjustment for Performance Multiplier, if Applicable. Notwithstanding anything herein to the contrary, all Eligible Employees in the United States and other employees as may be designated from time to time by the Committee are subject to individual performance multipliers. For all such Participants subject to an individual performance multiplier, the amount calculated in Section 5.6(b) above will be adjusted based on whether the Participant met job expectations as determined by the Company at the end of the Applicable Year. If a Participant does not meet such job expectations, the Participant will receive an individual performance multiplier equal to either 0.0 or 0.5, as determined by the Company. In that event, the individual performance multiplier will be multiplied by the amount described in Section 5.6(b) above to calculate the Participant's Company Bonus. If a Participant meets job expectations, the Participant's Company Bonus will equal the amount calculated in Section 5.6(b) above. Not later than 90 days after the beginning of the Applicable Year, the Committee will determine applicable multipliers for meeting job expectations or ranges for the applicable rating system in effect for the Participant. For each such Participant, such rating will be determined by the Participant's supervision.

In the event that a Participant does not receive a year-end performance rating, but is otherwise eligible for a Company Bonus, the amount calculated in Section 5.6(b) above will be multiplied by 1.0 so that the Participant's actual Company Bonus will be the amount calculated in Section 5.6(b) above.

- 5.7 Conditions on Company Bonus. Payment of any Company Bonus is neither guaranteed nor automatic. A Participant's Company Bonus is not considered to be any form of compensation, wages, or benefits, unless and until paid.
- 5.8 Required Employment. Except as provided below in this Section 5.8 or as otherwise designated by the Committee, if a Participant is not employed by the Company on the last day of the Applicable Year, or is otherwise not an Eligible Employee on that date, the Participant is not entitled to any Company Bonus payment under this Plan for that Applicable Year.
- a. Leaves of Absence. A Participant who, on the last day of the Applicable Year, is on approved leave of absence under the Family and Medical Leave Act of 1993, military leave under the Uniformed Services Employment and Reemployment Rights Act, or such other approved leave of absence will be considered to be an Eligible Employee on that date for purposes of this Plan.
- b. Transfer. An employee who is a Participant in this Plan for a portion of the Applicable Year and then transfers to a position within the Company in which he or she is ineligible to participate in this Plan, but who remains employed by the Company on the last day of the Applicable Year, will be treated as satisfying the last-day-of-Applicable Year requirement for purposes of this Plan. In that event, his or her Company Bonus will be based on his or her Participant Earnings for the

portion of the Applicable Year in which the employee was a Participant in the Plan.

- c. End of Career, Disability or Death. Except as described below in Section 5.8(e), a Participant who was an Eligible Employee for some portion of the Applicable Year and then ends his or her career by voluntarily resigning either after reaching 60 years of age or 30 years of service, becomes and remains Disabled through the end of the Applicable Year, or dies during the Applicable Year will be considered to satisfy the last-day-of-Applicable-Year requirement described in this Section 5.8 for purposes of this Plan.
  - d. Reallocation, Medical Reassignment, Plant Closing or Reduction in Workforce. A Participant who was an Eligible Employee for some portion of the Applicable Year and whose employment is terminated as a result of his failure to locate a position following his reallocation or medical reassignment in the United States, or a Plant Closing or Reduction in Workforce will be considered to satisfy the last-day-of-Applicable Year requirement described in this Section 5.8 for purposes of this Plan. The Committee or its designee's determination regarding whether a Participant's termination is a direct result of either a Plant Closing or a Reduction in Workforce will be final and binding.
  - e. Notice of Resignation. A Participant who submits a notice of resignation from employment with the Company prior to the end of the Applicable Year and whose effective date of resignation is two (2) weeks or less from the date of notice of resignation will be considered employed by the Company for purposes of this Plan until the end of his specified notice period. However, notwithstanding anything else in this Section 5.8, an Eligible Employee who has not received a year-end performance rating and (1) is on employment probation (or its equivalent outside the United States) and resigns in lieu of being terminated; or (2) resigns in lieu of being terminated because of an immediately terminable offense (e.g., absence of three days without notice, insubordination, violation of illegal drug policy, possession of firearms, misconduct) will not be considered to satisfy the last day of Applicable Year requirement.
- 5.9 New Participants. If an Eligible Employee began participation in the Plan during an Applicable Year and is eligible for a Company Bonus, his Company Bonus will be based on Participant Earnings earned after the employee became a Participant.
- 5.10 Miscellaneous. All determinations necessary for computing a Company Bonus for the Applicable Year, including establishment of all components of Revenue to Plan, EBITDA to Plan, Innovation Progression, Company Performance Bonus Multiple and Bonus Target percentages, shall be made by the Committee not later than 90 days after the commencement of the Applicable Year, unless otherwise designated in writing by the Committee.

- 5.11 Minimum Amount. Notwithstanding any other provision of the Plan, the minimum total amount of Company Bonus payable to Participants in the aggregate as a group or applicable subgroup (the “Minimum Amount”) may be fixed through a resolution of the Elanco Board of Directors or the Committee, made before the end of the Applicable Year. The Minimum Amount shall not be reduced or eliminated by the Company, including by either the Elanco Board of Directors or the Committee, following the end of the Applicable Year, but shall be payable to Participants as determined by the Company and consistent with the terms of the Plan. In addition, the Minimum Amount shall not be reduced by any discretionary action to reduce a particular Participant’s Company Bonus and shall be payable to persons, as determined by the Company, who are Participants in the Plan during the Applicable Year and eligible to receive a Company Bonus.

#### **SECTION 6. TIME OF PAYMENT**

- 6.1 General Rule. Payment under the Plan will be made in the year following the Applicable Year on or prior to March 15 of such year for Eligible Employees in the United States and at such time as may be determined by the Committee for Eligible Employees outside the United States, consistent with applicable local requirements for such Eligible Employees.
- 6.2 Terminated Employee. Except as provided in Section 5.8 above, in the event an Eligible Employee’s employment with the Company ends for any reason prior to the last day of the Applicable Year, they will not receive any Company Bonus for the Applicable Year.
- 6.3 Deceased Eligible Employee. In the event an Eligible Employee dies before payment under the Plan is made, the Committee may, in its sole discretion, authorize the Company to pay to his or her personal representative or beneficiary an amount not to exceed the amount established by the Committee to reflect the payment accrued at the date of death. Any such payment would be paid consistent with the timing requirements described in Section 6.1 above.

#### **SECTION 7. ADMINISTRATIVE GUIDELINES**

- 7.1 Establishment and Amendment by the Committee. The Committee may establish objective and nondiscriminatory written guidelines for administering those provisions of the Plan that expressly provide for the determination of eligibility, Company Bonus or benefits on the basis of rules established by the Committee. The Committee may, from time to time, amend or supplement the administrative guidelines established in accordance with this Section 7.1. The administrative guidelines established or amended in accordance with this Section 7.1 will not be effective to the extent that they materially increase the Plan's liability, or to the extent that they are inconsistent with, or purport to amend, any provision of the Plan set forth in a document other than such administrative guidelines.

- 7.2. Amendment by Board of Directors. Any administrative guidelines established by the Committee pursuant to Section 7.1 above may be amended or revoked by the Board of Directors, either prospectively or retroactively, in accordance with the general amendment procedures set forth in Section 9 below.

## **SECTION 8. MISCELLANEOUS**

- 8.1 No Vested Right. No employee, Participant, beneficiary, or other individual will have a right to a Company Bonus or any part thereof until payment is made to them under Section 6.
- 8.2 No Employment Rights. No provision of the Plan or any action taken by the Company, the Board of Directors of the Company, or the Committee will give any person any right to be retained in the employ of the Company. The right and power of the Company to dismiss or discharge any Participant for any reason or no reason, with or without notice, is specifically reserved.
- 8.3 No Adjustments. After the certification of the calculation of Revenue to Plan, EBITDA to Plan, Innovation Progression and any other material terms of the calculation of the Company Performance Bonus Multiple and Company Bonus for the Applicable Year as described in Section 3.3 above, no adjustments will be made to reflect any subsequent change in accounting, the effect of federal, state, or municipal taxes later assessed or determined, or otherwise.
- 8.4 Other Representations. Nothing contained in this Plan, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any employee, Participant, beneficiary, legal representative, or any other person. Although Participants generally have no right to any payment from this Plan, to the extent that any Participant acquires a right to receive payments from the Company under the Plan, such right will be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder will be paid from the general funds of the Company and no special or separate fund will be established, and no segregation of assets will be made, to assure payment of such amount.
- 8.5 Tax Withholding. The Company will make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state, local, and other taxes required by law to be withheld with respect to Company Bonus payments under the Plan, including, but not limited to, deducting the amount required to be withheld from the amount of cash otherwise payable under the Plan, or from salary or any other amount then or thereafter payable to an employee, Participant, beneficiary, or legal representative.

- 8.6 Currency. The Company Bonus will be based on the currency in which the highest portion of base pay is regularly paid. The Committee will determine the appropriate foreign exchange conversion methodology in its discretion.
- 8.7 Effect of Plan on Other Company Plans. Nothing contained in this Plan is intended to amend, modify, terminate, or rescind other benefit or compensation plans established or maintained by the Company. Whether and to what extent a Participant's Company Bonus is taken into account under any other plan will be determined solely in accordance with the terms of such plan.
- 8.8 Construction. This Plan and all the rights thereunder will be governed by, and construed in accordance with, the laws of the state of Indiana, without reference to the principles of conflicts of law thereof.
- 8.9 Notice. Any notice to be given to the Company or the Committee pursuant to the provisions of the Plan will be in writing and directed to Secretary, Elanco Animal Health Incorporated, 2500 Innovation Way, Greenfield, IN 46140.

#### **SECTION 9. AMENDMENT, SUSPENSION, OR TERMINATION**

The Elanco Board of Directors will have the right to amend, modify, suspend, revoke, or terminate the Plan, in whole or in part, at any time and without notice, by written resolution of the Board of Directors. The Committee also will have the right to amend the Plan, except that the Committee may not amend this Section 9.





Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Elanco Animal Health Incorporated, an Indiana corporation (the "Company"), does hereby certify that, to the best of their knowledge:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2021

/s/ Jeffrey N. Simmons

Jeffrey N. Simmons  
President and Chief Executive Officer

Date: May 7, 2021

/s/ Todd S. Young

Todd S. Young  
Executive Vice President and Chief Financial Officer