

2021 Earnings – Third Quarter

November 5, 2021

Elanco

Safe Harbor Provision

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

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

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

The company undertakes no duty to update forward-looking statements

Executing Across Our Commitments

Q3 2021 Revenue Above Our Expectations

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

200 basis points of adjusted EBITDA margin⁽¹⁾ expansion resulting in adjusted EPS⁽¹⁾ of \$0.19, at the high-end of the guidance range

Increased Full Year Revenue Guidance

Raised revenue guidance incorporating strong momentum exiting Q3, and maintained adjusted EBITDA⁽¹⁾ and adjusted EPS⁽¹⁾ guidance, with all three above initial ranges from the December 2020 Investor Day

Continued progress toward our long-term targets of 60% gross margin in 2023 and 31% EBITDA margin in 2024

Positioned for Sustainable Long- Term Value Creation

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

Increased focus on high-value, late-stage Pet Health pipeline, including new R&D leadership

Continued implementation of our company-wide productivity agenda

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

Third Quarter 2021

Actuals vs. Guidance Comparison

\$ millions, except per share values

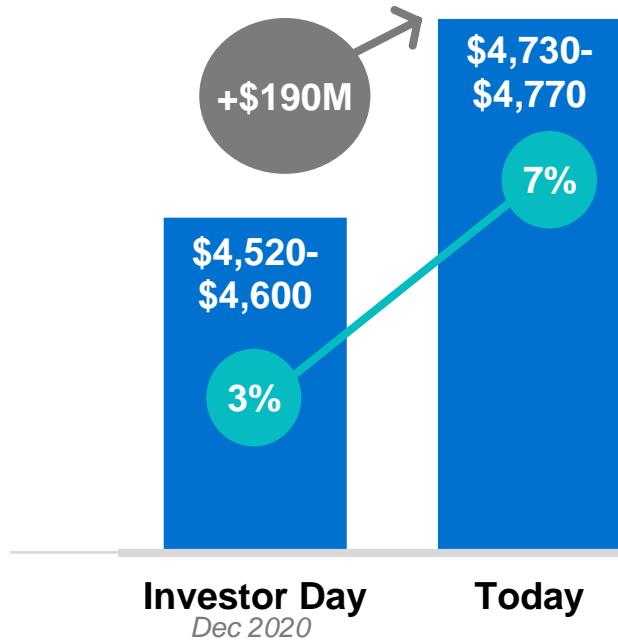
	August Guidance	Q3 2021 Actual	Comparison to Midpoint
Revenue	\$1,075 - \$1,100	\$1,131	+\$44
Reported Net Loss	\$(70) - \$(40)	\$(104)	\$(49)
Adj. EBITDA⁽¹⁾	\$195 - \$220	\$211	+\$4
Reported Loss Per Share Diluted	\$(0.14) - \$(0.08)	\$(0.21)	\$(0.10)
Adjusted Earnings Per Share Diluted⁽¹⁾	\$0.15 - \$0.19	\$0.19	+\$0.02

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

Outperforming vs. Our Investor Day Commitments

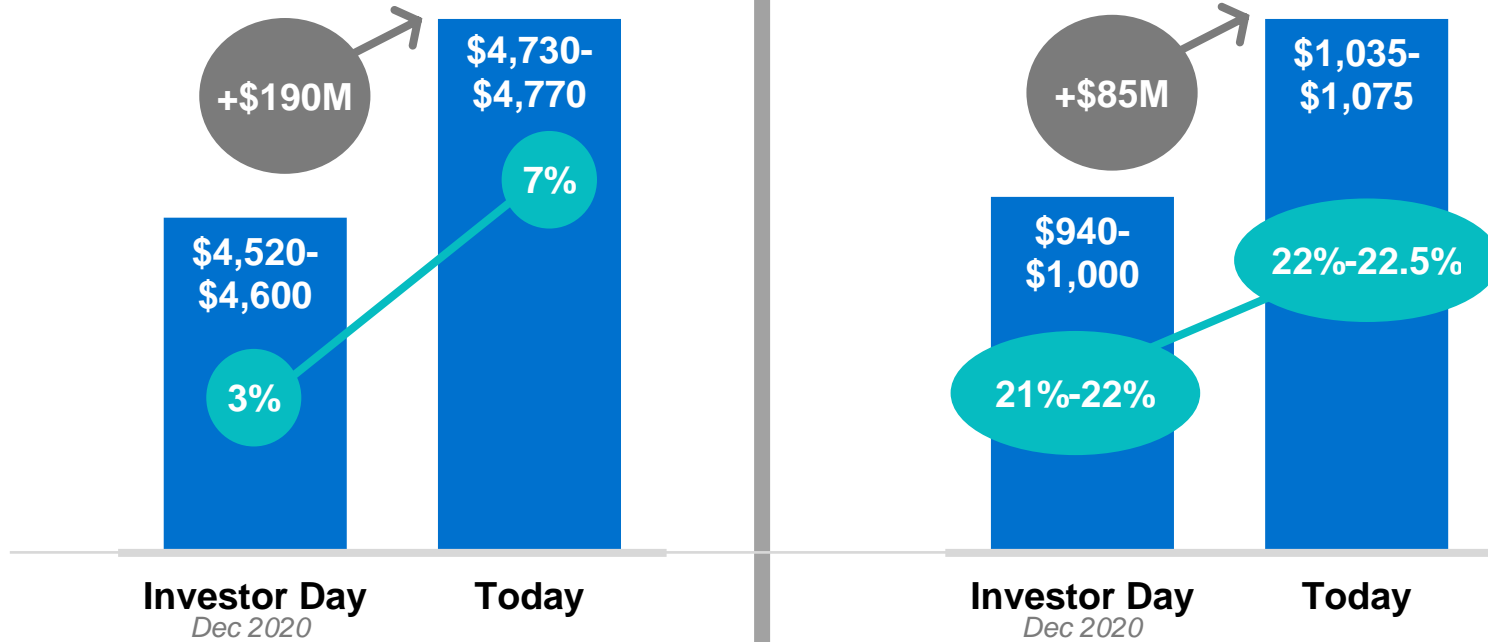
\$ Millions Except Per Share Data

2021 Revenue Guidance



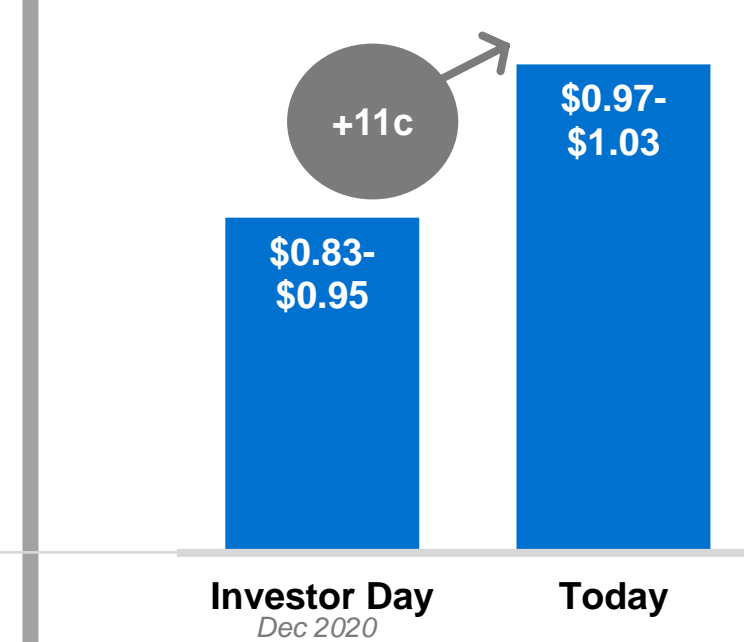
■ Revenue
— Year-Over-Year Growth

2021 Adj. EBITDA⁽¹⁾ Guidance



■ Adj. EBITDA
— Adj. EBITDA Margin

2021 Adj. EPS⁽¹⁾ Guidance



Note: Year-over-year revenue growth is on a pro forma combined company basis. The pro forma combined company figures represent estimates based on the historical records of Bayer and Elanco; however, due to certain data limitations, including foreign exchange rates, these numbers may have some non-material differences from actuals. 2020 pro forma combined company numbers represent a good faith summary to provide better financial context about historical performance

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

Driving Growth Across Our Global Portfolio



Pet Health

Contributed approximately one-third of outperformance in Q3

Continued industry tailwinds despite tougher comparisons

Global Seresto revenue up 28% compared to 2019

Strength in U.S. vaccine EDI and international markets

Successful launch of Credelio Plus in Australia



Farm Animal

Contributed approximately two-thirds of outperformance in Q3

Strength in U.S. cattle and swine, including Rumensin, Optaflexx, and Denagard above forecast

Re-emerging ASF pressure with depressed Chinese hog prices

Double-digit improvement in international poultry and aqua, driven by increased demand in reopened economies

Key Enablers Driving Long- Term Growth

Launch
Excellence

Omnichannel
Leadership

Geographic
Focus

Pricing

Digital
Ecosystem

Proven Execution Since Investor Day



Growing

- Guiding to full year 2021 revenue growth of ~7% on a pro forma combined company basis⁽²⁾, 4% higher than originally guided at our Investor Day
- Exceeded revenue guidance for four consecutive quarters, since Q4 2020
- Expecting full year 2021 pro forma combined company adj. EBITDA⁽¹⁾⁽²⁾ margin expansion of approximately 300 basis points, on track toward long-term margin targets



Innovating

- Launched all eight planned products for 2021
- Welcomed new R&D leader, Ellen de Brabander, in October
- Announced the potential carve-out of our microbiome R&D platform in October, to focus on high-value, late-stage Pet Health blockbusters



Transforming

- Accelerated expansion in the fast-growing dermatology market with KindredBio acquisition in August, adding three potential blockbusters launching by 2025
- Manufacturing streamlining with the announced exit of three sites in June
- Progressing toward expected ~5.5x net leverage by year-end
- Announced second wave of restructuring in January, as part of our progression toward \$300 million of synergies by 2023



Elevating

- Published our first ESG summary report in June

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

(2) The pro forma combined company figures represent estimates based on the historical records of Bayer and Elanco; however, due to certain data limitations, including foreign exchange rates, these numbers may have some non-material differences from actuals. 2020 pro forma combined company numbers represent a good faith summary to provide better financial context about historical performance. We define pro forma combined company adjusted EBITDA margin as pro forma combined company adjusted EBITDA divided by pro forma combined company total revenue

Building Momentum Through Our Strengthened and Expanded IPP Strategy

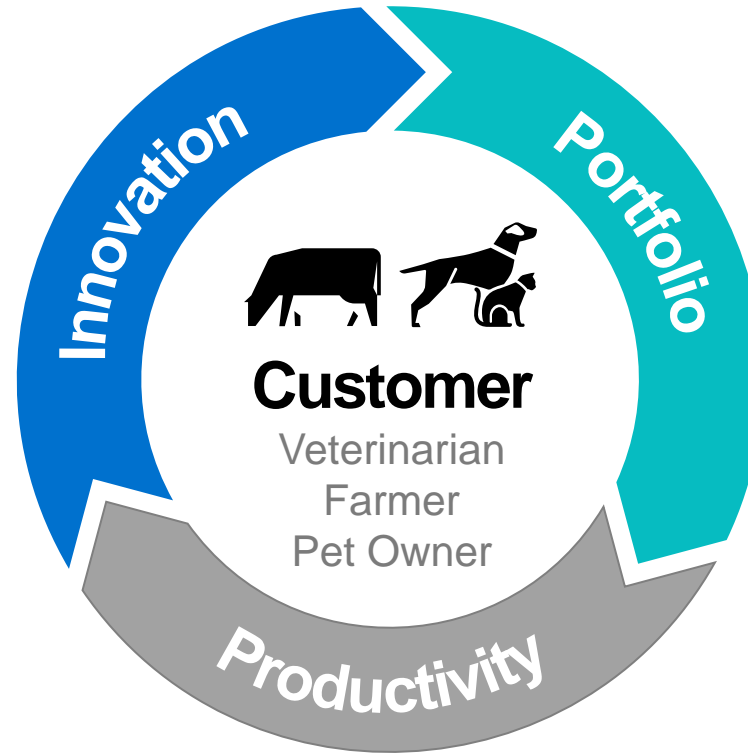
Dependable Revenue Growth from Innovation

New R&D leader bringing proven expertise in developing animal health blockbusters

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

KindredBio expected to contribute three potential blockbusters alongside our own in dermatology

Launched all eight planned products for 2021



Expanded Portfolio, Capabilities, Access

Retail leadership, paired with long-standing vet relationships

Value-based pricing as a differentiator

Continuous digital ecosystem enhancement

Highly competitive offering across our international markets

Unlocking Value






























Enhanced profitability with accelerated restructuring, maintaining long-term gross margin target in 2023

Streamlined manufacturing footprint with reduced capex and improved working capital

Continued execution resulting in sustainable double-digit adj. EBITDA⁽¹⁾ and adj. EPS⁽¹⁾ growth

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

2021 New Product Launches

Product	Species	Description	Geography	Launch Quarter	Status (Updates)
	 Cattle	Novel in Feed Technology with Environmental Claim	 	Q1 2021	U.S.: Launched CA: Approved
	 Cattle  Swine	Injectable <i>Tulathromycin</i> Antibiotic in BRD ⁽¹⁾ /SRD ⁽²⁾	 	Q1 2021	EU: Launched U.S.: Launched
	 Poultry	Non-Medicated Feed Ingredient Supporting the Natural Defense System; Suitable for RWA ⁽³⁾	 	Q3 2021	Launched
	 Poultry	Anticoccidial Portfolio Expansion; Suitable for RWA		Q1 2021	Launched
				Q2 2021	Launched
	 Dog	Oral Monthly Flea/Tick/Heartworm	  	Q1 2021	JP: Launched EU: Launched AU: Launched
	 Cat	Oral Monthly Flea/Tick		Q2 2021	Launched
	 Cat	Oral Solution for Weight Loss Management in CKD ⁽⁴⁾		Q1 2021	Launched

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

Third Quarter 2021

Financial Performance Highlights

\$ millions, except per share values

		2021	2020
Reported	Revenue	\$1,131	\$890
	Net Loss	\$(104)	\$(135)
	Earnings Per Share Diluted	\$(0.21)	\$(0.29)
Adjusted⁽¹⁾	Net Income	\$93	\$60
	Earnings Per Share Diluted	\$0.19	\$0.13
	EBITDA	\$211	\$148
	EBITDA Margin	18.7%	16.6%

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

Third Quarter 2021

Adjusted⁽¹⁾ Income Statement Highlights

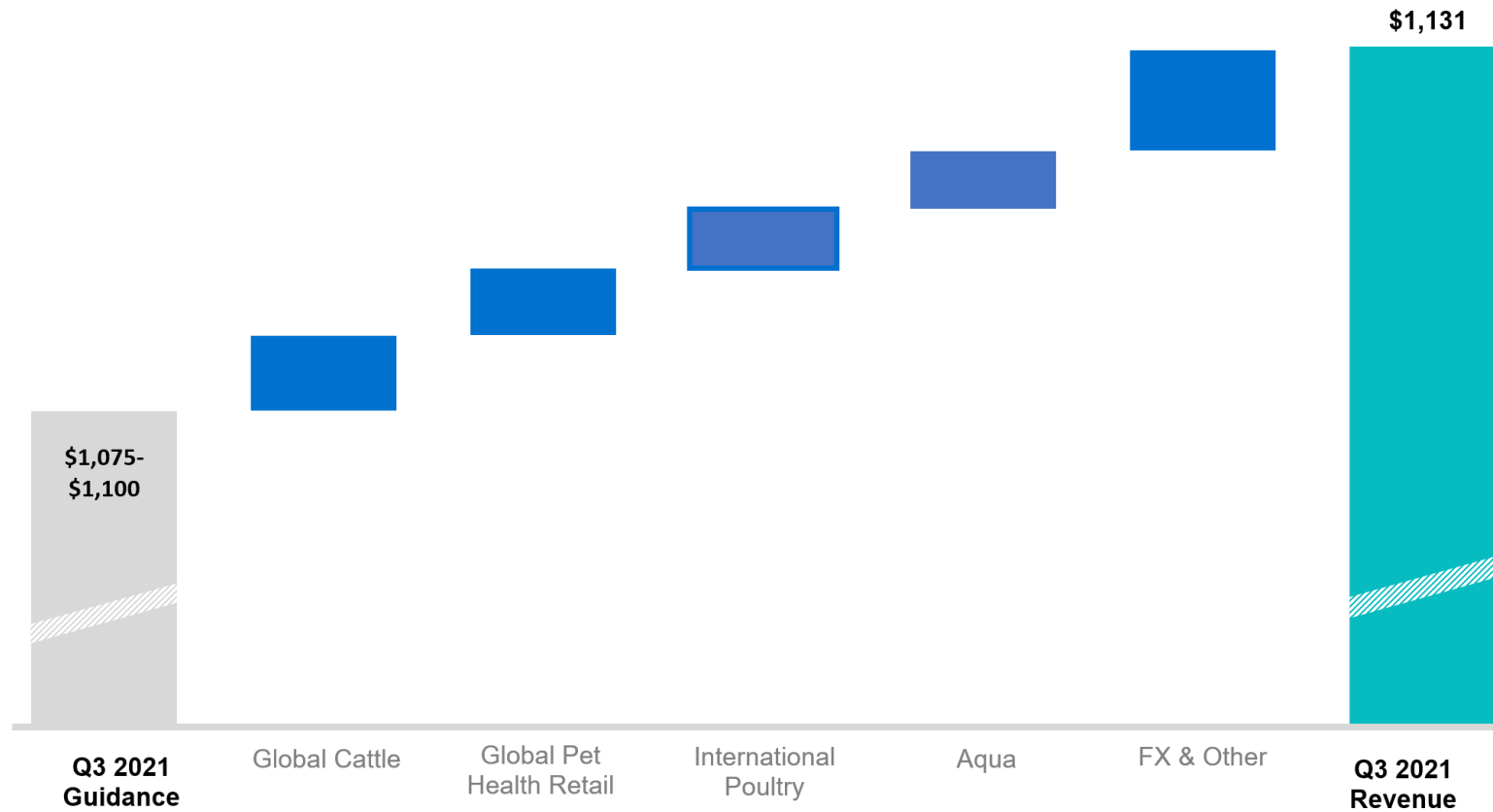
\$ millions, except
per share values

	2021	2020	Change
Revenue	\$1,131	\$890	27%
Adjusted Gross Profit	\$630	\$483	30%
Adjusted Gross Margin	55.7%	54.2%	150 bps
Marketing, Selling, & Admin Expenses	\$342	\$278	23%
R&D Expenses	\$94	\$88	7%
Interest Expense, Net	\$60	\$46	30%
Effective Tax Rate	23.5%	9.7%	1,380 bps
Adjusted Net Income	\$93	\$60	55%
Adjusted Earnings Per Share Diluted	\$0.19	\$0.13	46%

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

Drivers of Q3 2021 Revenue vs. Guidance

(\$ millions)



Key Drivers

- + Global cattle performance
- + Global Pet Health retail
- + International poultry recovery
- + Aqua growth
- + FX tailwinds vs. expectations

Third Quarter 2021

Revenue Summary by Category

	Legacy Elanco	Legacy Elanco YOY Change	Legacy Bayer	Total	Total YOY Change
Pet Health	\$280	(2)%	\$247	\$527	31%
Cattle	---	---	---	256	---
Poultry	---	---	---	173	---
Swine	---	---	---	110	---
Aqua	---	---	---	44	---
Farm Animal	\$426	8%	\$157	\$583	23%
Contract Manufacturing	4	(64)%	17	21	31%
Global Total	\$710	2%	\$421	\$1,131	27%

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

Third Quarter 2021

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate ⁽¹⁾	Volume ⁽²⁾	Total	CER Growth ⁽³⁾
Pet Health	\$527	2%	1%	28%	31%	30%
Farm Animal	\$583	0%	0%	23%	23%	23%
Contract Manufacturing	21	0%	0%	31%	31%	31%
Total Elanco	\$1,131	1%	1%	25%	27%	26%

Note: Reported revenue in millions. Numbers may not add due to rounding. The comparison period in 2020 includes revenue from animal health products acquired from Bayer beginning on August 1, 2020, the acquisition date. If the impact of year-over-year change in revenue from animal health products acquired from Bayer were not fully reflected in volume, the impact on total Elanco revenue would be: price 2%, FX rate 1%, and volume: 24%

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

(2) The impact of year-over-year change in revenue from animal health products acquired from Bayer is reflected in volume. As is typical with acquisitions, we will continue to report the addition of the Bayer business in volume through the third quarter of 2021

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

Third Quarter 2021

Revenue by Geography

\$ millions

	U.S.	International	Global
Pet Health	\$327	\$200	\$527
Farm Animal	\$170	\$413	\$583
Contract Manufacturing	\$10	\$11	\$21
Total Elanco	\$507	\$624	\$1,131
% of Total Elanco	45%	55%	100%

Note: Numbers may not add due to rounding

Key Balance Sheet and Cash Flow Metrics

Debt⁽¹⁾ Balances as of September 30, 2021

\$ millions



Note: Numbers may not add due to rounding. (1) Net debt is a non-GAAP measure calculated as gross debt less cash and cash equivalents on our balance sheet. Gross debt is the sum of current portion of long-term debt and long-term debt, and excludes unamortized debt issuance costs (2) Net leverage ratio calculated as gross debt less cash & equivalents on our balance sheet divided by adjusted EBITDA as reported. Does not include Term Loan B covenant-related adjustments that reduce this leverage ratio

Days sales outstanding

increased to 81 days vs. 75 days at the end of Q2 2021, reflecting higher international revenue and lower retail revenue in U.S. Pet Health driven by normal seasonality

Year-end net leverage⁽²⁾

expected at ~5.5x

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

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

2021 Guidance

Raising full year guidance for revenue, maintaining guidance for adj. EBITDA and adj. EPS, and updating guidance for reported EPS



Elanco

2021

Full Year Guidance

\$ millions

(\$ millions, except per share values)	December 2020 Guidance	November 2021 Update
Total Revenue	\$4,520 – \$4,600	\$4,730 – \$4,770
Adjusted Gross Margin ⁽¹⁾	55.5% – 56.5%	56.75% – 57.0%
Operating Expenses	\$1,730 – \$1,760	\$1,780 – \$1,800
Adjusted EBITDA⁽¹⁾	\$940 – \$1,000	\$1,035 – \$1,075
Adjusted EBITDA Margin⁽¹⁾	21% – 22%	22% – 22.5%
Depreciation	Approx. \$175	Approx. \$155
Interest Expense, Net of Capitalized Interest	\$236 – \$244	\$236 – \$244
Tax Rate	21% – 22%	Approx. 24.5%
Reported Earnings per Share	\$(0.28) – \$(0.14)	\$(0.91) – \$(0.83)
Adjusted Earnings per Share⁽¹⁾	\$0.83 – \$0.95	\$0.97 – \$1.03
Weighted Average Diluted Share Count	Approx. 494.5 million	Approx. 488.8 million
Capital Expenditures	\$145 – \$165	\$110 – \$130
Net Cash Impact from Bayer, Stand-Up, Integration, and Restructuring	Approx. \$250	Approx. \$270
Cash Taxes ⁽²⁾	\$30 – \$35	\$25 – \$30

(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations; (2) Net of an expected U.S. federal income tax refund of \$16 million and U.S. state income tax refund of \$3 million

Guidance

\$ millions, except per share values

Total Revenue	\$1,078 – \$1,118
Reported Net Loss	\$(65) – \$(30)
Adjusted EBITDA⁽¹⁾	\$190 – \$230
Reported Diluted EPS	\$(0.14) – \$(0.07)
Adjusted Diluted EPS⁽¹⁾	\$0.13 – \$0.19



Strong momentum
to exit the third quarter



Balanced outlook
Anticipated revenue decline vs. fourth quarter 2020 one-time items; adj. EBITDA⁽¹⁾ and adj. EPS⁽¹⁾ growth through productivity initiatives



Quarterly cadence
reflective of seasonality in Elanco's fourth quarter product mix

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

Drivers of Q4 2021 Revenue vs. Q4 2020

Normalization Items

Large U.S. Pet Health customer ordered in 2020 vs. 2021 (~\$10 million)

Incremental U.S. cattle vaccine and implant revenue due to competitor stock-outs (~\$10 million)

Contract manufacturing exits including the sale of our Shawnee manufacturing facility to TriRx, and discontinued human growth hormone production for Lilly from our Speke facility (~\$20 million)

Exited operations (~\$20 million)

**Total impact of Q4 2020 normalization:
Approximately \$60 million**

Other Impacts to Consider

Re-emerging ASF headwinds in China

Competitive dynamics

Generic pressure

Continued Execution

Portfolio outperformance

Recovery in international poultry and aqua

Eight innovation launches

Expected Q4 2021 Revenue Growth of Flat to 3.5%, After Normalization Items

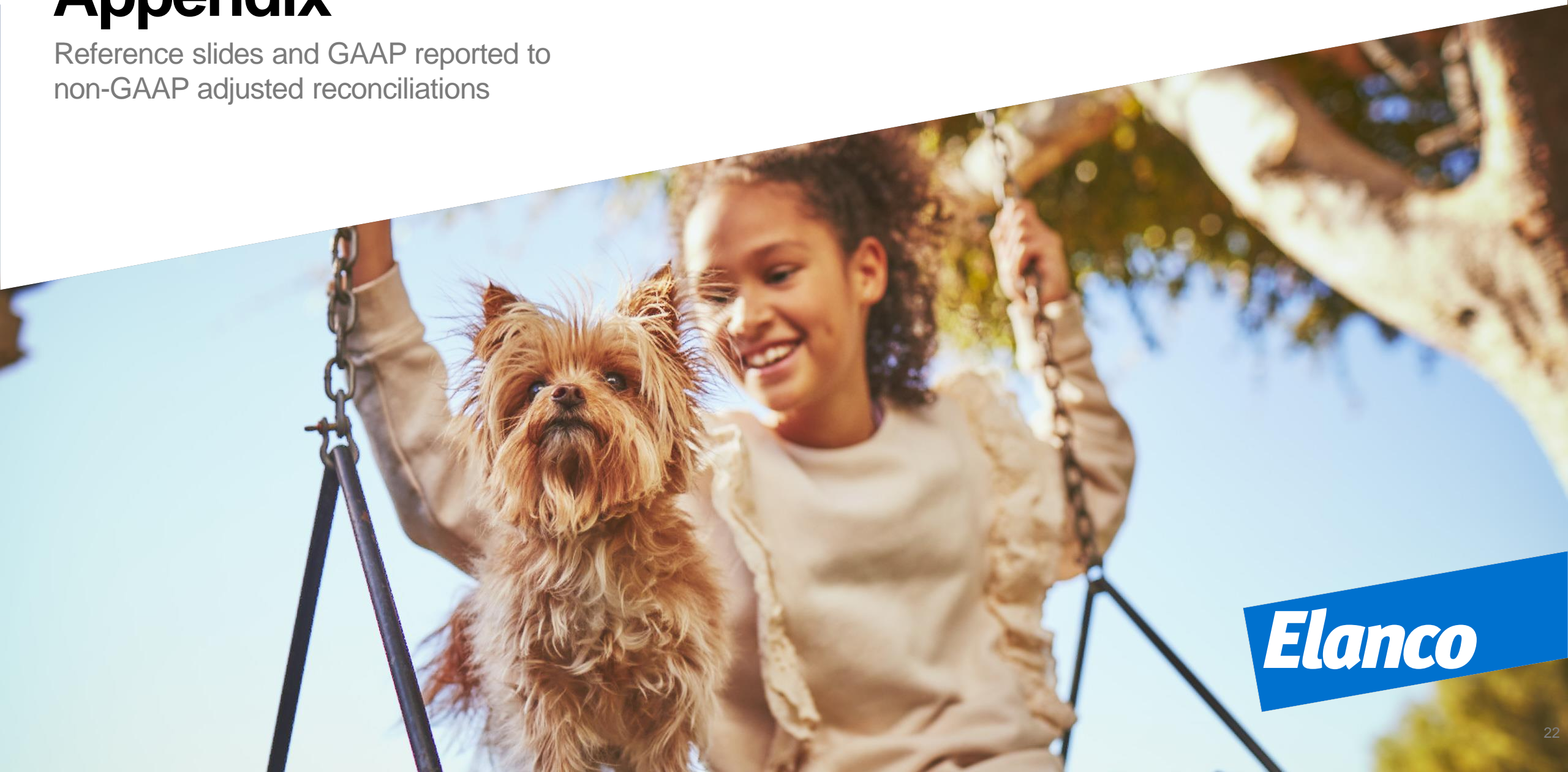
Food and Companionship Enriching Life



Elanco

Appendix

Reference slides and GAAP reported to
non-GAAP adjusted reconciliations



Elanco

Combined Company Revenue

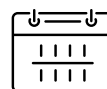
2020 Reference Base⁽¹⁾

\$ millions

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



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



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



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

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

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

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

Nine Months 2021

Financial Performance Highlights

\$ millions, except per share values

		2021	2020
Reported	Revenue	\$3,652	\$2,134
	Net Loss	\$(375)	\$(237)
	Loss Per Share Diluted	\$(0.77)	\$(0.56)
Adjusted⁽¹⁾	Net Income	\$409	\$150
	Earnings Per Share Diluted	\$0.84	\$0.35
	EBITDA	\$845	\$353
	EBITDA Margin	23.1%	16.5%

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

Nine Months 2021

Adjusted⁽¹⁾ Income Statement Highlights

\$ millions, except
per share values

	2021	2020	Change
Revenue	\$3,652	\$2,134	71%
Adjusted Gross Profit	\$2,094	\$1,102	90%
Adjusted Gross Margin	57.3%	51.6%	570 bps
Marketing, Selling, & Admin Expenses	\$1,075	\$623	73%
R&D Expenses	\$277	\$214	29%
Interest Expense, Net	\$181	\$86	110%
Effective Tax Rate	24.8%	13.8%	1,100 bps
Adjusted Net Income	\$409	\$150	173%
Adjusted Earnings Per Share Diluted	\$0.84	\$0.35	140%

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

Nine Months 2021

Revenue Summary by Category

	Legacy Elanco	Legacy Elanco YOY Change	Legacy Bayer	Total	Total YOY Change
Pet Health	\$893	19%	\$964	\$1,857	116%
Cattle	---	---	---	754	---
Poultry	---	---	---	517	---
Swine	---	---	---	346	---
Aqua	---	---	---	111	---
Farm Animal	\$1,240	8%	\$488	\$1,728	41%
Contract Manufacturing	10	(78)%	57	67	31%
Global Total	\$2,143	11%	\$1,509	\$3,652	71%

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

Nine Months 2021

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate ⁽¹⁾	Volume ⁽²⁾	Total	CER Growth ⁽³⁾
Pet Health	\$1,857	3%	2%	111%	116%	114%
Farm Animal	\$1,728	1%	2%	39%	41%	40%
Contract Manufacturing	67	0%	0%	31%	31%	31%
Total Elanco	\$3,652	2%	2%	68%	71%	70%

Note: Reported revenue in millions. Numbers may not add due to rounding. The comparison period in 2020 includes revenue from animal health products acquired from Bayer beginning on August 1, 2020, the acquisition date. If the impact of year-over-year change in revenue from animal health products acquired from Bayer were not fully reflected in volume, the impact on total Elanco revenue would be: price 2%, FX rate 2%, and volume: 67%

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

(2) The impact of year-over-year change in revenue from animal health products acquired from Bayer is reflected in volume. As is typical with acquisitions, we will continue to report the addition of the Bayer business in volume through the third quarter of 2021

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

Nine Months 2021

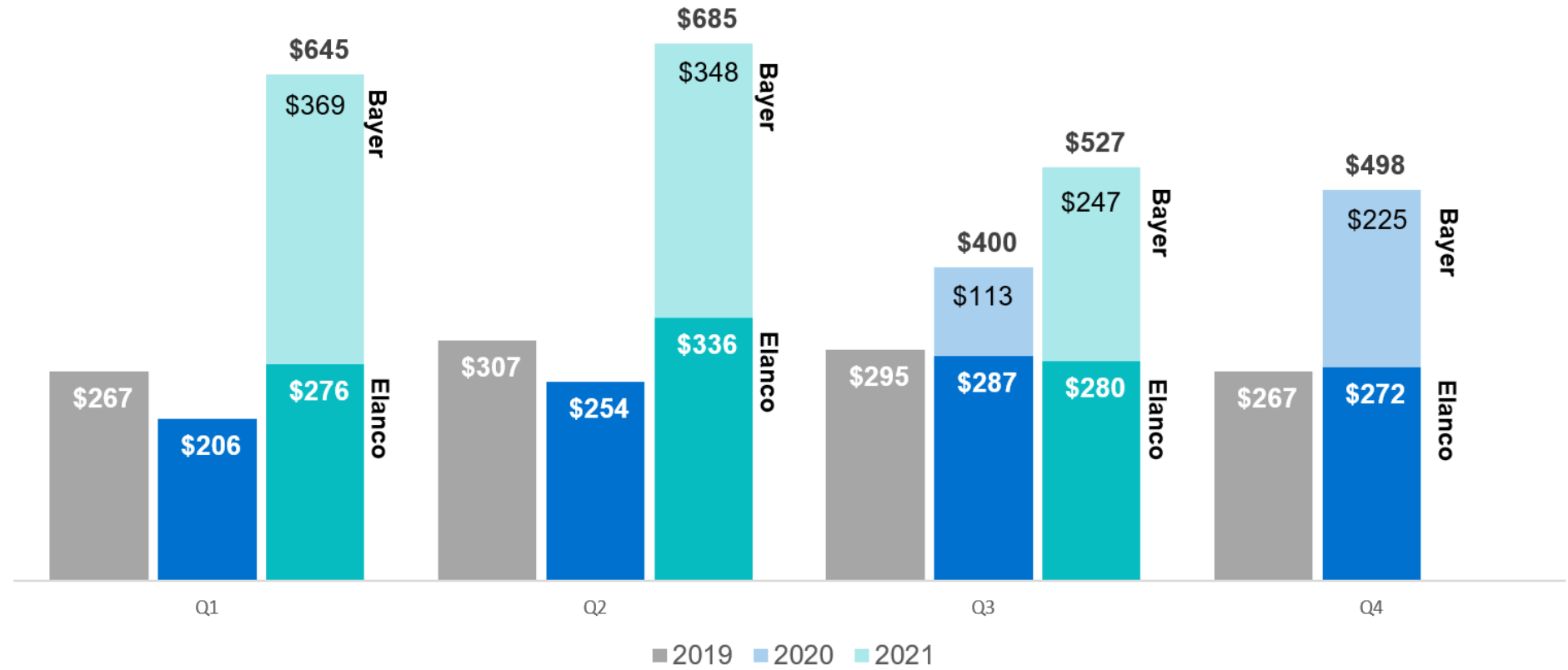
Revenue by Geography

\$ millions

	U.S.	International	Global
Pet Health	\$1,073	\$784	\$1,857
Farm Animal	\$519	\$1,209	\$1,728
Contract Manufacturing	\$29	\$38	\$67
Total Elanco	\$1,621	\$2,031	\$3,652
% of Total Elanco	44%	56%	100%

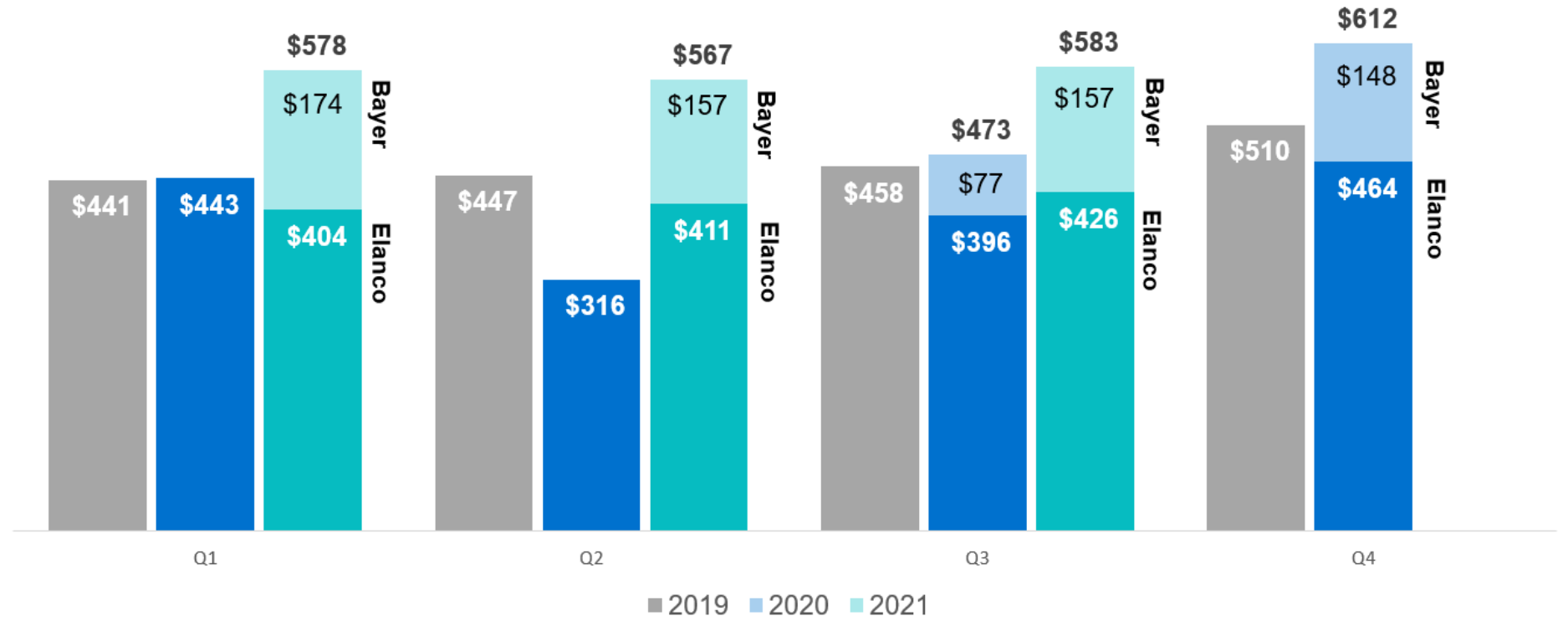
Note: Numbers may not add due to rounding

Revenue by Quarter



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

Revenue by Quarter



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

Third Quarter 2021

Adjusted EBITDA Reconciliation

\$ millions

	2021	2020
Reported Net Loss	\$(104)	\$(135)
Net Interest Expense	\$60	\$48
Income Tax Benefit	\$(26)	\$(74)
Depreciation and Amortization	\$170	\$132
EBITDA	\$100	\$(29)
Non-GAAP Adjustments		
Cost of Sales	\$1	\$35
Asset Impairment, Restructuring, and Other Special Charges	\$111	\$262
Other Income, Net	\$(1)	\$(119)
Accelerated Depreciation and Amortization ⁽¹⁾	-	\$(1)
Adjusted EBITDA	\$211	\$148
Adjusted EBITDA Margin	18.7%	16.6%

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

Third Quarter 2021

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

\$ millions

	2021			2020		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Cost of Sales	\$502	\$1	\$501	\$442	\$35	\$407
Amortization of Intangible Assets	\$141	\$141	-	\$96	\$96	-
Asset Impairment, Restructuring and Other Special Charges	\$111	\$111	-	\$262	\$262	-
Interest Expense, Net of Capitalized Interest	\$60	-	\$60	\$48	\$2	\$46
Other Expense (Income), Net	\$11	\$(1)	\$12	\$(115)	\$(119)	\$4
Income (Loss) Before Taxes	\$(130)	\$252	\$122	\$(209)	\$276	\$67
Provision for Taxes	\$(26)	\$(55)	\$29	\$(74)	\$(81)	\$7
Net Income (Loss)	\$(104)	\$197	\$93	\$(135)	\$195	\$60
Earnings (Loss) per Share Diluted	\$(0.21)	\$0.40	\$0.19	\$(0.29)	\$0.42	\$0.13
Adjusted Weighted Average Shares Outstanding Diluted	487.3	489.0	489.0	462.4	463.1	463.1

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

Details of Adjustments to Certain GAAP Reported Measures

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

1. 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health resulting from the delayed purchase of certain entities (\$1 million).
2. 2020 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$33 million) and charges associated with the write-off of marketing inventory recorded from the acquisition of Bayer Animal Health (\$2 million).
3. 2021 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio, and charges primarily related to independent stand-up costs and other related activities (\$30 million), a charge associated with the settlement of a liability for future royalty and milestone payments triggered in connection with our acquisition of KindredBio (\$26 million), costs associated with the sale of our manufacturing site in Shawnee, Kansas (\$1 million), asset impairments (\$50 million), asset write-downs (\$6 million), and the settlement of a legal matter (\$8 million), partially offset by curtailment gains recognized due to the remeasurement our pension benefit obligations resulting from workforce reductions associated with our recent restructuring programs (\$9 million) and a favorable adjustment from reversals for severance programs that are no longer active (\$2 million).
4. 2020 excludes charges associated with integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$131 million), severance (\$130 million), and asset write-downs (\$1 million).
5. 2020 excludes the debt extinguishment loss recorded in connection with the partial repayment of our existing term loan facility (\$2 million).
6. 2021 excludes an adjustment to a loss that was previously recorded in relation to the divestiture of products (\$1 million).
7. 2020 excludes gains recorded in relation to the divestiture of several products as required as a result of the acquisition of the animal health business of Bayer (\$156 million) and a hedging gain related to the closing of the acquisition of the animal health business of Bayer (\$6 million), partially offset by a loss recorded in relation to the divestiture of products (\$7 million) and debt issuance costs (\$36 million).
8. 2021 represents the income tax expense associated with the adjusted items, as well as a net decrease in the valuation allowance recorded against our U.S. deferred tax assets during the period (\$2 million).
9. 2020 represents the income tax expense associated with the adjusted items.
10. During the three months ended September 30, 2021 and 2020, we reported a GAAP net loss and thus potential dilutive common shares were not assumed to have been issued since their effect is anti-dilutive. During the same periods, we reported non-GAAP net income. As a result, potential dilutive common shares would not have an anti-dilutive effect, and diluted weighted average shares outstanding for purposes of calculating Adjusted EPS include 1.7 million and 1.2 million, respectively, of common stock equivalents.

Nine Months 2021

Adjusted EBITDA Reconciliation

\$ millions

	2021	2020
Reported Net Loss	\$(375)	\$(237)
Net Interest Expense	\$181	\$89
Income Tax Benefit	\$(71)	\$(117)
Depreciation and Amortization	\$542	\$295
EBITDA	\$277	\$30
Non-GAAP Adjustments		
Cost of Sales	\$64	\$39
Asset Impairment, Restructuring, and Other Special Charges	\$518	\$456
Other Income, Net	\$(9)	\$(167)
Accelerated Depreciation and Amortization ⁽¹⁾	\$(5)	\$(6)
Adjusted EBITDA	\$845	\$352
Adjusted EBITDA Margin	23.1%	16.5%

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

Nine Months 2021

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

\$ millions

	2021			2020		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Cost of Sales	\$1,622	\$64	\$1,558	\$1,071	\$39	\$1,032
Amortization of Intangible Assets	\$417	\$417	-	\$197	\$197	-
Asset Impairment, Restructuring and Other Special Charges	\$518	\$518	-	\$456	\$456	-
Interest Expense, Net of Capitalized Interest	\$181	-	\$181	\$89	\$3	\$86
Other Expense (Income), Net	\$8	\$(9)	\$17	\$(162)	\$(167)	\$5
Income (Loss) Before Taxes	\$(446)	\$990	\$544	\$(354)	\$528	\$174
Provision for Taxes	\$(71)	\$(206)	\$135	\$(117)	\$(141)	\$24
Net Income (Loss)	\$(375)	\$784	\$409	\$(237)	\$387	\$150
Earnings (Loss) per Share Diluted	\$(0.77)	\$1.60	\$0.84	\$(0.56)	\$0.91	\$0.35
Adjusted Weighted Average Shares Outstanding Diluted	487.1	488.6	488.6	426.5	427.4	427.4

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

Details of Adjustments to Certain GAAP Reported Measures

For the nine months ended September 30, 2021 and 2020:

1. 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$64 million).
2. 2020 excludes amortization of inventory fair value adjustments recorded from the acquisition of the animal health business of Bayer (\$33 million) and charges associated with the write-off of marketing inventory recorded from the acquisition of the animal health business of Bayer (\$2 million), and a onetime payment to settle outstanding obligations to a contract manufacturing organization in connection with a divestiture (\$4 million).
3. 2021 excludes charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health and KindredBio, and charges primarily related to independent stand-up costs and other related activities (\$141 million), a charge associated with the settlement of a liability for future royalty and milestone payments triggered in connection with our acquisition of KindredBio (\$26 million), costs associated with the sale of our manufacturing sites in Shawnee, Kansas and Speke, U.K. and other business development transactions (\$4 million), severance accruals net of reversals (\$26 million), asset impairments (\$63 million), and asset write-downs (\$275 million) and the settlement of a legal matter (\$8 million), partially offset by curtailment gains recognized due to the remeasurement our pension benefit obligations resulting from workforce reductions associated with our recent restructuring programs (\$26 million).
4. 2020 excludes charges associated with integration efforts and external costs related to the acquisition of businesses, including the pending acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$318 million), facility exit costs and asset write-downs (\$4 million), severance accruals net of reversals (\$131 million), the settlement of a legal matter (\$3 million), and the impairment of intangible assets (\$4 million), partially offset by the gain on the sale of our R&D facility in Prince Edward Island, Canada (\$4 million).
5. 2020 excludes the debt extinguishment loss recorded in connection with the repayment of our existing term loan facilities (\$3 million).
6. 2021 excludes up-front payments received and equity issued to us in relation to license and asset assignment agreements (\$9 million).
7. 2020 excludes the gains recorded in relation to the divestiture of several products as required as a result of the acquisition of the animal health business of Bayer (\$156 million), a hedging gain related to the closing of the acquisition of the animal health business of Bayer (\$6 million), the gain on our sale of land and buildings in New South Wales, Australia (\$46 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$2 million), partially offset by a loss recorded in relation to the divestiture of products (\$7 million) and debt issuance costs (\$36 million).
8. 2021 represents the income tax expense associated with the adjusted items, partially offset by a net increase in the valuation allowance recorded against our U.S. deferred tax assets during the period (\$2 million).
9. 2020 represents the income tax expense associated with the adjusted items.
10. During the nine months ended September 30, 2021 and 2020, we reported a GAAP net loss and thus potential dilutive common shares were not assumed to have been issued since their effect is anti-dilutive. During the same periods, we reported non-GAAP net income. As a result, potential dilutive common shares would not have an anti-dilutive effect, and diluted weighted average shares outstanding for purposes of calculating Adjusted EPS include 1.5 million and 0.9 million, respectively, of common stock equivalents.

Full Year 2021

EPS Guidance Reconciliation November Update

Reported Loss per Share	\$(0.91) - \$(0.83)
Cost of Sales ⁽¹⁾	\$0.13
Amortization of Intangible Assets	\$1.14
Asset Impairment, Restructuring, and Other Special Charges ⁽²⁾	\$1.12 - \$1.14
Other Expense (Income), Net	\$(0.02)
Subtotal	\$2.37 - \$2.39
Tax Impact of Adjustments	\$(0.51)
Total Adjustments to Earnings (Loss) per Share	\$1.86 - \$1.88
Adjusted Earnings per Share⁽³⁾	\$0.97 - \$1.03

Note: Numbers may not add due to rounding

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

(2) Asset impairment, restructuring, and other special charges adjustments are related to integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities, including severance

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

Full Year 2021

EBITDA Guidance Reconciliation

November Update

\$ millions

Reported Net Loss	\$(405) - \$(360)
Net Interest Expense	\$240 - \$245
Income Tax Provision	\$(140) - \$(125)
Depreciation and Amortization	\$715 - \$720
EBITDA	\$415 - \$475
Non-GAAP Adjustments	
Cost of Sales	Approx. \$60
Asset Impairment, Restructuring, and Other Special Charges	\$545 - \$570
Other Expense, Net	\$(10) - \$(5)
Adjusted EBITDA	\$1,035 - \$1,075
Adjusted EBITDA Margin	22% - 22.5%

Note: Numbers may not add due to rounding

EPS Guidance Reconciliation

Reported Loss per Share	\$(0.14) - \$(0.07)
Amortization of Intangible Assets	\$0.29
Asset Impairment, Restructuring, and Other Special Charges ⁽¹⁾	\$0.06 - \$0.08
Subtotal	\$0.35 - \$0.37
Tax Impact of Adjustments	\$(0.09)
Total Adjustments to Earnings (Loss) per Share	\$0.26 - \$0.27
Adjusted Earnings per Share⁽²⁾	\$0.13 - \$0.19

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments are related to integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities, including severance

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

Fourth Quarter 2021

EBITDA Guidance Reconciliation

\$ millions

Reported Net Loss	\$(65) - \$(30)
Net Interest Expense	\$60
Income Tax Provision	\$(20) - \$(5)
Depreciation and Amortization	\$175
EBITDA	\$150 - \$200
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	\$30 - \$40
Adjusted EBITDA	\$190 - \$230
Adjusted EBITDA Margin	17% - 21%

Note: Numbers may not add due to rounding