



*Food and Companionship Enriching Life*

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## Company Presentation

February 2019

# Disclaimer

This presentation contains certain statements about Eli Lilly and Company ("Lilly") and Elanco Animal Health Incorporated ("Elanco") that are "forward-looking statements" within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are based on current expectations and assumptions regarding Lilly's and Elanco's respective businesses, the economy and other future conditions. In addition, the forward-looking statements contained in this presentation may include statements about the expected effects on Lilly and Elanco of the exchange offer, the anticipated timing and benefits of the exchange offer, Lilly's and Elanco's anticipated financial results, and all other statements in this presentation that are not historical facts. Forward-looking statements are generally identified by using words such as "anticipate," "estimate," "expect," "intend," "project," "plan," "predict," "believe," "seek," "continue," "outlook," "may," "might," "should," "can have," "likely" or the negative version of these words or comparable words or by using future dates in connection with any discussion of future performance, actions or events. Actual results may differ materially due to various factors.

In particular, forward-looking statements include statements relating to: the exchange offer and/or one or more subsequent additional distributions; the separation, the exchange offer and their expected benefits; applicable laws and regulations; provisions of Elanco's amended and restated articles of incorporation and amended and restated bylaws and certain contractual rights granted to Lilly may discourage takeover attempts and business combinations that shareholders might consider in their best interests; the exchange offer and related transactions will result in a substantial amount of Elanco common stock entering the market, which may adversely affect the market price of Elanco common stock; investments will be subject to different risks after the exchange offer; during and following the completion of the exchange offer, shares of Lilly common stock and Elanco common stock will fluctuate and the final per-share values used in determining the exchange ratio may not be indicative of future trading prices; tendering Lilly shareholders may receive a reduced discount or may not receive any discount in the exchange offer; participating Lilly shareholders may experience some delay in receiving shares of Elanco common stock (and cash in lieu of fractional shares of Elanco common stock, if any) for shares of Lilly common stock that are accepted in the exchange offer; market prices for shares of Lilly common stock may be impacted by the exchange offer; the separation and the exchange offer could result in significant tax liability; if there is a later determination that the separation or the exchange offer is taxable for U.S. federal income tax purposes because the facts, assumptions, representations or undertakings underlying the tax opinion are incorrect for any other reason, then Lilly and its shareholders could incur significant U.S. federal income tax liabilities and Elanco could incur significant liabilities; Elanco's indebtedness and Elanco's ability to make interest and principal payments on its indebtedness; Elanco's ability to satisfy the covenants contained in its indebtedness; Elanco's ability to generate sufficient cash to service all of its indebtedness; future actions, business plans or prospects; prospective products, product approvals or products under development; R&D costs, timing and likelihood of success; success of acquisition and licensing efforts; future operating or financial performance; future results of current and anticipated products and services, strategies, sales efforts, expenses, production and cost efficiencies, and margin improvements; uncertainty and impact of Brexit; interest rates and foreign exchange rates; heightened competition, including from new innovation or generics; the impact of disruptive innovations and advances in veterinary medical practices, animal health technologies and product alternatives; changes in regulatory landscape; changing market demand; unanticipated safety, quality or efficacy concerns regarding Elanco products; growth in emerging markets; the outcome of contingencies, such as legal proceedings; dividend plans; Elanco's agreements with Lilly; Lilly's control of Elanco prior to the exchange offer and potential loss of control of Elanco after the completion of the exchange offer; Elanco's ability to operate as a standalone company after the exchange offer is completed; government regulation; changes in U.S. foreign trade policy, imposition of tariffs or trade disputes; weather conditions and availability of natural resources; impact of global macroeconomic conditions; and changes in financial results.

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 and are detailed more fully in Lilly's and Elanco's respective periodic reports filed from time to time with the Securities and Exchange Commission (the "SEC"), the registration statement filed by Elanco with the SEC on February 8, 2019, including the prospectus forming a part thereof (the "Registration Statement"), and other exchange offer documents to be filed by Elanco and Lilly with the SEC. Such uncertainties, risks and changes in circumstances could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Forward-looking statements included herein are made as of the date hereof, and neither Lilly nor Elanco undertakes any obligation to update publicly such statements to reflect subsequent events or circumstances, except to the extent required by applicable securities laws. Investors should not put undue reliance on forward-looking statements.

# Disclaimer (Cont'd)

## **Non-GAAP Measures**

We present adjusted EBITDA, adjusted EBIT, adjusted operating income and other non-GAAP financial measures to help us describe our performance. We present these measures for the purpose of providing supplemental measures of our performance and are not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP"). The primary material limitations associated with the use of adjusted EBITDA, adjusted EBIT, adjusted operating income and other non-GAAP financial measures as compared to U.S. GAAP results include the following: (i) they may not be comparable to similarly titled measures used by other companies, including those in our industry, (ii) they exclude financial information and events, such as the effects of an acquisition or amortization of intangible assets, that some may consider important in evaluating our performance, value or prospects for the future, (iii) they exclude items or types of items that may continue to occur from period to period in the future and (iv) they may not exclude all unusual or non-recurring items, which could increase or decrease these measures, which investors may consider to be unrelated to our long-term operations. These non-GAAP measures are not, and should not be viewed as, substitutes for U.S. GAAP reported net income (loss). We encourage investors to review our combined financial statements in their entirety and caution investors to use U.S. GAAP measures as the primary means of evaluating our performance, value and prospects for the future, and adjusted EBITDA, adjusted EBIT, adjusted operating income and other non-GAAP financial measures as supplemental measures.

## **Additional Information and Where to Find It**

This presentation is for informational purposes only and is neither an offer to sell or the solicitation of an offer to buy any securities nor a recommendation as to whether investors should participate in the exchange offer. Elanco has filed with the SEC a Registration Statement on Form S-4, including the prospectus forming a part thereof, and Lilly has filed with the SEC a Schedule TO, which more fully describe the terms and conditions of the exchange offer. The exchange offer will be made solely by the prospectus. The prospectus contains important information about the exchange offer, Lilly, Elanco and related matters, and Lilly will deliver the prospectus to holders of Lilly common stock. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROSPECTUS, AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, WHEN THEY BECOME AVAILABLE AND BEFORE MAKING ANY INVESTMENT DECISION, BECAUSE THEY CONTAIN IMPORTANT INFORMATION. None of Lilly, Elanco or any of their respective directors or officers or the dealer managers appointed with respect to the exchange offer makes any recommendation as to whether you should participate in the exchange offer.

Holders of Lilly common stock may obtain copies of the prospectus, other related documents, and any other information that Lilly and Elanco file electronically with the SEC free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Holders of Lilly common stock will also be able to obtain a copy of the prospectus by clicking on the appropriate link on [www.lillyexchangeoffer.com](http://www.lillyexchangeoffer.com). Related documents may also be obtained for free, as applicable, from Lilly at [www.lilly.com](http://www.lilly.com) or Elanco at [www.elanco.com](http://www.elanco.com).

Lilly has retained Georgeson LLC as the information agent for the exchange offer. If you have any questions about the terms of the exchange offer or how to participate, you may contact the information agent at 1-800-676-0194 (toll-free for shareholders, banks and brokers) or +1-781-575-2137 (all others outside the U.S.).

# Exchange Offering Summary

<b>Issuer:</b>	<b>Elanco Animal Health Inc. ("ELAN" or "Elanco")</b>
Offer to Exchange:	Up to an aggregate of 293,290,000 shares* of ELAN common stock for outstanding shares of Eli Lilly and Company ("LLY" or "Lilly") common stock
Target Discount on ELAN:	7% based on average of VWAPs of LLY and ELAN during the Averaging Period (subject to the Upper Limit)
Upper Limit:	4.5262 shares of ELAN per share of LLY validly tendered (represents a 12% discount to ELAN based on 7-Feb-2019 closing prices)
Averaging Period:	Expected to be March 4, 5 and 6, 2019
Expiration:	Expected to be 12:00 midnight, New York City time, at the end of the day on March 8, 2019
Exchange / Ticker:	NYSE / ELAN
Dealer Managers:	Goldman Sachs & Co. LLC; J.P. Morgan Securities LLC; Morgan Stanley & Co. LLC
Minimum Condition:	50% shares of ELAN distributed (146,645,000 shares of ELAN distributed)
*representing Lilly's entire remaining interest in Elanco	



# Elanco Presenters



**Jeff Simmons**  
*President, Chief Executive  
Officer and Director*

- Elanco President, Chief Executive Officer and Director since July 2018
- President of the Elanco Animal Health Division of Lilly and Senior Vice President of Lilly from 2008 to 2018
- Prior to 2008, held various leadership roles at Elanco in the U.S. and abroad, including country director in Brazil and area director for Western Europe
- Joined Elanco in 1989



**Todd Young**  
*Executive Vice President  
and Chief Financial Officer*

- Elanco Executive Vice President and Chief Financial Officer since November 2018
- Executive Vice President and Chief Financial Officer of ACADIA Pharmaceuticals since 2016
- Prior to 2016, worked in multiple roles of ascending responsibility at Baxter, before driving the spinoff of Baxalta in 2015
- Joined Elanco in November 2018

# Elanco is Delivering on our Goals – 2018 Proof Points

## Top Line Growth

Core Elanco<sup>1</sup> sales growth of 8%  
Targeted growth categories ~60% of total sales

## Margin Expansion

Adjusted EBIT margin<sup>2</sup> +400 bps  
Adjusted operating income<sup>2</sup> +35%

## Launching with Excellence

Fourth consecutive year with multiple launches  
Interceptor Plus reaches Blockbuster status

## Meeting Expectations

Strategy is progressing; we are executing

**Elanco**

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Note: Elanco revenue growth calculated at constant exchange rates. All growth percentages represent full year 2018 compared to full year 2017. | <sup>1</sup> Excludes Strategic Exits, which include revenue from third-party manufacturing, distribution and other contractual arrangements as well as an equine product not core to our business and transitional contract manufacturing activity associated with the supply of human growth hormone to Lilly, which we have either exited or made the decision to exit. | <sup>2</sup> Non-GAAP number. See reconciliations on slides 34 through 36.

# Executing on Targeted 'Value-Generating' Strategy Significant Progress Since IPO

## Three Categories Where We Can Win

- 2018 Core Elanco Revenue: \$2.97B, +8% YOY
- Targeted Growth Categories are 60% of sales and leading our growth
- Interceptor Plus achieved Blockbuster status

## Unlocking Value

- 3% price growth for 2018
- 3 sites exited in 2018 (completed sale of sites in Larchwood, IA, Cali, Colombia and Sligo, Ireland)
- Announced International restructuring
- Narrowed CMOs by 18, ending year with 100
- Eliminated 310 SKUs in 2018



## Targeted Approach Creating Portfolio of Sustained Innovation

- 11 newly launched products grew 91% YOY to \$274 million
- Since IPO: 2 launches, 1 approval
- Working towards regulatory approval for Imvixa in Norway
- Nutritional Health collaboration with Novozymes
- Molecule expansion of Credelio for cats (EU)

# Establishing an Independent Elanco



## Growing Ownership

- ✓ Employees granted ELAN shares at IPO and opportunity to buy directed shares at IPO price
- ✓ Evaluating options to expand ownership culturally & financially

## Governance & Autonomy



- ✓ Experienced Board of Directors oriented towards growth and value
- ✓ Management incentives tied directly to progress of Elanco's margin expansion, innovation and sales growth goals



## "Fit for Purpose"

- ✓ Shift from defined benefit plan to Elanco defined contribution plan
- ✓ Prudent approach to establishing stand-alone capabilities, appropriate TSA utilization



## Engagement & Execution



- ✓ Quarterly, outcome-based "way of execution" driving speed
- ✓ Top Senior Leaders measured quarterly on key metrics for Engagement & Execution

# Compelling Value Proposition



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Note: Elanco revenue growth calculated at constant exchange rates.

<sup>1</sup> Global animal health industry revenue is expected to grow nominally at a CAGR of 5% from 2017-2023, according to Vetnosia. <sup>2</sup> Excludes Strategic Exits, which include revenue from third-party manufacturing, distribution and other contractual arrangements, as well as an equine product not core to our business and transitional contract manufacturing activity associated with the supply of human growth hormone to Lilly, which we have either exited or made the decision to exit. <sup>3</sup> Non-GAAP number. See reconciliations on slide 34.

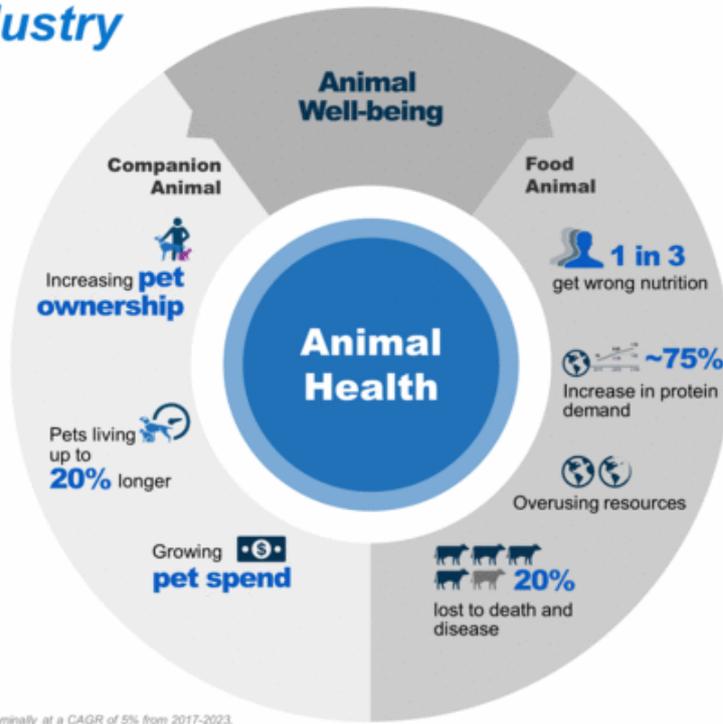
# An Attractive Industry

## Strong Growth Drivers

**\$34B**

**~5%**

2017-2023  
Growth<sup>1</sup>



# Established Leader; Enduring Brands; Global Presence

## Our Vision

Food and companionship enriching life



Elanco

Since  
**1954**

**~\$3.1B**  
tripling revenue since  
2005

**~5,800**  
employees

**Products in  
~90+** countries

**Top 4**  
in all four key regions<sup>1</sup>

**Top 3**  
Cattle | Poultry  
Medicated Feed  
Additives<sup>1</sup>

**125+**  
Brands

Sustained Value

## Size, Scale, and Strategy: Positioned for Next Era of Growth

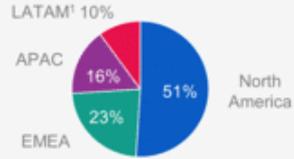
Elanco

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<sup>1</sup> Based on 2017 revenue.

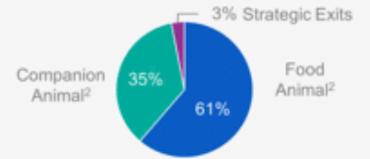
# Elanco is Diversified and Largely Disentangled

## Diversified Geographic and Business Mix

**2018 Sales By Geography**  
Diversified Geographies



**2018 Sales By Business**  
Balanced portfolio



## Footprint Disentangled from Lilly

### R&D



### Manufacturing



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<sup>1</sup> LATAM includes aquaculture from all regions | <sup>2</sup> Food Animal includes Ruminants & Swine and Future Protein & Health categories; Companion Animal includes CA Disease Prevention and CA Therapeutics categories | Numbers may not add due to rounding.

R&D	Mfg / R&D	Manufacturing	Manufacturing	Manufacturing
Elanco Research Hubs	Combined Facilities	Vaccines Network	EEM - Regional	AH Mfg Network

-  **Faster, more efficient** product approval

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-  Sustained **brand life** post patent expiration

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-  **Less dependence** on a few big products, geographies

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-  **Cash** vs. payer market

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-  Direct, deep **customer relationships**

# Executing on Targeted 'Value-Generating' Strategy

## Three Categories Where We Can Win

- Creating a more attractive mix in favor of high-growth categories
- Maintaining Ruminants & Swine categories
- Delivering value beyond product

## Unlocking Value

- Holistic execution of margin expansion opportunities
- Implementing manufacturing efficiencies and right-sized footprint
- Int'l restructuring and transitioning go-to-market models



## Targeted Approach Creating Portfolio of Sustained Innovation

- Targeted focus areas
- Balancing internal and external sources of innovation
- Sustained innovation

# Strategically Positioned to Drive Innovation & Growth in Three Targeted Categories



## Targeted growth categories

**Companion Animal Disease Prevention**  
Vaccines and Parasiticides

**Companion Animal Therapeutics**  
Chronic Disease

**Food Animal Future Protein & Health**  
Poultry, Aqua & Nutritional Health

**Food Animal Ruminants & Swine**

2017 Market Size:

\$6.4B

\$4.4B

\$7.9B

\$15.5B



- Broad parasiticide & vaccines portfolios
- Emerging channel presence



- Emerging leadership in osteoarthritis and pain
- Continued portfolio innovation



- Leading solutions for greatest challenges
- R&D efforts in nutritionals



- Strong brand reputation with global presence
- Antibiotics stewardship



# Strong Sales Momentum in Targeted Categories

	2018 vs. PY%
 CA Disease Prevention	<b>+22%</b>
 CA Therapeutics	<b>+7%</b>
 Future Protein & Health	<b>+10%</b>
<b>Targeted Growth Categories</b>	<b>+14%</b>
 Ruminants & Swine	-
<b>Core Elanco</b>	<b>8%</b>

## DRIVEN BY:

Growth in targeted categories

Launched Innovation

Benefit from unique 2017 comparisons



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Note: All numbers at constant exchange rates.



# Our Prioritized Pipeline Focus: Targeted Platforms

## Investing in Areas Where we are Best Positioned to Win

### Companion Animal



#### Therapeutic

*Pain; Dermatology*

#### Vaccines

*Novel Formulations;  
Geographic Expansion*

#### Parasiticides

*Broad Portfolio; New  
Combinations; New MOAs*

### Food Animal



#### Pharmaceuticals

*Biopharma;  
Alternatives to Antibiotics*

#### Vaccines

*Expand Poultry; Selected  
Targets In Other Species*

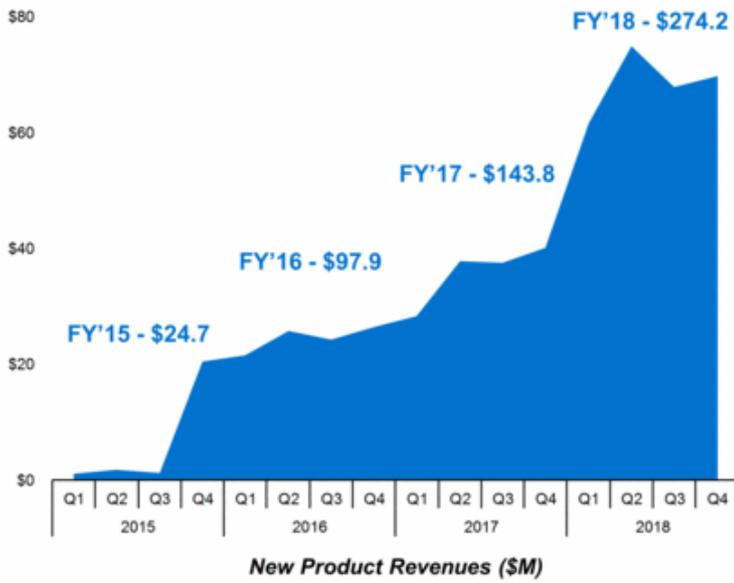
#### Nutritional Health

*Digestive Health Focus;  
Expand to Pre/Probiotics*



# Proven Track Record of Innovation & Product Launches

## Portfolio Approach to Innovation Allows for Attractive Pipeline of Products



Category	New Products Launched 2015 – 2018	New Product Shots on Goal 2019 – 2023
Companion Animal		16
Food Animal		20
<b>Totals</b>	<b>11</b>	<b>36</b>



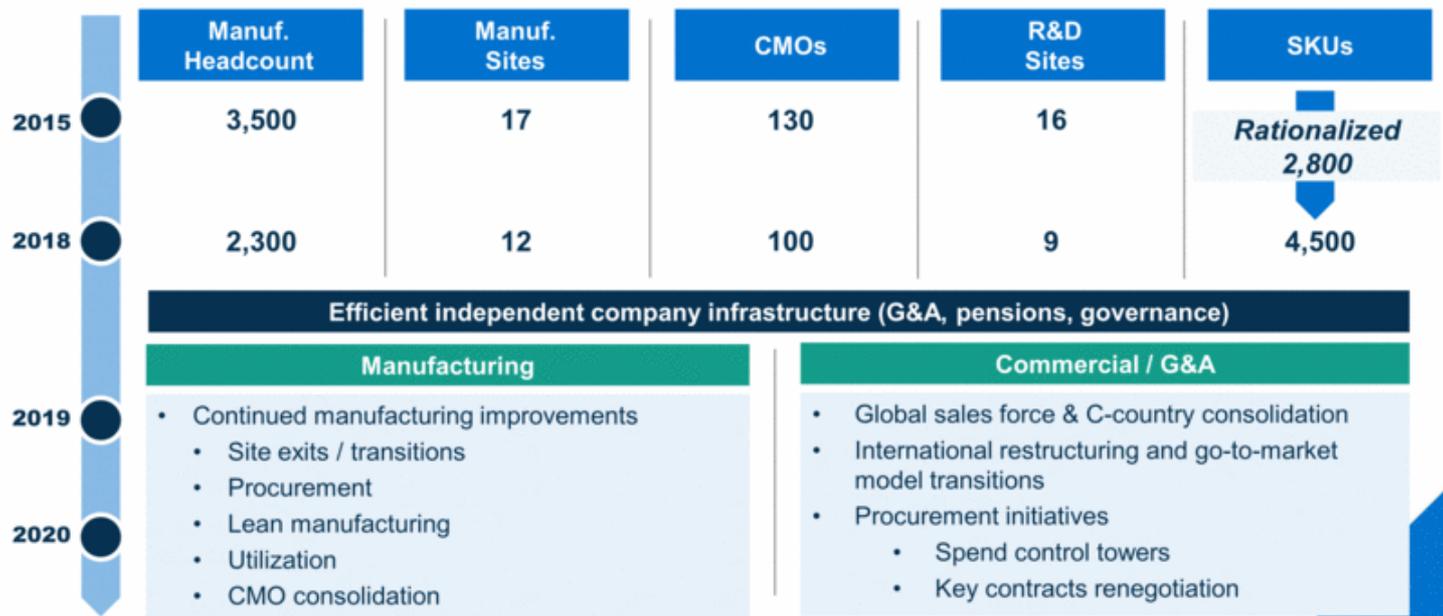
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Note: We suspended commercialization of Imrestor in the second quarter of 2018. Revenues from Imrestor were \$3.4M and \$6.5M for the years ended December 31, 2018 and 2017, respectively.

# Productivity Agenda in Advanced Stage of Execution



85% of Productivity Initiatives are Currently Under Way



# Return to Growth: 2018 (Non-GAAP Adjusted<sup>1</sup>)

Strong financial results, met expectations

(\$M)	2015A	2017A	2018A	17-18 Growth
CA Disease Prevention	591	660	805	22%
CA Therapeutics <sup>2</sup>	245	261	283	9%
Future Protein & Health	633	649	711	10%
Ruminants & Swine	1,357	1,175	1,174	(0%)
<b>Core Elanco</b>	<b>2,826</b>	<b>2,745</b>	<b>2,973</b>	<b>8%</b>
Strategic Exits <sup>2</sup>	83	144	94	NM
<b>Total Revenue</b>	<b>2,909</b>	<b>2,889</b>	<b>3,067</b>	<b>6%</b>
Adjusted COPS <sup>3</sup>	1,381	1,451	1,535	
<b>Adjusted Gross Margin<sup>3</sup></b>	<b>1,528</b>	<b>1,438</b>	<b>1,532</b>	<b>7%</b>
% of revenue	53%	50%	50%	
SG&A <sup>4</sup>	916	780	735	
R&D	291	252	247	
<b>Total OPEX</b>	<b>1,207</b>	<b>1,032</b>	<b>982</b>	<b>(5%)</b>
% of revenue	41%	36%	32%	
Adjusted Other (Income) Expense <sup>5</sup>	2	5	-	
<b>Adjusted EBIT<sup>3</sup></b>	<b>320</b>	<b>402</b>	<b>549</b>	<b>37%</b>
% of revenue	11%	14%	18%	
<b>Adjusted EBITDA<sup>3</sup></b>	<b>394</b>	<b>499</b>	<b>648</b>	<b>30%</b>
% of revenue	14%	17%	21%	

## Sales Progress

**Core Elanco +8%** vs. 2017

**Targeted growth categories +15%** vs. 2017

**Total Elanco +6%** vs. 2017

## Margin Expansion

**Adj. EBIT<sup>3</sup> growing faster than sales +37%** vs. 2017

**Adj. EBIT Margin<sup>3</sup> improved +700bps**

FY 2018 vs. FY 2015

**Cost flow from inventory to COPS impacts Gross Margin over time**

**2018 margin expansion driven by OPEX reductions**

# Experienced Management Team

	Years of Experience	Key Experience		Years of Experience	Key Experience		
	<b>Jeff Simmons</b> <i>President, Chief Executive Officer &amp; Director</i>	29	<ul style="list-style-type: none"> <li>Industry leadership</li> <li>Business &amp; management experience</li> </ul>		<b>Todd Young</b> <i>EVP &amp; Chief Financial Officer</i>	18	<ul style="list-style-type: none"> <li>Public company CFO experience</li> <li>Treasury experience</li> </ul>
	<b>Sarena Lin</b> <i>EVP, Elanco USA, Corporate Strategy and Global Marketing</i>	25	<ul style="list-style-type: none"> <li>Channel expertise</li> <li>CPG experience</li> </ul>		<b>Michael-Bryant Hicks</b> <i>EVP, General Counsel &amp; Corporate Strategy</i>	19	<ul style="list-style-type: none"> <li>Public company governance experience</li> </ul>
	<b>David Kinard</b> <i>EVP, Human Resources</i>	25	<ul style="list-style-type: none"> <li>Talent Mgmt., Organization Design, Change Mgmt.</li> <li>Global human resources experience</li> </ul>		<b>Ramiro Cabral</b> <i>EVP, Elanco International</i>	24	<ul style="list-style-type: none"> <li>Veterinary expertise</li> <li>International markets experience</li> </ul>
	<b>David Urbanek</b> <i>EVP, Manufacturing &amp; Quality</i>	30	<ul style="list-style-type: none"> <li>Manufacturing expertise</li> <li>Productivity agenda experience</li> </ul>		<b>Aaron Schacht</b> <i>EVP, Innovation, Regulatory &amp; Business Development</i>	27	<ul style="list-style-type: none"> <li>Drug development / partnering experience</li> <li>Open innovation expertise</li> </ul>

*Strong management has positioned Elanco for success as an independent company*

# Elanco is in Execution Mode, Meeting Our Expectations

## Delivering Top Line Results

Sales growing  
Targeted Growth Categories performing

## Expanding Margin

Profitability improving  
Executing on Productivity Agenda

## Launching with Excellence

Newly launched products growing  
Market fundamentals remain attractive

## Ready to be Independent

Governance structure established  
Execution & Engagement focus



Thank You

# Appendix



# Industry Challenges: Elanco Approach



## Food Marketing Trends

Shaping Global Antibiotic Policy for Prudent Use

Driving tiered-therapy

- Antibiotic Alternatives
- Animal-only Antibiotics
- Shared-class targeted therapy

Consumer Embraced Innovation

## Corporate Vet Clinics

Portfolio Approach

Innovation

B2B / Integrated Services

## Generic Competition

Offer Portfolio Solutions

Value Beyond Product

## Ag Economy / Trade

Global Business

Diversified Species

Productivity Matters

# Industry Opportunities



## Socioeconomic Trends

Growing population, middle class

Increasing diet diversity

Increasing urbanization, ownership, spend on pets

## Innovation

Increasing sources, funding

**New platform areas:** microbiome/nutritional health, biotherapeutics, antibiotic alternatives

## Channel & Beyond the Clinic

Online, retail, pharmacy

Direct to pet owner

Global reach to more farmers (ex. Brazil, China)

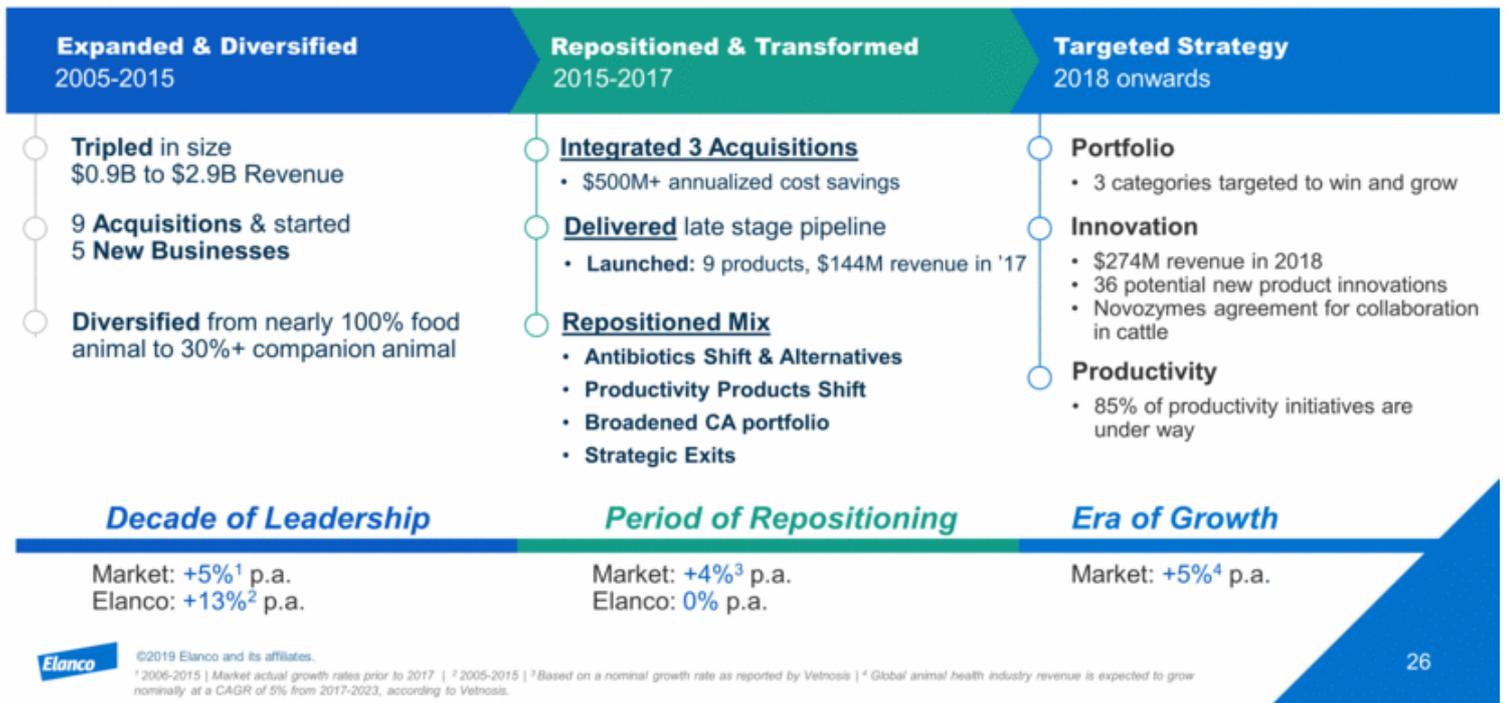
## Geographic Expansion

Animal numbers

Disease pressure

Global Brands

# Elanco's Strategic Evolution



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<sup>1</sup> 2006-2015 | Market actual growth rates prior to 2017 | <sup>2</sup> 2005-2015 | <sup>3</sup> Based on a nominal growth rate as reported by Vetnosis | <sup>4</sup> Global animal health industry revenue is expected to grow nominally at a CAGR of 5% from 2017-2023, according to Vetnosis.

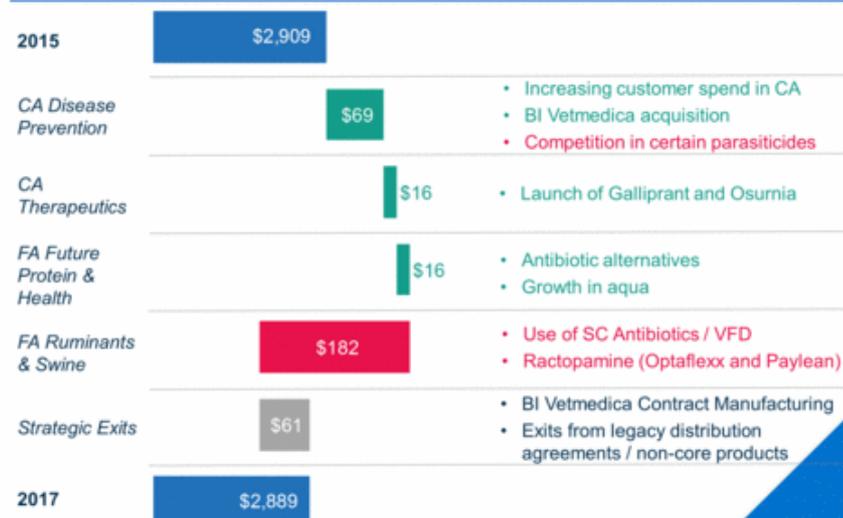
# 2015-17: Sales Evolution and Headwind Dynamics

	Historical (\$)		
	FY15A	FY16A	FY17A
CA Disease Prevention	591	628	660
CA Therapeutics <sup>1</sup>	245	256	261
Future Protein & Health	633	631	649
Ruminants & Swine	1,357	1,309	1,175
<b>Core Elanco</b>	<b>2,826</b>	<b>2,824</b>	<b>2,745</b>
Strategic Exits <sup>1</sup>	83	89	144
<b>Total Elanco</b>	<b>\$2,909</b>	<b>\$2,913</b>	<b>\$2,889</b>
% growth		0%	(1%)

<sup>1</sup> On June 30, 2018 we made the decision to exit an equine product not core to our business. Revenue from this product is reflected in CA Therapeutics from 2015 – 2017 and in Strategic Exits for 2018. Revenue from the product was \$1.6M, \$3.4M, \$3.7M and \$3.4M for the years ended December 31, 2018, 2017, 2016 and 2015 respectively.

## Elanco sales evolution 2015-2017 (\$M)

Tailwinds / Headwinds



# 2015-2017: EBIT (Non-GAAP Adjusted<sup>1</sup>) Evolution

## Proven Track Record of Cost Cutting and Margin Expansion

### Elanco Adjusted EBIT Evolution 2015-2017

% of revenue

Tailwinds / Headwinds

	2015A	2016A	2017A
<b>Core Elanco</b>	<b>2,826</b>	<b>2,824</b>	<b>2,745</b>
Strategic Exits	83	89	144
<b>Total Revenue</b>	<b>2,909</b>	<b>2,913</b>	<b>2,889</b>
% growth		0%	(1%)
<b>Adjusted COGS<sup>2</sup></b>	<b>1,381</b>	<b>1,409</b>	<b>1,451</b>
<b>Adjusted Gross Margin<sup>3</sup></b>	<b>1,528</b>	<b>1,505</b>	<b>1,438</b>
% of revenue	53%	52%	50%
SG&A <sup>4</sup>	916	785	780
R&D	291	266	252
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% of revenue	11%	16%	14%
<b>Adjusted EBITDA<sup>3</sup></b>	<b>394</b>	<b>540</b>	<b>499</b>
% of revenue	14%	19%	17%

2015 Adj. EBIT<sup>3</sup>

11%

Portfolio headwinds

5pps

VOLUME/MIX

- **Competitive pressures** drive volume loss in profitable products, creating negative mix
- **Reduced volume** leads to contractual penalties & resource underutilization

Manufacturing savings

2pps

PRODUCTIVITY

- ~\$125M of **gross savings** via site closures, lean savings and procurement savings, partially offset by cost inflation

SG&A improvement

5pps

COMMERCIAL / G&A

- **SG&A<sup>4</sup> Optimization (5pps)** ~\$140M of net SG&A<sup>4</sup> savings

R&D productivity

1pp

INNOVATION

- **Exited 7 R&D sites**
- **Prioritized portfolio**

2017 Adj. EBIT<sup>3</sup>

14%

18% Adj. EBIT Margin<sup>3</sup> in 2018

Elanco

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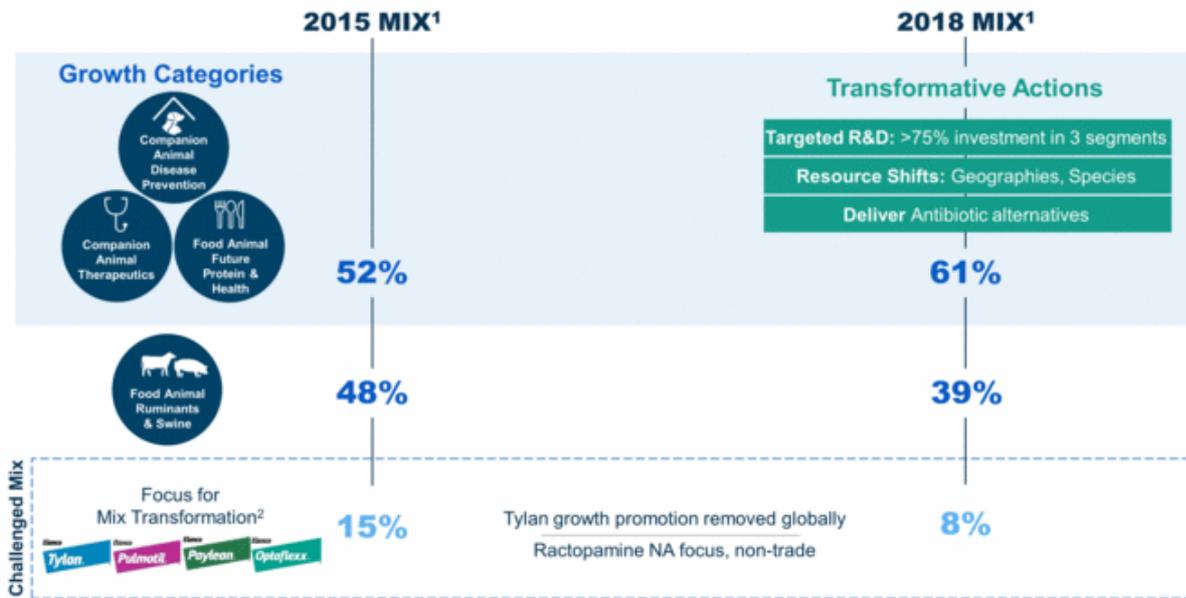
<sup>1</sup> Adjustments detailed in reconciliations (slide 34) | <sup>2</sup> Non-GAAP number; adjusted to remove purchase accounting adjustments to inventory | <sup>3</sup> Non-GAAP numbers | <sup>4</sup> Marketing, Selling and Administrative | <sup>5</sup> Non-GAAP number; adjusted contingent consideration related to Gallprant

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# Intentional Product Mix Evolution

## Exposure to Challenged Mix Materially Reduced Over Time



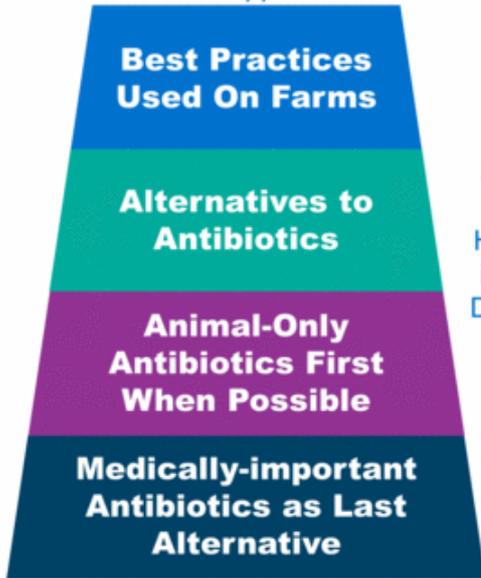
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<sup>1</sup> Of Core Elanco revenue (excl. Strategic Exits).

<sup>2</sup> Ractopamine products as well as certain Pulmoil and Tylan formulations

# Elanco's Antibiotic Stewardship

## Tiered Approach



**Sept 2016** — Elanco One Health Summit in Washington DC & Antibiotic Stewardship Declaration

**June 2015** — Elanco Antibiotic Stewardship 8-Point Plan Announced at the White House

**Sept 2018** — Elanco Expands Commitment to Fight Antimicrobial Resistance joining CDC and HHS Antimicrobial Resistance Challenge

## Progress

Submitted nearly 100 labels to <b>remove growth promotion claims</b> from our medically important antibiotic molecules globally, even if the practice is allowed by local regulation.	Have evaluated 24 of 25 committed <b>antibiotic alternative</b> candidates
2018 medically-important <b>Shared Class Antibiotic Sales declined 2%</b>	Completed submission of 67 labels to <b>move products from OTC to veterinarian oversight</b> in countries where OTC remained and veterinary infrastructure exists
U.S. industry sales of medically important antimicrobials approved for use in food-producing animals <b>decreased by 33%</b> from 2016 to 2017	<b>2018 Animal Only Antibiotic Sales Increased 8%</b>

# Broad Parasiticide Coverage with Early Onset

## Earliest Treatment Age in the Industry

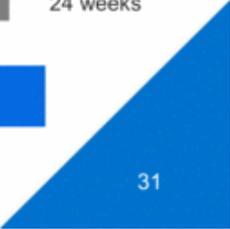


Company	Brand	Heartworm	Hookworm	Whipworm	Roundworm	Tapeworm	Flea	Ticks	Min age
Elanco	INTERCEPTOR PLUS <small>(moxidectin/praziquantel)</small>	Blue	Blue	Blue	Blue	Blue	White	White	6 weeks
	CredeLio <small>(selamectin)</small>	White	White	White	White	White	Blue	Blue	8 weeks
Boehringer Ingelheim	Heartgard Plus <small>(moxidectin/pyrantel)</small>	Grey	Grey	White	Grey	White	White	White	6 weeks
	NextGard <small>(moxidectin/praziquantel)</small>	White	White	White	White	White	Grey	Grey	8 weeks
MERCK Animal Health	Ti-Heart Plus <small>(moxidectin/praziquantel)</small>	Grey	Grey	White	Grey	White	White	White	6 weeks
	BRAVECTO <small>(fluralaner)</small>	White	White	White	White	White	Grey	Grey	24 weeks
zoetis	ProHeart 6 <small>(imidacloprid)</small>	Grey	Grey	White	White	White	White	White	24 weeks
	Simparica <small>(sarolaner)</small>	White	White	White	White	White	Grey	Grey	24 weeks

Reaching pets early drives lasting brand utilization



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# Companion Animal Channel Expansion

Positioned to grow beyond the clinic



## Elanco well positioned

Portfolio. Partnerships. People.  
Prescription and OTC products

### Portfolio.



Online retailers

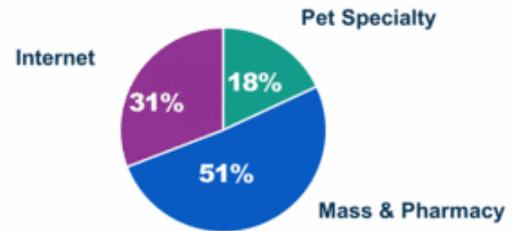
### Partnerships.

"Big-box" retail stores  
Other over-the-counter distribution

### People.

Dedicated resources  
Channel specific expertise  
Commercial capabilities & capacity

## US Retail and online petcare sales \$3.3B<sup>1</sup> (medicated products)



## US Retail and online petcare sales<sup>1</sup> (medicated products)

**39%** of pet medications are purchased outside of the vet clinic<sup>1</sup>

Flea and Tick internet sales grew **47%** in 2017<sup>2</sup>

Parasiticides represents **41%** of pet medicine<sup>1</sup>



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<sup>1</sup> Packaged Facts: Pet Medications in the US 5<sup>th</sup> Edition; Pet Supplements Market in the US 6<sup>th</sup> Edition. | <sup>2</sup> Rakuten Intelligence – 2017 Dollar Sale

# Conservative Financial Policy and Balanced Approach to Capital Allocation

## Capital Allocation Policy

- Elanco is committed to achieving and maintaining investment grade ratings
- Long-term gross Debt / Adjusted EBITDA target of 2.5-2.75x
- Maintain nominal and consistent dividend per share
- No share repurchase program until target gross leverage is achieved
- Active working capital management and disciplined capital expenditures
- Level of business development will be dependent on financial performance and consistent with long-term investment grade ratings

### Leverage Profile

(\$M)	
Debt Issuance	\$ 2,500
Cash on Balance Sheet <sup>1</sup>	\$ 475
FY 2018 Adjusted EBITDA <sup>2</sup>	\$ 648
<b>Gross Leverage at IPO</b>	<b>4.7 x</b>
<b>Gross Leverage at YE 2018</b>	<b>3.9 x</b>

### Capital Structure Overview

- On August 14th, 2018, Elanco executed a 3-part \$2.0B offering across new 3yr, 5yr and 10yr tranches
- Final tranching and pricing represented a weighted average bond maturity of 6.4yrs and a weighted average bond coupon of 4.42%
- Debt capital structure includes a \$500M 3yr term loan and \$750M 5yr revolving credit facility
- Debt proceeds used to make a distribution to Lilly

Objective is Long-Term Investment Grade Rating, Strong Balance Sheet and Adequate Liquidity

# Net Income (Loss) to Adjusted EBITDA Reconciliation

\$M	Ledger	2015	2016	2017	2018
<b>Net Income (Loss) – GAAP</b>		<b>(210.8)</b>	<b>(47.9)</b>	<b>(310.7)</b>	<b>86.5</b>
Income tax expense (benefit)		(48.7)	25.5	78.1	27.6
Net interest expense		-	-	-	29.6
Depreciation and Amortization		236.9	254.4	318.4	296.0
<b>EBITDA</b>		<b>(22.6)</b>	<b>232.0</b>	<b>85.8</b>	<b>439.7</b>
<b>A</b> Purchase accounting adjustments to inventory	COPS	153.0	-	42.7	-
<b>B</b> Integration costs of acquisitions	Restructuring	140.8	154.8	90.3	26.5
<b>C</b> Severance	Restructuring	59.5	42.1	162.0	15.5
<b>D</b> Asset impairment	Restructuring	57.5	98.3	110.6	81.9
<b>E</b> Gain on sale of assets	Restructuring	-	-	(19.6)	(0.8)
<b>F</b> Facility exit costs	Restructuring	5.5	13.2	31.8	5.7
<b>G</b> Contingent consideration	Other-net, (inc.) expense	-	-	(4.7)	40.4
<b>H</b> Inventory write-off	COPS	-	-	-	38.6
<b>Adjusted EBITDA</b>		<b>393.7</b>	<b>540.4</b>	<b>498.9</b>	<b>647.5</b>
Depreciation		73.9	83.7	97.2	98.6
<b>Adjusted EBIT</b>		<b>319.8</b>	<b>456.8</b>	<b>401.7</b>	<b>548.9</b>

- A** The fair value for inventories related to the BI Vetmedica and Novartis Animal Health (Novartis AH) acquisitions include a purchase accounting adjustment to write up the inventory value
- B** Expenses related to integration of BI Vetmedica, Novartis Animal Health and Elanco stand up costs (2018)
- C** 2017 – Associated with the US voluntary early retirement program offered by Lilly, related to our employees; 2015 & 2016 – Incurred as a result of actions taken to reduce our cost structure, including severance and curtailment loss; 2018 – OUS restructuring
- D** 2017 - Primarily related to intangible asset impairments for a certain market product and for acquired IPR&D assets; 2015 & 2016 – Primarily from intangible asset impairments due to product rationalization and to charges related to site closures resulting from our acquisition and integration of Novartis AH; 2018 – primarily impairments to assets at manufacturing sites and suspension of Imrestor activities
- E** Gain on disposal of two sites that we previously closed as part of our acquisition and integration of Novartis Animal Health, gain on sale of Cali, Colombia facility
- F** Expenses associated with manufacturing site consolidation
- G** Increase in fair value of Galliprant-related contingent consideration liabilities as a result of an increase in the product's projected cash flows
- H** Inventory write-offs in cost of sales primarily related to the suspension of commercial activities for Imrestor

# Elanco Income Statement (GAAP)

(\$M)	2015A	2016A	2017A	2018A
CA Disease Prevention	591	628	660	805
CA Therapeutics <sup>1</sup>	245	256	261	283
Future Protein & Health	633	631	649	711
Ruminants & Swine	1,357	1,309	1,175	1,174
<b>Core Elanco</b>	<b>2,826</b>	<b>2,824</b>	<b>2,745</b>	<b>2,973</b>
Strategic Exits <sup>1</sup>	83	89	144	94
<b>Total Revenue</b>	<b>2,909</b>	<b>2,913</b>	<b>2,889</b>	<b>3,067</b>
% growth		0%	(1%)	6%
<b>COPS</b>	<b>1,534</b>	<b>1,409</b>	<b>1,494</b>	<b>1,574</b>
<b>Gross Margin</b>	<b>1,375</b>	<b>1,505</b>	<b>1,395</b>	<b>1,493</b>
% of revenue	47%	52%	48%	49%
SG&A <sup>2</sup>	916	785	780	735
R&D	291	266	252	247
<b>Operating Income</b>	<b>168</b>	<b>454</b>	<b>363</b>	<b>511</b>
% of revenue	6%	16%	13%	17%
Amortization	163	171	221	197
Restructuring	263	308	375	129
Adj. Other (Income) Expense	2	(3)	(0)	41
<b>EBIT</b>	<b>(260)</b>	<b>(22)</b>	<b>(233)</b>	<b>144</b>
% of revenue	(9)%	(1)%	(8)%	5%
Net Interest Expense	-	-	-	30
Tax	(49)	26	78	28
<b>Net Income</b>	<b>(211)</b>	<b>(48)</b>	<b>(311)</b>	<b>87</b>

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<sup>1</sup> See footnote 1 on slide 27 | <sup>2</sup> Marketing, Selling and Administrative

# Elanco Income Statement (Non-GAAP Adjusted<sup>1</sup>)

(\$M)	2015A	2016A	2017A	2018A
CA Disease Prevention	591	628	660	805
CA Therapeutics <sup>2</sup>	245	256	261	283
Future Protein & Health	633	631	649	711
Ruminants & Swine	1,357	1,309	1,175	1,174
<b>Core Elanco</b>	<b>2,826</b>	<b>2,824</b>	<b>2,745</b>	<b>2,973</b>
Strategic Exits <sup>2</sup>	83	89	144	94
<b>Total Revenue</b>	<b>2,909</b>	<b>2,913</b>	<b>2,889</b>	<b>3,067</b>
% growth		0%	(1%)	6%
Adj. COPS <sup>3</sup>	1,381	1,409	1,451	1,535
<b>Adj. Gross Margin<sup>4</sup></b>	<b>1,528</b>	<b>1,505</b>	<b>1,438</b>	<b>1,532</b>
% of revenue	53%	52%	50%	50%
SG&A <sup>5</sup>	916	785	780	735
R&D	291	266	252	247
<b>Adj. Operating Income<sup>4</sup></b>	<b>321</b>	<b>454</b>	<b>406</b>	<b>550</b>
% of revenue	11%	16%	14%	18%
Amortization <sup>6</sup>	-	-	-	-
Restructuring <sup>7</sup>	-	-	-	-
Adj. Other (Income) Expense <sup>8</sup>	2	(3)	5	1
<b>Adj. EBIT<sup>4</sup></b>	<b>320</b>	<b>457</b>	<b>402</b>	<b>549</b>
% of revenue	11%	16%	14%	18%
<b>Adj. EBITDA<sup>4</sup></b>	<b>394</b>	<b>540</b>	<b>499</b>	<b>648</b>
% of revenue	14%	19%	17%	21%

# Elanco Cash Flow Statement (GAAP)

(\$M)	Year Ended December 31,		
	2016A	2017A	2018A
<b>Cash Flows from Operating Activities</b>			
Net income	\$ (47.9)	\$ (310.7)	\$ 86.5
Depreciation and amortization	254.4	318.4	296.0
Stock-based compensation expense	20.4	25.0	26.0
Asset impairment charges	98.3	110.6	120.5
Receivables	(80.7)	48.4	(122.0)
Accounts payable and other liabilities	37.1	(8.4)	116.1
Other adjustments <sup>1</sup>	(125.7)	(9.5)	(35.8)
<b>Net Cash Provided by Operating Activities</b>	<b>155.9</b>	<b>173.8</b>	<b>487.3</b>
<b>Cash Flows from Investing Activities</b>			
Net purchases of property and equipment	(110.3)	(98.6)	(134.5)
Cash paid for acquisitions, net of cash acquired	(45.0)	(882.1)	-
Other investing activities, net <sup>2</sup>	(26.8)	16.1	7.5
<b>Net Cash Used for Investing Activities</b>	<b>(182.1)</b>	<b>(964.6)</b>	<b>(127.0)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of long-term debt	-	-	2,500.0
Proceeds from issuance of common stock	-	-	1,659.7
Consideration paid to Lilly in connection with the Separation	-	-	(3,991.3)
Other transactions, net <sup>3</sup>	(149.6)	847.5	(203.6)
<b>Net Cash Used for Financing Activities</b>	<b>(149.6)</b>	<b>847.5</b>	<b>(35.2)</b>
Effect of exchange rate changes on cash and cash equivalents	(26.0)	7.9	29.0
Net increase in cash, cash equivalents and restricted cash	(201.8)	64.6	354.1
Cash, cash equivalents, and restricted cash at January 1	460.6	258.8	323.4
<b>Cash, cash equivalents and restricted cash at December 31</b>	<b>258.8</b>	<b>323.4</b>	<b>677.5</b>
Cash and cash equivalents	258.8	323.4	474.8
Restricted cash	-	-	202.7
Cash, cash equivalents, and restricted cash at December 31	258.8	323.4	677.5

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<sup>1</sup> Includes Changes in deferred income taxes, Gain on sale of assets, Other non-cash operating activities, net, inventories, and Other Assets

<sup>2</sup> Includes Disposals of property and equipment

<sup>3</sup> Includes Repayments of borrowings - notes, Debt issuance costs, Other Financing activities, net, and Other net transactions with Lilly

# Compelling Value Proposition



## Leader in attractive global market

*Increasing demand for protein.  
Growing pet ownership and spend.*



## Proven track record

*Legacy of growth and transformation in a dynamic industry.*



## Targeted value-generating strategy

*Portfolio, Innovation and Productivity.*



## Significant margin opportunity

*Identified and acting on initiatives to achieve margin goals.*



## Since IPO, progressing on strategy

*Delivering to our expectations*