



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► The Exchange is intended to be a tax-free exchange under IRC sections 368(a)(1)(D) and 355. Under IRC section 358(a)(1) the aggregate basis of the Elanco common shares received by a shareholder in the Exchange is the same as the aggregate basis of the Lilly common shares exchanged therefor. Under IRC section 1223, the holding period for Elanco common shares received by a shareholder in the Exchange will include the holding period of the Lilly common shares exchanged therefor. Shareholders receiving cash in lieu of fractional shares could recognize gain or loss under IRC section 1001 with respect to the fractional share.

18 Can any resulting loss be recognized? ► Participating Lilly shareholders will not recognize gain or loss for U.S. federal income tax purposes upon the receipt of shares of Elanco common stock in the Exchange.

A participating Lilly shareholder who receives cash in lieu of a fractional share of Elanco common stock in the Exchange will recognize capital gain or loss measured by the difference between the tax basis of the fractional share deemed to be received, and the amount of cash received in respect thereof.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► The Exchange was completed on March 11, 2019. For calendar year taxpayers, the reportable year is 2019.

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►  Date ► 4/22/19

Print your name ► Kathryn Lodato Title ► Vice President - Global Tax

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name				Firm's EIN
	Firm's address				Phone no.