

2022 Full year results

March 2023

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Tobias Hestler

CFO

2022
Full year results

Extraordinary year, successfully separated and unveiled HALEON, a listed 100% consumer health company

Our strategy is working, delivering strong growth with opportunities across the business for this to continue

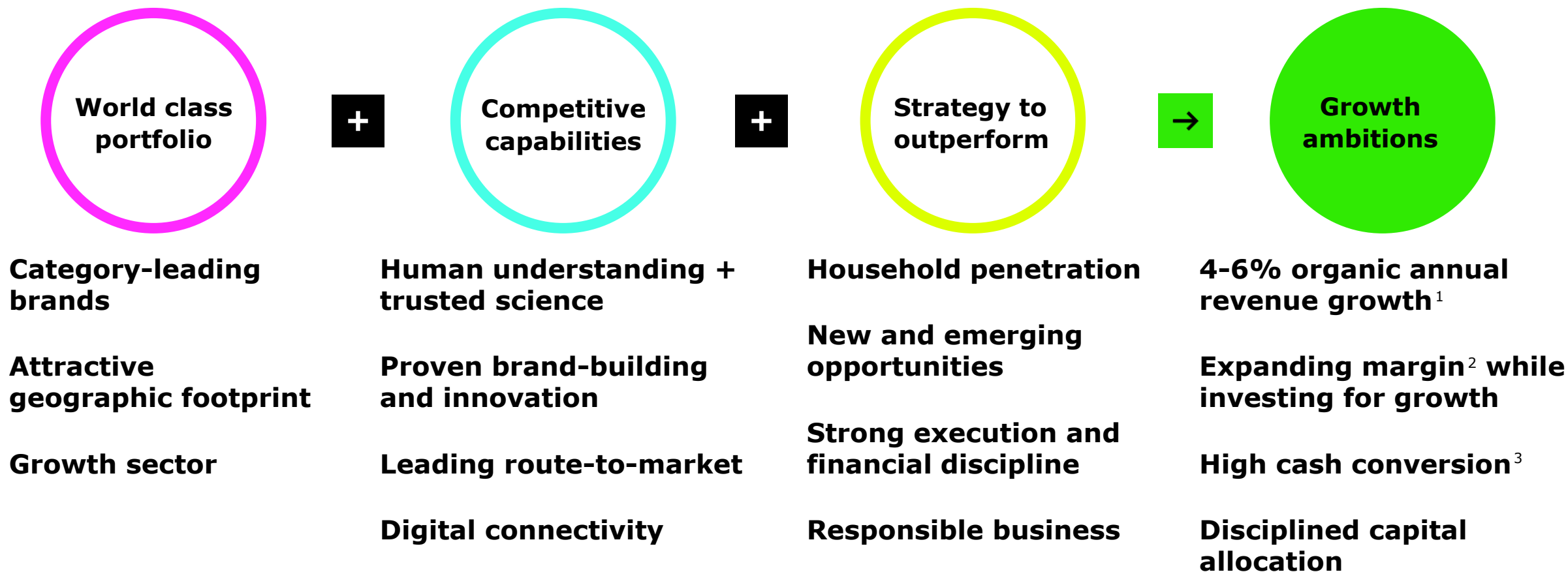
FY22 saw strong top line growth with 6%¹ adjusted operating profit growth despite significant cost inflation, standalone costs and adverse transactional foreign exchange

Continuing to evolve responsible agenda, delivering on environmental targets and a real opportunity to make a difference in health inclusivity

Increasingly confident in medium term guidance and well placed for FY 2023

1 Constant exchange rates (CER)

— Clear approach delivering our growth ambitions



Full year results

9.0%

Organic sales growth¹

4.3%/4.7%

Price / volume mix

10.1%

Power brand growth

Adjusted operating margin¹:

22.8% flat on reported and down 60bps CER

Competitive performance:

2/3 business gained or held share²

Ecommerce:

growth up mid teens percent now 9.0% of total sales

Strong free cash flow

Net debt leverage³ 3.6x

Q4 results

5.0%

Organic sales growth¹

5.0%/0%

Price / volume mix

¹ Reconciliation of IFRS to Adjusted results can be found in the Appendix

² Market share statements throughout this report are estimates based on the Group's analysis of third party market data of revenue for 2022 including IQVIA, IRI and Nielsen data. Represents % of brand-market combinations gaining or maintaining share (this analysis covers > 85% of Haleon's total revenue)

³ Net debt / Adjusted EBITDA. Reconciliation of IFRS to Adjusted results can be found in the Appendix

World class portfolio of category leading brands

Oral Health

£3.0bn revenue 2022¹

Market position²

#3³

#1 Therapeutic OH⁴

VMS

£1.7bn revenue 2022¹

#1⁵

Pain Relief

£2.6bn revenue 2022¹

#1⁵

Respiratory Health

£1.6bn revenue 2022¹

#1⁵

Digestive Health and other

£2.1bn revenue 2022¹

#1⁵

Digestive Health



Local Growth brands



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¹ 2022 Haleon revenue

² By 2021 global revenue

³ Euromonitor 'Oral Care' (2021)

⁴ Therapeutic OH from company analysis based on Nielsen and IRI (2021), Therapeutic OH includes therapeutic toothpaste and denture care, OH: Oral Health

⁵ Source: N. Hall (2021) for OTC and VMS; VMS: Vitamins, Minerals, Supplements

— Performance underpinned by strong execution and financial discipline

Demerger, listing and separation

Successful separation
Technology systems
cutover complete

Synergies

Delivered final Pfizer
synergies taking aggregate
to over £600m

Offsetting inflationary pressures

Through operating leverage and
driving efficiency across the
business

Responsible business integral to our strategy

Environmental commitment

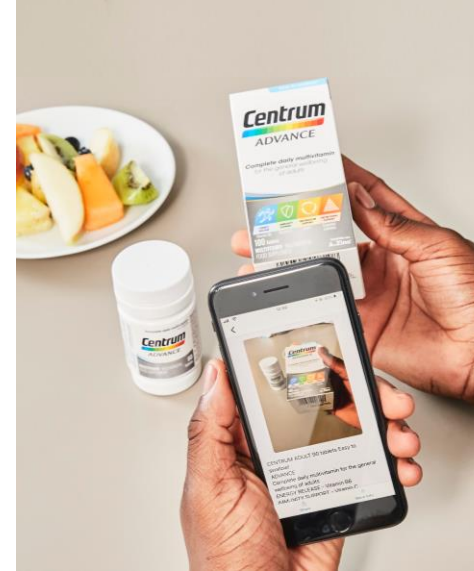
Continuing to progress against environmental targets set out at our Capital Markets Day in 2022

Haleon 100% powered by renewable electricity across all of our directly owned and controlled sites in 2022



Health inclusivity

Seeing AI Partnership with Microsoft to help consumers who are blind, have low vision or low literacy access essential information on our labels



Strong Governance

Corporate governance, policies and standard in place

New remuneration policy announced aligned to delivering on external commitments

2022

Delivering strong results

£10.9^{bn}

Revenue

£2.5^{bn}

Adjusted
operating profit¹

22.8%

Adjusted
operating profit margin¹

£1.6^{bn}

Free cash flow¹

9.0%

Organic
revenue growth¹

+5.9%

CER growth¹

Flat

AER

&

(60)^{bps}
CER

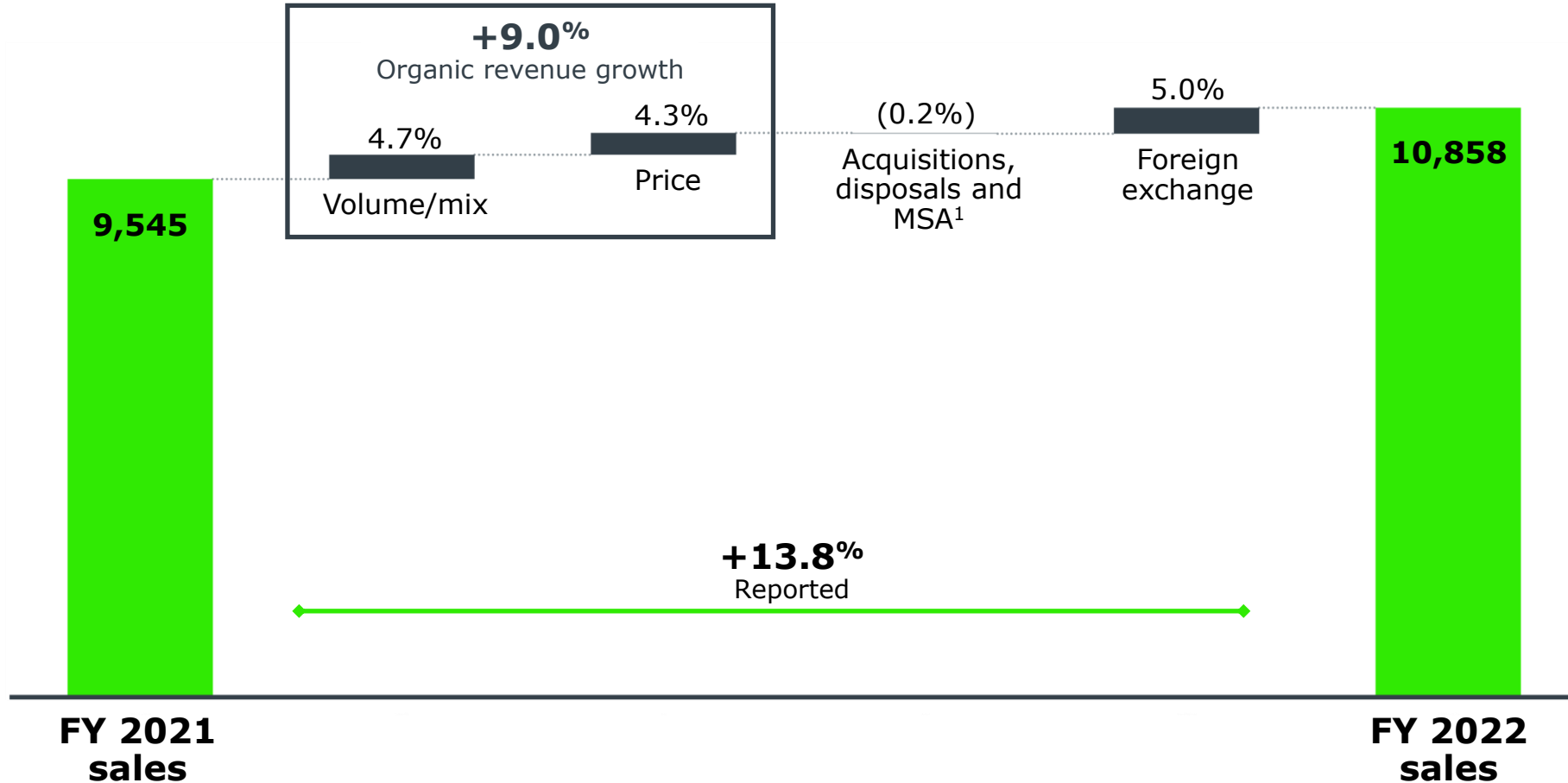
3.6x

Net debt /
Adjusted EBITDA¹

Strong FY revenue growth

Healthy balance of volume/mix and pricing

£m



Broad based growth across categories

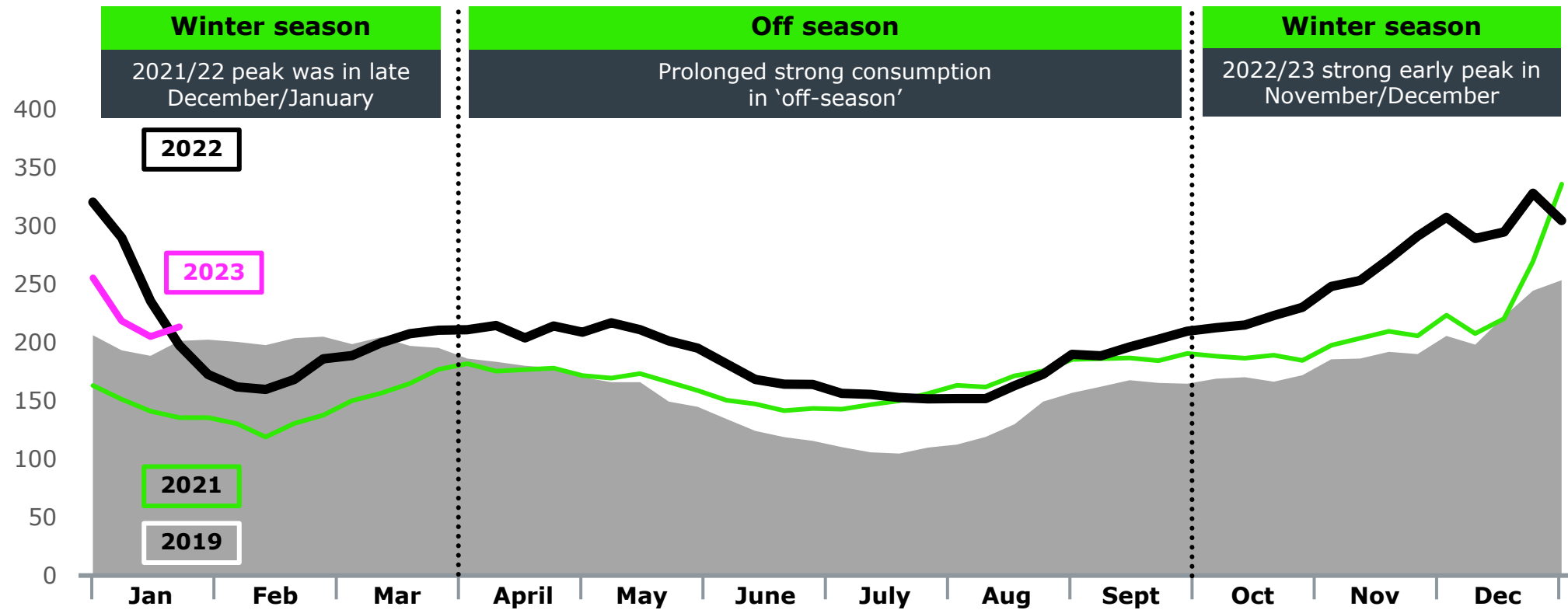
Healthy balance of price and volume/mix

	FY22 Revenue	Organic revenue growth ¹					
	£m	FY	Q1	Q2	Q3	Q4	
Oral Health	2,957	5.6%	7.9%	2.0%	6.7%	5.3%	
VMS	1,675	5.0%	14.9%	9.0%	(1.4)%	(0.7)%	→ Q4 Decline driven by comparative
Pain Relief	2,551	8.9%	18.9%	4.9%	3.6%	8.9%	
Respiratory Health	1,579	32.6%	52.9%	39.7%	30.2%	16.2%	→ Strong cold and flu incidences in Q4, significantly above 2019 levels in US and Europe
Digestive Health and Other	2,096	2.9%	4.3%	2.8%	8.4%	(3.2)%	→ Q4 decline largely driven by sell-in in Q3
TOTAL	10,858	9.0%	15.6%	7.5%	8.1%	5.0%	
<i>Price</i>		4.3%	2.6%	4.0%	5.5%	5.0%	
<i>Volume/Mix</i>		4.7%	13.0%	3.5%	2.6%	-0%	→ Flat volume in Q4: • Decline in North America (additional supply coming on stream in 2021 and a recall at Tums which has now been resolved) • Lower volumes in Russia
<i>Organic growth ex. Cold and Flu</i>		c. 6%	c. 11%	c. 4%	c. 5%	c. 3%	

Respiratory

Q4 cold and flu incidences ahead of 2019 and 2021 levels

Weekly US market cold and flu sales (\$m)

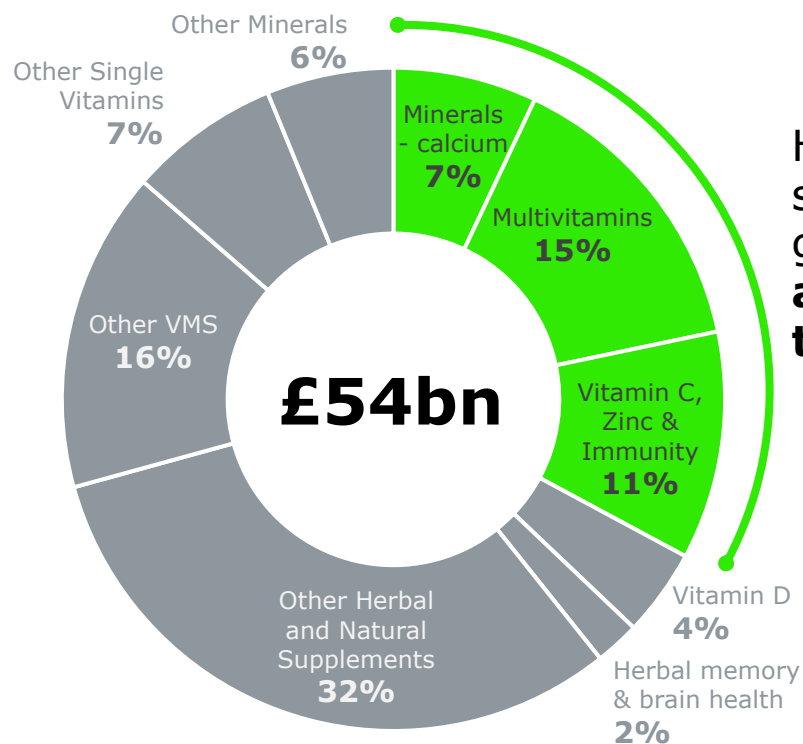


— VMS – Underlying consumption remains strong

Recent modest growth declines are driven by lapping strong demand in 2021 from both Delta and Omicron variants

Haleon plays in a sub-set of VMS growing ahead of the overall VMS market

Composition of global VMS market



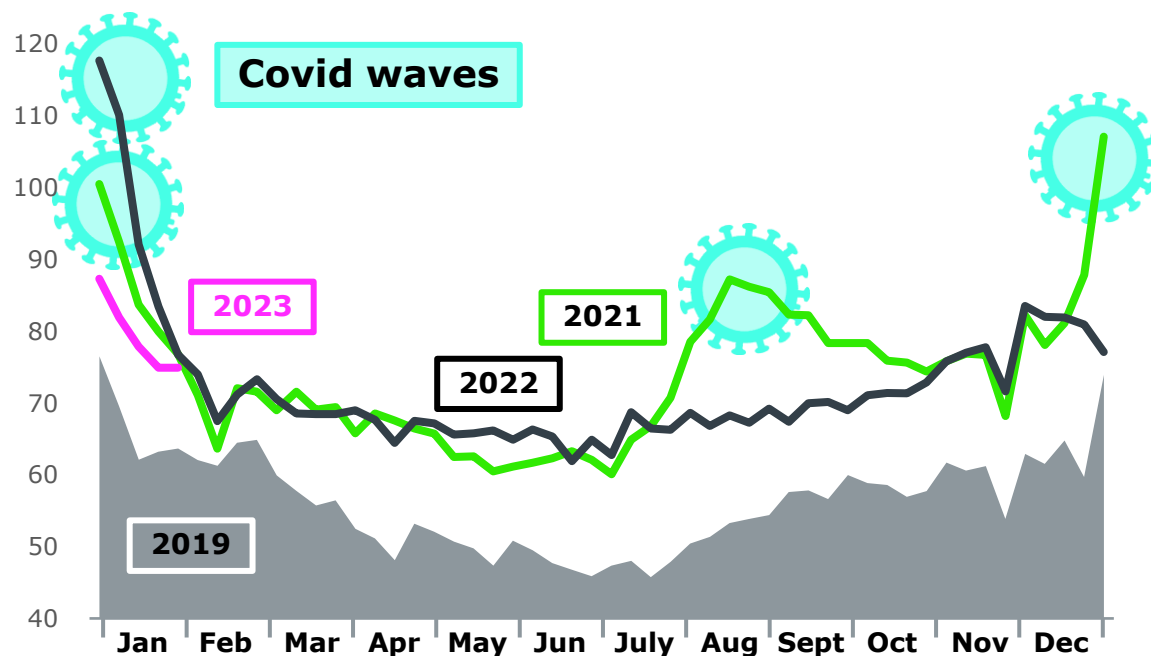
Haleon segments growing ahead of the market

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Source: N. Hall (2021), Haleon data

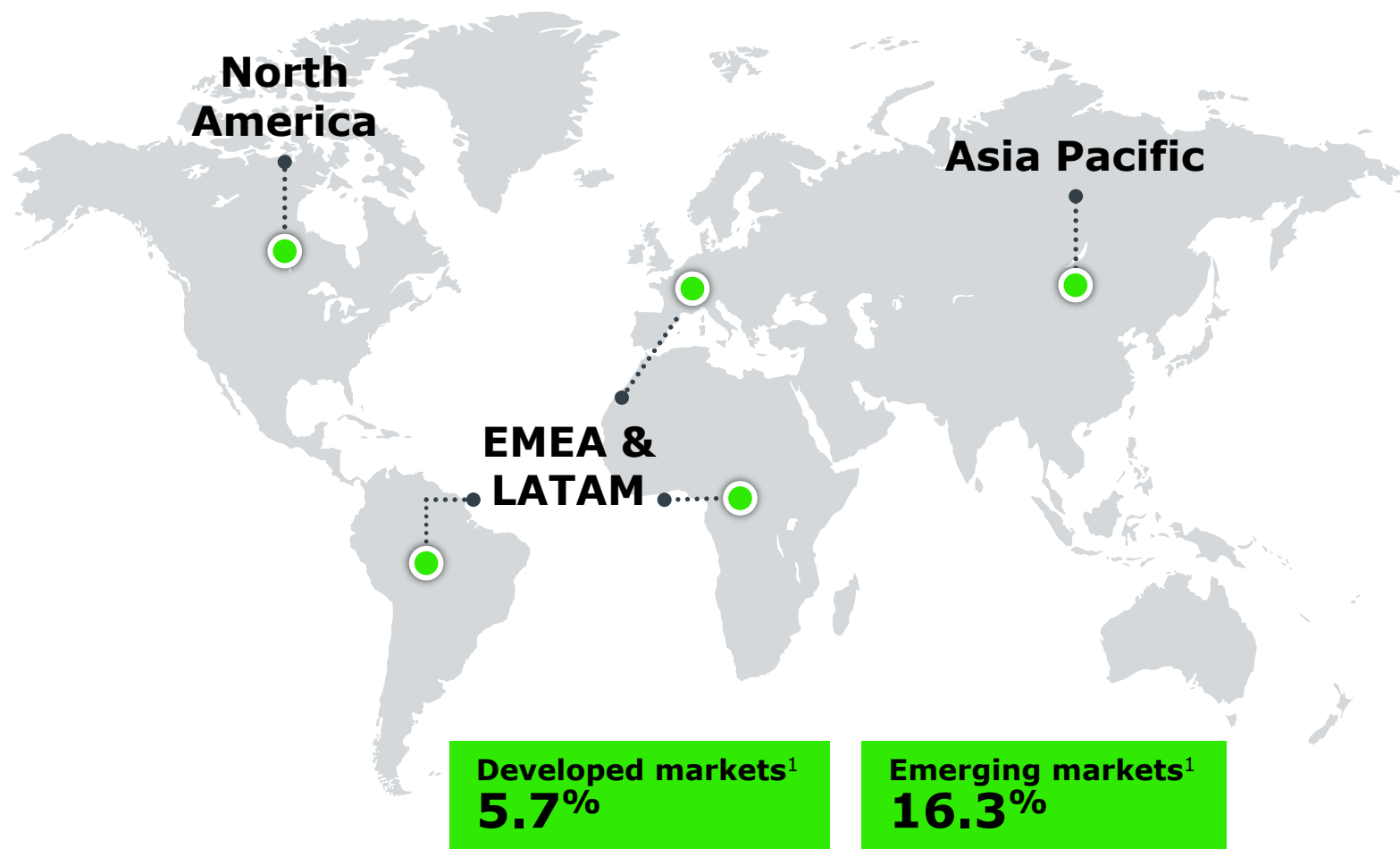
Consumers have remained post Covid

Weekly US VMS market sales for Haleon segments (\$m)



Source: Euromonitor, Haleon data

Strong revenue growth across regions



Revenue

North America

5.9% OSG¹

£4,116m (2021: £3,525m)

EMEA & LATAM

10.9% OSG¹

£4,270m (2021: £3,877m)

Asia Pacific

10.6% OSG¹

£2,472m (2021: £2,143m)

North America

Healthy balance of price and volume/mix

5.9%

Organic growth¹

2.9%

Price

3.0%

Volume/mix

£4,116^m

Sales

26.0%

Adjusted
operating margin¹



- **FY organic growth¹:**
5.9% with 2.9% price and 3.0% volume/mix
- **Q4 organic growth¹:**
1.6% with 3.0% price and (1.4)% volume/mix
- **Decline in Q4 volume/mix reflects:**
 - Tough comparative from supply in VMS and Pain Relief coming on stream
 - Changes in retailer stocking patterns from Sensodyne and across Smokers Health
 - A recall of a Tums SKU (now resolved)
- **FY Adjusted operating margin¹ increased 130bps (CER):**
 - + Pricing
 - + Cost management
 - Commodity and freight headwinds
 - Standalone costs

EMEA & LATAM

Strong organic growth helped by pricing

10.9%

Organic growth¹

6.4%

Price

4.5%

Volume/mix

£4,270^m

Sales

22.9%

Adjusted
operating margin¹



- **FY organic growth¹:**
10.9% with 6.4% price and 4.5% volume/mix
- **Q4 organic growth¹:**
6.8% with 8.8% price and (2.0)% volume/mix
- **Decline in Q4 volume/mix reflects:**
 - Lower volumes in Russia
 - High comparative base in Respiratory Health
- **FY Adjusted operating margin¹ decreased 200bps (CER):**
 - + Pricing
 - + Cost management
 - Higher commodity and freight costs
 - Adverse transactional FX
 - Standalone costs

Asia Pacific

Organic growth driven by strong volume growth

10.6%

Organic growth¹

2.6%

Price

8.0%

Volume/mix

£2,472^m

Sales

20.5%

Adjusted
operating margin¹

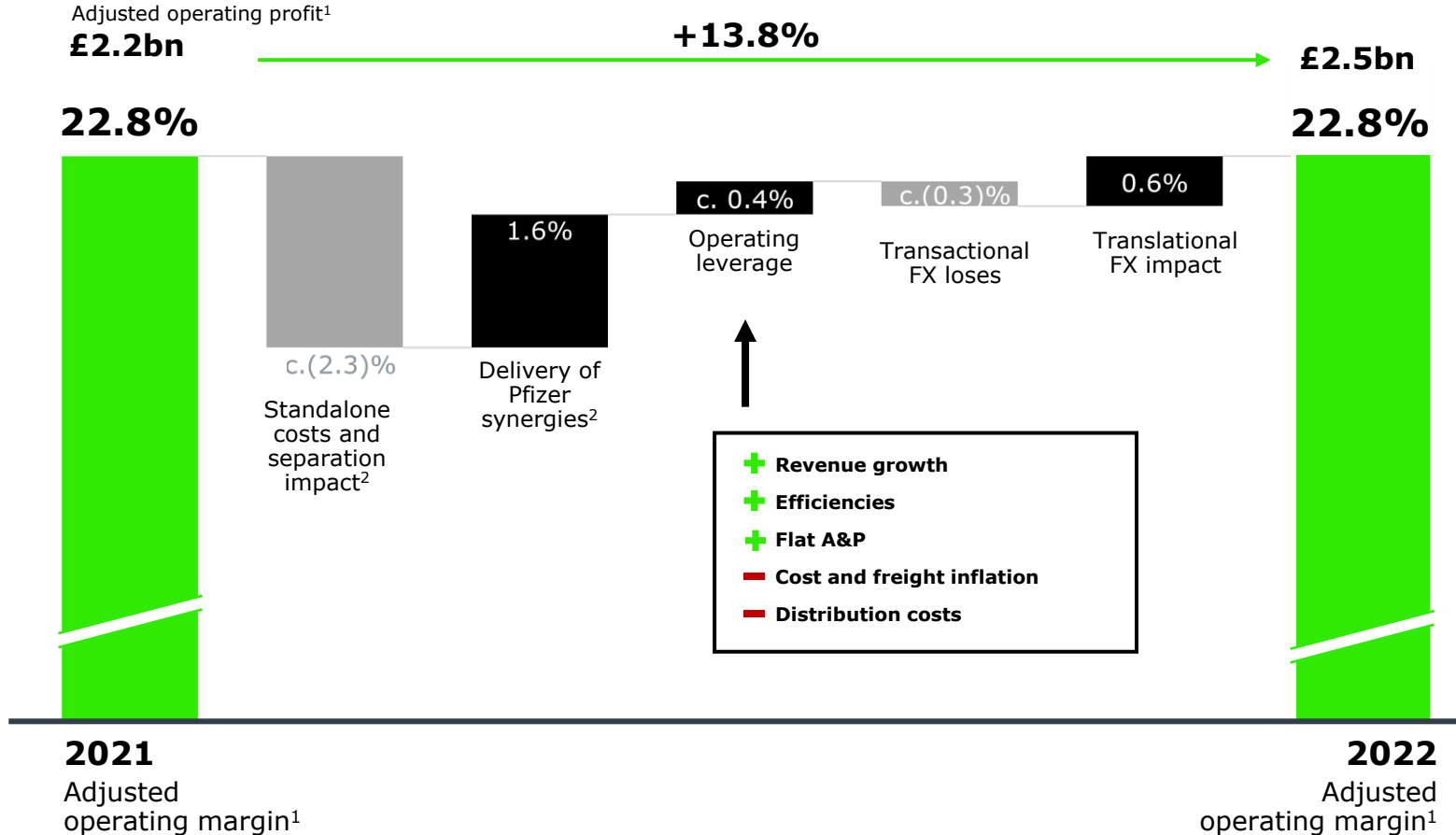


- **FY organic growth¹:**
10.6% with 2.6% price and 8.0% volume/mix
- **Q4 organic growth¹:**
8.3% with 1.5% price and 6.8% volume/mix
- **Q4 organic growth¹ reflects:**
 - Lower pricing than other regions given lower inflationary environment and price controls on certain brands
 - Strong volume helped by Covid related demand
- **FY Adjusted operating margin¹ declined 120bps (CER):**
 - + Strong operating leverage
 - + Cost management
 - Higher freight costs
 - A&P investment
 - Standalone costs

Adjusted operating profit growth of 6% constant currency

£m	FY 2022	FY 2021	% change	
Revenue	10,858	9,545	13.8	← Power brand organic revenue growth ahead of Haleon organic growth (10.1%)
Adjusted gross profit¹	6,772	6,002	12.8	
<i>% Adjusted gross margin¹</i>	<i>62.4%</i>	<i>62.9%</i>	<i>(0.5)pts</i>	← Cost inflation largely offset by pricing
Sales, general and admin ¹	(4,001)	(3,582)	11.7	← £0.2bn of standalone costs, R&D impacted by re-allocation of spend from SG&A
Research and development ¹	(303)	(248)	22.2	
Adjusted operating profit¹	2,472	2,172	13.8	← +5.9% at CER
<i>% Adjusted operating margin</i>	<i>22.8%</i>	<i>22.8%</i>	<i>-</i>	← (60) bps at CER with c. 30bps drag from transactional FX movements
Depreciation and amortisation ²	258	241	7.1	
Adjusted EBITDA¹	2,730	2,413	13.1	

Navigating cost inflation with positive operating leverage



- › Standalone costs at the upper end of £0.2bn guided range
- › Over delivery of Pfizer synergies (>£0.6bn annualised delivered)
- › A&P flat (CER) reflecting successful efficiency focus and Russia impact; Consumer facing A&P spend ex. Russia up 6% (CER)
- › Increase in material costs and freight to ship

3% Adjusted EPS growth driven by strong operating profit, offset by interest costs

£m	FY 2022	FY 2021	% change
Adjusted operating profit¹	2,472	2,172	13.8
Net finance costs	(207)	(2)	n/m
Adjusted tax ¹	(506)	(469)	7.9
% tax rate	22.3%	21.6%	0.7
Adjusted profit after tax¹	1,759	1,701	3.4
Non controlling interests	(59)	(49)	20.4
Profit after tax attributed to shareholders of the Group ¹	1,700	1,652	2.9
Adjusted Diluted EPS	18.4p	17.9p	2.8

Reflects interest of £258m related to bonds issued in March 2022 offset by interest income of £51m mainly related to the on-lend of funds to GSK and Pfizer

Strong free cash flow generation

£m	FY 2022	FY 2021	
Adjusted operating profit¹	2,472	2,172	
P&L adjusting items ²	(647)	(534)	← Separation and admission costs peaked in 2022 and a non-cash impairment charge
Non-cash movements ³	424	216	
Working capital and other movements ⁴	138	(188)	← Working capital management in 2022
Taxation paid	(324)	(310)	← 2022 cash tax benefitted from refunds in prior year
Net interest (paid)/received	(144)	1	← 2022 bond coupon paid in arrears
Distribution to non-controlling interests	(48)	(35)	← Largely reflects performance of China JV with TSK&F
Net capital expenditure ⁵	(292)	(149)	← 2021 includes £149m of disposal proceeds (2022: £36m)
Free cash flow	1,579	1,173	

1 Reconciliation of IFRS to Adjusted results can be found in the Appendix

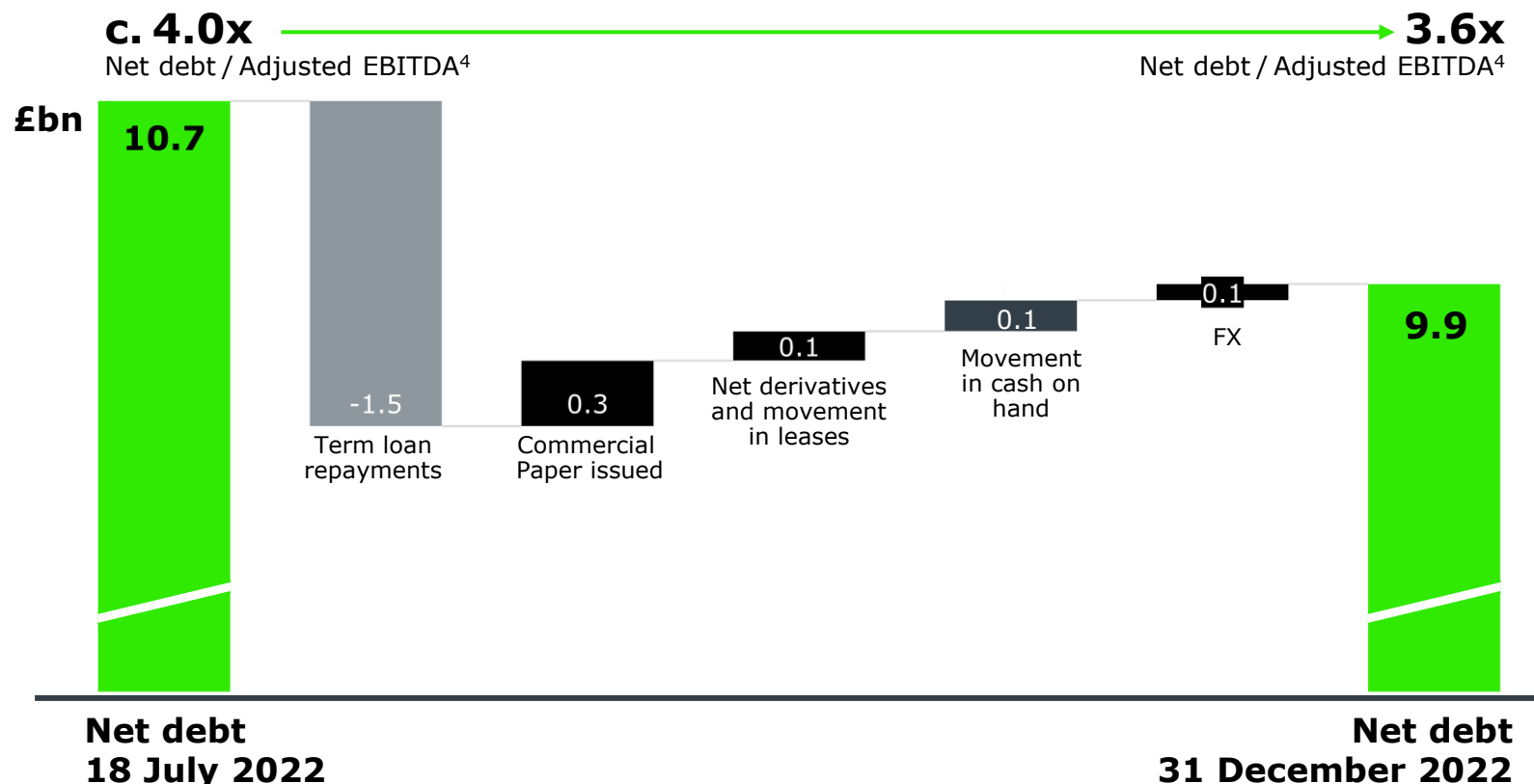
2 Adjusting items include Net amortization and impairment of intangible assets: £172m (2021: £16m), Restructuring costs: £41m (2021: £195m), Transaction Related Costs: £8m (2021: nil), Separation and admission costs: £411m (2021: £278m), Disposals and Others: £15m (2021: £45m)

3 Includes Depreciation of property, plant and equipment and rights of use assets: £180m (2021: £174m), Amortisation of intangible assets: £107m (2021: £94m), Impairment and assets written off, net of reversals: £143m (2021: £1m), Profit on sale of intangible assets: £(30)m (2021: £(27)m), Profit on sale of businesses: Nil (2021: £(4)m), and Other non-cash movements: £24m (2021: £(22)m)

4 Includes decrease in working capital: £50m (2021: £121m), increase in other net liabilities: £88m (2021: £(309m))

5 Includes purchase of property, plant and equipment: £304m (FY 2021: £228m), Proceeds from sale of property, plant and equipment: £-m (FY 2021: £12m), Purchase of intangible assets: £(24)m (FY 2021: £(70)m) and Proceeds from sale of intangible assets: £36m (FY 2021: £137m)

Debt reduction since demerger



**Capital
allocation
priorities**

- 1 Invest for growth
- 2 Strengthen balance sheet
- 3 Explore acquisitions
- 4 Return surplus capital to shareholders

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¹ As at 31 December 2022

² Weighted average time to maturity for bond debt as at 31st December 2022

³ At 31st December 2022, comprising £2.2bn (\$1.4bn and £1.0bn) of undrawn bank facilities, £0.3bn of Commercial Paper issuance and £0.6bn of cash and cash equivalents

⁴ Definitions of adjusted measures can be found in the Appendix

c.3.1%

Cost of debt

87% / 13%

Fixed/floating¹

7.8 years

Duration²

£2.5bn

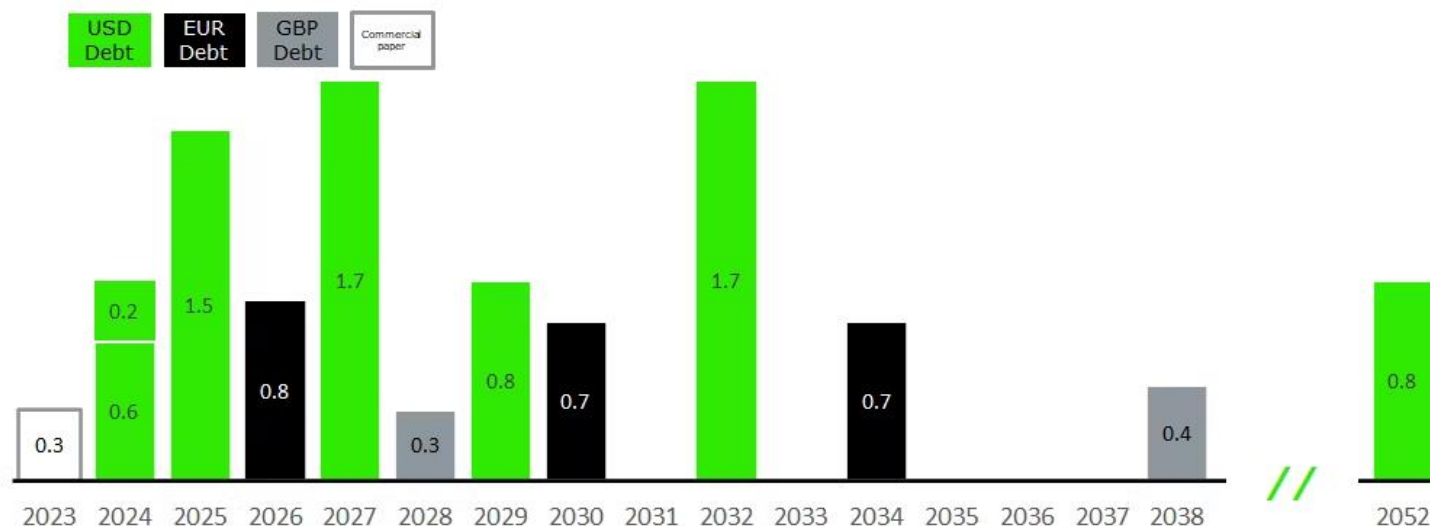
Liquidity³

**No major
refinancing**

Until 2025

Debt profile

Bond debt and commercial paper maturity profile (£bn)



Net debt (£m)	Group net debt at 31 Dec 2022	Group net debt at 18 July 2022 ¹
Short-term borrowings	437	332
Long-term borrowings	10,003	11,433
Derivative financial liabilities	206	66
Cash and cash equivalents and liquid investments	(684)	(978)
Derivative financial assets	(94)	(146)
Net debt	9,868	10,707

Short-term liquidity

The principal source of liquidity is cash generated from operations. Haleon has access to multiple sources of short-term finance:

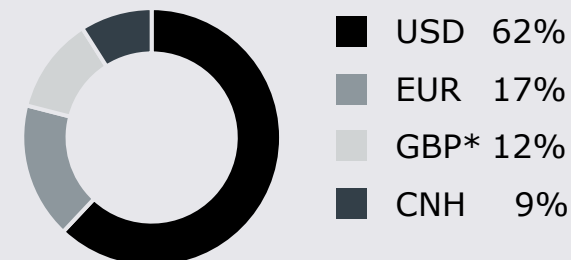
- Cash and Cash Equivalents (£0.6bn at 31/12/22)
- \$1.4bn Revolving Credit Facility (initial maturity date of 24th September 2023)
- £1bn Revolving Credit Facility (initial maturity date of 24th September 2025)

Both Revolving Credit Facilities were undrawn at 31st December 2022

Medium / Long-term liquidity

The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to financial markets.

Currency mix of net debt (incl. swaps)



* Includes £307m of net cash in other currencies

Outlook

for full year 2023

Organic revenue growth¹ of 4-6%

Adjusted operating profit margin¹ broadly flat
(FY 2022: 22.8%) after absorbing c.40 bps adverse transactional foreign exchange impact based on current market rates²

Net interest expense c. £350m

Adjusted effective tax rate¹ 23-24%

Extraordinary year, successfully separated and unveiled HALEON, a listed 100% consumer health company

Our strategy is working, delivering strong growth with opportunities across the business for this to continue

FY22 saw strong top line growth with 6%¹ adjusted operating profit growth despite significant cost inflation, standalone costs and adverse transactional foreign exchange

Continuing to evolve responsible agenda, delivering on environmental targets and a real opportunity to make a difference in health inclusivity

Increasingly confident in medium term guidance and well placed for FY 2023

1 Constant exchange rates (CER)

— Medium term guidance

Organic annual sales growth of 4-6%¹

Sustainable moderate adjusted operating margin expansion at constant currency¹ per annum

Net debt/EBITDA² expect to be below 3x during 2024

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Appendix

2022
Full year results

Glossary

A number of Adjusted measures are used to report the performance of our business which are non-IFRS measures. Adjusted results, CER and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. These measures are defined and set out below. Reconciliations to the nearest IFRS measure will be provided as part of the Historical Financial Information as part of the Prospectus.

Adjusted EBITDA is defined as profit after tax for the year excluding income tax, finance income, finance expense, Adjusting Items (as defined below), depreciation of property plant and equipment, impairment of property plant and equipment net of reversals, depreciation of right-of-use assets, and amortisation of software intangibles.

Adjusting Items include the following:

- **Net amortisation and impairment of intangible assets:** Net impairment of intangibles, impairment of goodwill and amortisation of intangibles excluding computer software. Intangible amortisation and impairments arising from intangibles acquired in business combinations are adjusted to reflect the performance of the business excluding the effect of acquisition accounting
- **Restructuring costs:** Include personnel costs associated with restructuring programmes, impairments of tangible assets and computer software relating to specific programmes approved by the Board of the Company from time to time that are structural and of a significant scale.
- **Separation and admission costs:** Costs incurred in relation to and in connection with Separation, UK Admission and registration of the Company's Ordinary Shares represented by the Company's American Depositary Shares ("ADSs") under the Exchange Act and listing of ADSs on the NYSE (the "US Listing"). These costs are not directly attributable to the sale of the Group's products and specifically relate to the foregoing activities, affecting comparability of the Group's financial results in historical and future reporting periods.
- **Transaction related costs:** Transaction-related accounting or other adjustments related to significant acquisitions and including deal costs and other pre- acquisition costs when there is certainty that an acquisition will complete. It also includes costs of registering and issuing debt and equity securities and the effect of inventory revaluations on acquisitions.
- **Disposal and other adjusting items:** Gains and losses on disposals of assets, businesses and tax indemnities related to business combinations. Legal settlement and judgements, impact of changes in tax rates and tax laws on related deferred tax assets and liabilities, retained or uninsured losses related to acts of terrorism, product recalls, natural disasters and

- other items. These gains and losses are not directly attributable to the sale of the Group's products and vary from period to period, which affects comparability of the Group's financial results. From period to period, the Group will also need to apply judgement if items of unique nature arise that are not specifically listed above

Adjusted Operating Profit is defined as operating profit less Adjusting Items as defined earlier.

Free cash flow Free cash flow is calculated as net cash inflow from operating activities plus cash inflows from the sale of intangible assets, the sale of property, plant and equipment and interest received, less cash outflows for the purchase of intangible assets, the purchase of property, plant and equipment, distributions to non-controlling interests and interest paid.

Free cash flow conversion is defined as free cash flow, as defined above, divided by profit after tax.

Net capital expenditure includes purchases net of sales of property, plant and equipment and other intangible assets.

Net debt: Net debt at a period end is calculated as short-term borrowings (including bank overdrafts and short-term lease liabilities), long-term borrowings (including long-term lease liabilities), and derivative financial liabilities less cash and cash equivalents and derivative financial assets, liabilities less cash and cash equivalents and derivative financial assets.

Organic revenue growth represents revenue growth, as determined under IFRS and excluding the impact of acquisitions, divestments and closures of brands or businesses, revenue attributable to manufacturing service agreements ("MSAs") relating to divestments and the closure of sites or brands, and the impact of currency exchange movements.

Organic revenue growth by individual region is further discussed by price and volume/mix changes, which are defined as follows:

- **Price:** Defined as the variation in revenue attributable to changes in prices during the period. Price excludes the impact to organic revenue growth due to (i) the volume of products sold during the period and (ii) the composition of products sold during the period. Price is calculated as current year net price minus prior year net price multiplied by current year volume. Net price is the sales price, after deduction of any trade, cash or volume discounts that can be reliably estimated at point of sale. Value added tax and other sales taxes are excluded from the net price.
- **Volume/Mix:** Defined as the variation in revenue attributable to changes in volumes and composition of products in the period

IFRS and Adjusted Income Statement

Unaudited

2022 £m	IFRS Results	Net amortisation and impairment of intangible assets¹	Restructuring costs²	Transaction -related costs³	Separation and Admission costs⁴	Disposals and others⁵	Adjusted Results
Revenue	10,858	—	—	—	—	—	10,858
Gross profit	6,577	172	19	—	4	—	6,772
<i>Gross profit margin %</i>	<i>60.6%</i>						<i>62.4%</i>
Operating profit	1,825	172	41	8	411	15	2,472
<i>Operating profit margin %</i>	<i>16.8%</i>						<i>22.8%</i>
Net finance costs	(207)	—	—	—	—	—	(207)
Profit before tax	1,618	172	41	8	411	15	2,265
Income tax	(499)	(37)	(7)	(2)	(55)	94	(506)
<i>Effective tax rate %</i>	<i>31%</i>						<i>22%</i>
Profit after tax for the year	1,119	135	34	6	356	109	1,759
Profit attributable to shareholders	1,060	135	34	6	356	109	1,700
Diluted earnings per share (pence)	11.5	1.4	0.4	0.1	3.8	1.2	18.4
Weighted average number of shares (diluted) (millions)	9,239						9,239

2021 £m	IFRS Results	Net amortisation and impairment of intangible assets¹	Restructuring costs²	Transaction -related costs³	Separation and Admission costs⁴	Disposals and others⁵	Adjusted Results
Revenue	9,545	—	—	—	—	—	9,545
Gross profit	5,950	8	44	—	—	—	6,002
<i>Gross profit margin %</i>	<i>62.3%</i>						<i>62.9%</i>
Operating profit	1,638	16	195	—	278	45	2,172
<i>Operating profit margin %</i>	<i>17.2%</i>						<i>22.8%</i>
Net finance costs	(2)	—	—	—	—	—	(2)
Profit before tax	1,636	16	195	—	278	45	2,170
Income tax	(197)	8	(36)	—	(47)	(197)	(469)
<i>Effective tax rate %</i>	<i>12%</i>						<i>22%</i>
Profit after tax for the year	1,439	24	159	—	231	(152)	1,701
Profit attributable to shareholders	1,390	24	159	—	231	(152)	1,652
Diluted earnings per share (pence)	15.1	0.2	1.7	—	2.5	(1.6)	17.9
Weighted average number of shares (diluted) (millions)	9,235						9,235

1. Net amortisation and impairment of intangible assets: includes impairment of intangible assets (2022: £129m, 2021: £12m), reversal of impairment (2022: £nil, 2021: £(36)m) and amortisation of intangible assets excluding computer software (2022: £43m, 2021: £40m).
2. Restructuring costs: includes amounts related to business transformation activities.
3. Transaction-related costs: includes amounts related to acquisition of a manufacturing site.
4. Separation and Admission costs: includes amounts incurred in relation to and in connection with the separation and listing of the Group as a standalone business.
5. Disposals and others: includes net gains on disposals of assets and business changes (2022: £(20)m, 2021: £(31)m), offset by other items including a provision for PPI litigation taken in 2022. In addition, it includes tax indemnities related to business combinations (2021: £76m). The 2022 tax effect includes £102m tax charge related to the revaluation of US deferred tax liabilities due to the increase in the blended rate of US state taxes expected to apply as a result of the demerger. The 2021 tax effect includes a £164m tax credit related to the uplift of the tax basis of certain intra-group brand transfers.

Adjusting items largely non-cash impairment, separation and admission costs

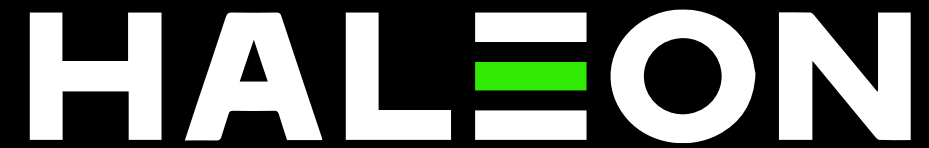
£m	FY 2022	FY 2021	% change
Adjusted operating profit¹	2,472	2,172	13.8
Net amortisation and impairment of intangible assets ²	(172)	(16)	
Restructuring costs ²	(41)	(195)	
Transaction related costs	(8)	-	
Separation and admission costs ²	(411)	(278)	
Disposals and others ²	(15)	(45)	
Operating profit³	1,825	1,638	11.4
<i>% Operating margin³</i>	<i>16.8%</i>	<i>17.2%</i>	<i>(0.4)ppts</i>

Includes £129m impairment related to a Preparation-H and a small brand in the Ukraine

Charges largely related to Pfizer integration

Peak separation and admission costs in 2022

2022 includes provision for settlement of PPI claims and small disposal income



2022 full year results

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