

HALEON

2023 First quarter trading statement

May 2023

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No statement in this presentation is or is intended to be a profit forecast or profit estimate.



Tobias Hestler
CFO



Strong first quarter performance with positive volume/mix

Growth underpinned by strength of portfolio and exceptional execution

Increased Adjusted operating profit mainly reflecting positive operational leverage

Confident on FY23 guidance: More positive revenue expectations, as per AGM Trading Update

Well placed to deliver on medium term guidance

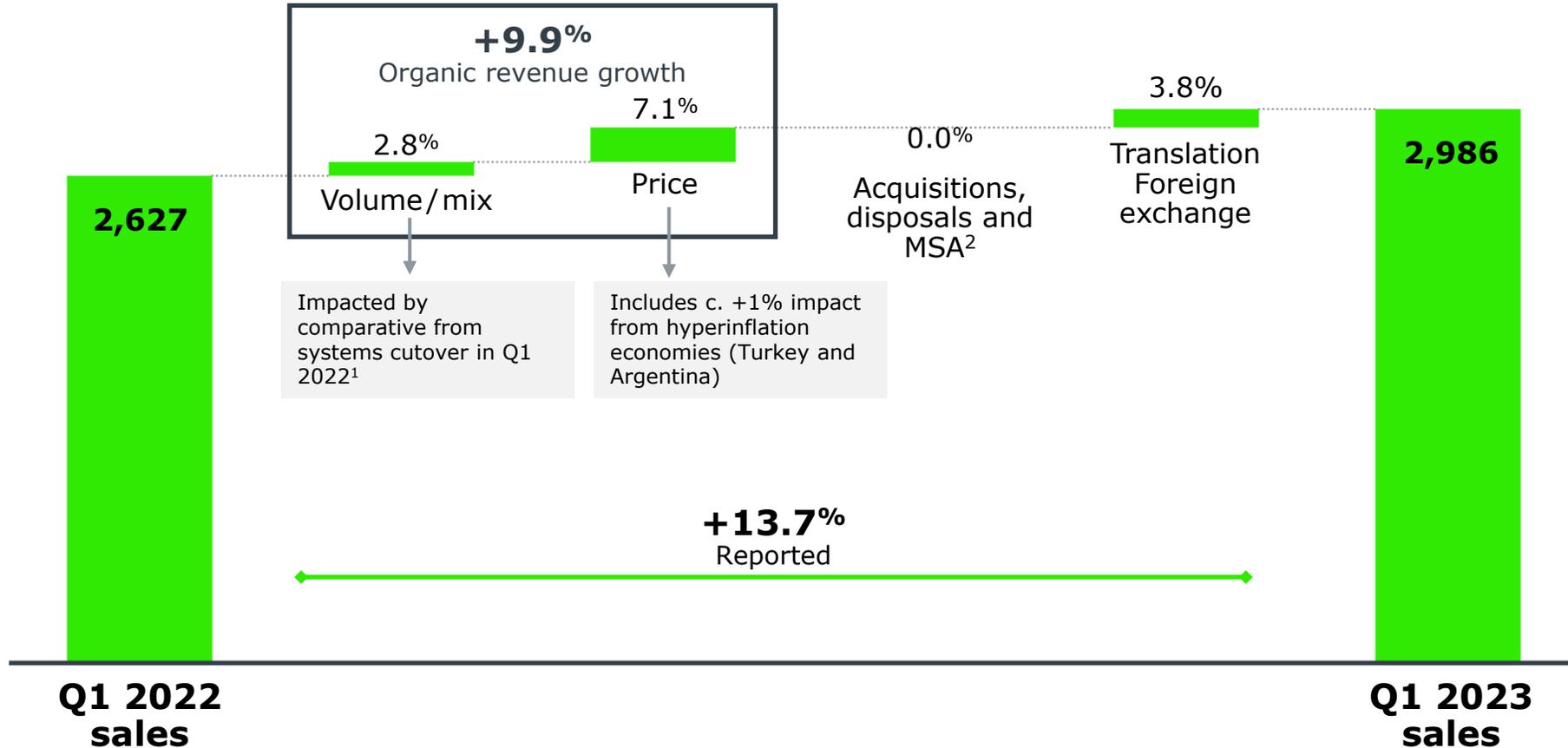
Q1 key financials

Revenue		Adjusted operating profit ¹	
£3.0^{bn} Revenue	9.9% Organic revenue growth	£691^m Adjusted operating profit ¹	23.1% Adjusted operating profit margin ¹
7.1% Price	2.8% Volume/mix	+9.5% AER &	(90)bps AER &
		+3.3% CER	(140)bps CER

Q1 2023 revenue growth

Strong pricing with positive volume/mix

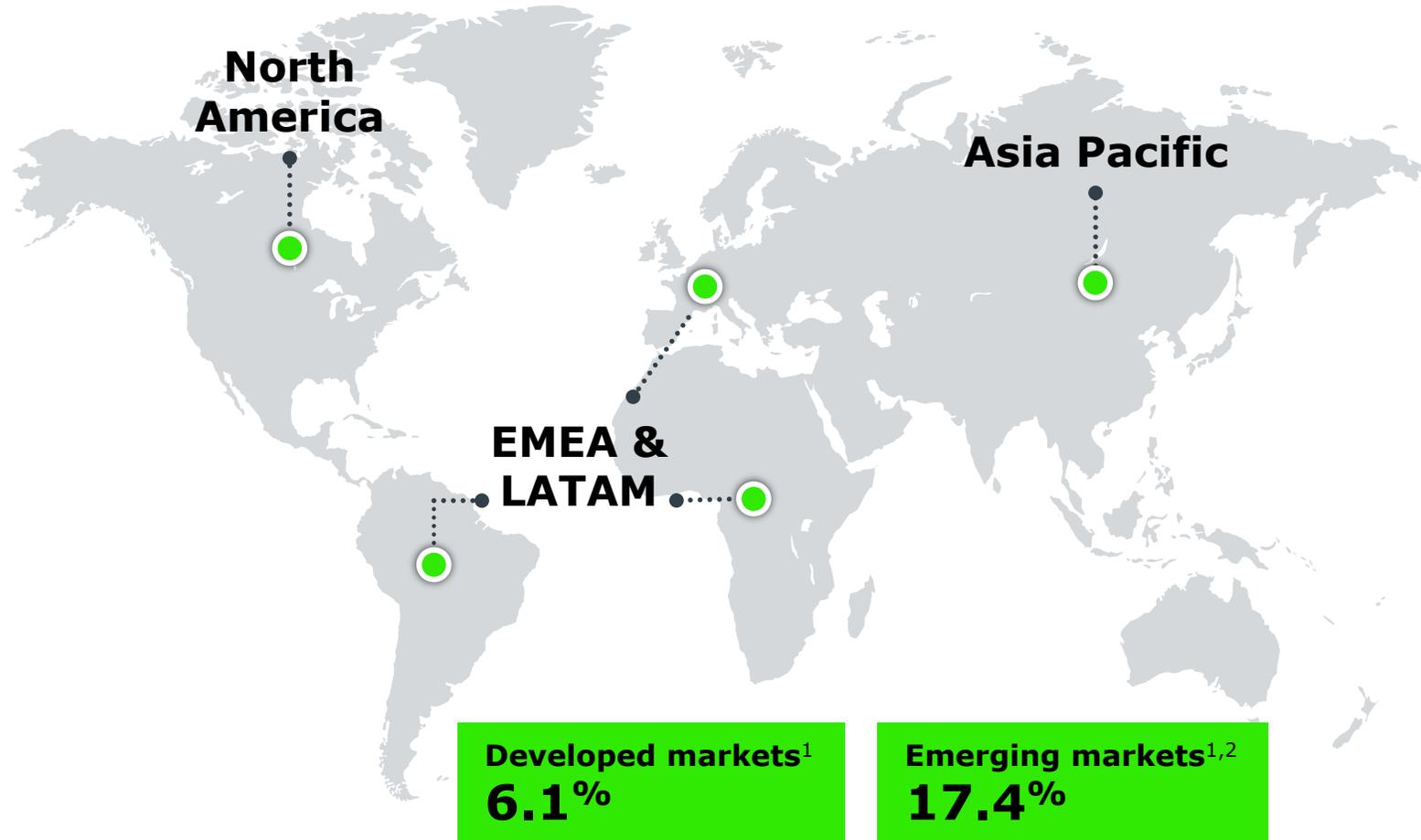
£m



Q1 organic growth

	Q1 2022 revenue	Q1 2023 revenue	Organic revenue growth ²	
	£m	£m	Q1	
Oral Health	741	811	6.6%	Strong start to the year
VMS	405	405	-3.7%	Decline driven by particularly strong comparative for Emergen-C in Q1 2022 in US from Omicron wave; Centrum up high-single digit
Pain Relief	635	724	11.0%	
Respiratory Health	367	510	33.0%	Strong consumption of both cold and flu and nasal decongestants from continued elevated incidences of cold and flu, recovery in China post restrictions easing and restocking
Digestive Health and Other	479	536	7.3%	
TOTAL	2,627	2,986	9.9%	Excluding impact of prior year ERP system cutover and distribution business model change, organic growth was c. 12% ¹

Strong Q1 revenue growth across regions



Revenue

North America

5.1% OSG¹

£1,072m (Q1 2022: £940m)

EMEA & LATAM

13.1% OSG¹

£1,198m (Q1 2022: £1,057m)

Asia Pacific

11.7% OSG¹

£716m (Q1 2022: £630m)

North America

Strong performance across categories; VMS down mainly driven by Emergen-C

£1,072^m

Q1 23 Sales

5.1%

Organic growth¹

3.6%

Price

1.5%

Volume / mix

Oral health

Low-double digit growth in Sensodyne more than offset a decline in Denture care from strong sell-in in Q1 2022

VMS

Down 20% reflecting strong Q1 2022 comparative from Emergen-C in Omicron wave

Respiratory

Up low-thirties percent driven by strong incidences of cold and flu and retailer stock-in for allergy products ahead of the season



EMEA & LATAM

Strong broad-based performance

£1,198^m

Q1 23 Sales

13.1%

Organic growth^{1, 2}

12.6%

Price

0.5%

Volume / mix

c. +18% (ex. ERP³)

Oral health

High-single digit growth in Sensodyne and strong double-digit growth in parodontax and Denture Care

VMS

Mid-single digit decline; Centrum saw high-single digit growth offset by a decline in some Local brands and a reduced portfolio in Russia

Respiratory

Up mid-thirties percent from sustained incidences of cold and flu, Theraflu and Otrivin particularly strong



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1. Reconciliation of IFRS to Adjusted results can be found in the Appendix
2. Includes impact from hyperinflation economies of c. +2%
3. Excludes the impact from the initial distributor sell-in due to the systems cutover and distribution business model change ahead of demerger in Q1 2022 and reversed in Q2 2022.

Asia Pacific

Strong volume/mix growth supported by price

£716^m

Q1 23 Sales

11.7%

Organic growth¹

3.4%

Price

8.3%

Volume / mix

Oral health

Low-single digit growth with high-teens percent growth in parodontax; Sensodyne growth in Japan and India offset by weakness in China

VMS

High single digit growth supported by mid-teens growth in Centrum; high-single digit growth in Caltrate

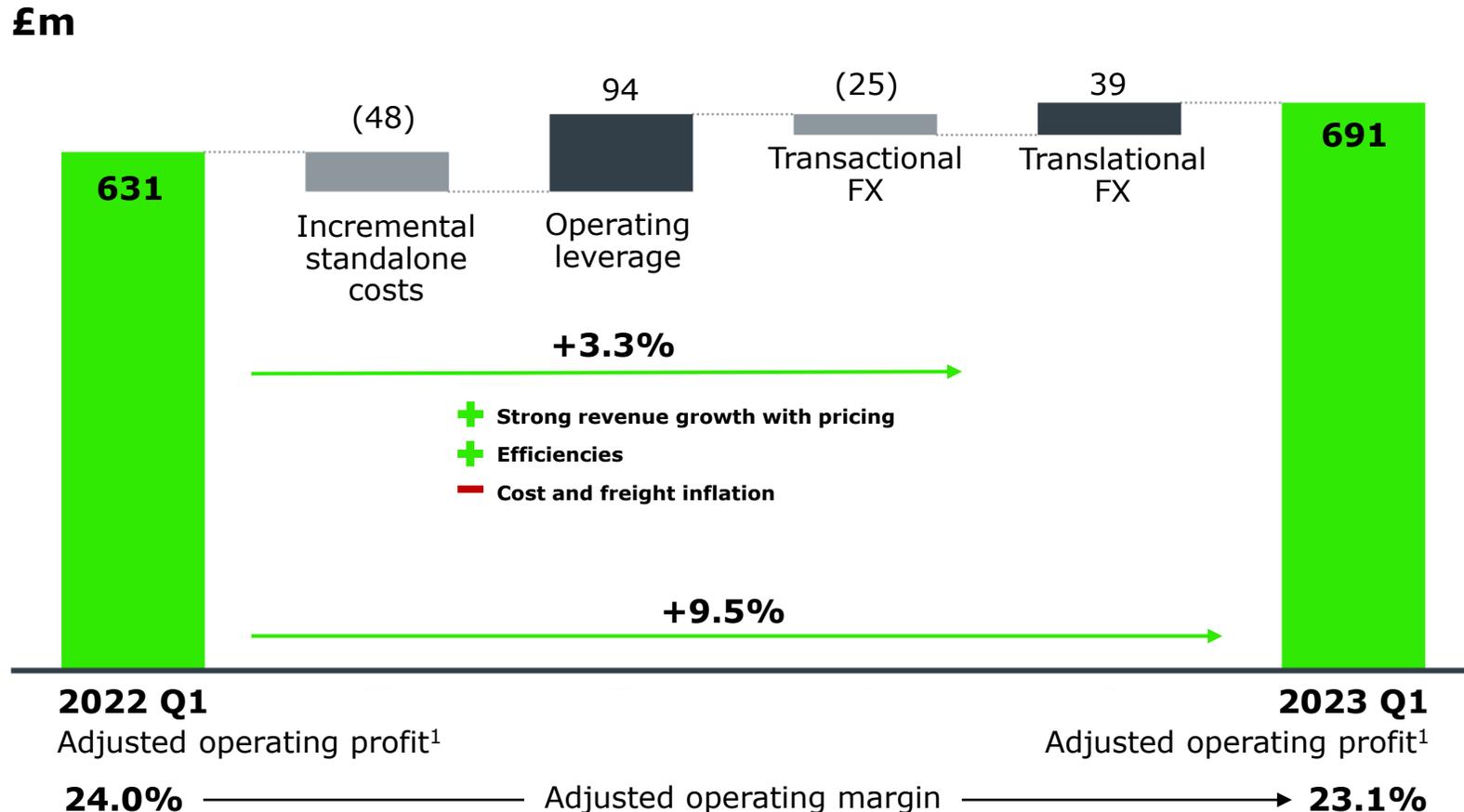
Pain Relief

Up low-twenties percent supported by strong performance in Fenbid following easing of restrictions in China; low twenties percent growth in Voltaren



Q1 Adjusted operating profit growth

+3% at constant exchange rates and +10% at actual rates



- › Higher standalone costs given prior year was as segment of GSK ((180)bps)
- › Strong operating leverage across the business (+130bps)
- › Adverse transactional FX largely due to Swiss Franc and US Dollar ((90)bps)
- › Together with positive translational foreign exchange resulted in an 90bps decline in Adjusted operating margin at reported rates

— Outlook

for full year 2023

Organic revenue growth¹ towards the upper-end of 4-6% range

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%



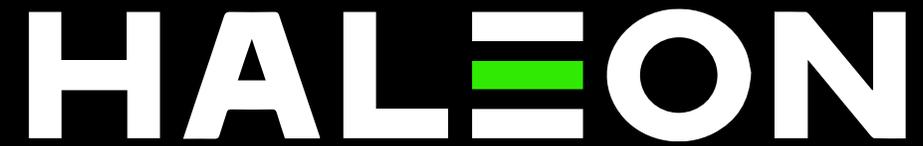
Strong first quarter performance with positive volume/mix

Growth underpinned by strength of portfolio and exceptional execution

Increased Adjusted operating profit mainly reflecting positive operational leverage

Confident on FY23 guidance: More positive revenue expectations, as per AGM Trading Update

Well placed to deliver on medium term guidance



**2023 First quarter trading statement
Q&A**

May 2023



Appendix

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

— 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

Growth focused disciplined capital allocation

Investing for growth

- Brand investment
- R&D
- Sustainability
- Digitisation
- Capital Expenditure

Strengthen balance sheet

- De-lever to <3x net debt/Adjusted EBITDA during 2024
- Maintain investment grade credit rating

M&A

- Bolt-on M&A
- Commercially compelling
- Consistent with strategy

Shareholder returns

- Ordinary dividend
- Return surplus capital to shareholders

Considerations on phasing of growth

Comments on 2022 performance (unless otherwise stated)

	2022 % of revenue	Comments on 2022 performance (unless otherwise stated)			
		Q1	Q2	Q3	Q4
Oral Health	27%	- ERP pull forward	+ Reversal of ERP pull forward + Rebound from China lockdown	-	+ Reduction in inventories at major retailers
VMS	15%	- Benefit from Omicron wave	-	-	-
Pain Relief	24%	- Benefit from Omicron wave + Strong cold and flu start to 2023	-	-	- Comparative from strong cold and flu season
Respiratory Health	15%	+ Strong cold and flu start to 2023 - ERP pull forward	+ Reversal of ERP pull forward	Too early to predict if out of season consumption from Covid remains	- Comparative from strong cold and flu season
Digestive Health and Other	19%	-	-	- Sell in ahead of Q4	+ Reversal of sell in and reduction in inventories at Smokers Health
Price (FY22)		+2.6%	+4.0%	+5.5%	+5.0%

Full Year 2023 translational currency impact

Currency	2022 currency as % of total revenue	Average 2022	Spot 21.4.23
USD	33%	1.24	1.24
EUR	16%	1.17	1.13
CNY	8%	8.31	8.55
<i>Others</i> ¹	43%	98	101
Total	100%		

› Estimated translational foreign exchange impact

- c. (1.5)% on revenue
- c. (1)% on adjusted operating profit

Assuming exchange rates incurred up to 21 April 2023 and assuming spot rates as of this date were to hold for the remainder of the year and using FY22 results as a base

IFRS and Adjusted results

Unaudited

Q1 2022

£m	IFRS results	Net amortisation and impairment of intangible assets ¹	Restructuring costs ²	Transaction related costs ³	Separation and admission costs ⁴	Disposals and others ⁵	Adjusted results
Revenue	2,627	-	-	-	-	-	2,627
Operating profit	466	28	13	-	127	(3)	631
<i>Operating profit margin %</i>	<i>17.7%</i>						<i>24.0%</i>

Q1 2023

£m	IFRS results	Net amortisation and impairment of intangible assets ¹	Restructuring costs ²	Transaction related costs ³	Separation and admission costs ⁴	Disposals and others ⁵	Adjusted results
Revenue	2,986						2,986
Operating profit	627	11	10	3	32	8	691
<i>Operating profit margin %</i>	<i>21.0%</i>						<i>23.1%</i>

1. Includes impairment of intangible assets £nil (2022: £18m), and amortisation of intangible assets excluding computer software £11m (2022: £10m).

2. Includes amounts related to business transformation activities.

3. Includes amounts related to acquisition of a manufacturing site

4. Includes amounts incurred in relation to and in connection with the separation £32m (2022: £113m) and listing £nil (2022: £14m) of the Group as a standalone business.

5. Includes net loss/(gains) on disposals of assets and businesses totalling £8m (2022: (£3)m).

Reconciliation of organic growth

Product Categories

Q1 2022 vs 2021 (%)	Oral Health	VMS	Pain Relief	Respiratory Health	Digestive Health and Others	Total
Revenue Growth	5.7	16.4	18.0	51.0	0.6	13.9
Organic Adjustments	—	0.1	0.3	—	4.8	1.2
of which:						
Effect of Acquisitions	—	—	—	—	—	—
Effect of Disposals	—	—	0.3	—	2.5	0.6
Effect of MSAs	—	0.1	—	—	2.3	0.6
Effect of Exchange Rates	2.2	(1.6)	0.6	1.9	(1.1)	0.5
Organic Revenue Growth	7.9	14.9	18.9	52.9	4.3	15.6

Q1 2023 vs 2022 (%)	Oral Health	VMS	Pain Relief	Respiratory Health	Digestive Health and Others	Total
Revenue Growth	9.4	—	14.0	39.0	11.9	13.7
Organic Adjustments	—	(0.3)	—	—	0.2	—
of which:						
Effect of Acquisitions	—	(0.3)	(0.5)	—	—	(0.2)
Effect of Disposals	—	—	0.5	—	0.2	0.2
Effect of MSAs	—	—	—	—	—	—
Effect of Exchange Rates	(2.8)	(3.4)	(3.0)	(6.0)	(4.8)	(3.8)
Organic Revenue Growth	6.6	(3.7)	11.0	33.0	7.3	9.9

Reconciliation of organic growth

Geographical Segments

Q1 2022 vs 2021 (%)	North America	EMEA and LatAm	APAC	Total
Revenue Growth	20.1	8.0	15.8	13.9
Organic Adjustments	0.8	2.0	0.2	1.2
of which:				
Effect of Acquisitions	-	—	—	—
Effect of Disposals	0.5	1.1	—	0.6
Effect of MSAs	0.3	0.9	0.2	0.6
Effect of Exchange Rates	(3.6)	4.5	(0.8)	0.5
Organic Revenue Growth	17.3	14.5	15.2	15.6
Price	2.0	0.7	4.2	2.6
Volume/Mix	15.3	13.8	11.0	13.0

Q1 2023 vs 2022 (%)	North America	EMEA and LatAm	APAC	Total
Revenue Growth	14.0	13.3	13.7	13.7
Organic Adjustments	—	0.4	(0.6)	—
of which:				
Effect of Acquisitions	—	—	(0.7)	(0.2)
Effect of Disposals	—	0.4	—	0.2
Effect of MSAs	—	—	0.1	—
Effect of Exchange Rates	(8.9)	(0.6)	(1.4)	(3.8)
Organic Revenue Growth	5.1	13.1	11.7	9.9
Price	3.6	12.6	3.4	7.1
Volume/Mix	1.5	0.5	8.3	2.8

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