

GSK announces settlement between ViiV Healthcare and Gilead Sciences, Inc. resolving litigation relating to Biktarvy and ViiV's dolutegravir patents and entry into a patent licence agreement

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For media and investors only

- Gilead will make an upfront payment of \$1.25 billion to ViiV Healthcare in the first quarter of 2022
- Gilead will also pay a 3% royalty on future US sales of Biktarvy

GlaxoSmithKline plc (LSE/NYSE: GSK) today announced that ViiV Healthcare, the global specialist HIV company majority-owned by GSK, with Pfizer Inc. and Shionogi & Co. Limited (Shionogi) as shareholders, has agreed to settle the global patent infringement litigation between GSK, Shionogi and Gilead Sciences, Inc. (Gilead) concerning ViiV Healthcare's patents relating to dolutegravir, an antiretroviral medication used, together with other medicines, to treat human immunodeficiency virus (HIV).

ViiV Healthcare, GSK and Shionogi alleged that Gilead's Biktarvy, a triple combination HIV medicine containing the HIV integrase inhibitor bictegravir, tenofovir alafenamide and emtricitabine, infringed certain of their patents relating to dolutegravir. As a result of the settlement, patent infringement cases in the US, UK, France, Ireland, Germany, Japan, Korea, Australia, and Canada will be discontinued.

ViiV Healthcare, GSK, Shionogi and Gilead have entered into a global settlement agreement and a patent license agreement under which

Gilead has been granted a worldwide licence to certain ViiV Healthcare patents relating to dolutegravir and a covenant not to enforce any patents controlled by ViiV Healthcare, GSK or Shionogi against Gilead in connection with any past or future claims of infringement relating to Biktarvy. ViiV Healthcare, GSK and Shionogi have also agreed not to enforce their patents against any future product containing bicitegravir, to the extent that the patent enforcement relates to the bicitegravir component of the product.

Under the terms of the global settlement and licensing agreement, Gilead will make an upfront payment of \$1.25 billion to ViiV Healthcare which is expected in the first quarter of 2022. In addition, Gilead will also pay a 3% royalty on all future US sales of Biktarvy (\$6.09 billion in 2020) and in respect of the bicitegravir component of any other future bicitegravir-containing products sold in the US. These royalties will be payable by Gilead to ViiV Healthcare from 1 February 2022 until the expiry of ViiV Healthcare's U.S. Patent No. 8,129,385 on 5 October 2027. Gilead's obligation to pay royalties does not extend into any period of regulatory paediatric exclusivity, if awarded. Regulatory paediatric exclusivity would extend the period of exclusivity after the expiry of the '385 patent by six months from 5 October 2027 to 5 April 2028.

The upfront payment and royalty income will be distributed in proportion to the ordinary shareholding in ViiV Healthcare (GSK 78.3%, Pfizer 11.7%, Shionogi 10%) net of the contingent consideration liability (CCL) to Shionogi and applicable tax.

The upfront payment of \$1.25 billion will be recorded in GSK's financial results as an adjusting item in the income statement for the first quarter of 2022. The future royalty income will be recorded in total and adjusted results in the income statements for 2022 to 2027 inclusive. Both the settlement and the future royalty income increase the fair value of the CCL to Shionogi, and the Pfizer put option.* These increases in fair value will be reflected in GSK's 2021 full-year and fourth-quarter results, and the associated charges will be recorded within adjusting items.

Cash in-flows from the upfront payment and future royalty income and cash out-flows from the CCL will be recorded in cash generated from operations. The resulting increased dividends to Shionogi and Pfizer will be included within financing cashflows. Full details of the

operational accounting of the CCL can be found on pages 52-53 of GSK's 2020 Annual Report.

ViiV Healthcare is a global specialist HIV company established in November 2009 by GlaxoSmithKline (LSE: GSK) and Pfizer (NYSE: PFE) dedicated to delivering advances in treatment and care for people living with HIV and for people who are at risk of becoming infected with HIV. Shionogi became a ViiV Healthcare shareholder in October 2012. ViiV Healthcare's aim is to take a deeper and broader interest in HIV/AIDS than any company has done before and take a new approach to deliver effective and innovative medicines for HIV treatment and prevention, as well as support communities affected by HIV. For more information on the company, its management, portfolio, pipeline, and commitment, please visit www.viivhealthcare.com.

* Under the ViiV Healthcare shareholder agreement, Pfizer has an option to request an initial public offering, which if not completed within nine months, will require GSK to acquire Pfizer's shareholding in ViiV Healthcare.

GSK is a science-led global healthcare company. For further information, please visit www.gsk.com/about-us.

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