

Quality Growth

Our Heated Products

Heated Products* (HPs) use heat to generate a nicotine-containing aerosol, which the user inhales.

This category includes Tobacco Heated Products (THP) and Herbal Products for Heating (HPH).

Within HPs, because the tobacco or herbal substrate is heated instead of burned, the resulting aerosol comprises mainly water, glycerol, nicotine and flavours – different to cigarette smoke.

HP Top markets**

Japan, South Korea, Italy, Germany, Greece, Hungary, Poland, Romania and the Czech Republic.



Overview

Heated Products offer the most familiar route for smokers to adopt a reduced-risk*, Smokeless product.

Our latest glo devices, Hyper Pro and Hyper, utilise induction heating to externally heat our tobacco and non-tobacco consumables that contain nicotine to a specific temperature range. With Hyper Pro having launched in 2024, the evolution in our innovation and design is clear, offering adult consumers a more differentiated device, with new digital features. As we continue to build glo as a strong and consistent global brand, we must transform our product portfolio through our robust innovation pipeline.

The Scientific Evidence*

When tobacco is burned by combustion at over 900°C, the smoke produced is incredibly complex with over 7,500 individual chemicals present, of which 150 chemicals are known to be harmful, and more than 60 are known carcinogens. In contrast, HPs heat natural material, including tobacco or other ingredients like rooibos, to much lower temperatures (below 400°C).

Due to the heating, as opposed to burning, HPs are considered reduced risk* compared to continued smoking for those who switch completely.

In 2018, Public Health England***, while highlighting the need for more research, found that “compared with cigarettes, heated tobacco products are likely to expose users and bystanders to lower levels of particulate matter, and potentially harmful compounds.”¹

More long-term studies are needed on HPs and in 2021 we conducted a year-long clinical study² to evaluate the reduced-risk potential of glo. It found that smokers who switched from cigarettes to the exclusive use of glo significantly reduced their exposure to certain toxicants and indicators of potential harm related to several smoking-related diseases, in some measures to a level found in participants who had stopped smoking entirely.

Highlights

glo HP category volume share down 40 bps in Top markets vs 2023 to reach 16.7%.

glo consumer acquisition up 1.6 million reaching 10.2 million.

glo consumable volume down 11.6%, with the industry volume up 12%, with our performance impacted by the sale of our businesses in Russia and Belarus partway through 2023.

glo revenue declined by 7.6%.

33

Number of markets where the Group's **Heated Products** are sold

Notes:

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

** Top HP markets are defined as the Top markets (excl. Russia) by industry revenue. Top markets are Japan, South Korea, Italy, Germany, Greece, Hungary, Poland, Romania and the Czech Republic. These markets account for 80% of global HP industry revenue in 2024. The Top markets were revised in 2024, with a reduction in volume share in respect of 2023 to 17.1%.

*** Public Health England (PHE) was replaced in Oct 2021 by the UK Health Security Agency and Office for Health Improvement and Disparities.

1. McNeill A, Brose LS, Calder R, Bauld L, Robson D. Evidence review of e-cigarettes and heated tobacco products 2018. A report commissioned by Public Health England. London: Public Health England, 2018.

2. Gale, N., McEwan, M., Hardie, G., Proctor, C.J. and Murphy, J. (2022). Changes in biomarkers of exposure and biomarkers of potential harm after 360 days in smokers who either continue to smoke, switch to a tobacco heating product or quit smoking. Internal and Emergency Medicine. doi:doi.org/10.1007/s11739-022-03062-1.

Designed with Purpose

Hilo and Hilo Plus are the newest additions to our flagship glo range of Heated Products.

Hilo is a one-piece device featuring an innovative AMOLED EasyView™ screen for consumers to stay in control of their device usage and monitor its battery life.

Consisting of two pieces, Hilo Plus has a charging case and a heating device. The heating device is known as the EasySwitch™ heating pen, which can be removed from the charging case and used independently for a maximum of two sessions, or can be used while docked in the charging case. Additionally, the pen can be inserted or removed from the case during the heating session without disrupting the session.

Hilo builds on Hyper Pro, which was introduced to address the evolving preferences of consumers of Heated Products.

Featuring our HeatBoost™ technology, Hyper Pro delivers superior taste satisfaction, a step up on immediacy, more intense boost taste mode and a longer session, compared to earlier Hyper devices. Paired with our upgraded blended tobacco stick range and our veo tobacco-free herbal stick novel flavour range with capsule, it delivers an enhanced experience compared to other Hyper products.

Hyper Pro is a smart and intelligent device equipped with a progressive EasyView™ display for interactive and intuitive control of the experience through a simple screen interface displays the selected taste mode, session progress and battery power. The device has better palm fit and convenience in use with a TasteSelect dial enabling one move to open the shutter and select the taste mode. This is also combined with the convenience of a faster charge than other Hyper products.

Hyper Pro is now present across 29 markets. veo™, our first brand to launch a non-tobacco consumables range, continues to outperform peers and is now in 20 markets.

We continue to expand our geographic footprint with glo now available in 33 markets.

Performance Summary

Impacted by the sale of the Group's businesses in Russia and Belarus in 2023 (which negatively impacted performance by 2.5 billion sticks due to the timing of the sale partway through that year), total consumable volume declined 11.6% to 20.9 billion sticks in 2024 having declined 1.3% (to 23.7 billion sticks) in 2023.

In 2024, glo HP category volume share in the Top markets declined 40 bps to 16.7% as growth in Poland and the Czech Republic and stabilisation in Italy was offset by the highly competitive markets in Japan and South Korea and the deprioritisation of the super-slim format in both markets.

Revenue declined 7.6% to £921 million (2023: down 6.0% to £996 million), largely due to the sale of the Group's businesses in Russia and Belarus partway through 2023 which acted as a comparative drag on performance of £78 million in 2024 and by £75 million in 2023. Excluding the impact of the relative movements in sterling, at constant rates of exchange revenue declined 2.5% in 2024, compared to a decline of 2.5% in 2023.

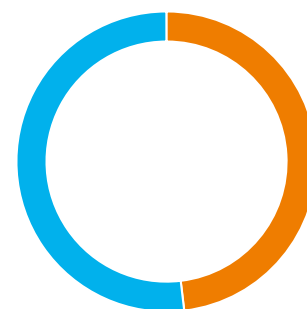
In AME, which has seen strong industry volume growth of 9% in 2024 (2023: 17%), our consumable volume declined 24.6% to 8.3 billion sticks, having decreased 7.5% in 2023. The decline in both 2024 and 2023 was largely due to the sale of the Group's businesses in Russia and Belarus, which negatively affected volume, compared to the respective prior period, by 2.7 billion sticks in 2024 (and 2.5 billion sticks in 2023). This more than offset higher volume in Spain and Greece.

Accordingly, in 2024, revenue declined by 12.2%, or 10.4% at constant rates of exchange. This compares to 2023 which grew by 2.3% (or 3.0% at constant rates of exchange).

AME now represents 39.9% of our global HP volume.

Proportion of HP revenue by region in 2024

(£m)



	2024 £m	2023 £m
U.S.	0	0
AME	443	505
APMEA	478	491
Total	921	996

In APMEA, where the most mature HP markets are, our consumable volume was down 0.2%, having grown 4.9% in 2023. Revenue was down 2.8% (2023: down 13.2%) yet grew 5.6% (2023: 7.3% decrease) at constant exchange, driven by the innovations and activation of commercial plans in Japan.

Pricing was a positive contributor to the regional HP performance by 5.8% in 2024, having been a negative impact in 2023 by 12.2% due to the price repositioning in that period.

In Japan, glo's volume share of total HP and combustibles was 16.7%, down 40 bps on 2023 (2023: 17.1%), as consumers continue to switch to reduced-risk alternatives to cigarettes, with our HP category volume share at 17.8%, down 50 bps from 18.3% in 2023.



Using tobacco in forms that don't burn, like smokeless tobacco or heat-not-burn products, will reduce your exposure to harmful combusted chemicals, including carbon monoxide.



Canadian Centre for Addiction and Mental Health
Lower Risk Nicotine User Guidelines, 2021¹

Note:

1. Canadian Centre for Addiction and Mental Health (2021). 7 tips to lower your risk when using nicotine. Available at: intrepidlab.ca/en/Documents/Quick%20Tips.pdf