

Our Combustible Products

We are focused on driving value from our strategic brands of Dunhill, Kent, Lucky Strike, Pall Mall, Rothmans, Newport (U.S.), Natural American Spirit (U.S.) and Camel (U.S.), which now account for 35% of our combustibles volume.

Our combustibles business is founded on understanding and meeting the preferences of adult smokers in all parts of the world

Combustibles Top markets*

U.S., Japan, Brazil, Germany, Pakistan, Mexico and Romania

Highlights

Revenue down 2.3%, up 1.0% at constant rates with momentum accelerating through the year.

Value share* flat; volume share* down 10 bps, as growth in AME was more than offset by the U.S. and APMEA.

Return to growth in the U.S., with revenue up 1.4% (or 4.6% at constant rates) as price/mix (including excise duty drawback) more than offset volume decline.

Resilient AME performance with revenue down 0.9%, or up 2.3% at constant rates, driven by Türkiye, Brazil and Mexico.

APMEA revenue declined 11.9%, or 8.3% at constant rates, impacted by Australia and Bangladesh with total volume down 11.7%.

36

Number of **cigarette factories** in 35 countries



Performance Summary

Group cigarette volume was down 7.9% to 465 billion sticks as volume growth in Türkiye, Nigeria, Indonesia and Brazil was more than offset by lower volume in a number of markets, mainly driven by Bangladesh, the U.S. and Poland and market exits (including Mali).

Revenue from combustibles declined 2.3% to £20,201 million, up 1.0% at constant rates of exchange as the Group benefitted from a robust price/mix (including U.S. excise duty drawback) of +9.1%. This was partly offset by the lower volume (down 8.1%).

Our revenue performance was driven by:

- the U.S., where revenue increased 1.4% or 4.6% at constant rates of exchange, as the positive impact of price/mix (including excise duty drawback) of +12.3% more than offset a 7.7% reduction in volume, compared to the industry volume decline of 7.4%. Our volume share was down 10 bps while value share was up 30 bps following the commercial actions taken in 2024 to deliver sustainable value;
- AME, where revenue was down 0.9% due to translational foreign exchange. At constant rates of exchange, revenue was 2.3% higher, largely driven by higher volume and pricing in Türkiye, Brazil and Mexico. These factors combined with robust pricing in Romania to more than offset a reduction in revenue in Canada (due to lower price/mix and volume) and Germany (driven by lower volume); and
- APMEA, where revenue was down 11.9% or 8.3% at constant rates of exchange, due to regulatory and fiscal challenges impacting combustibles in Australia and Bangladesh, partly offset by higher combustibles revenue in Nigeria, Indonesia and Pakistan.

Change in cigarette value share in Top markets* (bps)

flat



Definition: Annual change in cigarette value share – being the value of cigarettes bought by consumers of the Group’s brands in Top markets* as a proportion of the total value of cigarettes bought by consumers in those markets (see page 373).

Change in cigarette volume share in Top markets* (bps)

-10bps



Definition: Annual change in cigarette volume share – being the number of cigarettes bought by consumers of the Group’s brands in Top markets* as a proportion of the total cigarettes bought by consumers in those markets (see page 373).

Our Combustible Products Continued

Value and Volume Share

Group cigarette value share was flat in 2025 despite growth in the U.S. (up 30 bps), Brazil and Mexico. This was offset by lower cigarette value share in Germany and Romania.

Group cigarette volume share was down 10 bps in 2025. The Group grew volume share in Brazil and Mexico. However, this was more than offset by lower volume share in the U.S. (down 10 bps) and reductions in Germany, Romania and Japan.

Regulation

On 15 January 2025, in the final days of the outgoing Biden Administration, the FDA issued a proposed product standard whereby the agency would limit nicotine levels in cigarettes following a two-year effective date from publication of any final rule. The proposed rule was subject to public comment. However, on 20 January 2025, President Trump issued a memorandum entitled 'Regulatory Freeze Pending Review' which froze all rules and proposed rules pending review by the current Administration. The Spring 2025 Unified Agenda was released on 4 September 2025. The rule was no longer listed on the Long-Term Actions list and was instead designated as "withdrawn".

There is no scientific support for the contention that restricting nicotine in cigarettes to very low levels would improve public health. Existing scientific literature, demonstrates that implementation of very low nicotine regulations would not reduce smoking, initiation, cessation, or dependence. To the contrary, the literature¹ suggests that a very low nicotine regulation for cigarettes may have the opposite effects. A very low nicotine regulation would drive existing normal nicotine cigarettes out of the marketplace, leaving a gap to be filled by the illicit market. Moreover, studies¹ show that smokers who do not migrate to the illicit market may compensate by smoking more very low nicotine cigarettes per day, smoking those cigarettes more intensely, or using them in addition to other combustible tobacco not subject to the proposed regulation.

Under the Biden Administration, the FDA announced its intention to issue a final rule to ban menthol as a characterising flavour in cigarettes. Following delays, in January 2025, the Trump Administration withdrew the rule from the Office of Management and Budget. The Spring 2025 Unified Agenda was released on 4 September 2025 wherein the menthol ban was no longer listed on the Long-Term Actions list and was instead designated as "withdrawn".

We have been clear that a ban on menthol cigarettes and a limit on nicotine content in cigarettes would harm, not benefit, public health.

Published science² indicates that:

- menthol cigarettes do not present any greater risk of smoking-related disease compared to non-menthol cigarettes; and
- the weight of scientific evidence does not indicate that menthol cigarettes adversely affect initiation, dependence, or cessation.

Additionally, evidence from other markets where similar bans have been imposed demonstrates no impact on overall cigarette consumption because smokers switch to non-menthol cigarettes, turn to the illicit market, and resort to product tampering.

We believe that a ban on menthol is contrary to the FDA's stated goal of reducing the health effects of tobacco use. Our U.S. business will continue to participate in public discourse and will likely challenge this unsupported and counterproductive rule in court if, and when, it is released.

In December 2022, the sale of all tobacco products with characterising flavours (including menthol) other than tobacco was banned in the State of California. This has negatively impacted the Group's volumes in the U.S. and the Group will continue to monitor the impact in the coming periods.

Please see page 24 for a further discussion on regulation in combustible tobacco.

Strategic Brand Performance

In 2025, strategic cigarette brands' value share grew 10 bps:

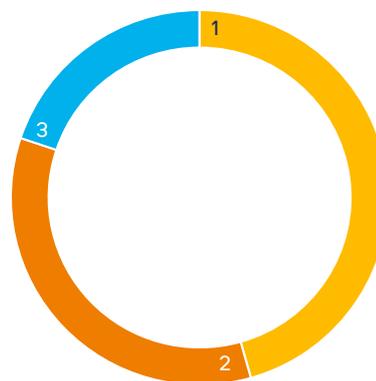
- Dunhill's overall value share was flat despite declines in Brazil and Romania. Volume was 2.7% lower, largely driven by Bulgaria and South Korea and our exit from Mali;
- Kent's value share was down 10 bps as growth in Brazil was more than offset by lower value share in Romania and Japan. Volume was up 1.8%. Kent increased volume in Türkiye and Brazil, which was partly offset by lower volume in Japan and Romania;
- Lucky Strike's value share grew 50 bps, as growth in the U.S. and Brazil more than offset lower value share in Germany and Mexico. Volume declined 2.0% driven by Japan and Germany. This more than offset higher volume in Indonesia;
- Rothmans' value share was flat, as growth in Brazil was offset by lower value share in Romania and Pakistan. Volume was 5.7% lower due to lower volume in Poland, Ukraine, Zambia and Colombia. This more than offset higher volume in Nigeria; and
- Pall Mall's value share was 20 bps lower as growth in Romania, Pakistan and Mexico was more than offset by lower value share in Germany and the U.S. Volume was down 7.7% driven by lower volume in Poland, Nigeria, Pakistan, Germany and the U.S.

The Group's U.S. domestic strategic combustibles portfolio value share was up 40 bps driven by the performance of Lucky Strike and Natural American Spirit:

- Newport, with value share down 30 bps, and volume 9.9% lower;
- Natural American Spirit performed well with value share up 20 bps. Volume was 3.7% down; and
- Camel, with value share down 10 bps and volume 13.5% down.

Volume of other tobacco products (OTP) declined 14.0% to 12 billion sticks equivalent, being 2.3% of the Group's combustible portfolio.

Proportion of combustibles revenue by region in 2025 (£m)



	2025 £m	2024 £m
1 U.S.	9,218	9,094
2 AME	6,974	7,039
3 APMEA	4,009	4,552
Total	20,201	20,685

Notes:

* Volume and value share are based upon the Top cigarette markets which are defined as the Top markets by industry revenue, being the U.S., Japan, Brazil, Germany, Pakistan, Mexico and Romania, accounting for c.60% of total industry cigarettes revenue in 2024.

- 1. Scientific evidence available at www.regulations.gov/comment/FDA-2024-N-5471-4221
- 2. Scientific evidence available at www.regulations.gov/comment/FDA-2021-N-1349-175111