

Our Modern Oral Products

In recent years, a new category of Modern Oral products has emerged.

These come in the form of pouches that are placed in the mouth, between the lip and gum, where nicotine and flavours are released and then absorbed. They are typically manufactured to be tobacco-leaf free.

Modern Oral Top markets**

U.S., Sweden, Denmark, Norway, Switzerland, the UK and Poland

Highlights

Revenue up 47.4%, up 48.0% at constant rates, with volume growth of 47.1%.

Growth in volume share** up 5.8 ppts in Total Oral and up 7.5 ppts in Modern Oral.

AME volume share leadership maintained, with strong revenue growth in Scandinavia, the UK and Switzerland.

Triple-digit volume and revenue growth in the U.S., following the national roll-out of Velo Plus.

49

Number of markets where the Group's **Modern Oral** products are sold



Overview

Launched in 2018, Velo is our flagship brand in the Modern Oral category, and it has grown to become a leading oral nicotine product.

Inspired by Snus, a traditional Swedish smokeless tobacco product, nicotine pouches are small sachets, designed to deliver nicotine and are typically manufactured to be tobacco-leaf free.

Velo has grown into a leading international brand and a fundamental pillar on our journey to Building a Smokeless World. The culmination of our expertise led to the launch of Velo Shift in 2025 - a new innovative pouch shape and hexagonal can made of 90% bio-based plastic¹ (based on a mass balance approach).

The Modern Oral category has a clear trajectory for growth in markets with established oral nicotine consumption. The U.S. and the Nordics are prime examples of such markets, as adult consumers already have the experience of Traditional Oral products.

Regulation remains the key challenge in unlocking the category's potential in new markets, particularly as it is different to how nicotine has previously been consumed. Early signs are promising with bespoke regulation in over 20 markets.

Building a portfolio of strong brands and products/ranges is essential to establishing a leading, global Modern Oral business.

The Scientific Evidence*

Modern Oral products are designed to offer a reduced-risk[†] alternative to adult smokers who would otherwise continue to smoke.

Laboratory scientific studies we conducted show Modern Oral products studied produce less than 1%² of the toxicants found in cigarette smoke³, and are likely to expose users to lower levels of toxic compounds than snus⁴ – a Traditional Oral tobacco product which is already recognised to offer reduced[†] levels of harm than associated with tobacco smoking. Our toxicology tests also assessed various biological effects of our Modern Oral products, showing that they have reduced effects relative to cigarettes and snus^{5,6,7}.

Results from our innovative cross-sectional clinical study⁸ published in 2023 showed that exclusive Velo users had substantially lower exposure to various tobacco toxicants, and significantly better results for indicators linked to smoking-related diseases, compared with smokers.

Notes:

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

** Top Modern Oral markets are defined as the Top markets by industry revenue, being U.S., Sweden, Denmark, Norway, Switzerland, the UK and Poland, accounting for c.90% of total industry Modern Oral revenue in 2024.

† Products sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

1. A total amount of 90% of bio-based plastic was allocated in the production of this can - mass balance approach: www.iscc-system.org/news/mass-balance-explained/
2. Comparison based on an assessment of smoke from a scientific reference cigarette (approx. 9 mg tar) and components released during use of a Velo pouch, in terms of the average of 9 harmful components, independently prioritised for reduction in cigarette smoke.
3. Gaca, Marianna, et al. "Bridging: accelerating regulatory acceptance of reduced-risk tobacco and nicotine products." *Nicotine and Tobacco Research* 24.9 (2022): 1371-1378.
4. Azzopardi, David, Chuan Liu, and James Murphy. "Chemical characterization of tobacco-free 'modern' oral nicotine pouches and their position on the toxicant and risk continuums." *Drug and chemical toxicology* 45.5 (2022): 2246-2254.
5. East, N., et al. "A screening approach for the evaluation of tobacco-free 'modern oral' nicotine products using Real Time Cell Analysis." *Toxicology Reports* 8 (2021): 481-488, and Bishop, E., et al. "An approach for the extract generation and toxicological assessment of tobacco-free 'modern' oral nicotine pouches." *Food and chemical toxicology* 145 (2020): 111713.
6. Ramström L, Borland R, Wikmans T. Patterns of Smoking and Snus Use in Sweden: Implications for Public Health. *Int J Environ Res Public Health*. 2016 Nov 9;13(11):1110. doi: 10.3390/ijerph13111110. PMID: 27834883; PMCID: PMC5129320
7. Sohlberg, T., Wennberg, P. Snus cessation patterns – a long-term follow-up of snus users in Sweden. *Harm Reduct J* 17, 62 (2020). doi.org/10.1186/s12954-020-00405-z
8. Azzopardi, D., et al., Assessment of biomarkers of exposure and potential harm, and physiological and subjective health measures in exclusive users of nicotine pouches and current, former and never smokers. *Biomark*, 2023. 28(1): p. 118-129 DOI: 10.1080/1354750x.2022.2148747

Our Products

Our Modern Oral products are white in colour and contain high-purity nicotine, water and other high-quality food-grade ingredients, including plant-based fibres, flavouring and sweeteners.

Originating in Scandinavia, Velo is now a leading global brand of Modern Oral pouches. These typically appeal to a broader audience of nicotine consumers. With comparatively lower excise rates (versus Traditional Oral and combustibles), Modern Oral generally has higher margins than Traditional Oral and is largely comparable to combustibles.

Our Velo product range spans across tobacco, mint and fruit flavours and is sold in various nicotine strengths, from 3mg to 17mg of nicotine per pouch.

Building on the growing trend of Traditional Oral consumers moving to Modern Oral, we launched Grizzly Modern Oral in the U.S. in 2024 and expanded distribution in 2025.

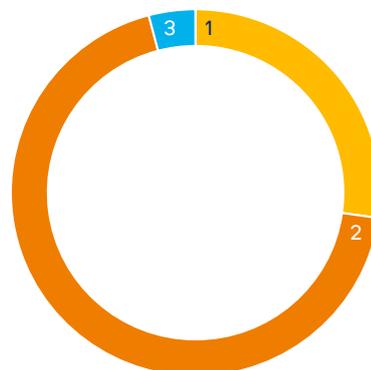
We are also delivering a step change in Modern Oral manufacturing. Truly living our ethos, our Modern Oral factory in Pécs, Hungary, put together a bold plan to implement food industry standards for Modern Oral manufacturing.

With a cross-functional team across quality, production, engineering and environment, health and safety teams delivering technical changes and process improvements, Pécs became the first site in BAT's history to obtain the ISO 22000 certification for food safety management systems.

Our facility in Trieste, Italy, continues to further enhance our capabilities and provide additional capacity (in Modern Oral and Heated Products).

In line with the Group's newly adopted eco-design principles, Velo plastic cans are made with plastics that are compatible with respective recycling streams. In addition, we are also trialling the use of International Sustainability and Carbon Certified bio-based materials, through a mass balance approach.

Proportion of Modern Oral revenue by region in 2025 (£m)



	2025 £m	2024 £m
1 U.S.	317	80
2 AME	800	676
3 APMEA	48	34
Total	1,165	790

Performance Summary

2025 maintained the momentum from 2024 with growth in volume and value. Volume was up 47.1% to 12.2 billion pouches.

Revenue increased 47.4% to £1,165 million. Excluding the impact of foreign exchange, this was an increase of 48.0% in 2025 supported by price/mix of 0.9%.

Volume share of the Modern Oral category in our Top markets** was 33.4%, up 7.5 ppts compared to 2024. This was driven by the U.S. where our volume share of Modern Oral increased by 11.6 ppts to 18.0%.

In AME, where we are category leaders, our volume was up 19.0%, with revenue up 18.3% (up 17.3% at constant rates) while volume share of the Modern Oral category was down 20 bps.

The volume and revenue growth reflects the strength of our portfolio in both established oral markets across Scandinavia, and markets that are more recent adopters of Modern Oral such as the UK, Switzerland and Austria.

In the U.S., revenue increased by 297% (or 310% at constant rates), driven by higher volume (up 249%), following the successful national roll-out of Velo Plus. Accordingly, our category volume share was up 11.6 ppts to 18.0% with value share growth of 9.1 ppts to 13.1%. This performance has positioned Velo as the fastest growing brand in the category, reaching the number 2 position in both volume and value share.

While we await the outcome of our PMTA submission for new Velo variants, we have invested in higher capacity to support our sustainable growth agenda. In addition, in August 2025, we expanded distribution of Grizzly nicotine pouches, reaching 1.8% national share by December 2025 - successfully capturing Grizzly Traditional Oral consumers interacting with the Modern Oral category.

In APMEA, our volume grew 24.7% and our revenue grew 39.8% (up 44.2% at constant rates), with strong revenue growth in Global Travel Retail (GTR), Pakistan, Japan and South Africa.

We continue to seek opportunities and develop the category in other markets as we believe that Modern Oral is an exciting longer-term opportunity to commercialise reduced-risk products†.