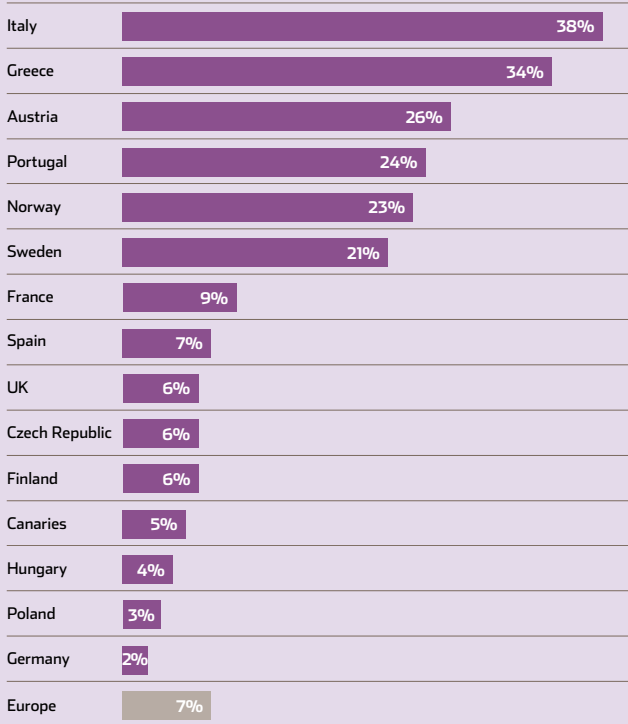




BUILDING SCALE IN NGP



NGP as percentage of Imperial's overall net revenue in European markets



FY23 saw a step-up in our next generation product operations.

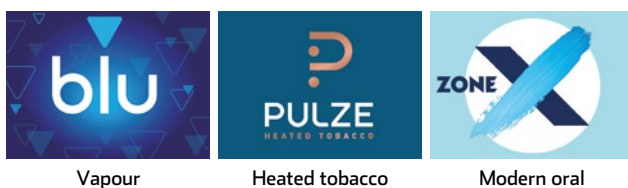
For our potentially reduced-harm business this has been an important year, with product innovation and targeted market launches translating into accelerated revenue growth.

Following the introduction of new propositions in vape, heated tobacco and oral nicotine, we now have credible offerings in all three major categories.

And consumers can now buy our NGP in more than 20 European markets, as well as the United States.

This operational acceleration has translated into revenue growth of 26.4% globally, and 40.4% in Europe where we have been focusing our investment.

Next generation products (NGP)



TRANSFORMATION IN ACTION

2020

NGP reboot: disciplined market exits and under-performing investments cut

-27%

2021

Investment aligned behind new strategy; Pulze 1.1 trials begin in Greece and Czech Republic

-4%

NGP net revenue growth at constant currency

The step-up during FY23 follows a comprehensive reboot of our approach to NGP in line with the strategy we launched in January 2021.

We operate as a challenger both in our choice of markets and in the way we innovate.

This means we focus only on markets where an NGP category has already become a material proportion of overall nicotine consumption, and where we have strong existing routes to market.

In innovation, reflecting our agility and our smaller size compared to other global players, we have developed a partnership approach.

This is exemplified by our three new innovation centres. Our Sense Hubs in Liverpool and Hamburg bring together our own development teams with third-party partners and our consumers. Our Shenzhen site enables us to get closer to our supply chain partners.

Our new way of working has halved the time from initial concept to market launch and increased our capacity to work simultaneously on multiple projects.

This is particularly important because of the need for us to take a multi-category approach, reflecting the way different markets are evolving different NGP preferences because of local culture and regulatory environments.

During FY21 and FY22, we first refocused the business, by withdrawing from several markets, such as heated tobacco in Japan, which did not fit our challenger criteria.

Then we began a test-and-learn process introducing new products in pilot markets, closely studying reaction from consumers and customers, before scaling up.

For example, in heated tobacco, we introduced the Pulze and iD proposition to Greece and the Czech Republic, while blu 2.0, our latest pod-based vape, was

tried in selected French cities. This helped to validate our propositions with consumers.

Then over the past year, having studied consumer feedback and made alterations to devices, flavours and brand propositions, we began to scale up. Our blu 2.0 device is now available in nine markets and our disposable blu bar is available in 11 markets, while our heated tobacco offerings, which include an upgraded Pulze 2.0 device, are up and running in seven markets.

In oral nicotine, with our Zone X and Skruf brands, we have focused on selected markets, mainly in the Nordic region, where this category is preferred by consumers. Here we have been innovating with a range of new flavours and brand propositions. During 2024 we will launch a range of oral nicotine pouches in the US.

Already, in some European markets where our combustible presence had historically been smaller, NGP has grown to become a significant proportion of overall net revenue (see chart on opposite page).

Our challenge next is to build a larger NGP presence in our major European markets, where we can leverage the strength of our sales forces and broader business infrastructure.

FY24 will be a year of consolidation as we continue to innovate, build brand equity and develop the markets we have already entered.

The strength of our competitors and the accelerating pace of regulatory change mean that we cannot expect to make progress in all markets in all years.

However, as more consumers make potentially healthier choices, we see a future where NGP becomes a larger proportion of nicotine consumption over time and where Imperial secures its fair share of this growing market.

MAIN NGP MARKETS

Vapour

France 	UK 	Spain 
Canaries 	Germany 	Greece 
Italy 	Portugal 	Czech Rep 
USA 	Belgium 	Ireland 

Heated tobacco

Czech 	Italy 	Greece 
Hungary 	Portugal 	Bulgaria 
Poland 		

Modern oral

Sweden 	Estonia 	Norway 
Denmark 	Austria 	Iceland 

2022

blu 2.0 trialed in four French cities and roll-out of new Zone X flavours

+11%

2023

Pulze 2.0, blu 2.0 and blu bar launched in multiple markets

+26%



For more information on consumer health see pages 44-47.

