

BUSINESS REVIEW

Half-Year Report H1 2024

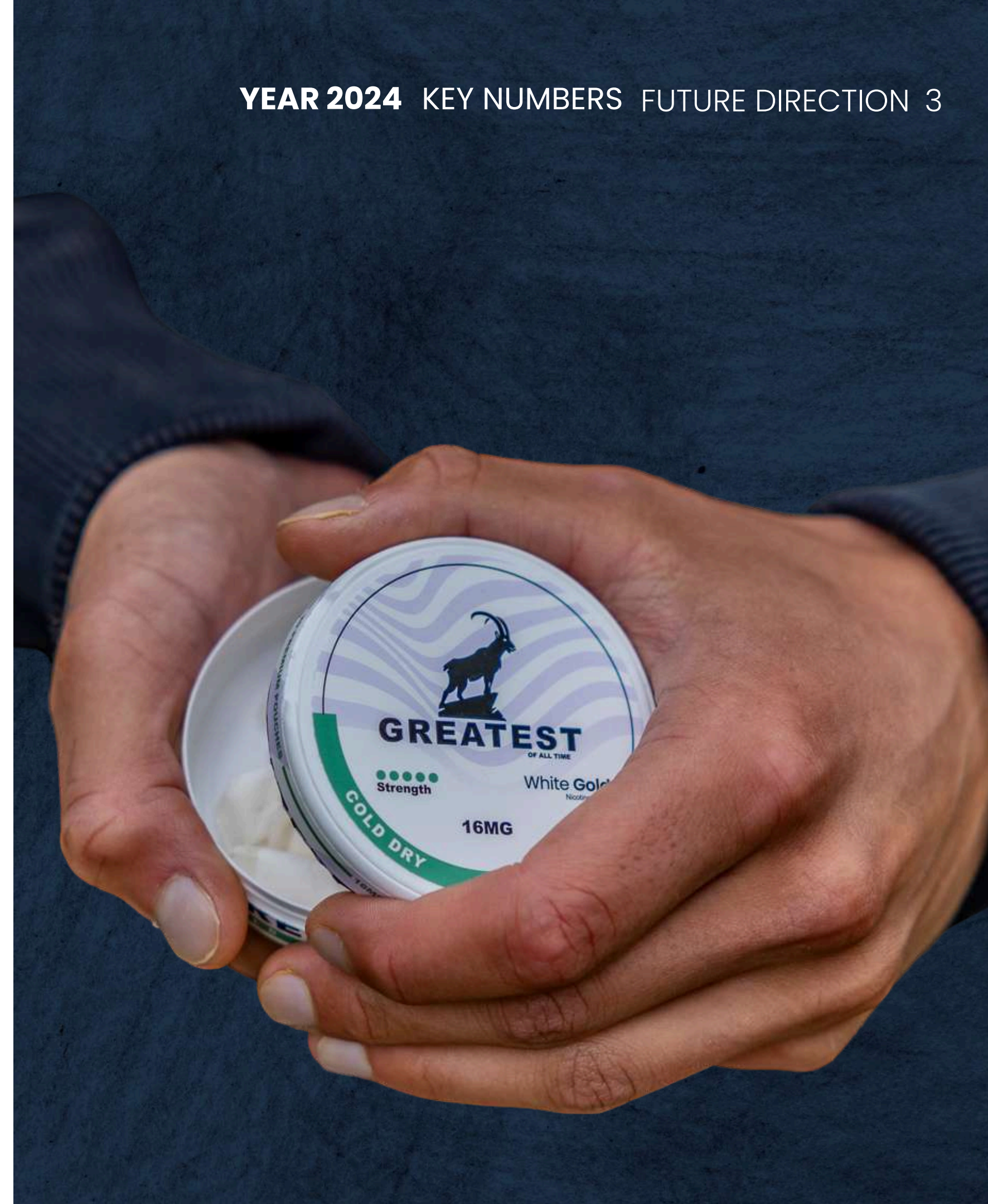


H1/2024

Report Contents

Welcome to Premium Pouch Group Half-Year report. As the market evolves rapidly and competition intensifies, we aim to provide regular updates on our company's growth and sales. These reports will enhance transparency and build trust in our brands, both in Finland and internationally.

3	————	PREMIUM POUCH GLOBAL IN 2024
4		MANAGEMENT REVIEW
6	————	KEY NUMBER
7		MARKET OVERVIEW
8		KEY STATISTICS
9		SALES ACROSS REGIONS AND CHANNELS
10		OVERVIEW OF THE FINNISH MARKET
12	————	FUTURE DIRECTION
13		OUR VISION
15		PRODUCT DEVELOPMENT
16		OPTIMIZING LOGISTICS



Premium Pouch Global in 2024

Building a worldwide
nicotine pouch
distribution network
with two high quality
brands.



Management Review

The past year 2023 has been a period of significant growth and development for Premium Pouch Group.

We are proud that our ability to respond quickly in 2023 helped us gain considerable market share in Finland. This year, however, has particularly demonstrated our company's ability to swiftly adapt to evolving markets and customer needs.

The current fiscal year is marked by significant sales growth, driven not only by expansion into new markets but also by strengthening existing ones. Delivery volumes have steadily increased, with an average growth of +24% per month during this fiscal year. This progress shows that our strategy—focusing on both product quality and targeted marketing—is delivering results. In particular, the recognition of our GREATEST brand has grown significantly in a short time, generating user-driven content across social media platforms, with over 5 million monthly impressions.



GROWTH DRIVES AND MARKET CHANGES

During 2024, sales growth has been consistent, especially in Finland and across European markets, where we have significantly strengthened our position. Changes in tobacco taxes and regulations in various countries have had some impact on market conditions, but we have been able to adapt quickly to these changes and maintain our competitive edge. This has contributed to steady sales growth as distribution improvements have shifted customer purchasing channels, bringing in new customers.

The nicotine pouch industry will likely continue to experience significant transformation, with both regulations and competition increasing. Therefore, it is crucial to stay proactive and anticipate the new innovations and trends in the industry.

A key focus of our strategy is to help our distributors acquire new end customers. This will also be a critical factor in entering new markets and establishing new retail partnerships, ensuring we remain an attractive partner to potential distributors.

FUTURE OUTLOOK

We expect the upward trend in sales growth to continue throughout the remainder of 2024 and beyond. The growing international demand for tobacco-free nicotine pouches presents significant opportunities, and we are ready to meet this demand. We believe that our strong commitment to quality production and a sustainable business model will help us build long-term growth.

Our investments in production and distribution channels support our growth strategy, and we will continue to expand our market presence, especially in Europe and other key markets. We are confident that our company's growth will remain both stable and sustainable in the long term, with a clear focus on prioritizing growth over profitability during this decade. While we do not intentionally pursue unprofitable operations, we are open to strategic investments that may yield long-term benefits, even if they affect short-term earnings.

We want to extend our gratitude to all our customers and partners for their trust and collaboration. Together, we are moving towards a future that promises even greater opportunities for both us and our customers.



Aleks Rönkkö

Chairman of the Board,
Premium Pouch Global

Key Numbers

The ongoing transformation of the nicotine industry and the growing demand for healthier alternatives form the core foundation of our strategy. These factors define the areas where Premium Pouch Group has the greatest impact—product development, international growth, and strong partnerships have been key drivers of our success, as reflected in the key metrics for 2024.



Market Overview

Premium Pouch Group is one of the most rapidly growing nicotine pouch companies in the Nordics. We produce and distribute two fully owned brands, **Greatest and Puff & Pouch**. We also own and operate our own e-commerce platforms in the EU and the UK.



FOUNDED
2022

AVERAGE MONTHLY GROWTH IN 2024 FISCAL YEAR
+ 24%

LOGISTIC CENTERS
3

Key player in Finnish nicotine pouch market

PPG START SALES IN FINNISH RETAILS
4/2023

AVAILABLE IN COUNTRIES
+20

OUR BRANDS

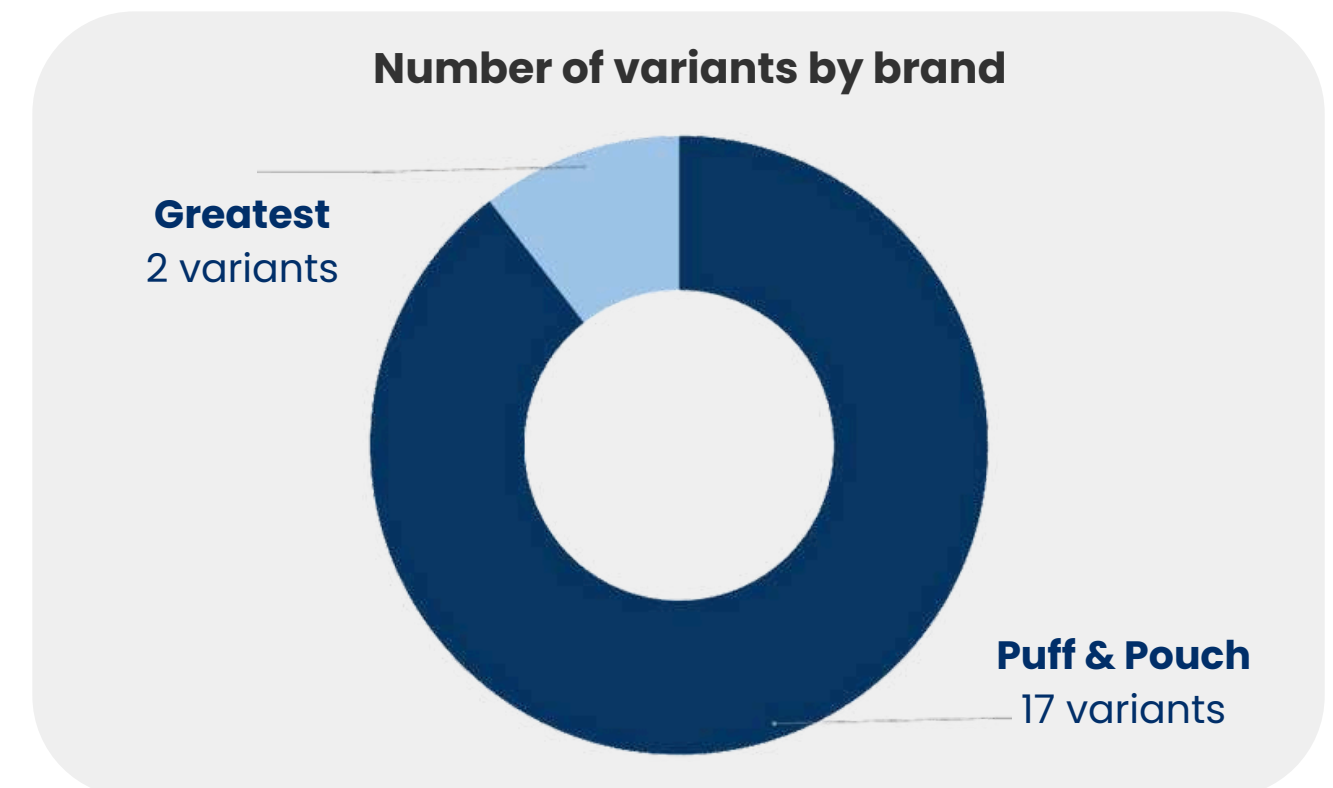
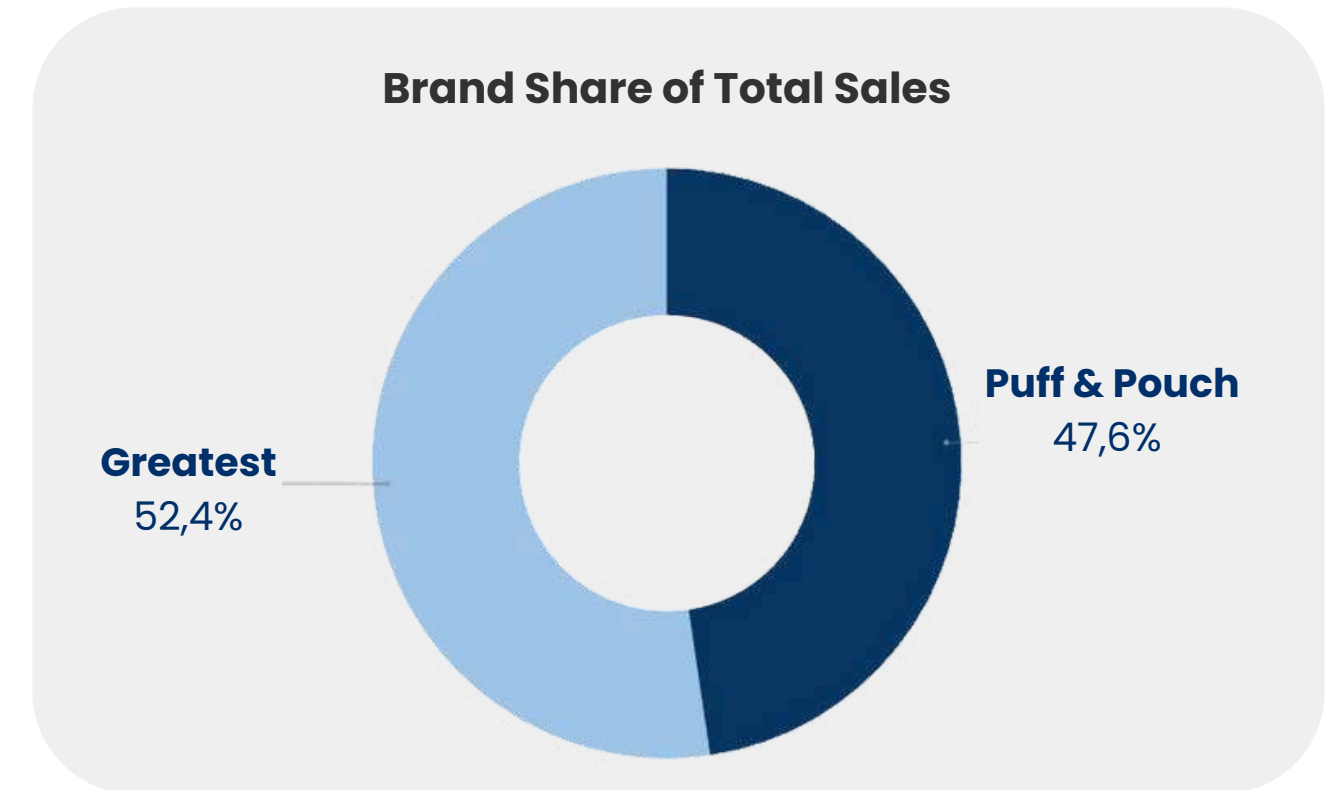


KEY STATISTICS

During Q2 2024, Our brands Greatest and Puff & Pouch showed nearly equal sales performance.

What's particularly noteworthy is the rapid rise of the Greatest brand, which was launched as recently as October 2023 and has only two product variants. In comparison, the Puff & Pouch brand offers 17 product variants. This demonstrates that the number of product variants does not necessarily correlate with sales volume.

Instead, Greatest's strong growth highlights the brand's appeal and ability to meet customer expectations, even with a more limited product range.



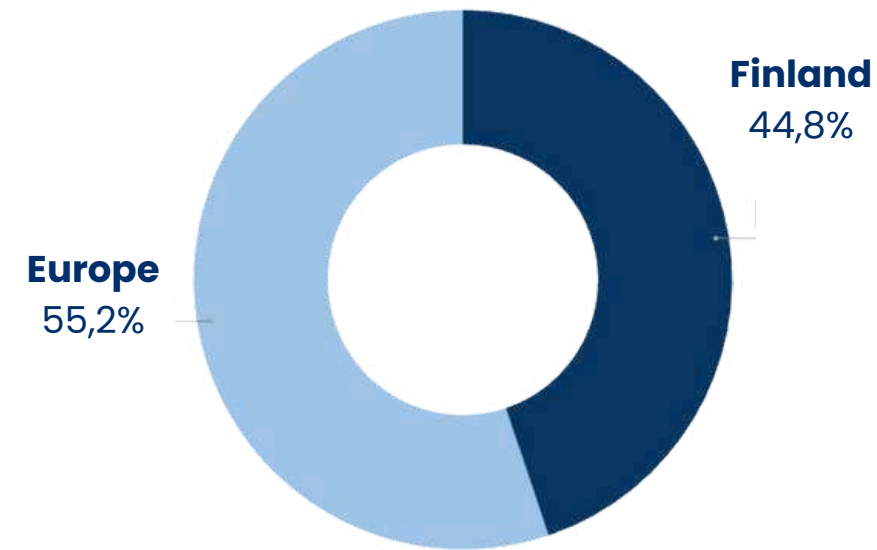
Sales Distribution Across Regions and Channels in Q2 2024

The Q2 2024 sales distribution reflects our strategic focus on expanding international growth and strengthening partnerships.

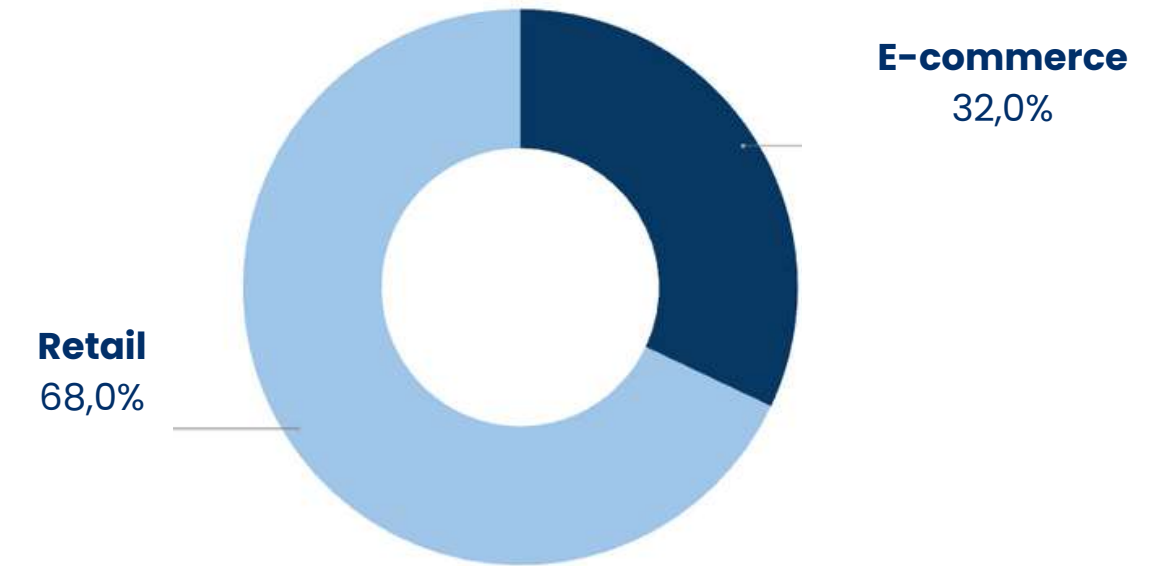
Retail has seen significant growth in Finland, largely driven by recent excise tax reforms, while E-commerce continues to maintain a strong foothold in Europe, thanks to its ease of purchase and fast delivery options.

We anticipate Finland's e-commerce share to shrink further and disappear entirely by the end of the year.

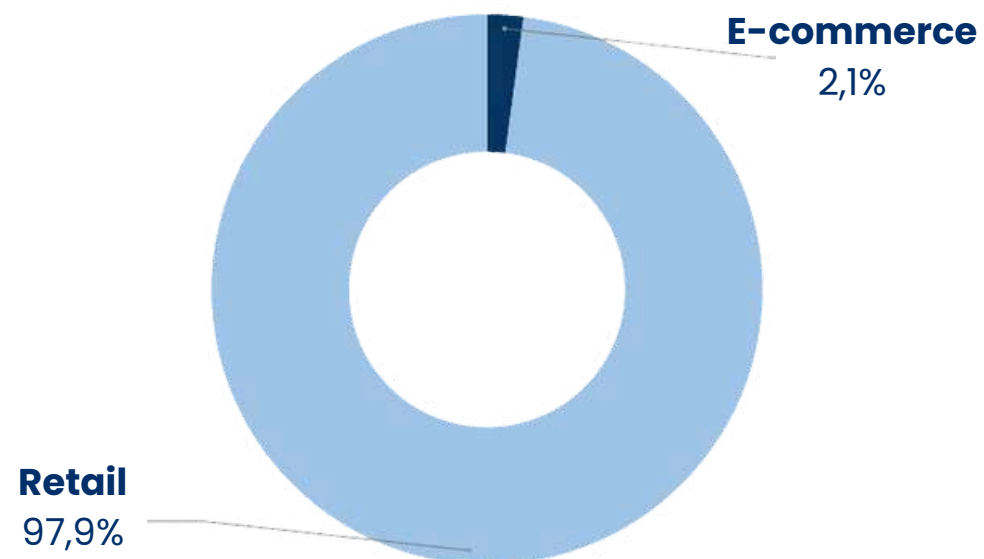
Total sales by region



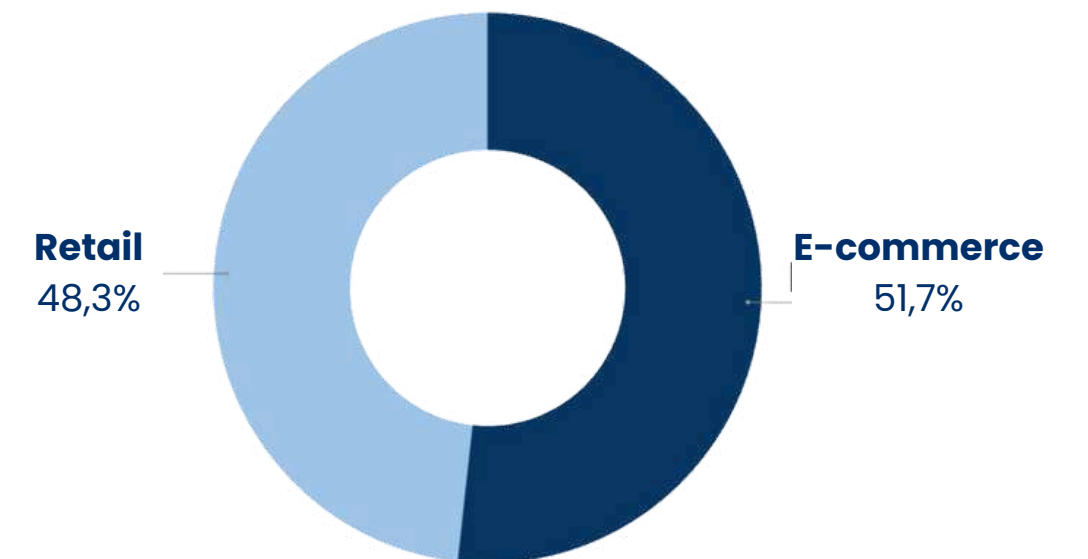
Total sales by sales channel



Sales breakdown in Finland



Sales breakdown in Europe



Overview of the Finnish market

The Finnish market has developed and changed rapidly since the end of our fiscal year on March 31, 2024. The competitive landscape remains tough, but the market has become much clearer, and unhealthy practices have significantly decreased. The key players are solidifying their positions after the shakeout.

We have improved our operations across all fronts, and the results have been highly positive. The sales figures from April now seem small in comparison to the current situation, indicating that we are experiencing strong tailwinds.



IMPACT OF EXCISE TAX LAW AND REGULATIONS

We had some concerns about the excise tax law that took effect on July 1, 2024, and the potential impact it could have on our sales. Initial estimates suggested that consumer prices would rise by about 2.5€ per can, but the actual increase was only about 1€. The current price level, averaging 6€–7€ per can, has been well accepted by consumers. The tax law clearly reduced the number of players in the market, altering the competitive landscape.

The change had a significant impact, but we have successfully offset the decrease in our online sales through other sales channels. However, foreign online stores continued to sell products to Finland without paying excise taxes, creating an unfair competitive environment.

With the upcoming tobacco law reform, we expect further regulations affecting nicotine pouch flavors, nicotine content, packaging sizes, and import rules. We are fully prepared for these changes and can respond proactively. As a domestic player, we have a clear competitive advantage in the Finnish market.

GROWTH STRATEGY AND NEW PRODUCTS

Enhancing our competitiveness is a continuous priority. We maintain close relationships with consumers and swiftly respond to market changes.

We aim to retain our agility and remain a leading player in the industry. One of our key advantages was being the first company to introduce nicotine pouches to physical stores immediately after the Fimea decision in spring 2023.

Our brands Puff & Pouch and Greatest have achieved strong recognition and customer loyalty, reflected in steadily growing sales. The excise-tax-based pricing introduced on July 1 significantly boosted our sales, even surpassing expectations.

In August, we launched a new product, Greatest Cold Dry 8 mg, aggressively priced at 4.90€ in Finnish retails. The product has been well received in the market, and we expect it to further accelerate our growth in Finland throughout the remainder of the year.

NEW SALES CHANNELS AND FUTURE OUTLOOK During the fiscal year, we have expanded our sales channels in Finland and are now present in three large national retail chains. Our products are currently available at over 1,600 sales points nationwide. As of September 1, we began a new partnership with a proactive wholesale partner, aiming to expand our reach to gas stations, restaurants, and smaller retail chains. This partnership will increase the number of sales points and support our strategic goal of further expansion.

**Juuso Rautalin**

Country Manager, Finland

Future direction

The nicotine industry's transformation and growing demand for healthier alternatives shape our future direction. Premium Pouch Group will focus on high quality products, international growth, and strong partnerships to drive ongoing success.



Our Vision

Our vision is to be the preferred partner in the nicotine pouch industry, offering beloved brands and solutions towards a smoke-free future.

Our values are based on boosting our customers' sales, understanding market needs, and creating high-quality products.

Our mission is to stay one step ahead towards a smoke-free world, with our committed staff being our greatest asset. Our leadership continuously develops strategy in close collaboration with our partners, supporting their growth and success.



Partnership above all



Innovating for Growth



High-quality products



Building Stronger Partnerships

This year, we have made a dedicated effort to build a team that allows every new partnership to gain value more quickly.

In late 2023, we began investing in our internal team to ensure that we bring genuine value and drive sales for our partners. When we open a new partnership, we don't just sign an agreement to supply the products - we commit to offer value and increased demand for our partner. We actively create demand within their sales channels, provide monthly sales and marketing training, and support them with a full suite of marketing materials.

This approach has led to growing sales, improved customer feedback, and an increase in recommendations.

By investing in our internal team and providing tailored marketing support, we've been able to create real value for our partners.

Saku Koponen, Head of sales

Product development

We have established strong agreements with various distributors, giving us access to comprehensive flavor and strength data across their extensive European sales channel. We actively collect feedback on our existing flavors and strengths, enabling us to fine-tune and enhance our product range continuously.

Throughout this year, we have been developing several product variants that cater to substantial market demand—unique offerings that are not currently available on the market. The launch of these innovative products is scheduled for the end of 2024, setting the stage for a new chapter in our product portfolio.

HIGH-QUALITY

High-quality raw materials including extraordinary strong paper so pouches don't break in the mouth.



Flavors

Naturally pleasing flavors that last long and don't leave an unpleasant residue in the mouth.

Optimal strengths

Our pouches provide a good kick without being unnecessary high level in nicotine.

Optimizing Logistics with New Warehouse Expansions

To ensure faster delivery times for our customers, we've expanded our logistics network by adding a new warehouse location in central Europe complementing our existing sites in Finland and the UK.



Third site enables us to achieve ultra-fast deliveries and savings in logistics costs.





premiumpouchglobal.com