PHILIP MORRIS ApS
Copenhagen Towers
Ørestads Boulevard 108, 3sal
DK-2300 København S
CVR-nr. 25 79 79 22

Annual Report 2023

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28 June 2024

Christopher Buller
Chairman

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Management's Statement

The Executive Board and Board of Directors have considered and adopted the Annual Report of Philip Morris ApS for the financial year 1 January – 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position on 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 27 June 2024.

Executive Board

Kim Devald

Board of Directors

Anette Carina Rosengren *Chairman*	Kim Devald	Tamara Milovanovic

Independent Auditor's Report

To the Shareholder of Philip Morris ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Philip Morris ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the

Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 27 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR.-nr. 33 77 12 31

Flemming Eghoff

State Authorized Public Accountant

MNE 30221

The Company

Philip Morris ApS

Copenhagen Towers, Ørestads Blvd 108, 3 sal
DK-2300 København S

Telephone: +45 70 23 10 21

CVR no.: 25 79 79 22

Fiscal year: January 1 – December 31, 2023

The municipality of reg. office: Copenhagen

Executive Board

Kim Devald

Board of Directors

Anette Carina Rosengren, chairman
Kim Devald
Tamara Milovanovic

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK- 2900 Hellerup

Over a 5-year period, the Company's development could be described by the following key financial figures and ratios.

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key financial figures					
Income statement					
Revenue	1,664,063	1,347,274	1,843,888	1,513,437	1,460,062
Gross profit	83,937	61,057	68,744	86,740	65,620
Profit before financial income and expenses	19,323	6,790	10,564	23,708	14,514
Financial net result	-12,881	-3,400	-4,077	-1,766	-758
Net profit for the year	4,477	2,375	4,764	16,971	10,506
Balance sheet					
Investment in property, plant and equipment	319	0	0	0	63
Balance sheet total	530,658	678,934	962,058	1,163,146	337,280
Equity	7,805	3,329	4,954	18,390	11,919
Number of employees	**82**	**76**	**84**	**87**	**56**
Key ratios (%)					
Gross margin	5.0%	4.5%	3.7%	5.7%	4.5%
Operating margin	1.2%	0.5%	0.6%	1.6%	1.0%
Rate of return	3.6%	1.0%	1.1%	2.0%	4.3%
Solidity	1.5%	0.5%	0.5%	1.6%	3.5%
Return on equity	80.4%	57.3%	40.8%	112.0%	76.9%

The Key Ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysis. For definitions of key ratios, refer to accounting principles.

Review of 2023 and future expectations

Main Activity

The Company's main activity during the financial year was buying and selling of products of Philip Morris International Inc. on the Danish market. Philip Morris ApS is active with the following product segments commercialization: cigarettes (Marlboro, Chesterfield, Skjöld), heat-not-burn products (IQOS, Heets), nicotine pouches (Shiro). Products are sold via B2B and B2C channels.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statement is not subject to any uncertainty.

Unusual matters

In Philip Morris ApS we have not observed any unusual matters during 2023.

The year at glance and follow-up expectations from last year

In 2023, the net turnover increased of 23.51%, reaching 1,664,063,471 DKK, compared to the previous year. This rise in revenue as well in gross profit can be attributed to the low revenue base in 2022, which resulted from the normalization of year-end inventory levels among our customers. Consequently, the revenue increase was accompanied by higher cost of goods sold, which also influenced the gross profit. The profit after tax rose to 4,476,559 DKK in 2023, up from 2,374,675 DKK in 2022. Management evaluates the Company’s performance in 2023 as solid and in line with expectations set up in 2022. The Company succeeded in expanding its market share from 17.1% in 2022 to 18.2% in 2023. This growth was primarily driven by the sustained momentum of Marlboro and the recovery of market shares by Skjold. The total Balance Sheet stood at 530,657,587 DKK, with equity accounting for 7,805,094 DKK.

Statutory report on Corporate Social Responsibility

PMI’s Board of Directors understands our special responsibility as a tobacco company and is committed to continuously improve the sustainability of our business and to contribute to the global sustainability agenda.

This is described in detail in the Integrated Report 2023 of Philip Morris International Inc., which was published on 28 March 2024 and is accessible at www.pmi.com/sustainability. The following pages reflect and refer to the Integrated Report

PM ApS business model is described above under the company's Main Activity description.

Social and Employees Conditions

Physical and mental well-being

Our employees are our most important asset and are a prerequisite for Philip Morris ApS ability to continue its development and growth. Our workplace health and safety, working hours and wages, and diversity, equity, equality, and inclusion were surfaced as salient risks.

To address potential risks related to attracting and retention of a highly qualified workforce, Philip Morris ApS is committed to maintaining a safe and healthy workplace for all employees.

Social and individual issues of our employees, with a special attention to psychological and emotional well-being, are addressed, and measures are taken to improve these conditions.

Philip Morris ApS encourages flexible working hours and promotes employees' well-being through diverse measures. We have clear meeting guidelines, defining the core hours during which meetings can be scheduled. Post Covid-19, we introduced a remote working policy named "Smartwork", where our employees who are working remotely are supported: Philip Morris ApS is providing office furniture and any additional IT equipment necessary to safely setting up a proper remote workplace. As we support restitution and wellbeing, we also have 2 additional paid days of holiday to enable our employees to take time off and re-charge.
In 2021, we introduced a wellbeing program promoting mental health, including several webinars and a dedicated app to help employees get a better understanding of the importance of psychological and mental wellbeing. Wellbeing and Mental health is a prioritized topic and something Philip Morris ApS continuously address. For instance, September is our dedicated mental health month, and in 2023 we had an awareness session by an external speaker on "How to increase job satisfaction" as well as a series of wellbeing sessions on "Meditation and its benefit to reduce stress and improve sleep". During the wellbeing month we also promoted Our Employee Assistance Program available for all employees and their family members to get professional counseling and support, when needed.

Management is responsible for looking after the health and safety of all team members, as well as for identifying and reporting to our local health and safety representatives any form of behavior or circumstances that could present a hazard or a risk.

Philip Morris ApS will continue its efforts to promote social and employees' well-being in the future.

Corporate Social Responsibility on Risks and Expectations for the Future related to Social & Employees matters, Environment and Climate Change, Human Rights

Society is more and more attuned to mental well-being and physical health, leading to a push for more health-conscious choices, active lifestyles, mental health support, and improved nutrition. Businesses are expected to expand and shift their portfolios to incorporate new services and product offerings that contribute to better health, paying attention to the evolving needs of each generation. Moreover, to attract, retain, and optimize talent, employers are expected to prioritize mental and physical well-being in the workplace, an issue that has grown more complex with the increased prevalence of remote and hybrid work.

Philip Morris ApS, as part of Philip Morris International, is committed to implement further activities to improve workplace health and employees' well-being in the years to come.

On the matter of climate and nature emergency, PMI recognizes how climate change, biodiversity loss, deforestation, water insecurity, and other ecological crises threaten more than supply chains and physical infrastructure; they endanger progress and business growth by exacerbating system-level disruptions that affect stakeholders. Policy, regulatory, civil society, and market forces continue to spur a transition to low-carbon solutions, investments in renewable energy, and actions to safeguard ecosystems. They are also leading businesses to embed eco-design and circular considerations in the early stages of product development and cultivate strategies to address post-consumer waste.

PMI is conducting integrated risk assessments and robust accounting of greenhouse gas (GHG) emissions to define new—and validate existing—strategies. Furthermore, the group is setting transparent, strategic, and science-based targets, investing in—and developing—scalable solutions, supporting and partnering with experts, science-based initiatives, and advocacy organizations, and will continue to do so in the years to come.

Respecting human rights and promoting equality is a priority for PMI.
Globalization, rapid economic growth, and widespread improvements in livelihoods in recent decades have failed to close—and have even exacerbated— the deep divides within and across countries. Worsening inequalities have in turn triggered civil society to become more attuned to—and vocal about—social injustices. Attention is now focused on the role businesses can play in addressing social inequality and promoting human rights by ramping up their diversity, equity, equality, and inclusion efforts. In addition to the societal benefits, such actions strengthen the private sector's ability to recruit and retain talent.

PMI will keep expanding the scope of our human rights impact assessments, promoting living incomes and wages throughout our value chain, collaborating across the value chain and broader business community to address inequalities in our supply chain, providing a workplace that affords employees equal pay for equal work, equal access to opportunities, and freedom from discrimination and harassment.

Diversity and underrepresented gender

Philip Morris ApS promotes employee diversity and inclusion. We hire, retain, and promote on the basis of qualifications, demonstrated skills and achievements, and we consider diversity an essential characteristic of our company, which is profoundly multicultural.
Philip Morris ApS is committed to treating all employees with dignity and respect, and to foster a working environment where open and candid communication takes place. As we strive to promote open dialogue between the company executive management and other employees, in 2023 we strongly encouraged regular team meetings, 1-2-1 meetings, conference calls, forums and employee surveys, where employees can express their opinions freely. One of our attention areas is the engagement surveys that we conduct twice a year. All employees are invited to follow-up sessions, where we make action plans to ensure that we track what we do to improve and ensure that we move the needle every year making PMI an even better place to work.

Philip Morris ApS does not tolerate any form of abuse or harassment and has zero tolerance towards unwanted verbal or physical conduct. Each new employee is familiarized with the employee handbook to secure compliance and to ensure that everyone has readily accessible information and guidance regarding employee conduct, diversity and inclusion, discrimination, and PMI’s zero tolerance for retaliation.

Achieving gender balance is an essential element of our Inclusion and Diversity and one of our top priorities. Philip Morris ApS is committed to continue working towards and maintaining equal opportunities for women and men at all management levels. We have yearly unconscious bias webinars for the organization and the topic is always addressed in every meeting related to Talent & Performance, to make sure our managers hold each other accountable and treat all employees equally. In 2023 we launched a new initiative for everyone called “IamRemarkable”. This offering aims to empower, particularly underrepresented groups, to celebrate their achievements in the workplace, while challenging the social perception around self-promotion. At PMI we are committed to ensure equal opportunities and breaking biases at work, empower self-promotion and inspire every single person to share their accomplishments.

Talented male and female employees are encouraged to pursue career milestones within the company, and having in mind the importance of gender diversity, Philip Morris ApS has a target to increase the number of females in management positions.
The gender equality target to be reached on other managerial level in 2023 was 40%, which was overachieved with reaching 43.1%. For the financial year 2024 we want to continue ensuring no less than 40% of females in managerial roles.

Overview	2023
Supreme governing body	
total number of members	3
underrepresented gender in %	33.3
Target Figure in %	33.3-66.6
Year in which the target figure is expected to be met	2023
Other levels of management	
total number of members	12
underrepresented gender in %	43.1
Target Figure in %	40
Year in which the target figure is expected to be met	2023

To support the achievement of this goal we apply various practices to mitigate biases and ensure equal opportunities in people-related processes across employee journeys in the organization. When promoting new job opportunities within the Company, Philip Morris ApS uses gender-neutral language in job advertisements, aims for gender-balanced shortlists of candidates and employs diverse interview panels to reduce the risk of unconscious bias in talent assessments. Moreover, all vacancies are promoted within the organization, and we encourage every employee to reflect and openly voice aspirations and share development plans. To support development and growth, all employees have access to a diverse set of e-learnings and trainings, which provides everyone with a great opportunity to upskill themselves and excel in their careers.
Top Executives in the organization have gender equality-related KPIs among their yearly objectives, and the annual management review has the task of reviewing people-related processes and their outcomes via gender lens and of identifying areas requiring further improvements to ensure equal treatment.

The Company's top management level, the Board of Directors, is appointed by the sole shareholder. The Company's Board of Director, which represents the Company's top management level, and which is appointed by the sole shareholder, encourages the sole shareholder to take gender diversity into consideration when appointing the BoD, in order to achieve the share of the minority gender of 30%. PM ApS BoD currently consists of three people. Hence, the target to achieve the share of the minority gender of 30% in the BoD was achieved as of mid-March 2019 when Anette Rosengren was appointed as a Chairwoman of the board, creating an equal distribution in the top management.

Philip Morris ApS, as part of Philip Morris International, is under the Global Equal Salary Certificate which ensures all employees are paid fairly and equally regardless of their gender, nationality, ethnicity, and sexual orientation. To uphold the certification, we are proud that in Nordics we recently successfully passed the external Equal Salary Certification audits conducted by PwC with no non-conformities. This confirms our steadfast commitment to equal treatment of our employees and having an inclusive workplace.

Human Rights

Respect Human Rights

In PM ApS, as part of Philip Morris group, we work to uphold human rights within our organization. At PMI, fostering the promotion and continuous integration of human rights considerations into our company's strategy, policies, and business practices is not just the right thing to do; it also helps anticipate evolving legal requirements ad minimizes our financial exposure and the risk of supply chain disruptions. Furthermore, safeguarding and promoting human rights within our value chain creates the basic environment and conditions in which our stakeholders, including our employees and workers across our supply chain, can thrive and create value.

Across our value chain, we aim to minimize our adverse impacts and maximize opportunities to drive positive change. Establishing a strong foundation and integrating into our organization mechanisms that promote respect for human rights are an essential part of our approach to business. While this can be challenging given the breadth of our operations and the scope and complexity of the issues involved, we believe human rights are an absolute and universal requirement—a requirement we are committed to upholding. We seek to place rights-holders, those individuals and communities whose rights could be impacted by our operations or business relationships, at the center of all we do. We work to continuously improve our due diligence with respect to identifying and addressing risks and impacts across our value chain and securing our supply of raw materials responsibly. To succeed in this endeavor, we expect our suppliers to commit to respecting human rights within their business and we seek to collaborate with them, either individually or through various multistakeholder initiatives.

Our efforts to respect, promote, and protect human rights underlie many of the activities and programs described throughout this report. A dedicated cross-functional team at our central operations coordinates our approach, which is grounded in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and centered on four pillars:

•A sound policy framework: Our work is governed by PMI's Human Rights Commitment, which is complemented by other PMI policy instruments such as our company's Code of Conduct, Responsible Sourcing Principles, Marketing Standards, and Good Agricultural Practices.

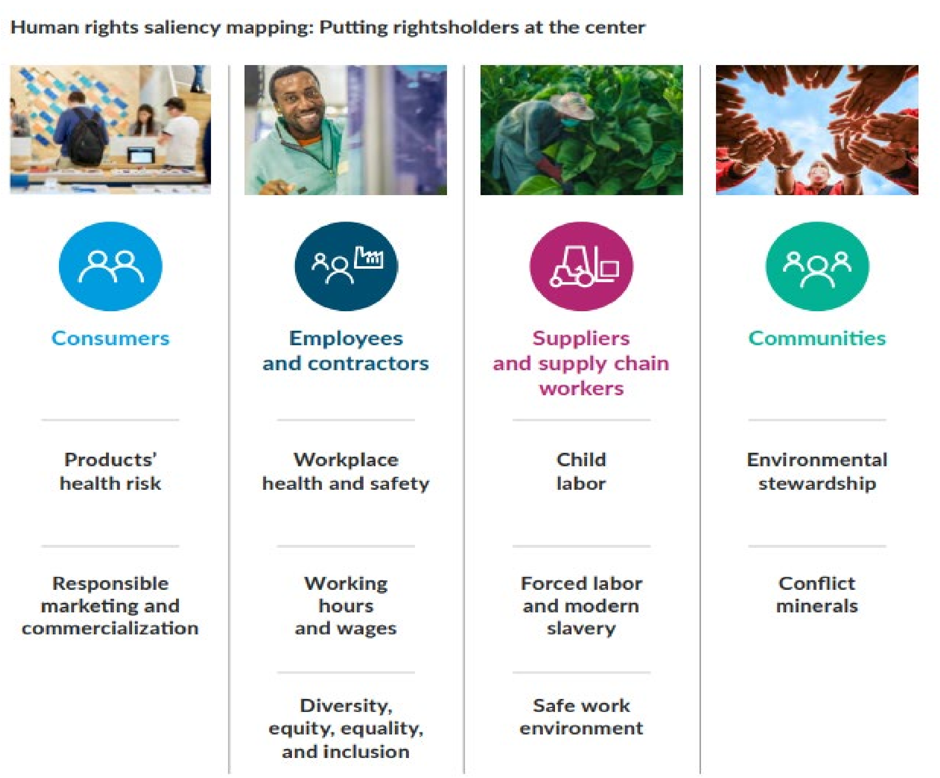
Awareness-raising and training help us embed those instruments and an ethos of respect for human rights within our corporate culture.

• Rigorous due diligence: We have robust programs and processes in place to identify our adverse impacts across our value chain; these include our enterprise-wide assessment, human rights saliency mappings, and human rights impact assessments (HRIAs), in addition to targeted due diligence programs focused on areas of potential risks such as our tobacco and electronics supply chains. We complement these programs with external assessments and verifications.

• Remediation: We implement measures to address adverse impacts and maximize opportunities to drive positive change for people across our value chain. We seek to collaborate with civil society organizations, governments, and the private sector to design and deploy impactful solutions. Wherever these adverse impacts occur, we strive to ensure affected individuals have access to grievance mechanisms and effective remedy in line with the UNGPs.

• Transparency: A complex and international value chain carries the potential for human rights risks that we need to understand, manage, and continuously address. Reporting transparently on our progress and the challenges we face through our annual reporting and targeted communications is a vital component of our approach.

Salient risks to human rights across our operations and value chain



The mapping highlighted the need to focus on our company's biggest and most pressing negative externality: the health impacts of cigarette smoking. Tackling product health risks by researching, developing, and commercializing scientifically substantiated nicotine-containing products that are less harmful alternatives to cigarette smoking— and providing broad access to adult smokers who would not otherwise quit smoking—is the most important contribution we can make to public health. Our aim is to ultimately make our legacy product, cigarettes, obsolete. While we work toward this aim, it is essential that we establish and implement policies and practices that guide the responsible commercialization of our products. It also confirmed that risks are heightened in cases of use of our products by youth. Nicotine products, including smoke-free alternatives, are not risk-free and should not be used by them. We have robust measures and processes in place to prevent nicotine products from being sold to youth and we have the opportunity and an imperative to continuously engage in responsible marketing and commercialization.

For our suppliers and supply chain workers, the salient risks identified included risks of child labor and forced labor and modern slavery, on farms and in factories. The initial risk of freedom of association identified in our 2020 saliency mapping was replaced by safe work environment, which was further confirmed as a key priority across our supply chain.

The mapping also noted the environmental risks resulting from our activities and supply chain footprint, as well as impacts related to the sourcing of conflict minerals. In both risk areas, there could be adverse impacts for communities, globally. On the basis of the findings of our saliency mapping, we developed strategies to minimize these salient risks and maximize PMI's opportunities for positive impacts.

More data on human rights can be accessed via PMI's Human Rights Report 2023: https://www.pmi.com/resources/docs/default-source/sustainability-reports-and-publications/pmi-human-rights-report-2023.pdf

Assessing human rights impacts across our markets.

To strengthen our due diligence framework, proactively identify risks, and mitigate potential adverse impacts in our operations and value chain, we have set an ambition to conduct human rights impact assessments (HRIAs) by 2025 in the 10 highest-risk countries in which we operate. Our HRIAs are carried out by independent expert organizations and follow a formal process aligned with the UNGPs. They result in tailored action plans, which we implement, monitor, and report on. In 2023, we conducted an HRIA in Pakistan, one of PMI's highest-risk markets. This marks our eighth assessment since 2018. In 2022, we completed our sixth and seventh assessments since 2018 in Brazil and Malaysia, respectively. We also continued monitoring the implementation of actions recommended by previous HRIAs in Mexico, Mozambique, the Philippines, Russia, and Turkey. In 2021, we developed and introduced a self-assessment tool, which we piloted to help low- and medium-risk country markets identify salient human rights risks within their organizations and develop action plans to address them. Leveraging the learnings from the pilot, we further developed our self-assessment model in 2023, accounting for the inputs of our network of sustainability experts across our markets and our human rights consultant Article One. Our aim is to simplify and streamline the process without sacrificing the essential aspects and nuances that contribute to effective assessments. Our refined approach will include targeted training and new pilots.

Grievance mechanisms

Providing access to effective grievance mechanisms in our operations and across our supply chain is a core element of our human rights' due diligence approach, aligned with the UNGPs. At PMI, we maintain clear policies, run regular training, and work to ensure that robust processes are in place to encourage individuals to speak up if they are aware of any suspected potential or actual violations of law, our Code of Conduct, or any of our policies. Specifically, we offer the following mechanisms for individuals to ask questions, raise concerns, or report instances of observed or suspected misconduct:

• The individual's PMI supervisor, department head, or affiliate or function leadership

• The individual's PMI Ethics & Compliance key contact

• The PMI Ethics & Compliance confidential email address

• The PMI Compliance Help Line, which is a third-party operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI. Individuals may use the PMI Compliance Help Line anonymously, subject to local laws and regulations. At PMI, we protect people who speak up in good faith about a suspected compliance violation or cooperate with an investigation. We have zero tolerance for retaliation. Moving forward, we plan to continue to review and identify opportunities for further enhancement of the implementation of our grievance mechanisms in our operations and across our supply chain.

In Philip Morris ApS we have not observed any breaches of our policies related to Human Rights during 2023.

Supply chain sustainably

In PMI, our supply chain accounts for a significant portion of our potential social and environmental risks and impacts. We are committed to identifying, managing, and addressing these risks and impacts responsibly.

Our operations rely on securing high-quality, cost-effective, and fit-for-use materials and services from suppliers, who are expected to adhere to PMI's environmental, social, and governance (ESG) requirements. To enhance our supply chain sustainability and achieve tangible environmental and social improvements, we identify and address current and potential risks while seizing opportunities to create a positive impact in the communities in which we and our suppliers operate.

Our approach to sustainable supply chain management is built on the following core principles:

• Proactive engagement with our suppliers is key to fostering open and transparent relationships in which expertise is shared and built together.

•We take a risk-based approach, deploying tailored tools and interventions and prioritizing areas in which we can have the greatest impact.

•We seek to support our suppliers in continuously improving their sustainability performance and achieving the highest compliance standards.

•We leverage our reach and understanding of our supply base to implement impactful programs and accelerate progress in our priority sustainability corridors, such as our efforts to tackle climate change, preserve nature, and promote fair working conditions.

Our supply chain sustainability due diligence is guided by our Responsible Sourcing Principles (RSP), which align with the UN Guiding Principles on Business and Human Rights (UNGPs), the Ten Principles of the UN Global Compact, and International Labour Organization (ILO) Conventions. The RSP detail our ambitions and set process and performance requirements for our suppliers of materials and services. We expect all our suppliers—and in particular our critical suppliers—to meet our RSP requirements and demonstrate good sustainability performance.

In addition to our RSP, we apply tailored due diligence instruments and mechanisms within specific segments of our supply chain. In our tobacco supply chain, our work is governed by our Good Agricultural Practices (GAP) and our Agricultural Labor Practices (ALP) Code, which are operationalized at farm level by field technicians working year-round with the farmers contracted by PMI and our suppliers. In our electronics supply chain, we leverage the work of the Responsible Business Alliance (RBA). Adherence to our RSP—and GAP for our tobacco supply chain—is built into our contractual agreements with suppliers. We use a suite of tools, including third-party assessments, on-site audits, and field visits, to monitor and encourage the continuous improvement of our suppliers. The sustainable sourcing of goods and services involves broad cross-functional collaboration within PMI, executed by our Procurement and Global Leaf and Product Development teams with the strategic support of Operations Sustainability, and overseen by our Senior Vice President, Operations.

Updating our Responsible Sourcing Principles

In 2023, we released the updated version of our Responsible Sourcing Principles (RSP) and related implementation guidance documents.

In the updated version, we broadened its scope to incorporate more relevant topics including environmental stewardship, forest, and biodiversity; enhanced sections on responsible sourcing of minerals; and added some sector-specific clauses on illicit trade, product scientific integrity, and scientific engagement that will drive improvements in the sustainability performance of our suppliers.

These additions allowed us to ensure further alignment with PMI's Code of Conduct and account for current and emerging regulatory requirements. The updated document is composed of two parts: the first part contains mandatory requirements that all our suppliers must agree to implement; the second part provides guidance and implementation tips to suppliers that want to go beyond minimum requirements.

To deploy our updated RSP we developed a robust roll-out plan focused on raising awareness and building capabilities with relevant internal and external stakeholders. All PMI employees have the ability to complete dedicated RSP fundamentals training, which is mandatory for relevant functions of the Company that have regular interaction with suppliers. Additional advanced RSP training was developed and launched at the end of 2023 for PMI employees to deep dive on key principles, case studies, roles and responsibilities, and the six steps due diligence framework.

Tobacco supply chain

We define sustainable tobacco production as the efficient and competitive production of quality tobacco in conditions that limit as much as possible the impact on the natural environment and improve the socioeconomic circumstances of the people and communities involved. Our Good Agricultural Practices (GAP) define the principles and measurable standards to be met by all those who grow and supply tobacco to PMI. These standards focus on four areas: governance, crop, environment, and people. The latter is governed by a dedicated Agricultural Labor Practices (ALP) Code. GAP principles are mandatory for all suppliers of tobacco to PMI and are reflected in supply contracts.

Environment and Climate Change

PMI climate strategy aims to address pertinent climate change risks and build resilience while seizing opportunities presented by a low-carbon future. To deliver on our climate ambition, we rely on robust carbon footprint accounting, analysis of climate change-related risks and opportunities, ambitious mitigation targets, clear management and governance structures, and key enablers such as our internal carbon pricing. We aim to achieve carbon neutrality in our operations (scope 1+2) by 2025 and net zero emissions across our entire value chain (scope 1+2+3) by 2040. In 2023 the Nordics received a carbon neutrality certification in scope 1 + 2 from certification company SGS.

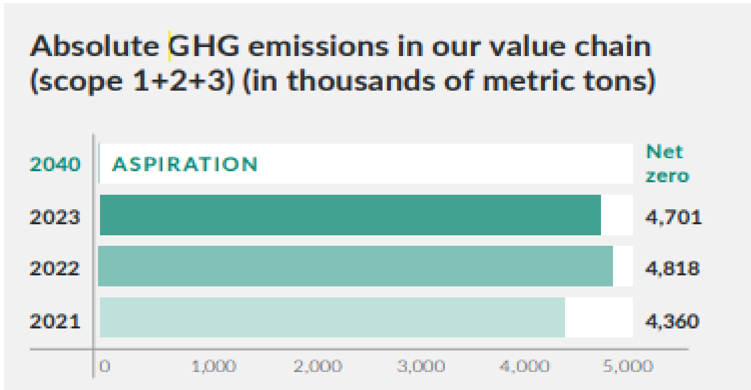
Our climate strategy aims to address pertinent climate change risks and build resilience while seizing opportunities presented by a low-carbon future. To deliver on our climate ambition, Philip Morris International, the ultimate parent company of Philip Morris ApS, relies on robust carbon footprint accounting, analysis of climate change-related risks and opportunities, ambitious mitigation targets, implementation of adaptation measures, clear management and governance structures, and key enablers such as our internal carbon pricing. We prioritize reducing absolute carbon emissions by optimizing efficiency and reducing consumption while minimizing the use of fossil fuels and promoting the switch to renewable energy. We compensate for the remaining unavoidable emissions in our direct operations by prioritizing insetting projects in our supply chain when possible and purchasing certified carbon credits when needed. Our Portfolio of Climate Investments (PCI) guides our approach to compensation.

We support the Paris Agreement and have set a science-driven decarbonization roadmap. Our near-term 2030 absolute carbon emissions reduction targets and long-term 2040 commitment to net zero emissions have been approved by the Science Based Targets initiative (SBTi) and aligned with a scenario of an increase in global temperatures of no more than 1.5o C above pre-industrial levels.

Our decarbonization efforts cover our entire value chain. Guided by our GHG footprint model, we have specific mid-term targets and strategies in place that account for our most significant impacts on climate, and we conduct periodic climate change risk and opportunity assessments to inform our efforts.

We use internal carbon pricing to incentivize and drive reductions in GHG emissions, including carbon shadow pricing and an internal carbon levy. We incentivize our employees through monetary rewards or other forms of recognition for the successful implementation of climate-related initiatives and seek to raise awareness among our entire workforce on climate change impacts through regular internal communications and training. Our direct materials supplier selection criteria take into consideration their transparency in disclosing emissions factors and demonstrating significant carbon intensity reductions. Combating climate change cannot be done in isolation. PMI engages with sustainability-related initiatives and organizations, including the Business Ambition for 1.5°C, and we have publicly declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations.

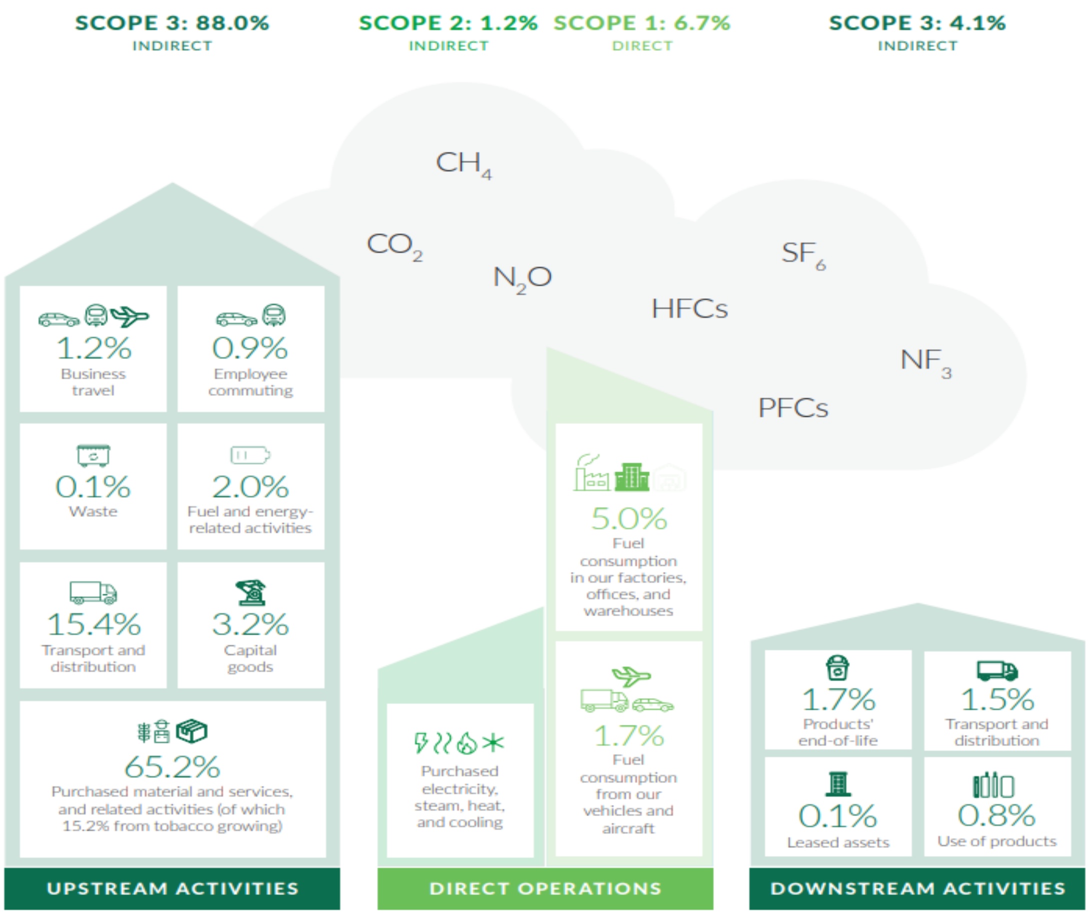
Overview of carbon footprint in 2023



At PMI, we seek to improve the environmental performance of our direct operations that represent 7.9 % of our overall carbon footprint and where we have operational control. Our upstream emissions represented 88% of our total GHG footprint in 2023. We therefore work across our supply chain to drive impact by working within our tobacco supply chain and with our broader supply chain partners. Downstream emissions represented 5.1 % of our total footprint in 2023. We have aspirations to embed eco-design principles in all our smoke-free products by 2025 and to extend our electronic smoke-free device life cycle. Overall, in 2023, our emissions decreased in absolute terms by 13% across our value chain versus 2019.

An overview of PMI carbon emissions along the value chain during 2023 can be visualized in the table below.

Carbon emissions along our value chain in 2023



To obtain more information please kindly check the Philip Morris International Integrated Report for 2023:

https://www.pmi.com/resources/docs/default-source/ir2023-documents/pmi-integrated-report-2023.pdf

Reporting standards and frameworks

PMI global sustainability report has been prepared with reference to the Global Reporting Initiative (GRI) Universal Standards (2021) and relevant topic-specific standards. Our 2023 GRI Index is available on PMI.com. We consider the principles and standards of the UN Global Compact (UNGC) when compiling our annual integrated report and map them against GRI indicators in our GRI Index. We take into account guidance from the IFRS Foundation, including use of its SASB Standards, Integrated Thinking Principles, and Integrated Reporting Framework. Our SASB Index is also available on PMI.com. It maps content within the PMI global sustainability report and other available disclosures aligned with the Tobacco Standard, as well as with aspects of the Agricultural Products, Hardware, and Medical Equipment and Supplies standards.

PMI's value chain carbon footprint: Methodology Overview

Philip Morris International is leading a transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adults who would otherwise continue to smoke, society, the company, and its shareholders. Following this objective and the launch of (and continued research and development into) new smoke free products, PMI's value chain is evolving rapidly and becoming more complex. In 2020 PMI established more ambitious targets to drive their decarbonization journey with a reduction in absolute CO_2e emissions consistent with science-based targets for a 1.5-degree scenario. Science based targets will guide the achievement of net zero across their entire value chain (scope 1[1], 2[2] and 3) by 2040 as announced in 2021, 10 years earlier than the previous targeted timeline. In order to achieve these targets, PMI have worked with carbon experts to develop a full 'Value Chain' carbon footprint model, to help measure emission reductions. These emissions are reported publicly on an annual basis in PMI's integrated report, its website and used to respond to investor and other enquiries such as CDP Climate Change disclosure. The Value Chain model calculates the carbon emissions for each relevant scope 3 category and combines these with the scope 1 & 2 results. The Value Chain model is calculated to align with the accepted international standard for Greenhouse Gas (GHG) value chain modelling 'Corporate Value Chain (scope 3) Accounting and Reporting Standard' published by the GHG Protocol. The model is built in line with PMI's reporting period which is calendar year and captures all activities with associated GHG emissions of PMI's owned and operated enterprises, as well as activities from PMI's licensees, franchises and joint ventures. Activities covered include the entire scope of PMI's operations: from purchased materials, including raw materials, production, distribution, consumption and disposal of PMI's products, as well as overhead activities such as marketing and business travel. All scope 3 categories have been assessed for inclusion within the model, to understand what is important, applying a materially threshold defined as 10% of total scope 3 emissions, and in accordance with the 'Corporate Value Chain (scope 3) Accounting and Reporting Standard'. Table 1 shows the scopes and categories which make up PMI's value chain footprint: The categories of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, and calculations type are described in detail below.

Ref		Category	Calc Type
Scope 1		Direct emissions from fuel combustion, and direct emissions of greenhouse gasses	Direct Calc
Scope 2		Emissions relating to purchased electricity, heating and cooling.	Direct Calc
Upstream Scope 3	1a	Category 1a: Purchased Goods and Services – Product-Related	Product related
	1b	Category 1b: Purchased Goods and Services – Non-Product-Related	Direct Calc
	2	Category 2: Capital Goods	Direct Calc
	3	Category 3: Fuel and Energy related activities	Direct Calc
	4	Category 4: Upstream Transportation & Distribution	Direct Calc
	5	Category 5: Waste Generated in Operations	Direct Calc
	6	Category 6: Business Travel	Direct Calc
	7	Category 7: Employee Commuting	Direct Calc
	8	Category 8: Upstream leased assets	Excluded
Downstream Scope 3	9	Category 9: Downstream Transportation & Distribution	Product related
	10	Category 10: Processing of sold products	Excluded
	11	Category 11: Use of Sold Products	Product related
	12	Category 12: End-of-life treatment of sold products	Product related
	13	Category 13: Downstream leased assets	Excluded
	14	Category 14: Franchises	Excluded
	15	Category 15: Investments	Excluded

Table 1 – value chain footprint scopes and categorisations

Direct Calc	Directly calculated categories have specific calculations to quantify emissions.
Product related	Product-related categories have been calculated by determining a small set of Representative Products (RePs), then calculating average product footprints for these products by life-cycle stages.
Excluded	Where categories can be excluded completely because there are no or immaterial emissions, a robust exclusion statement has been written for use in external reporting. These are reviewed each year to ensure they remain valid.

Purchased goods and services (category 1) is initially divided into product-related and non product-related purchases. The product related purchased goods and services are distinguished into two major subcategories: tobacco, which is a key ingredient in PMI's products and accounts for the largest carbon footprint of all raw materials, and other products-related materials. For each kilogram of green tobacco purchased the value chain model calculates the emissions from all upstream associated emissions (e.g., agricultural practices, curing, processing in stemmeries, and upstream transport, etc.). The other product related materials are e.g., filter, paper and packaging materials. PMI engages with suppliers to gather their materials' cradle-to-gate emissions factors, and their plans for further reductions. Where this is not possible, industry average emission factors from public databases (Ecoinvent) are being used.

The other non-product related emissions, which cover categories 1b and 2, are calculated using environmental extended input-output (EEIO) analysis, and GHG emissions factors that convert spend into GHG emissions.

GHG emissions associated with the production of fuels and energy purchased and consumed by PMI (category 3), are calculated using the UK's Department for Business, Energy & Industrial Strategy (BEIS) emissions factors3 and scope 1 & 2 activity data. The upstream transport and distribution of goods (category 4) includes emissions from all purchased inbound and outbound logistics, transport between PMI facilities, and warehousing. Air and ocean transport emissions are mostly calculated by the carriers, based on their own consumption and itinerary data. Road and mixed transport emissions are calculated based on the volume of goods transported and the travelled distance where possible. When no other information is available, environmental extended input-output (EEIO) analysis is used, and GHG emissions factors that convert spend into GHG emissions. GHG emissions from waste (category 5) includes all emissions from the third-party disposal and treatment of waste generated by PMI's owned or controlled operations and are calculated based on the weight and type of waste and the treatment method, using the UK's Department for Business, Energy & Industrial Strategy (BEIS) emissions factors. PMI's employee business travel (category 6) is split into flights (calculated using flight data), hotel stays (calculated from the number of night stays), taxis (calculated from distance), and train (calculated from number of trips). Other business travel (which is very minimal) is not directly collected by PMI and therefore emissions are calculated based upon an expert assumption on the size of the emissions relative to PMI's air travel. PMI's employee commuting emissions (category 7) were calculated using headcount by country and commuting profiles related to each country's economic development and quality of public transport infrastructure. In this category, the optional impact of remote work is included. The GHG emissions associated with the transportation and distribution of sold finished goods to retailers and end consumers that is not controlled and paid for by PMI (category 9) is calculated by defining profiles for a number of distribution channels (differing between transport mode, distances travelled, etc.) and allocating the percentage of distributed products between each of the distribution channels. The associated impact of consumer use of PMI's products (category 11) primarily comes from the electricity used in charging PMI's smoke free products, devices and emissions from lighters to light the cigarette. The use phase emissions are calculated using the International Energy Agency's (IEA) emissions factors4 for charging smoke free products devices in consumer countries / regions. In this category, the optional impact of indirect emissions from the use of lighters for combustible products like cigarettes, is being calculated based on sales values and emissions assumptions.

For each product PMI sells, there are associated emissions in their end of life (category 12). Emission factors for the end of life treatment for combustible products and smoke-free products (consumables and devices) were taken from life cycle analyses (LCAs). Emissions associated with investments (category 15) were estimated based on each of the investee organizations (full value chain), allocating the emissions to PMI based on ownership share, and eliminating any double counting if the emissions are already reported elsewhere. These emissions are currently excluded from the value chain inventory since their contribution to the PMI's scope 3 emissions is below the materiality threshold. From 2018, the Value Chain GHG footprint has been verified to ISO 14064-3 standards by an independent third party. This includes verification of the underlying data used as well as the emission factors and calculations applied.

Governance

The section covered by the 2023 Philip Morris International Integrated Report:

https://www.pmi.com/resources/docs/default-source/ir2023-documents/pmi-integrated-report-2023.pdf

Anti-corruption

The success of our business, especially as we continue to work toward a smoke-free future, depends largely on our ability to interact with others, including government officials, in a manner consistent with our ethical values, policies, and all applicable laws, avoiding interactions that might be perceived as having an illegitimate, improper, or corrupt intent.

When interacting with stakeholders, including government officials, there is a risk that such interactions may be perceived as - or in the worst case – constitute, corruption. Hence, Philip Morris ApS has strict anti-corruption policies and processes, which unequivocally set the principles on how to interact with others responsibly and with due respect for reporting and registration requirements.

We never offer or accept any form of payment or incentive intended to improperly influence a business decision. We record all payments and receipts accurately and never use an agent or other third parties to make improper payments we cannot make ourselves.

In 2023 we continued to educate and update key individuals in our organization in order for them to recognize, register and report any incidents that may cause a risk to the company. These actions will continue in 2024.

We did not experience any cases of corruption in Denmark in 2023.

To obtain more information please kindly check the Philip Morris International Integrated Report for 2023:

https://www.pmi.com/resources/docs/default-source/ir2023-documents/pmi-integrated-report-2023.pdf

Data Ethics

Philip Morris ApS is part of the Philip Morris International group (PMI) ultimately owned by Philip Morris International Inc. As a subsidiary of PMI, Philip Morris ApS is subject to the principles and practices issued by PMI and hence does not have any independent policy on data ethics.

GPP is PMI's Global Privacy Program to ensure continued compliance with data protection laws, led jointly by PMI's Law and Data Privacy teams.

GPP sets the bar globally for PMI's data privacy practice based on GDPR, hence all PMI markets are bound to comply with GPP, which meets – and in some cases exceeds - the local legal requirements in all countries PMI is active in, regarding data and privacy protection.

According to PMI's Global Privacy Program, every business project involving the use of personal data needs to consider six privacy steps, which ensure that privacy-related concerns are taken into account in every project and that appropriate technical and organizational security measures to protect personal data are in place.

PM ApS complies with both Danish and EU law on data and privacy protection, under the umbrella of PMI regulations regarding data and privacy. Hence, PM ApS respects and adheres to those regulations when processing personal data of employees, consumers, business partners or their employees, or other individuals whose personal data are processed.

Targets and Expectations for the Year Ahead

Although we forecast a further decline of the total cigarette market, we expect future profitability to remain at the same level as in year 2023. Philip Morris ApS shares the vision of Philip Morris International in committing to a smoke-free future by expanding the reduced-risk products portfolio available on the Danish market.

Income statement	Note	2023	2022
			DKK
Revenue	1	**1,664,063,471**	**1,347,273,520**
Other operating income		103,075,981	104,048,143
Cost of goods sold		1,509,124,886	1,240,188,075
Other external expenses		174,077,137	150,076,428
Gross profit		**83,937,430**	**61,057,160**
Staff expenses	2	64,269,959	53,903,273
Depreciation	3	344,699	364,291
Profit before financial income and expenses		**19,322,772**	**6,789,596**
Financial income	4	437,243	423,758
Financial expenses	5	13,318,626	3,824,148
Profit before tax		**6,441,390**	**3,389,206**
Corporation tax	6	1,964,830	1,014,531
Net profit for the year	7	**4,476,559**	**2,374,675**

Assets	**Note**	**2023**	**2022**
		DKK	DKK
Fixtures, fittings, and equipment	8	945,775	808,952
Leasehold improvements	8	-	162,425
Property, plant, and equipment		**945,775**	**971,377**
Deposits	9	1,699,473	1,656,947
Fixed asset investments		1,699,473	1,656,947
Fixed assets		**2,645,248**	**2,628,324**
Inventories		**325,942,625**	**391,078,376**
Trade receivables		87,071,606	176,091,794
Other short-term receivables		4,081	90,550
Receivables from group companies		104,710,402	100,669,162
Corporation tax receivables		-	1,120,917
Deferred tax asset	10	286,461	-
Prepayments	11	104,874	381,886
Receivables		**192,177,424**	**278,354,309**
Cash and cash equivalents		**9,892,290**	**6,872,781**
Current assets		**528,012,339**	**676,305,466**
Total assets		**530,657,587**	**678,933,790**

Liabilities, provisions, and equity

	Note	2023	2022
		DKK	DKK
Share capital		125,000	125,000
Retained earnings		7,680,094	3,203,535
Equity		**7,805,094**	**3,328,535**
Trade payables		36,360,911	44,753,384
Debt to group enterprises		361,930,114	405,290,595
Corporation tax liabilities		748,615	-
Deferred tax liability	11	-	37,324
Payables, other	13	123,812,853	225,523,952
Short-term debt		**522,852,493**	**675,605,255**
Debt		**522,852,493**	**675,605,255**
Total liabilities, provisions, and equity		**530,657,587**	**678,933,790**
Contingent assets, liabilities, and other financial obligations	14		
Other disclosures	15-18		

Statement of changes in equity 2023	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January 2023	125,000	3,203,535	3,328,535
Net profit for the year	-	4,476,559	4,476,559
Equity at 31 December 2023	**125,000**	**7,680,094**	**7,805,094**

1. Revenue

The Company activities solely consist of purchase and sale of Philip Morris International products on the Danish market.

Revenue by product category:

	2023	2022
	DKK	DKK
Conventional cigarettes	1,500,726,160	1,217,874,934
Heating devices & accessories	8,091,677	6,304,792
Heets	151,711,582	113,842,019
Oral category	3,534,052	9,251,775
	1,664,063,471	1,347,273,520

2. Staff expenses

Staff expenses amount to the following:

	2023	2022
	DKK	DKK
Wages and salaries	57,629,196	47,492,071
Pensions	5,017,070	4,390,310
Other employee benefits	1,623,692	2,020,892
	64,269,959	**53,903,273**
Average number of employees	**82**	**76**

Information about remuneration to the Executive Board has been omitted to the Danish Financial Statements Act, section 98b.

Management and other employees are included in Philip Morris Inc's share-based compensation program. Warrants are granted with a vesting period of 3 years. There are performance conditions in connection with the program. Payment to the parent company regarding share delivered to employees according to the program are recognized as expense in the income statement.

3. Depreciation

Depreciation is specified as follows:

	2023	2022
	DKK	DKK
Depreciation for the year	344,699	364,291
	344,699	**364,291**

4. Financial Income

Financial income is specified as follows:

	2023	2022
	DKK	DKK
Interest income	264,616	18,755
Exchange adjustments	172,628	405,003
	437,243	**423,758**

5. Financial Expenses

Financial expenses are specified as follows:

	2023	2022
	DKK	DKK
Interest expenses group companies	12,820,803	3,274,734
Exchange adjustments	461,332	459,812
Other financial expenses	36,491	89,602
	13,318,626	**3,824,148**

6. Corporation Tax

The corporation tax expensed is specified as follows:

	2023	2022
	DKK	DKK
Current tax for the year	2,288,615	895,083
Deferred tax for the year	-323,785	10,922
Tax adjustments regarding previous years	-	108,526
Tax on profit for the year	**1,964,830**	**1,014,531**

Tax on profit for the year is calculated as follows:

	2023	2022
	DKK	DKK
Tax on profit for the year	1,417,106	745,625
Tax effect of non-deductible cost	547,725	160,380
Tax adjustments regarding previous years	-	108,526
	1,964,830	**1,014,531**

7. Distribution of Profit for the Year

	2023	2022
	DKK	DKK
Transferred to retained earnings	4,476,559	2,374,675
	4,476,559	**2,374,675**

8. Property, Plant, and Equipment

Investments in and depreciation of intangible assets are specified as follows:

	Fixtures, fittings, and equipment	Leasehold improvements
Cost at 1 January 2023	5,299,778	1,799,899
Additions	319,101	
Disposals	-1,903,407	-911,067
Cost at 31 December 2023	**3,715,832**	**888,833**
Depreciation at 1 January 2023	4,490,827	1,637,474
Reversal for the year of previous years depreciation	-1,903,046	-911,064
Depreciation	182,276	162,422
Depreciation at 31 December 2023	**2,770,057**	**888,833**
Carrying amount at 31 December 2023	**945,775**	**0**

9. Deposits

	2023	**2022**
	DKK	DKK
Cost at 1 January 2023	1,656,947	1,290,605
Additions	42,526	430,977
Returns	-	-64,635
Cost at 31 December 2023	**1,699,473**	**1,656,947**

10. Joint Taxation

The Group companies are jointly and severally liable for tax on the Group's joint income tax provision. The Group companies are also jointly and severally liable for Danish withholding taxes in the form of dividend tax, royalty tax and interest tax. Any subsequent corrections for corporate income taxes and withholding taxes may result in the group's liability amounting to material amount.

11. Deferred Tax/Provision for Deferred Tax

Deferred tax liability is specified as follows:

	2023	2022
	DKK	DKK
Tangible assets	-46,415	-37,324
Accrued expenses	332,876	0
	286,461	**-37,324**

The deferred tax asset/liability is estimated to be utilized in the forthcoming 1-3 years.

12. Prepayments

Prepayments consist of prepaid expenses for rent and insurance.

13. Payables, Other

Payables, other are specified as follows:

	2023	2022
	DKK	DKK
Accrued salaries	9,364,478	5,361,697
VAT payable	31,977,745	33,852,241
Excise tax payable	82,470,631	186,310,013
Total Payables	**123,812,853**	**225,523,951**

14. Contingent assets, liabilities, and other financial obligations

The Company has assumed rent and lease obligations in the following amounts:

	2023	2022
	DKK	DKK
Within 1 year:	2,982,558	2,062,171
Between 1-5 years:	2,439,371	1,314,528
Total contractual obligations	**5,421,930**	**3,376,699**

Significant legal matters to report for Philip Morris ApS for the financial year of 2023 are as follows.

The Company has an ongoing case with the Danish Consumer Ombudsman regarding potential violations of the Danish Tobacco Advertising Act in relation to the marketing of IQOS and HEETS. On July 11, 2023, the Prosecution Department of the Copenhagen Police filed with the City Court of Copenhagen an indictment against PM ApS for alleged breach of the Danish tobacco advertising ban. The alleged violations would be subject to criminal sanctions, i.e., a fine for PM ApS. The trial hearing is scheduled to be conducted in Q3 2024. Management has assessed that the above case is unclear, and it is not possible to assess the financial impact to the Financial Statements for 2023. Therefore, no provision has been accounted for at 31 December 2023.

15. Group matters

The Company's share capital of 125 000 DKK is fully owned by Philip Morris Switzerland Sarl.

Philip Morris International Inc. is the only parent company which prepares consolidated financial statements in which Philip Morris ApS is included as a subsidiary.

The consolidated financial statements of Philip Morris International Inc. can be obtained at the following address:

Philip Morris International Inc., 677 Washington Blvd., Ste. 1100, Stamford, CT 06901, U.S.A.

16. Related Parties

Philip Morris International Inc., USA is the ultimate parent company controlling interest in the Company.

Transactions:

The main activity of the Company is buying and selling of Philip Morris International Inc.'s products. The purchase of products is done entirely within the Group. The purchase price is based on arm´s length basis.

During the year, the Company has had the following transactions with group companies.

	2023	2022
	DKK	DKK
(Total transaction value during the year)		
Finished Goods Purchased	113,256,523	64,435,298

The Company purchases some administrative services from group companies. The purchase price is based on arm´s length basis.

	2023	2022
	DKK	DKK
(Total transaction value during the year)		
Service Fees	41,599,987	32,774,026
Expats Recharge Fees	88,257	98,968
Insurance & Surety Fees	1,668,976	1,486,572

Other operating income in 2023 in the total amount of 103,075,981 DKK includes recharge to Philip Morris Products (Trade Mark Owner) in the amount of 72,579,408 DKK and to NCP NEXTGEN A/S in the amount of 5,407,150 DKK.

The total net payables amount at year-end 2023 is 361,930,114 DKK and carry interest based on arm´s length basis.

During the year, the Company did not have any impairment on receivables from related parties as well as accumulated impairment on existing receivables.

17. Audit Fee

	2023	2022
	DKK	DKK
Total fee	359,547	266,500
where of audit	328,722	250,000

18. Events after the Balance Sheet Date

No important events have occurred after the closing of the financial year.

Accounting Principles

The Annual Report of Philip Morris ApS has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting principles are unchanged compared to prior year.

Danish crown (DKK) is used as the measurement currency. All other currencies are regarded as foreign currencies.

Recognition and measurement

Revenues are recognized in the income statement as earned based on the following criteria:

- A binding agreement on sale or service income has been made
- Delivery has taken place before the end of the financial year
- The sales price has been determined
- Payment has been received at the time of the sale or may with reasonable certainty be expected to be received

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report, which confirms or invalidates affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of the transaction. Receivables, payables and other monetary items in foreign currency are in the balance sheet translated at the exchange rate as at the balance sheet date. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement.

Corporation tax and deferred tax

Tax for the year consists of current tax and deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity entries is recognized directly in equity. Current tax liabilities and current tax receivables are recognized in debt or, in the event of an overpayment of tax on the account, in receivables. Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax assets are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities. Balance sheet items are also presented in according to the principles of joint taxation.

Income Statement

Revenue

Revenue from the sale of goods for resale is recognized in the income statement provided that delivery and transfer of risk have been made to the purchaser by year end. Revenue is recognized including tobacco duty, exclusive of VAT and net of discounts relating to sales.

Cost of goods sold

Cost of goods sold comprises the consumption of goods for resale and tobacco duty stamps used to achieve revenue for the year.

Other external expenses

Other external expenses include sales expenses, advertising, premises and office supplies, etc.

Staff expenses

Staff expenses include expenses for wages and salaries and other wage-related expenses.

Depreciation and impairment Losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of secondary nature the core activities of the enterprise, including gain and losses on the sale of property, plant, and equipment.

Financial income and expenses

Financial income and expenses comprise interest, realized and unrealized exchange adjustments and surcharges allowances under the tax on account scheme.

Balance Sheet

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Depreciation based on cost reduced by any residual value, which is evaluated on an annual basis, is calculated on a straight-line basis over the expected useful lives of the assets, which are 3 - 5 years for fixtures, fittings and equipment and 5 years for leasehold improvements.

Impairment of non-financial assets

When there is an indication that the value of an asset has decreased, an impairment test is made. If the asset has a recoverable amount lower than the carrying amount, it is written down to the recoverable amount. When assessing impairment requirements, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). For assets other than goodwill, previously written down, each reversal date is subject to a review of whether reversals should be made. In the income statement, write-downs and reversals of write-downs are reported in the function in which the asset is used.

Inventories

Inventories consist of nicotine products, heating devices and tax duty stamps. Inventories are measured at the lower of cost and net realizable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to a nominal value decreased by provisions for bad debts.

Prepaid Expenses

Prepaid expenses mainly consist of the amount of rent, including maintenance charges, paid in advance.

Equity

The dividend is recognized as a liability at the time of adoption at the Annual General Meeting. Dividend expected to be distributed for the year is disclosed as a separate equity item.

Loan debts and accounts payable

Loan debts and accounts payable are recognized initially at acquisition value less transaction costs.

Cash flow statement

The Company's cash flows are included in the consolidated annual report of **Philip Morris International Inc., 677 Washington Blvd., Ste. 1100, Stamford, CT 06901, U.S.A**. Cash flow statement is therefore not presented in the Company's annual report.

Segment information on net revenue

Information on geographical markets is based on the company's returns and risks and on the basis of internal financial management. The company's geography is considered the primary segment area.

Key ratios

Gross margin = Gross profit * 100 / Revenue

Operating margin = Profit before financial income and expenses * 100 / Revenue

The rate of return = Profit before financial income and expenses * 100 / Balance total

Solidity = Equity * 100 / Balance total Return on equity

Return on Equity = Net profit of the year / Average of total equity within two years.