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

Annual Report 2021

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30 June 2022

Michael Bryrup
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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 30 June 2022.

Executive Board

Kim Devald

Board of Directors

Anette Rosengren
Chairman

Kim Devald

Stefan Bauer

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 on 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 2021, which comprise income statement, balance sheet statement, statement of changes in equity, notes and 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional 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 of 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 judgment and maintain professional skepticism 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.

- Obtaining 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, 30 June 2022

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, 2021 The municipality of reg. office: Copenhagen
Executive Board	Kim Devald
Board of Directors	Anette Rosengren, chairman Kim Devald Stefan Bauer
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. Certain amounts have been reclassified in the comparative figures for prior years to ensure the same presentation.

	2021	2020	2019	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key financial figures					
Income statement					
Revenue	1 843 888	1 513 437	1 460 062	1 435 739	1 428 236
Gross profit	68 744	86 740	65 620	62 585	56 196
Profit before financial income and expenses	10 564	23 708	14 514	17 976	19 805
Financial net result	-4 077	-1 766	-758	449	63
Net profit for the year	4 764	16 971	10 506	14 198	15 355
Balance sheet					
Investment in property, plant and equipment	-	-	63	1 548	107
Balance sheet total	962 058	1 163 146	337 280	304 677	256 405
Equity	4 954	18 390	11 919	15 413	18 715
Number of employees	84	87	56	48	43
Key ratios (%)					
Gross margin	3.7%	5.7%	4.5%	4.4%	3.9%
Operating margin	0.6%	1.6%	1.0%	1.3%	1.4%
Rate of return	1.1%	2.0%	4.3%	5.9%	7.7%
Solidity	0.5%	1.6%	3.5%	5.1%	7.3%
Return on equity	40.8%	112.0%	76.9%	83.2%	111.4%

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 2021 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.

Development in the Financial Year

In 2021, the net turnover amounted to 1,843,887,509 DKK, increase of 21.83% compared to 2020. Philip Morris ApS decreased share of market from 17% in 2020 to 16.5% in 2021, primarily driven by underperformance of Skjöld and menthol exit. Profit for the year after tax is 4,763,978 DKK compared to 16,971,024 DKK in 2020. The Balance Sheet total is 962,058,319 DKK of which equity constitutes 4,953,860 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.

Social and Employees Conditions

Physical and mental well-being

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. In 2021 we introduced new guidelines defining the core hours during which meetings can be scheduled, and our employees working remotely are supported as Philip Morris ApS is providing office furniture and any additional IT equipment necessary to safely setting up a proper remote workplace. Our Employee Assistance Program is available for all employees and their family members to get professional counseling and support. In 2021, a wellbeing program promoting mental health has been deployed, including a number of webinars and a dedicated app to help employees to have a better understanding about the importance of psychological and mental wellbeing. Philip Morris ApS considers public health issues such as the recent COVID-19 pandemic as a material risk in the field of social and employee conditions. The pandemic does not only pose risks to all employees' physical health,but is as well a threat to mental and emotional wellbeing. Concrete measures such as the initiatives mentioned above has been put in motion during the pandemic in order to help employees in need to overcome this difficult time, and to support them and their families.

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.

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 2021 we strongly encouraged regular team meetings, conference calls, forums and employee surveys, in which employees were able to express their opinions freely.

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. 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 the managerial level in 2021 was 25%, which was overachieved and resulted in 30%. For the financial year 2022 the target is set at 35%; the long-term objective is to reach 40% within the next 5 years. 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.
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%. This target was achieved as of mid-March 2019 when Anette Rosengren was appointed as a Chairwoman of the board, hence 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 their gender, nationality, ethnicity and sexual orientation.

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

Human Rights

The tobacco PMI sources is cultivated in many regions of the world, including low- and medium-income countries, where it is typically grown on smallholder farms of less than two hectares. The socioeconomic well-being of tobacco-farming communities depends on many factors, including the nation's socioeconomic development, health and educational services, political stability, resilience to climate shocks, access to markets, and public infrastructure, as well as regulatory frameworks and their enforcement. If these factors are insufficiently developed, the population risks being locked in a cycle of systemic poverty, which, consequently, leads to poor working and living conditions, including the use of child labor.

Child labor and other labor abuses are unacceptable to PMI. They raise ethical, social, and legal issues, including potential human rights violations, as well as reputational risk. As a global business sourcing tobacco from 23 countries, we have a role to play in addressing systemic issues such as poverty and other social issues such as child labor, forced labor, and human trafficking that are resulting from it. Agricultural development can stimulate economic development outside of the agricultural sector, and lead to alleviating poverty, thereby preventing human rights issues and contributing to higher job and growth creation. Increased productivity of agriculture raises farm incomes, increases food supply, reduces food prices, and provides greater employment opportunities in both rural and urban areas.
Our business can have a significant socioeconomic impact on people, which is a major predictor of success, especially in the long term. By creating jobs, training workers, building physical infrastructure, procuring raw materials, transferring technology, paying taxes, and expanding access to products and services ranging from food and healthcare to energy and information technology, our company affects people's assets, capabilities, opportunities, and standards of living—their growth and well-being matter to the bottom line.

A principal aim of PMI is to provide a decent livelihood to all contracted farmers in its tobacco supply chain. This has been a focus since we introduced our Agricultural Labor Practices (ALP) program in 2011, supplemented by the ALP Step Change in 2018.

We are committed to the following set of targets to improve the socioeconomic well-being of tobacco-farming communities:

- 100 percent of tobacco farmworkers to be paid at least the minimum legal wage by 2022
- 100 percent of contracted farmers supplying tobacco to PMI to make a living income by 2025
- Zero child labor in our tobacco supply chain by 2025
- 100 percent of contracted farmers supplying tobacco to PMI to have access to water by 2025
- 100 percent of contracted farmers supplying tobacco to PMI to have access to basic sanitation and hygiene by 2030

Our ALP Code, based on International Labour Organization (ILO) conventions and aligned with the United Nations Guiding Principles on Business and Human Rights, sets the principles and measurable standards applicable to all the contracted farmers from whom we source tobacco: no child labor, fair income and work hours, no forced labor and human trafficking, a safe work environment, fair treatment, freedom of association, and terms of employment. Our Sustainable Agriculture teams, suppliers, contracted farmers, and workers are regularly trained on the ALP Code. The ALP program is supported by related policies, such as our Good Agricultural Practices (GAP), Human Rights Commitment (HRC), and Responsible Sourcing Principles (RSP).

We have a robust due diligence framework in place to evaluate the implementation of our ALP Code; this is enabled by the traceability at farm-level provided by our integrated production system.

In Philip Morris ApS we have not observed any breaches of our policies related to Human Rights during 2021.

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 accelerated our decarbonization ambitions in 2021. We now 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.

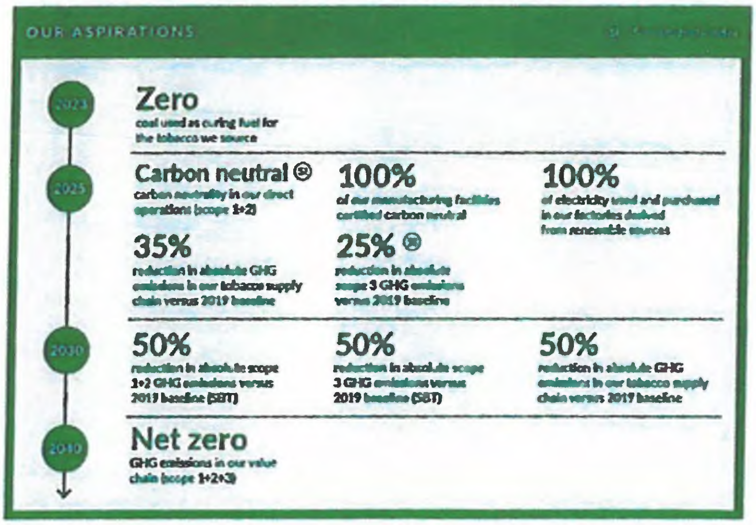
To deliver on those ambitious goals, Philip Morris International, the ultimate parent company of Philip Morris ApS, prioritizes reducing absolute carbon emissions. We do so by optimizing efficiency and reducing consumption while minimizing the use of fossil fuels and promoting the switch to renewable energy (by procuring green electricity and installing technology to selfproduce or store green energy). Our work to reduce absolute emissions is guided by science-based targets aligned with a scenario of an increase in global temperatures of no more than 1.5 degrees Celsius above pre-industrial levels. Our targets, approved by the Science Based Targets initiative (SBTi), commit us to reducing our absolute scope 1+2 GHG emissions by 50 percent by 2030 versus our 2019 baseline, and to reducing our absolute scope 3 GHG emissions by 50 percent within the same timeframe. Moreover, our commitment to net zero emissions (scope 1+2+3) by 2040 is currently undergoing validation by SBTi. Once we have maximized our emissions reductions, we compensate for the remaining unavoidable emissions. We prioritize insetting projects in our supply chain when possible and purchase certified carbon credits when needed. Our portfolio of climate investments brings both standardization and sophistication to our approach to compensation.

Our decarbonization efforts cover our entire value chain, which extends from the supply of tobacco and other materials to the production, packaging, commercialization, use, and end-oflife stage of our products. 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. We use internal carbon pricing to incentivize and drive reductions in GHG emissions. We implement a shadow price to internalize environmental costs and factor them into investment decisions. And we use an internal carbon levy as an incentive to reduce GHG emissions and a way to generate funding for solutions to compensate for unavoidable emissions. Several corporate policies guide our approach to decarbonizing our operations and value chain. The reduction of energy consumption and carbon emissions is embedded in our Environmental Commitment, our Guidebook for Success (PMI's code of conduct), our Responsible Sourcing Principles, and our Good Agricultural Practices program.

Our Zero Deforestation Manifesto covers our sustainable forestry management, which contributes to climate regulation and carbon sequestration. Further, our Sustainable Design Framework guides the integration of eco-design and circularity principles and efforts to minimize the carbon footprint of our smoke-free products. These policies are complemented by internal Principles & Practices and operational standards, such as our Global Fleet policy.

Philip Morris International periodically conducts a climate change risks and opportunities assessment across its value chain. The findings inform PMI's overall risk management approach and help us to better integrate climate related issues into our overall risk mitigation response and decision-making processes. This work aligns with international expectations such as those of the Paris Agreement to mitigate and adapt to climate impacts, as well as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our governance and management systems help ensure that climate-related risks and opportunities are considered in relevant decision-making processes.

From an operational standpoint, PMI's Operations, Combustible Category, Smoke free Category, and Finance functions coordinate the company's climate change-related activities.



We incentivize relevant 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 of climate change impacts through regular internal communications and training. Moreover, our selection criteria take into consideration the transparency of the suppliers of direct materials in disclosing their emissions factors and demonstrating significant carbon intensity reductions. The urgent and monumental task of combating climate change cannot be accomplished by solo operators; it requires the input and collaboration of partners across the public and private sectors. PMI collaborates with, supports, participates in, and is a member of sustainability-related initiatives and organizations that harness the power of collaboration to implement solutions at scale. Among other collaborations, we participate in three World Business Council for Sustainable Development (WBCSD) working groups: Climate Smart Agriculture (Scaling Positive Agriculture), Nature Action, and the Forest Solutions Group. We are also a signatory to the Business Ambition for 1. 5°C commitment—having responded to a call-to-action for companies to step up their ambitions for the best chance of tackling the climate crisis. Moreover, in 2021, we publicly declared our support for the TCFD (Task Force on Climate-related Financial Disclosures) and its recommendations. The robustness of our commitments is reflected in our achievement of an "A" score in each of the past eight years on CDP's climate change disclosure—a recognition of PMI's action to combat climate change and transparently report on its activities.

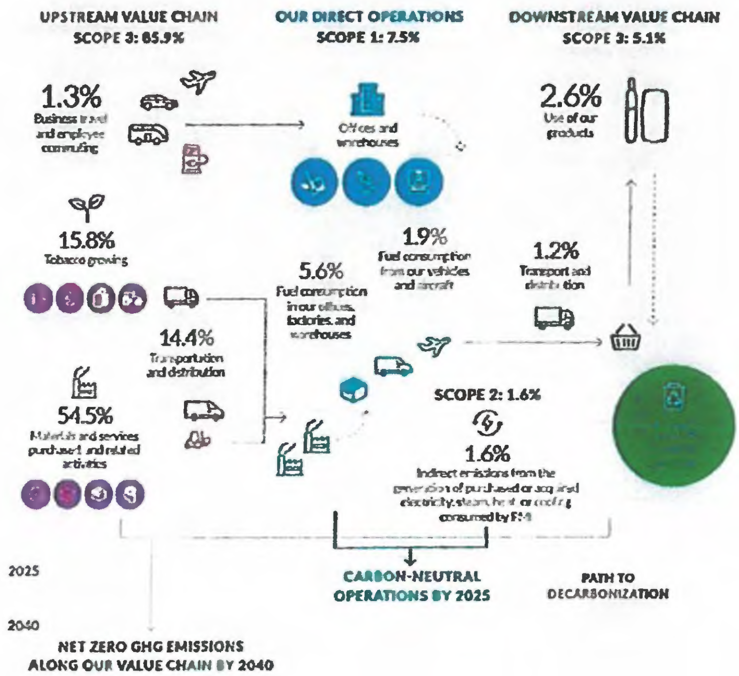
Overview of carbon footprint in 2021

Accurate measurement and transparent reporting of our carbon footprint help us to shape our strategy, set targets, and measure progress. We calculate our GHG (greenhouse gas) footprint annually, following guidance from the Greenhouse Gas Protocol and accounting for all emissions generated across our value chain. While we consider it vital to improve the environmental performance of our direct operations (including our factories, offices, and fleet), most of our carbon footprint is generated in scope 3 of our value chain. Consequently, working collectively with tobacco growers, suppliers, retailers, NGOs, local communities, and governments is crucial to attaining our environmental goals.

Our upstream emissions represented 85.9 percent of our total GHG footprint in 2021. Sources of these emissions included curing and fertilization in our tobacco supply chain, the acquisition and transport of materials used in the manufacture of our products, the procurement of indirect materials and services necessary to run our business activities, third-party disposal and treatment of waste, and business travel and employee commuting, among others.

Downstream, emissions generated by the transport and distribution, use, and end-of-life management of our products represented 5.1 percent of our total footprint in 2021. Emissions related to the use and end-of-life management of our products are slowly but steadily decreasing, mainly due to improvements in our heated tobacco units and device design.

Overall, in 2021, PMI emissions decreased in absolute terms by 1.7 percent across our value chain versus 2020, amounting to a total reduction of 84,000 tons of CO2e. More specifically, we achieved an absolute reduction in scope 1 emissions of 4.3 percent, in scope 2 of 28.9 percent, and in scope 3 of 1.2 percent versus 2020. The carbon emissions along our value chain in 2021 are depicted in the table below.



Governance

For PMI, conducting business with integrity means complying with the law, our Guidebook for Success (PMI's Code of Conduct), and other company commitments. Our Guidebook for Success defines the rules we follow and describes the values that form the foundation of good ethical judgment.

We conduct business ethically and with integrity. We clearly define the ethical and compliance expectations we have for ourselves and for the suppliers we work with, and we back up these expectations with governance and management systems to ensure we deliver. To help us achieve this, we maintain an Ethics & Compliance (E&C) program.

Our E&C program is led by PMI's VP and Chief Ethics & Compliance Officer, who reports to PMI's General Counsel and also reports regularly to the Board of Directors and its Audit Committee.

Our code of conduct, known in PMI as our Guidebook for Success, sets clear standards and expectations. Its mandatory provisions apply to all PMI employees, officers, and directors. Key risk areas include anti-bribery and anti-corruption, anti-competitive practices, conflicts of interest, information protection security and data privacy, responsible marketing and sales, scientific integrity, supply chain responsibility, and workplace integrity.

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 2021 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 2022.

We did not experience any cases of corruption in Denmark in 2021.

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 the profitability to remain at the same level as in year 2021. 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	2021	2020
		DKK	DKK
Revenue	1	**1 843 887 509**	**1 513 437 001**
Other operating income		8 514 331	131 426 742
Cost of goods sold		- 1 657 986 940	-1 469 724 832
Other external expenses		-125 671 157	-88 339 403
Gross profit		**68 743 743**	**86 739 508**
Staff expenses	2	-57 756 435	-62 563 328
Depreciation	3	-423 753	-467 861
Profit before financial income and expenses		**10 563 555**	**23 708 319**
Financial income	4	365 049	458 953
Financial expenses	5	-4 442 076	-2 224 559
Profit before tax		**6 486 529**	**21 942 713**
Corporation tax	6	-1 722 551	-4 971 689
Net profit for the year	7	**4 763 978**	**16 971 024**

Assets	Note	2021	2020
		DKK	DKK
Fixtures, fittings, and equipment	8	956 679	1 163 869
Leasehold improvements	8	378 985	595 548
Property, plant, and equipment		**1 335 665**	**1 759 417**
Deposits	9	1 290 605	1 764 577
Fixed asset investments		1 290 605	1 764 577
Fixed assets		**2 626 270**	**3 523 994**
Inventories		**467 046 052**	**851 454 873**
Trade receivables		461 279 646	144 526 126
Other short-term receivables		210 132	10 608 463
Receivables from group companies		7 440 383	148 008 023
Joint taxation contribution	15	17 322 018	-
Deferred tax asset	10	-	46 210
Prepayments	11	404 384	754 929
Receivables		**486 656 563**	**303 943 752**
Cash and cash equivalents		**5 729 434**	**4 223 247**
Current assets		**959 432 049**	**1 159 621 871**
Total assets		**962 058 319**	**1 163 145 865**

Liabilities, provisions, and equity

	Note	2021	2020
		DKK	DKK
Share capital		125 000	125 000
Retained earnings		828 860	64 882
Proposed dividend for the year	7	4 000 000	18 200 000
Equity		**4 953 860**	**18 389 882**
Long-Term Payables, other	12	-	4 750 543
Long-term debt		**-**	**4 750 543**
Trade payables		36 402 095	37 665 080
Debt to group enterprises		638 714 748	1 058 500 472
Corporation tax liabilities		16 945 892	2 265 253
Deferred tax liability	10	26 402	-
Payables, other	13	265 015 321	41 574 636
Short-term debt		**957 104 459**	**1 140 005 441**
Debt		**957 104 459**	**1 144 755 983**
Total liabilities, provisions, and equity		**962 058 319**	**1 163 145 865**
Contractual obligations	14		
Other disclosures	16-19		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2021	125 000	64 882	18 200 000	18 389 882
Net profit for the year	0	4 763 978	0	4 763 978
Paid dividend	0	0	-18 200 000	-18 200 000
Proposed dividend for the year	0	-4 000 000	4 000 000	0
Equity at 31 December 2021	**125 000**	**828 860**	**4 000 000**	**4 953 860**

1. Revenue

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

2. Staff expenses

Staff expenses amount to the following:

	2021	2020
	DKK	DKK
Wages and salaries	50 751 136	54 026 233
Pensions	3 865 461	3 725 028
Other employee benefits	3 139 839	4 812 067
	57 756 435	**62 563 328**
Average number of employees	**84**	**87**

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:

	2021	2020
	DKK	DKK
Depreciation for the year	423 753	467 861
	423 753	**467 861**

4. Financial Income

Financial income is specified as follows:

	2021	2020
	DKK	DKK
Interest income	-	-
Exchange adjustments	365 049	458 953
	365 049	**458 953**

5. Financial Expenses

Financial expenses are specified as follows:

	2021	2020
	DKK	DKK
Interest expenses group companies	3 735 264	1 746 017
Exchange adjustments	635 761	377 720
Other financial expenses	71 051	100 822
	4 442 076	**2 224 559**

6. Corporation Tax

The corporation tax expensed is specified as follows:

	2021	2020
	DKK	DKK
Current tax for the year	1 733 889	4 905 150
Deferred tax for the year	72 612	66 544
Tax adjustments regarding previous years	-83 950	-6
Tax on profit for the year	**1 722 551**	**4 971 689**

Tax on profit for the year is calculated as follows:

	2021 DKK	2020 DKK
Tax on profit for the year	1 427 036	4 827 391
Tax effect of non-deductible cost	379 464	144 298
Tax adjustments regarding previous years	-83 950	-
	1 722 551	**4 971 689**

7. Distribution of Profit for the Year

	2021 DKK	2020 DKK
Proposed distribution of profit	4 000 000	18 200 000
From retained earnings	763 978	-1 228 976
Transferred to retained earnings	-	-
	4 763 978	**16 971 024**

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 2021	5 299 778	1 799 899
Additions	-	-
Cost at 31 December 2021	**5 299 778**	**1 799 899**
Depreciation at 1 January 2021	4 135 909	1 204 348
Depreciation	207 189	216 563
Depreciation at 31 December 2021	**4 343 098**	**1 420 911**
Carrying amount at 31 December 2021	**956 680**	**378 989**

9. Deposits

	2021	2020
	DKK	DKK
Cost at 1 January 2021	1 764 578	1 837 866
Additions	10 518	41 961
Returns	-484 490	-115 250
Cost at 31 December 2021	**1 290 605**	**1 764 578**

10. Deferred Tax/Provision for Deferred Tax

Deferred tax liability (2021) and asset (2020) is specified as follows:

	2021 DKK	2020 DKK
Tangible assets	-40 468	-57 515
Accrued expenses	14 066	103 725
	-26 402	**46 210**

11. Prepayments

Prepayments consist of prepaid expenses mostly for rent.

12. Long-Term Payables

Long-Term payables are specified as follows:

	2021 DKK	2020 DKK
Long-term debt 1 - 5 years	-	4 750 543
Long-term debt more than 5 years	-	-
	-	**4 750 543**

13. Payables, Other

Payables, other are specified as follows:

	2021	2020
	DKK	DKK
Accrued salaries	8 331 317	12 481 671
VAT payable	104 049 788	29 092 965
Excise tax payable	152 634 215	-
Total Other Payables	**265 015 320**	**41 574 636**

14. Contractual Obligations

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

	2021	2020
	DKK	DKK
Within 1 year:	2 594 031	4 813 237
Between 1-5 years:	1 519 520	3 852 414
Total contractual obligations	**4 113 551**	**8 665 651**

15. 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.

16. Group Matters

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

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., 120 Park Avenue, New York, NY 10017-5592, USA.

17. 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.

	2021	2020
	DKK	DKK
(total transaction value during the year)		
Finished Goods Purchased	48 100 811	153 137 895

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

	2021	2020
	DKK	DKK
(total transaction value during the year)		
Service Fees	9 351 609	3 097 173
Expats Recharge Fees	4 587 400	5 847 940
Insurance & Surety Fees	1 509 866	1 237 398

Other operating income in 2021 in the total amount of 8 514 331 DKK includes recharge to PMI (Trade Mark Owner) in the amount of 7 150 087 DKK.

The total net payables amount at year-end 2021 is 638 714 748 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.

18. Audit Fee

	2021	2020
	DKK	DKK
Total fee	212 400	222 000
Where of audit	165 400	175 000

19. Events after the Balance Sheet Date

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

There are no significant legal matters to report for Philip Morris ApS for the financial year of 2021.

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.

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

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

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 5 years.

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 tobacco products and tobacco 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., 120 Park Avenue, New York, NY 10017-5592, USA. Cash flow statement is therefore not presented in the Company's annual report.

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.