

JTI Denmark A/S
Tobaksvejen 2A
2860 Søborg
Central Business Registration No. 28 51 99 58

Annual report 2021

The Annual General Meeting adopted the annual report on 28 June 2022

Chairman of the General Meeting

Name: Cormac O'Rourke

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Entity details

Entity

JTI Denmark A/S
Tobaksvejen 2A
2860 Søborg

Central Business Registration No. 28 51 99 58
Registered in: Gladsaxe
Financial year: 1 January 2021 to 31 December 2021

Phone: +45 43 20 06 00
Homepage: www.jti.com

Board of Directors

Cormac O'Rourke, Chairman
Eva Kristina Hassellund
Ryota Ishigami
Anna Kalituha

Executive Board

Ryota Ishigami, CEO

Auditors

Deloitte, Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of JTI Denmark A/S for the financial year 1 January 2021 to 31 December 2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2021 and of the results of its operations for the financial year 1 January 2021 to 31 December 2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Søborg, 28 June 2022

Executive Board

Ryota Ishigami
CEO

Board of Directors

Cormac O'Rourke
Chairman

Eva Kristina Hassellund

Ryota Ishigami

Anna Kalituha

Independent auditor's report

To the shareholder of JTI Denmark A/S

Opinion

We have audited the financial statements of JTI Denmark A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at and of the results of its operations for the financial year - in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management

commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 28 June 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No. 33 96 35 56

Henrik Wolff Mikkelsen

State-Authorised Public Accountant

Identification No. (MNE) mne33747

Management commentary

The development of the Company is described by the following financial highlights:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-----------|---------|---------|---------|---------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Financial highlights | | | | | |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Revenue | 1.402.954 | 990.967 | 717.710 | 638.678 | 620.454 |
| Gross profit/loss | 32.857 | 28.548 | 24.646 | 21.159 | 23.939 |
| Operating profit/loss | 2.240 | 2.230 | 1.966 | 1.587 | 1.641 |
| Net financials | 1.171 | 175 | -565 | -543 | -538 |
| Profit/loss for the year | 1.069 | 2.054 | 1.601 | 343 | 704 |
| Balance sheet | | | | | |
| Total assets | 755.902 | 573.448 | 381.984 | 216.812 | 191.235 |
| Investments in property, plant and equipment | 1.806 | 2.423 | 4.865 | 0 | 133 |
| Equity | 92.197 | 91.128 | 89.074 | 87.473 | 87.129 |
| Number of employees | 23 | 23 | 24 | 24 | 27 |
| Ratios | | | | | |
| Solvency ratio | 12,2 | 15,9 | 23,3 | 40,3 | 45,6 |
| Profit margin | 0,2 | 0,2 | 0,3 | 0,2 | 0,3 |
| Return on assets | 0,3 | 0,4 | 0,5 | 0,7 | 0,9 |

The ratios have been calculated in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies applied

Management commentary

Primary activity

The main activity of the Entity is to import and sell tobacco products.

Development in activities and finances

JTI Denmark A/S was one of the fastest growing RMC (ready made cigarettes) tobacco companies in 2021, growing its average share of Market (SoM) from 11.9% in 2020 to 14.5% in 2021. Volume increased by almost 10% vs. 2020, excluding impact from higher December sales prior to the 2022 Excise tax increase. The main contributor of JTI Denmark A/S's growth was Winston, the 2nd largest RMC brand globally and the 3rd largest RMC brand in Denmark, which grew by 1.6pp vs. 2020 to 9.4% SoM, reaching considerable scale.

In 2014, JTI Denmark A/S was converted into a limited risk distributor after prior notice to the Danish Tax Agency (Skattestyrelsen), by which the results from ordinary activities before tax are fixed at 2% of the net profit.

JTI Denmark A/S is part of a Excise tax audit following the Danish Tax Agency's monitoring operation regarding the tax increase on cigarettes and smoking tobacco on 1 April 2020. The audit covers the period 20 November 2019 - 30 September 2020. A ruling with a claim of excise tax has been received and appealed by JTI Denmark A/S. The outcome is not expected to be decided in 2022.

Uncertainty regarding recognition and measurement

It is estimated that there is no significant uncertainty in the recognition and measurement of accounting figures.

Unusual conditions that can have affected recognition and measurement

It is estimated that there are no unusual conditions that can have affected recognition and measurement of the accounting figures.

Outlook

As a consequence of the 2020 and 2022 excise tax and the corresponding price increases, JTI Denmark A/S expects that the decline of the legal RMC Market will accelerate in 2022. JTI Denmark A/S estimates that the rate of the legal RMC Market contraction may reach close to 10% in 2022 to the benefit of the Non-Domestic-Duty-Paid (NDDP) Market, namely border trade and illicit trade of cigarettes.

JTI Denmark's volume forecast for 2022 is impacted by both volume decline from lower industry size and minimal sales in the 1st Quarter of 2022 (due to higher December sales 2021 ahead of Jan 1st excise tax increase). Sales volumes in 2022 are estimated to be 15-20% lower vs. average sales in 2020-21.

For our 2022 underlying profit forecast, we expect stable net profit contribution vs. previous year despite the volume decline from lower sales in the 1st Quarter of 2022. The reduction in revenue is mitigated through various cost efficiency efforts. Estimated entity profit is also expected to be relatively stable in 2022 vs. 2021.

Despite regulatory challenges in terms of Retail Display Ban of tobacco products (entered into force in 2021) and Plain pack regulation (entering into force in 2022), JTI Denmark A/S aims to defend and grow its current market position and scale in 2022 and onwards.

Particular risks

JTI Denmark A/S is not subject to any current particular business risks, but the industry is always exposed to tightening of the tobacco-related legislation, including for example the political agreement from 2019 on a national action plan against smoking among children and young people. The Entity is neither exposed to any significant financial risks nor exchange rate risks.

Environmental performance

JTI Denmark A/S follows the Parent Company's efforts to reduce its waste and all kinds of energy wastage.

Data Ethics

JTI Denmark A/S has limited data processing and does not use algorithms for data analysis and none of this is an integral part of the JTI Denmark A/S' business strategy or business activities.

Report on corporate social responsibility

Business model

The business model is to act as a sales company for the products manufactured by the Group. The products are primarily sold to the Danish retail industry.

Social considerations

JTI Denmark A/S generally wants to act with social commitment and responsibility, and we do not believe there is any material risk of having a negative impact on social conditions.

Environmental performance

JTI Denmark A/S is a wholesaler on the Danish market, and we do not believe there is any material risk of negatively affecting the environment or climate. As mentioned above, the Group works actively to reduce the amount of waste and all sorts of energy waste.

Human rights

As a Danish sales organisation in a global tobacco group, we do not believe there is any material risk of negatively affecting the human rights of our employees, customers or other stakeholders concerning, for example, health, non-discrimination and privacy.

Anti-corruption

JTI Denmark A/S operates on the Danish market in which we do not believe that we are considerably exposed to risks of corruption and bribery in connection with our sales and distribution channels.

Policy on corporate social responsibility

Based on the above risk assessments, the size of our organisation as well as our limited resources in general, separate policies on corporate social responsibility have not been prepared for which reason this management commentary does not separately account for our work with social responsibility.

JTI Denmark A/S's target for the underrepresented gender

JTI Denmark meets the requirements in relation to the underrepresented gender. The underrepresented gender has two out of four seats on the board.

JTI Denmark A/S is not subject to the requirement of target figures for the underrepresented gender in other management levels or the drafting of a policy on target figures for the underrepresented gender as the Entity has less than 50 employees.

Event after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

JTI Denmark A/S has succeeded in maintaining stable to increasing revenues and market share throughout the COVID-19 outbreak and it has not had any material effect on the annual report.

Accounting policies

The Annual Report of JTI Denmark A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C with addition of rules from IFRS 15 and 16.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Leases

Right-of-use assets are recognized in the balance sheet with exception of short term leases and lease agreements of low value. Leasing debt and assets are on initial recognition measured at present value of future payments. Present value of future payments is calculated at the internal rate of interest according to the lease contract or by applying the Company's marginal borrowing rate should the internal rate of interest not be known.

Lease assets are depreciated and written down applying same accounting principles as for the Company's other fixed assets.

Leasing debt is adjusted by performed repayments and attributed interests.

Translation policies

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables, and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories, and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income Statement**Revenue**

Revenue from the sale of manufactured goods for resale is recognized in the income statement when the sale is considered effectuated based on the following criteria:

- Delivery has been made before year end;
- A binding sales agreement has been made;
- The sales price has been determined; and
- Payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Costs of sales

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation & impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance Sheet**Intellectual property rights etc.**

Intellectual property rights etc. comprise intangible assets acquired.

Intangible assets acquired are measured at cost less accumulated amortisation. Intangible assets are amortised over five years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Other fixtures and fittings

Other fixtures and fittings, tools and equipment as leasehold improvements and leased assets are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made based on the following estimated useful lives of the assets:

| | |
|--|------------|
| Other fixtures and fittings, tools and equipment and buildings | 3-10 years |
| Leasehold improvements | 5 years |

Estimated useful lives and residual values are reassessed annually.

Property, plant, and equipment are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equaling nominal value, less write-downs for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

According to the exemption provisions of section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Solvency ratio (%) = The financial strength of the Entity = $\text{Equity at year-end} \times 100 / \text{Total assets}$

Profit margin (%) = Earnings ability of the Entity = $\text{Profit before financial items} \times 100 / \text{Revenue}$

Return on assets (%) = The Entity's ability to make profit of the assets = $\text{Profit before financial items} \times 100 / \text{Total assets}$

Income Statement January 1st - December 31st

| | Note | 2021 DKK | 2020 DKK |
|--|------|-------------------|---------------|
| Revenue | 1 | 1.402.953.596 | 990.966 |
| Cost of sales | | (1.332.594.820) | (925.011) |
| Other external expenses | 4 | (37.501.536) | (37.406) |
| Gross Profit/loss | | 32.857.239 | 28.548 |
| Staff costs | 2 | (27.889.510) | (23.954) |
| Amortisation, depreciation and impairment losses | 3 | (2.727.476) | (2.363) |
| Operating profit/loss | | 2.240.253 | 2.229 |
| Other financial income | 5 | 238.317 | 768 |
| Other financial expenses | 6 | (1.409.753) | (943) |
| Profit/loss from ordinary activities before tax | | 1.068.818 | 2.054 |
| Tax on profit/loss from ordinary activities | | 0 | 0 |
| Profit/loss for the year | 7 | 1.068.818 | 2.054 |
| Distribution of profit | | | |
| Proposed distribution of profit | | | |
| Dividends for the financial year | | 0 | 0 |
| Retained earnings | | 1.068.818 | 2.054 |
| | | 1.068.818 | 2.054 |

Balance Sheet December 31st

| Assets | Note | 2021 DKK | 2020 DKK'000 |
|--|-------------|---------------------|-------------------------|
| Acquired intangible assets | | 82.778 | 331 |
| Intangible assets | 8 | 82.778 | 331 |
| Leasehold improvements | | 607.235 | 204 |
| Other fixtures & fittings, tools and equipment | | 2.172.061 | 3.248 |
| Property, plant and equipment including Leasing | 9 | 2.779.296 | 3.453 |
| Deposits | | 697.879 | 698 |
| Deferred tax | 10 | 2.300.000 | 2.300 |
| Fixed asset investments | 11 | 2.997.879 | 2.998 |
| Fixed assets | | 5.859.952 | 6.782 |
| Manufactured goods and goods for resale | | 351.660.376 | 372.410 |
| Inventories | 12 | 351.660.376 | 372.410 |
| Trade receivables | | 363.589.020 | 176.956 |
| Receivables from group enterprises | | 34.752.251 | 17.225 |
| Prepayments | 13 | 40.203 | 74 |
| Receivables | | 398.381.474 | 194.255 |
| Current assets | | 750.041.850 | 566.665 |
| Assets | | 755.901.803 | 573.447 |

Balance Sheet December 31st**Liabilities and equity**

| | Note | 2021 DKK | 2020 DKK'000 |
|--|------|--------------------|-----------------|
| Contributed capital | 14 | 1.000.000 | 1.000 |
| Retained earnings | | 91.197.290 | 90.128 |
| Equity | | 92.197.290 | 91.128 |
| Other provisions | 15 | 2.285.643 | 2.741 |
| Provisions | | 2.285.643 | 2.741 |
| Lease commitments | 16 | 923.836 | 3.383 |
| Non-current liabilities other than provisions | | 923.836 | 3.383 |
| Lease commitments | | 1.468.097 | 1.142 |
| Trade payables | | 13.301.357 | 20.204 |
| Payables to group enterprises | | 392.378.127 | 264.044 |
| Other payables | 17 | 253.347.453 | 190.805 |
| Current liabilities other than provisions | | 660.495.034 | 476.195 |
| Liabilities other than provisions | | 661.418.870 | 479.578 |
| Equity and liabilities | | 755.901.803 | 573.447 |

| | |
|----------------------------------|----|
| Related parties | 18 |
| Contingent Liabilities | 19 |
| Transaction with related parties | 20 |
| Consolidation | 21 |

Statement of changes in equity 31 December

| Equity | Share capital DKK | Retained earnings DKK | Total DKK |
|-----------------------------------|----------------------------------|--------------------------------------|----------------------|
| Equity at 1 January 2021 | 1.000.000 | 90.128.472 | 91.128.472 |
| Net profit/loss for the year | 0 | 1.068.818 | 1.068.818 |
| Equity at 31 December 2021 | 1.000.000 | 91.197.290 | 92.197.290 |

The share capital consists of DKK 1,000,000 distributed on shares of DKK 100 or multiples hereof.

Notes to the Annual Report

| | 2021 | 2020 |
|-------------------------------------|----------------------|----------------|
| | DKK | DKK'000 |
| 1. Revenue | | |
| Sale of tobacco products in Denmark | 1.402.953.596 | 990.966 |
| | 1.402.953.596 | 990.966 |

2. Staff costs

| | | |
|---------------------------------------|-------------------|---------------|
| Wages and salaries | 23.436.542 | 20.797 |
| Pension costs | 806.162 | 796 |
| Other staff related costs | 3.646.806 | 2.361 |
| | 27.889.510 | 23.954 |
| Average number of full-time employees | 23 | 23 |

Remuneration for the Executive and Supervisory boards

| | | |
|--|------------------|--------------|
| Executive board and Supervisory boards | 4.047.000 | 3.932 |
| | 4.047.000 | 3.932 |

According to The Danish Financial Statements Act section 98 b, subsection 3(2) information on management remuneration has been indicated together.

3. Amortisation, depreciation and impairment losses

| | | |
|---|------------------|--------------|
| Amortisation on intangible assets | 248.332 | 248 |
| Depreciation on property, plant and equipment | 69.567 | 148 |
| Depreciation on leased assets (IFRS16) | 2.409.577 | 1.967 |
| | 2.727.476 | 2.363 |

Notes to the Annual Report

| | 2021 DKK | 2020 DKK'000 |
|---|------------------|-----------------|
| 4. Fees to the auditor appointed by the Annual General Meeting | | |
| Statutory audit services | 425.633 | 321 |
| | 425.633 | 321 |
| 5. Other financial income | | |
| Financial income from group enterprises | 237.848 | 633 |
| Other financial income | 469 | 54 |
| Currency translation adjustments | 0 | 81 |
| | 238.317 | 768 |
| 6. Other financial expenses | | |
| Interest expenses | 35.919 | 783 |
| Currency translation adjustments | 64.958 | 0 |
| Financial expenses from group enterprises | 1.232.582 | 57 |
| Other financial expenses | 76.294 | 103 |
| | 1.409.753 | 943 |
| 7. Proposed distribution of profit | | |
| Retained earnings | 1.068.818 | 2.054 |
| | 1.068.818 | 2.054 |

Notes to the Annual Report

2021
DKK

Acquired intangible assets

8. Intangible assets

| | |
|---|---------------------------|
| Cost beginning of year | 1.241.659 |
| Cost end of year | <u>1.241.659</u> |
| Amortisation and impairment losses beginning of year | (910.550) |
| Amortisation | <u>(248.332)</u> |
| Amortisation and impairment losses end of year | <u>(1.158.882)</u> |
| Carrying amount end of year | <u>82.778</u> |

Notes to the Annual Report

| | Buildings | Leasehold improvements | Vehicles | Total |
|--|--------------------|------------------------|--------------------|--------------------|
| | DKK | DKK | DKK | DKK |
| 9. Tangible assets | | | | |
| Cost at 1 January | 1.839.051 | 1.269.966 | 4.775.081 | 7.884.098 |
| Disposals | (1.839.051) | 0 | (238.923) | (2.077.974) |
| Additions for the year | 1.730.987 | 0 | 74.939 | 1.805.926 |
| Cost at 31 December | 1.730.987 | 1.269.966 | 4.611.097 | 7.612.051 |
| Depreciation and impairment losses at 1 January | (1.634.712) | (1.269.966) | (1.526.906) | (4.431.584) |
| Reversal regarding disposals | 1.836.051 | 0 | 238.923 | 2.074.974 |
| Depreciation | (1.325.091) | 0 | (1.151.053) | (2.476.144) |
| Amortisation and impairment losses at 31 December | (1.123.752) | (1.269.966) | (2.439.036) | (4.832.754) |
| Carrying amount at 31 December | 607.235 | 0 | 2.172.061 | 2.779.297 |
| Including assets under finance leases amounting to | 607.235 | 0 | 1.908.546 | 2.515.781 |

Notes to the Annual Report

| | Deposits DKK | Deferred tax DKK |
|------------------------------------|-------------------------|-----------------------------|
| 10. Fixed asset investments | | |
| Cost at 1 January | 697.879 | 2.300.000 |
| Cost at 31 December | 697.879 | 2.300.000 |
| Carrying amount end of year | 697.879 | 2.300.000 |

Tax loss carry forwards are recognized at the value at which it is expected to be realized within 1-5 years by 22% in corporation tax.

| | 2021 DKK | 2020 DKK'000 |
|---|---------------------|-------------------------|
| 11. Inventories | | |
| Duty stamps | 134.756.302 | 219.182 |
| Goods for resale, including duty stamps | 216.904.074 | 153.228 |
| | 351.660.376 | 372.410 |

12. Prepayments

| | | |
|-------------|---------------|-----------|
| Prepayments | 40.203 | 74 |
| | 40.203 | 74 |

Prepayments primarily comprise prepaid expenses concerning rent and insurance.

Notes to the Annual Report

| | Number 2021 | Par value DKK | Nominal value DKK |
|--------------------------------|------------------------|--------------------------|------------------------------|
| 13. Contributed capital | | | |
| Ordinary shares | 10.000 | 100,00 | 1.000.000 |
| Total | 10.000 | | 1.000.000 |

No changes to the contributed capital during the last five years.

| | 2021 DKK | 2020 DKK'000 |
|-----------------------------|---------------------|-------------------------|
| 14. Other provisions | | |
| Other provisions | 2.285.643 | 2.741 |
| | 2.285.643 | 2.741 |

Other provisions primarily include a provision for JTI's transformation project (restructuring costs).

Notes to the Annual Report

| | 2021 DKK | 2020 DKK'000 |
|------------------------------|----------------|-----------------|
| 15. Lease commitments | | |
| Holiday pay obligations | 0 | 1.954 |
| Lease commitments | 923.836 | 1.429 |
| | 923.836 | 3.383 |

16. Other payables

| | | |
|--|--------------------|----------------|
| Holiday pay obligations | 986.630 | 867 |
| VAT and duties | 245.277.468 | 184.904 |
| Wages and salaries, personal income taxes, social security costs, etc. Payable | 7.083.355 | 5.033 |
| | 253.347.453 | 190.805 |

17. Related Parties

Controlling interest

JT International Holding B.V.
Bella Donna 4
1181 RM Amstelveen
The Netherlands

Japan Tobacco Inc.
2-1, Toranomom 2-chrome
Minato-ku, Tokyo 105-8422
Japan

Notes to the Annual Report

| | 2021 | 2020 |
|---|--------------------|----------------|
| | DKK | DKK'000 |
| 18. Contingent Liabilities | | |
| Recourse and non-recourse guarantee commitments | 200.000.000 | 200.000 |
| Contingent Liabilities to third parties | 200.000.000 | 200.000 |

19. Transaction with related parties

The annual report show only transaction with related parties, which have not been implemented on market terms. No such transactions have taken place during the financial year.

20. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Japan Tobacco Inc.
2-1, Toranomom 2-chrome
Minato-ku, Tokyo 105-8422 Japan

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

JT International Holding B.V.
Bella Donna 4
1181 RM Amstelveen
The Netherlands

The Consolidated Financial Statements for Japan Tobacco Inc. may be obtained at the following address:

JTI Denmark A/S
Tobaksvejen 2A
DK-2860 Søborg