

AG Snus Aktieselskab

C/o Swedish Match Denmark A/S, Georg Jensens Vej 7
8600 Silkeborg
CVR No. 32883044

Annual report 2023

The Annual General Meeting adopted the annual report on 4 / 6 2024

Michael Bryrup

Chairman of the General Meeting

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Entity details

Entity

AG Snus Aktieselskab

C/o Swedish Match Denmark A/S, Georg Jensens Vej 7

8600 Silkeborg

Business Registration No.: 32883044

Registered office: Silkeborg

Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Marian Lynn Salzman

Lars Mattias Gustafsson

Bjarne Strandhave Hald

Åke Joakim Tilly

Executive Board

Lars Mattias Gustafsson

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Munkebjergvænget 1, 3. og 4. sal

5230 Odense M

CVR No.: 33771231

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of AG Snus Aktieselskab for the financial year 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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.

Silkeborg, 29.05.2024

Executive Board

Lars Mattias Gustafsson

Board of Directors

Marian Lynn Salzman

Lars Mattias Gustafsson

Bjarne Strandhave Hald

Åke Joakim Tilly

Independent Auditor's report

To the shareholders of AG Snus Aktieselskab

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 to 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of AG Snus Aktieselskab for the financial year 1 January to 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.

Emphasis of matter

We refer to note 1 to the Financial Statements/the information in the accounting policies section, from which it appears that the Financial Statements are not prepared on a going concern basis, and that recognition, measurement and presentation are made with due consideration to this. Our opinion has not been modified in respect of this matter.

Management's responsibilities for the Financial Statements

The 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 the 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, the Management is responsible for assessing the Company's ability to continue as a going concern taking into account the expected liquidation, disclosing, as applicable, matters related to going concern and using appropriate accounting policies taking into account the expected liquidation.

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 by the Management and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the significant accounting policies 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 taking into account the expected liquidation. 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.

Statement on Management's Review

The 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 in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by 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.

Odense, 29.05.2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33771231

Mikael Johansen
statsautoriseret revisor
Identification No (MNE) mne23318

Peter Krogh Johansen
statsautoriseret revisor
Identification No (MNE) mne45868

Management commentary

Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	77,115	51,210	79,902	35,402	23,475
Operating profit/loss	7,370	11,569	55,239	10,536	1,704
Net financials	675	(91)	(46)	(144)	(192)
Profit/loss for the year	6,336	9,026	43,606	8,705	1,636
Total assets	66,031	68,584	103,340	48,223	51,911
Investments in property, plant and equipment	3,952	5,782	9,327	132	6,308
Equity	36,853	39,517	72,675	29,069	20,364
Average number of employees	51	46	42	37	24
Ratios					
Return on equity (%)	16.59	16.09	85.72	35.22	8.37
Equity ratio (%)	55.81	57.62	70.33	60.28	39.23

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

The main activity is production and sale of smoke free tobacco products.

Development in activities and finances

On September 6, 2023, the Board of Directors of the Company issued its contemplated decision to cease snus production in AG Snus Aktieselskab by the end of 2023 and authorized management to initiate the necessary employee consultations. The Company announced the contemplated decision on September 20, 2023 and, in parallel, progressed into consultation with the Company Works Council and the relevant Trade Unions.

Effective September 25, 2023, the Company agreed with the Trade Unions and their members on a Social Plan for the affected employees. Following completion of the consultation phase, the Company ceased snus production by the end of 2023. All fixed assets and inventories have been disposed and contracts were terminated.

Profit/loss for the year in relation to expected developments

The income statement of the Company for 2023 shows a profit of DKK 6,336,129, which is as expected. At 31 December 2023 the balance sheet of the Company shows equity of DKK 36,853,174.

Uncertainty relating to recognition and measurement

No unusual uncertainty relating to recognition and measurement are assessed.

Unusual circumstances affecting recognition and measurement

Due to the decision above, costs, impairment losses and costs and provisions for staff as been recognised, cf. note 2.

Outlook

The company expects to enter liquidation in 2024. All costs are charged to affiliate Philip Morris Products S.A. It is management's expectation that profit for the year will be more or less DKK 0.

Environmental performance

The Company has worked to improve the environmental footprint.

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		77,114,907	51,209,829
Staff costs	4	(49,752,641)	(32,505,566)
Depreciation, amortisation and impairment losses	5	(19,992,211)	(7,134,996)
Operating profit/loss		7,370,055	11,569,267
Income from investments in associates		0	42,391
Other financial income		676,153	65,602
Other financial expenses		(912)	(156,244)
Profit/loss before tax		8,045,296	11,521,016
Tax on profit/loss for the year	6	(1,709,167)	(2,495,366)
Profit/loss for the year	7	6,336,129	9,025,650

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Plant and machinery		0	15,914,615
Other fixtures and fittings, tools and equipment		0	362,897
Property, plant and equipment	8	0	16,277,512
Fixed assets		0	16,277,512
Raw materials and consumables		0	6,973,000
Work in progress		0	442,610
Manufactured goods and goods for resale		0	532,988
Inventories		0	7,948,598
Trade receivables		0	200
Receivables from group enterprises		32,060,640	171,365
Other receivables		494,836	3,122,927
Receivables		32,555,476	3,294,492
Cash		33,475,736	41,063,281
Current assets		66,031,212	52,306,371
Assets		66,031,212	68,583,883

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital	9	7,500,000	7,500,000
Retained earnings		29,353,174	23,017,045
Proposed dividend		0	9,000,000
Equity		36,853,174	39,517,045
Deferred tax	10	0	31,155
Provisions		0	31,155
Trade payables		1,721,462	6,533,928
Payables to group enterprises		0	12,972,904
Joint taxation contribution payable		1,740,322	2,851,651
Other payables	11	25,716,254	6,677,200
Current liabilities other than provisions		29,178,038	29,035,683
Liabilities other than provisions		29,178,038	29,035,683
Equity and liabilities		66,031,212	68,583,883
Going concern	1		
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Statement of changes in equity for 2023

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	7,500,000	23,017,045	9,000,000	39,517,045
Ordinary dividend paid	0	0	(9,000,000)	(9,000,000)
Profit/loss for the year	0	6,336,129	0	6,336,129
Equity end of year	7,500,000	29,353,174	0	36,853,174

Notes

1 Going concern

The company is expected to be liquidated according to the rules on solvent liquidation. The annual report has been prepared according to the same accounting practices as used in the most recent annual accounts, but recognition, measurement, classification and setting up accounting items etc. has taken place taking into account that the company's assets and liabilities are realized on disposal rather than continued operation.

2 Unusual circumstances

In September 2023 Board of Directors of the Company issued its contemplated decision to cease snus production in AG Snus Aktieselskab by the end of 2023. Due to the decision, costs, impairment losses and costs and provisions for staff has been recognised with the following amounts:

	2023
	DKK
Included in Gross profit:	
Write-down of inventories	3,392,948
Cost related to settlement of leases and other agreements, estimated at	3,550,536
Included in Staff costs:	
Staff costs, estimated at	19,500,000
Included in Depreciation, amortisation and impairment losses:	
Impairment losses on property, plant and equipment	14,816,688
	41,260,172

3 Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

4 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	46,679,342	29,701,285
Pension costs	2,207,472	1,872,454
Other social security costs	114,740	331,150
Other staff costs	751,087	600,677
	49,752,641	32,505,566
Average number of full-time employees	51	46

	Remuneration of Management 2023 DKK	Remuneration of Management 2022 DKK
Executive Board	1,250,000	3,000,000
	1,250,000	3,000,000

5 Depreciation, amortisation and impairment losses

	2023 DKK	2022 DKK
Depreciation of property, plant and equipment	5,175,523	7,134,996
Impairment losses on property, plant and equipment	14,816,688	0
	19,992,211	7,134,996

6 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	1,740,322	2,851,651
Change in deferred tax	(31,155)	(356,263)
Adjustment concerning previous years	0	(22)
	1,709,167	2,495,366

7 Proposed distribution of profit and loss

	2023 DKK	2022 DKK
Ordinary dividend for the financial year	0	9,000,000
Retained earnings	6,336,129	25,650
	6,336,129	9,025,650

8 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	67,655,348	1,064,087
Additions	3,951,826	0
Disposals	(71,607,174)	(1,064,087)
Cost end of year	0	0
Depreciation and impairment losses beginning of year	(51,740,733)	(701,190)
Impairment losses for the year	(14,767,583)	(49,105)
Depreciation for the year	(5,098,856)	(76,667)
Reversal regarding disposals	71,607,172	826,962
Depreciation and impairment losses end of year	0	0
Carrying amount end of year	0	0

9 Share capital

The share capital consists of 7,500 shares of a nominal value of DKK 1,000. No shares carry any special rights.

10 Deferred tax

	2023 DKK	2022 DKK
Property, plant and equipment	0	31,155
Deferred tax	0	31,155

Changes during the year	2023 DKK	2022 DKK
Beginning of year	31,155	387,418
Recognised in the income statement	(31,155)	(356,263)
End of year	0	31,155

11 Other payables

Other payables includes wages and salaries related to termination of staff contacts.

12 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Philip Morris ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc. for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, and also secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

13 Assets charged and collateral

No assets has been charged or collateralized per 31. december 2023.

14 Related parties with controlling interest

Philip Morris Products S.A., Switherland owns all shares in the Entity, thus exercising control.

15 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

16 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Philip Morris International Inc., 677 Washington Blvd., Ste. 1100, Stamford, CT 06901, USA

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Philip Morris International Inc., 677 Washington Blvd., Ste. 1100, Stamford, CT 06901, USA

Copies of the consolidated financial statements may be ordered at the following address:
Philip Morris International Inc., 677 Washington Blvd., Ste. 1100, Stamford, CT 06901, USA

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

The financial statements are presented in Danish kroner (DKK).

Going concern

The company is expected to be liquidated according to the rules on solvent liquidation. The annual report has been prepared according to the same accounting practices as used in the most recent annual accounts, but recognition, measurement, classification and setting up accounting items etc. has taken place taking into account that the company's assets and liabilities are realized on disposal rather than continued operation.

Recognition and measurement

Revenue are recognised in the income statements as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value og amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised 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 recognised 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.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of the transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Income statement

Gross profit or loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards related to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits

relating to the sale will flow to the Company.

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities,

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

Costs of raw materials and consumables

Expenses for raw materials and consumable comprise the raw materials and consumable consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff costs

Staff costs comprise wages and salaries as well as payroll expenses.

Depreciation, amortisation and impairment losses

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

Income from investments in associates

The items "Income from investments in subsidiaries" and "income from investments in associates" in the income statement include the proportionate share of profits for the year.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Financial expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Entity is jointly taxed with Danish Group Companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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 is calculated on a straight-line basis over the expected useful lives of the assets, which are:

	Useful life
Plant and machinery	2-6 years
Other fixtures and fittings, tools and equipment	5 years

The fixed assets' residual values are determined at nil. Depreciation period and residual value are reassessed annually.

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses.

The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Cash

Cash comprises cash in hand and bank deposits.

Equity and dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Other financial liabilities

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Philip Morris International Inc., Stamford, CT 06901, USA.