



## **PHILIP MORRIS ApS**

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

# **Annual Report 2024**

The Annual Report was presented and adopted at the  
Annual General Meeting of the Company  
on 30 June 2025

Michael Bryrup  
*Chairman of the General Meeting*

## Table of Contents

Management 's Statement on the Annual Report	3
Independent Auditors' Report	4
Company Information	7
Key Financial Figures and Ratios	8
Review of 2024 and future expectations	9
Statutory report on Corporate Social Responsibility	10
Income Statement	26
Balance Sheet	27
Statement of Changes in Equity	29
Notes to the Annual Report	30
Accounting Principles	38



## 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 2024.

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 at 31 December 2024 of the Company and of the results of the Company operations for 2024.

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 2025.

## **Executive Board**

Kim Devald

## **Board of Directors**

Anette Carina Rosengren  
*Chairman*

Kim Devald

Tamara Milovanovic



## Independent Auditor's Report

To the Shareholder of Philip Morris ApS

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2024, and of the results of the Company's operations for the financial year 1 January - 31 December 2024 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 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

### Basis for Opinion

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

### Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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



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

### **Management's Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 30 June 2025

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR.-nr. 33 77 12 31

Flemming Eghoff

State Authorized Public Accountant

MNE30221

Amanda Sommer Degn

State Authorized Public Accountant

MNE50598



## The Company

Philip Morris ApS

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

Telephone: +45 70 23 10 21

CVR no.: 25 79 79 22

Fiscal year: January 1 – December 31, 2024

The municipality of reg. office: Copenhagen

## Executive Board

Kim Devald

## Board of Directors

Anette Carina Rosengren, chairman

Kim Devald

Tamara Milovanovic

## Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK- 2900 Hellerup



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

	<u>2024</u> DKK'000	<u>2023</u> DKK'000	<u>2022</u> DKK'000	<u>2021</u> DKK'000	<u>2020</u> DKK'000
<b>Key financial figures</b>					
<b>Income statement</b>					
Revenue	1,679,503	1,664,063	1,347,274	1,843,888	1,513,437
Gross profit	100,650	83,937	61,057	68,744	86,740
Profit before financial income and expenses	21,829	19,323	6,790	10,564	23,708
Financial net result	-13,591	-12,881	-3,400	-4,077	-1,766
Net profit for the year	5,579	4,477	2,375	4,764	16,971
<b>Balance sheet</b>					
Investment in property, plant and equipment	298	319	0	0	0
Balance sheet total	494,037	530,658	678,934	962,058	1,163,146
Equity	13,384	7,805	3,329	4,954	18,390
<b>Number of employees</b>	<b>91</b>	<b>82</b>	<b>76</b>	<b>84</b>	<b>87</b>
<b>Key ratios (%)</b>					
Gross margin	6.0%	5.0%	4.5%	3.7%	5.7%
Operating margin	1.3%	1.2%	0.5%	0.6%	1.6%
Rate of return	4.4%	3.6%	1.0%	1.1%	2.0%
Solidity	2.7%	1.5%	0.5%	0.5%	1.6%
Return on equity	52.7%	80.4%	57.3%	40.8%	112.0%



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 2024 and future expectations

### Main Activity

The Company's main activity during the financial year was distribution of Philip Morris International products on the Danish market. Philip Morris ApS is active with the following product segments commercialization: cigarettes (Marlboro, Chesterfield, Skjöld & L&M), heat-not-burn products (IQOS, Heets and Terea), nicotine pouches (Volt), chew bags (General and Goteborg Rape). Products are sold via B2B and B2C channels.

### Recognition and measurement uncertainties

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

### Unusual matters

In Philip Morris ApS we have not observed any unusual matters during 2024.

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

In 2024, net turnover increased by 0.93%, reaching DKK 1,679,503,082 compared to the previous year. Following the integration with Swedish Match, revenue from conventional cigarettes declined; however, this was partially offset by growth in the oral category, reflecting a shift in consumer preferences and the company's strategic focus on reduced-risk products. This growth in revenue and gross profit is primarily attributed to the low revenue base in 2023, which resulted from the normalization of year-end inventory levels among our customers. As a result, the increase in revenue was accompanied by a lower cost of goods sold, which also impacted on gross profit. Profit after tax rose to DKK 5,579,378 in 2024, up from DKK 4,476,559 in 2023. Management considers the Company's performance in 2024 to be solid and in line with expectations set in 2023. The Company successfully expanded its cigarette market share from 17.9% in 2023 to 18.5% in 2024, driven primarily by the continued strong performance of the Marlboro brand. The total balance sheet amounted to DKK 494,036,888 with equity totaling DKK 13,384,472.



## Targets and Expectations for the Year Ahead

The company believes that profitability in 2025 will remain at approximately the same level as in 2024. 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.

## Statutory report on Corporate Social Responsibility

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

This commitment is aligned with the global corporate social responsibility strategy of Philip Morris International reflected in the PMI Integrated Report 2024. As a local affiliate, Philip Morris ApS contributes to these global objectives through its own initiatives in areas such as climate action, human rights, and employee well-being.

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

## 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 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 addition to our flexible working hours, we have clear meeting guidelines, defining the core hours during which meetings can be scheduled and supporting a healthy work-life balance. Post Covid-19, we introduced a remote working policy named "Smart Work", where our employees are allowed to work remotely and are supported in varying measures, including providing office furniture and any additional IT equipment necessary to safely setting up a proper remote workplace. As we support restitution and wellbeing, we provide several opportunities for additional paid days off, such as compassionate leave and two additional paid days of holiday to enable our employees to take time off and re-charge.

Wellbeing and Mental health are a prioritized topic and something Philip Morris ApS continuously addresses. For instance, October is our dedicated mental health month, and in 2024 we had a session on "Finding Joy at Work," as well as promotional campaigns on local benefits that promote and support mental health and wellbeing. During the wellbeing month we also promoted Our



Employee Assistance Program available for all employees and their family members to get professional counseling and support, when needed. Additionally, we have a program in place called React Early, which ensures that we have a proactive approach to good mental wellbeing.

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

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

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

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

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

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

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

Respecting human rights and promoting equality is a priority for PMI.



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

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

### **Non-Discrimination and Equal Opportunity**

At Philip Morris ApS, we prioritize employee non-discrimination and equal opportunity. We hire, retain, and promote based on qualifications, demonstrated skills, and achievements. Diversity is an essential characteristic of our profoundly multicultural company.

We are committed to treating all employees with dignity and respect, fostering a working environment where open and candid communication thrives. To promote dialogue between executive management and employees, we encourage regular team meetings, one-on-one meetings, conference calls, forums, and employee surveys. One of our key focus areas is the engagement surveys conducted twice a year. By analyzing employee engagement data, we track differences across various demographics to ensure equal and fair treatment for all. Additionally, all employees are invited to follow-up sessions where we create action plans to track improvements and make PMI an even better place to work.

Philip Morris ApS has zero tolerance for any form of abuse or harassment, including unwanted verbal or physical conduct. Each new employee is familiarized with the employee handbook to ensure compliance and provide readily accessible information and guidance on employee conduct, non-discrimination and equal opportunity, discrimination, and our zero tolerance for retaliation.

Achieving gender balance is a top priority within our Inclusion and Diversity strategy. We are committed to maintaining equal opportunities for women and men at all management levels. Our Danish Management Team conducts yearly reviews of key D&I statistics, including gender balance, promotions, hirings, leavings, and trainings per gender. These insights help us address any gender disparities in opportunities.



We encourage talented employees, regardless of gender, to pursue career milestones within the company. To increase the number of female applicants for open roles, we implement practices to mitigate biases and ensure equal opportunities throughout the employee journey. Job advertisements use gender-neutral language, and we aim for gender-balanced shortlists of candidates and diverse interview panels to reduce unconscious bias in talent assessments. All vacancies are promoted within the organization, encouraging employees to voice their aspirations and share development plans. To support development and growth, all employees have access to a diverse set of e-learning and trainings, providing opportunities to upskill and excel in their careers.

To monitor our progress, Philip Morris ApS has set a target of keeping the representation of both genders between 40% and 60% to ensure diversity in managerial positions. In 2024, the share of women in management positions was 38.5%, which is very close to our target and due to the size of the organization can be considered in line with the ambition. Nevertheless, will continue our efforts in our current strategies to ensure that we are effectively supporting the advancement of women within the organization. We remain committed to our diversity commitments and will continue to implement targeted actions

The Board of Directors, representing the company's top management level, is appointed by the sole shareholder. We encourage the sole shareholder to consider gender diversity when appointing the Board of Directors to achieve a 30% share of the minority gender. As of mid-March 2019, this target was achieved with the appointment of Anette Rosengren as Chairwoman, creating an equal distribution in top management.

As part of Philip Morris International, Philip Morris ApS holds the Global Equal Salary Certificate, ensuring all employees are paid fairly and equally regardless of gender, nationality, ethnicity, or sexual orientation. We are proud to have passed the external Equal Salary Certification audits conducted by PwC in the Nordics with no non-conformities, confirming our steadfast commitment to equal treatment and an inclusive workplace.

## Human Rights

### Respect Human Rights

Human rights are inherent to the dignity of human life and a prerequisite for society to prosper. As a global company, we work to uphold human rights within our organization and across our value chain. At PMI, promoting, protecting, and continuously working to embed human rights considerations into our company's strategy, policies, and business practices is not just the right thing to do; it also helps anticipate current and emerging legal requirements and minimizes our



financial exposure and the risk of supply chain disruptions. It creates the basic environment and conditions within which our business can thrive and create value, by recognizing, respecting, and protecting our rights-holders, including our employees and workers across our value chain.

Across our value chain, we aim to minimize our adverse impacts and maximize opportunities to drive positive change. Establishing a strong foundation of respect and integrating into our organization mechanisms that promote and protect human rights are essential components of our approach to business. While maintaining these high standards can be challenging given the breadth of our operations and the scope and complexity of the issues we encounter, we believe safeguarding human rights is an absolute and universal requirement—which we are committed to upholding. We seek to place rights-holders—those individuals and communities whose rights could be impacted by our operations or business relationships—at the center of all we do. We work to continuously improve our due diligence with respect to identifying and addressing current or potential risks and impacts across our value chain and ensuring the responsible procurement of materials and services. To succeed in this endeavor, we expect our suppliers to commit to respecting human rights within their businesses, and we seek to collaborate with them, either individually or through multistakeholder initiatives. Our efforts to respect, promote, and protect human rights underlie many of the activities and programs described throughout this report. A dedicated cross-functional team at our central operations coordinates our approach, which is grounded in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and centered on four pillars:

- A sound policy framework: Our work is governed by PMI’s Human Rights Commitment, which is complemented by other PMI policy instruments such as our Code of Conduct, Responsible Sourcing Principles, Marketing Codes, and Good Agricultural Practices. Awareness-raising and training help us embed those instruments and an ethos of respect for human rights within our corporate culture.
- Rigorous due diligence: We have robust programs and processes in place to identify our adverse impacts across our value chain; these include our enterprise-wide assessment, human rights saliency mappings, and human rights impact assessments (HRIAs), in addition to targeted due diligence programs focused on specific areas of potential risk such as our tobacco and electronics supply chains. We complement these programs with external assessments and verifications.
- Remediation: We implement measures to address adverse impacts and maximize opportunities to drive positive changes for people across our value chain. We seek to collaborate with civil society organizations, governments, and the private sector to design and deploy impactful solutions. Wherever adverse impacts occur, we strive to ensure affected individuals have access to grievance mechanisms and effective remedies in line with the UNGPs.



- **Transparency:** A complex and international value chain carries the potential for human rights risks that we need to understand, manage, and continuously address. Reporting transparently on our progress and the challenges we face through our annual reporting and targeted communications is vital to our approach. Our Human Rights Report, published in 2023 and available for download [here](#), details our strategy to respect, promote, and protect human rights and our progress to date in implementing our Human Rights Commitment, first published in 2017. This report incorporates a preliminary analysis of disclosures on our work on human rights and the considerations of the UN Guiding Principles Reporting Framework (UNGPRF), which enables companies to report meaningfully on their human rights performance.

### **Assessing human rights impacts across our markets.**

To strengthen our due diligence framework, proactively identify risks, and mitigate potential adverse impacts along our operations and value chain, we have set an ambition to conduct human rights impact assessments (HRIAs) by 2025 in the 10 highest-risk countries in which we operate. During 2024, as we completed our 9th and 10th assessment in Kazakhstan and Indonesia, respectively, we achieved our aspiration one year ahead of schedule. We also completed a follow-up assessment in Mozambique, gauging the progress made since our original assessment conducted in 2020. Our HRIAs are carried out by independent expert organizations and follow a formal process aligned with the UNGPs. They result in tailored action plans, which we implement, monitor, and report on.

Regarding past HRIAs, action plans have been fully implemented in Malaysia, Mexico, the Philippines, and Russia. We also continued monitoring the implementation of actions developed in previous HRIAs in Turkey, Brazil and Pakistan. In addition to conducting HRIAs in PMI's highest-risk countries, we introduced a self-assessment tool in 2021, which we further fine-tuned in 2023, accounting for the inputs of our network of sustainability experts across our markets and our human rights consultant Article One. Streamlining the toolkit was welcomed by those who use it, and the revised version is less complex to use while also including practical supports to successfully aid conduct.

### **Grievance mechanisms**

Providing access to remedy to potentially impacted stakeholders relies on the provision of an effective grievance mechanism, both for our operations and across our supply chain. This is a core element of our human rights due diligence approach, aligned with the UNGPs. At PMI, we maintain clear policies, run regular training, and work to ensure that robust processes are in place to encourage individuals to speak up if they become aware of any suspected, potential, or actual violations of law, our Code of Conduct, or any of our policies. For more information on the



grievance mechanisms, we offer at PMI to encourage individuals to ask questions, raise concerns, or report instances of observed or suspected misconduct, see the Uphold business ethics and integrity section of this report.

At PMI, individuals may ask questions, raise concerns, or report instances of observed or suspected misconduct by contacting any of the following:

- The individual's supervisor, department head, or affiliate or function leadership
- Compliance key contacts (e.g., Regional and Local Compliance Officers)
- PMI Global Compliance confidential email address
- PMI Compliance Help Line (online or by telephone), which is a third party-operated reporting channel available 24 hours a day, seven days a week, in all languages spoken at PMI. Individuals may use the Compliance Help Line anonymously, subject to local laws and regulations PMI has also implemented a Global Speak Up Policy, the principles of which are reinforced by the PMI Code of Conduct and all PMI compliance policies. There is a robust speak up culture at PMI. Most employees who speak up do so directly with the Compliance department and voluntarily disclose their identity when doing so. Specifically, in 2024, 23 percent of the reports received by Compliance were submitted anonymously (2023: 19 percent). The Compliance team regularly communicates to employees about PMI's speak up program. For example, the Compliance team publishes quarterly statistics about speak up reports, compliance violations, and disciplinary actions, and shares with employees anonymized real-life examples of misconduct and advisory guidance.

In Philip Morris ApS we have not observed any breaches of our policies related to Human Rights during 2024.

### Supply chain sustainably

Our supply chain accounts for a significant portion of potential social and environmental risks and opportunities. We are committed to collaborating with our value chain partners in identifying and managing these risks and opportunities responsibly.

Our operations rely on securing high-quality, cost-effective, and fit-for-use materials and services from suppliers, which are expected to adhere to PMI's sustainability-related requirements. These requirements form the basis for collaboration with PMI and are set out in our Responsible Sourcing Principles (RSP)—first introduced in 2017 and revamped in 2023. To achieve tangible environmental and social improvements, we seek to identify and address actual and potential risks while seizing opportunities to create a positive impact in the communities in which we and our suppliers operate. Our approach to sustainable supply chain management is based on:



- Leveraging the reach and understanding of our supply base to proactively engage our suppliers to implement impactful programs, such as tackling climate change, preserving nature, and improving the quality of life of people in our supply chain
- Assessing risk linked to the nature of materials or services we purchase and the location they are sourced from
- Conducting supplier due diligence and assessing their sustainability performance and reporting capabilities
- Driving continuous improvement towards compliance with sustainability requirements through supplier capability building
- Embedding sustainability criteria in strategic sourcing decisions and supplier selection process

As part of our procurement practices, we identify and screen suppliers for business relevance and potential environmental, social, and governance-related risks before engaging with them. Our screening methodology includes country-specific, sector-specific, and commodity-specific risks to determine a list of significant suppliers through a sustainability lens. In 2024, we engaged with approximately 1,000 significant suppliers. Significant suppliers are those identified as having a substantial risk of negative sustainability-related impact, significant relevance to the business, or a combination of both. 1. See Glossary for definition of critical and significant suppliers. However, not all significant suppliers are critical to our business. Critical suppliers are linked to the nature of materials or services they provide to the business (e.g., pulp and paper and electronic components). In 2024, we had 209 critical suppliers. Significant and critical suppliers go through a rigorous assessment process. 1 Our supply chain sustainability due diligence is guided by our RSP, which aligns with the UN Guiding Principles on Business and Human Rights (UNGPs), the 10 principles of the UN Global Compact, and the International Labour Organization (ILO) Conventions. It also helps us build preparedness for anticipated and pending legislation such as the EU Corporate Sustainability Due Diligence Directive (CSDDD) and EU Deforestation Regulation, among others. The RSP details our expectations and sets process and performance requirements for our suppliers. We expect all our suppliers to adhere to the mandatory section of our RSP requirements and address identified gaps to continuously improve their sustainability performance.

To monitor RSP adherence, we apply tailored due diligence mechanisms within specific segments of our supply chain. In our tobacco supply chain, our work is governed by our Good Agricultural Practices (GAP) and Agricultural Labor Practices (ALP) Code, which are operationalized at the farm level by field technicians working year-round with the farmers contracted by PMI and our suppliers. In our electronics supply chain, we leverage the work of the Responsible Business Alliance (RBA) and its adjacent programs. For monitoring direct materials, indirect materials and



services, and third-party leaf suppliers, we collaborate through our preferred partner, EcoVadis. Adherence to our RSP—and to GAP for our tobacco supply chain—is being built into our contractual agreements with suppliers. We use a suite of tools, including self-assessment questionnaires, third-party assessments, on-site audits, and field visits to monitor performance. The RSP has been published in 27 languages to facilitate supplier understanding and its deployment. As originally planned with the revamp of the RSP, all contractual commitments will include an adherence requirement by 2025. PMI employees who have regular interaction with suppliers have been requested to complete RSP training. Internal capability building on RSP has been split into sections specifically dedicated to RSP: Fundamentals and Advanced, as well as other non-related sessions that explain RSP.

### Updating our Responsible Sourcing Principles

In 2024, we updated our Responsible Sourcing of Minerals Policy for better alignment with our RSPs and the OECD Due Diligence Guidance. Our Policy effectively articulates PMI's existing due diligence efforts, including requirements for suppliers, and demonstrates a stronger commitment to minerals supply chain due diligence. It provides details on our approach to consequence management and also establishes a foundation for PMI to expand due diligence to other minerals and geographies beyond those in scope of the U.S. SEC Ruling. Following a pilot in 2023 where we increased the frequency of the conflict minerals data collection to twice a year, in 2024 we rolled it out to all PMI suppliers. This increased monitoring improved the quality of the data collected. Cobalt, which is used in the batteries that power our smokefree devices, is also linked to unethical mining practices. While the quantities required for our products are minor relative to the global market size, we are leveraging the RMI approach for due diligence in our cobalt supply chain to identify and address potential human rights risks. In 2024, all our battery suppliers responded to a PMI request. Subsequent due diligence indicated that, as of December 31, 2024, each of the 40 smelters from which PMI battery suppliers source cobalt were on RMI's conformant list. We continue to engage with our suppliers to improve visibility into this complex supply chain and enhance our due diligence framework.

### Tobacco supply chain

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



supply contracts. To ensure a consistent level of due diligence across our tobacco supply chain, we use EcoVadis to assess the sustainability performance of our leaf suppliers.

## Environment and Climate Change

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

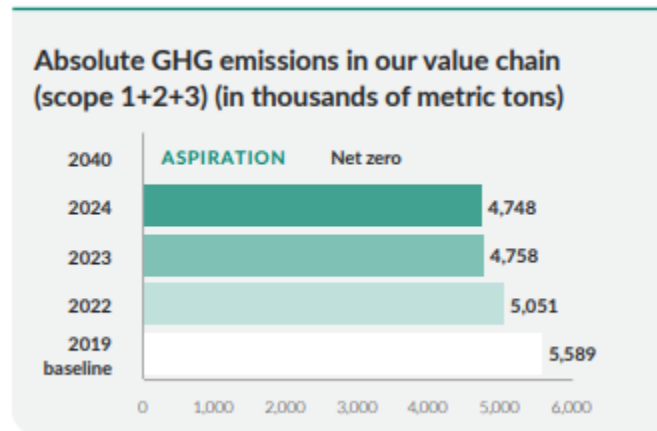
Taking into account the Paris Agreement, we have set a science-driven GHG reduction roadmap aligned with its goals. Our near-term 2030 absolute GHG emissions reduction targets, including our most recently approved Forest, Land and Agriculture (FLAG) and industrial emission reduction commitments, and long-term 2040 commitment to net zero emissions, have been validated by the Science Based Targets initiative (SBTi) and are aligned with a scenario of an increase in global temperature of no more than 1.5°C above preindustrial levels. To further drive GHG emission reductions in our value chain, we have set a target for 15 percent of our supply chain spend to be covered by suppliers that have their own science-based targets. The SBTi re-validated our targets in 2024.

Our GHG emission reduction efforts cover our entire value chain. Guided by our GHG emission footprint model, we have in place specific mid-term targets and strategies that account for our most significant impacts on climate, and we conduct periodic climate change risk and opportunity assessments to inform our efforts. We use internal carbon pricing, including shadow carbon pricing and an internal carbon levy, to incentivize and drive reductions in GHG emissions. We incentivize our employees through monetary rewards or other forms of recognition for the successful implementation of climate-related initiatives and seek to raise awareness among our entire workforce of climate change-related impacts through regular internal communications and training. In selecting direct materials suppliers, we consider their transparency in disclosing emissions factors and demonstration of significant carbon intensity reductions. To be successful, contributing to climate mitigation, enabling climate adaptation, and advancing climate resilience cannot occur in isolation. PMI engages with sustainability-related initiatives and organizations, including the Business Ambition for 1.5°C, and we have publicly reported in line with the



recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Read our TCFD Report 2022 [here](#). Our affiliates also belong to national business associations that are engaging with governments to advance progress on climate protection at the local level.

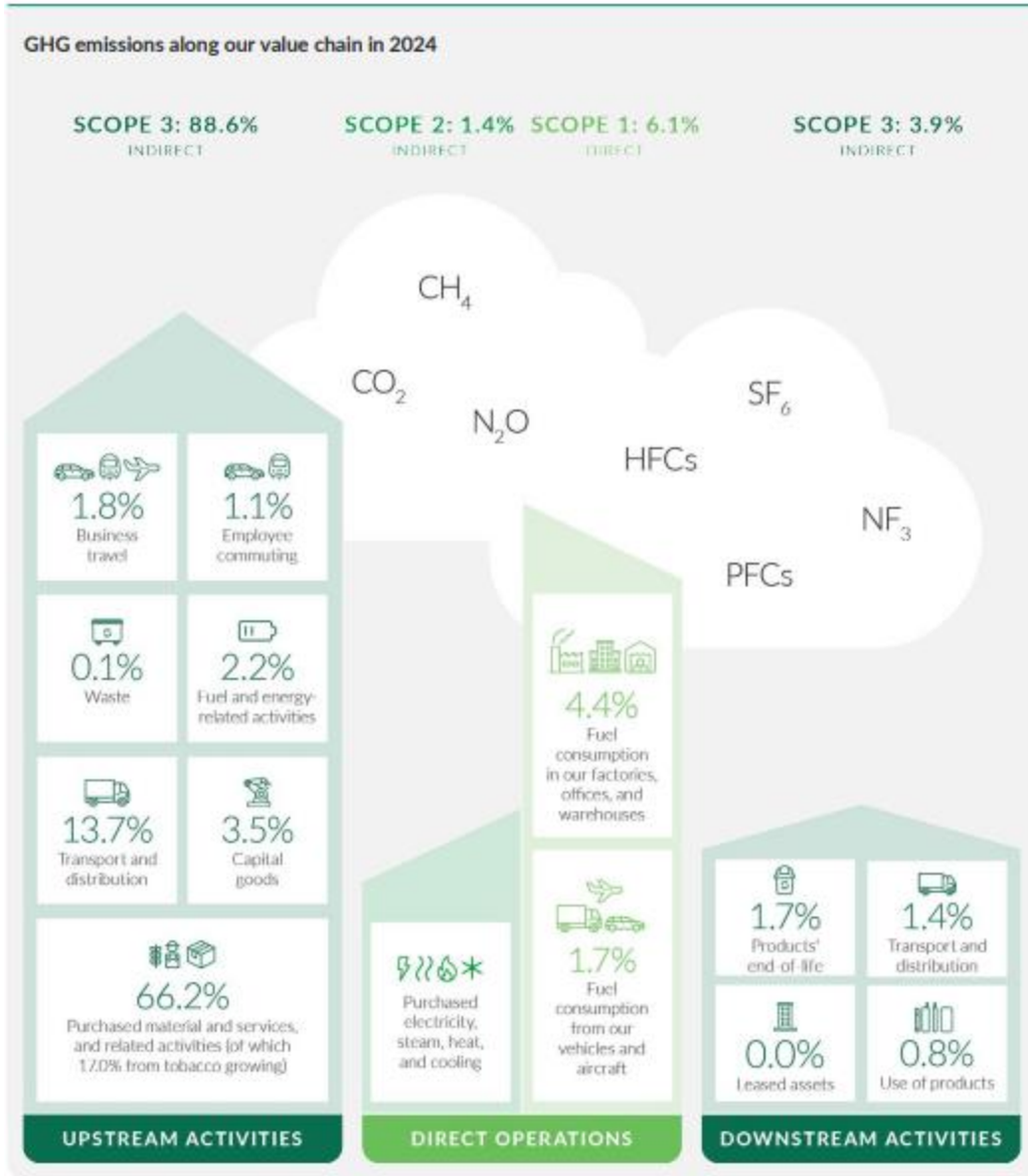
### Overview of carbon footprint in 2024



At PMI, we seek to improve the environmental performance of our direct operations which represented 7.5 percent of our overall carbon footprint in 2024, and where we have operational control. Our upstream emissions represented 88.6 percent of our total GHG footprint in 2024. It is therefore critical that we work within our tobacco supply chain and with our broader supply chain partners to drive impact. Downstream emissions represented 3.9 percent of our total footprint in 2024. We have aspirations to embed eco-design principles in our smoke-free products and extend our electronic smoke-free device life span, and to reduce our packaging footprint.

An overview of PMI carbon emissions along the value chain during 2024 can be visualized in the table below.





To obtain more information please kindly check the Philip Morris International Integrated Report for 2024:

<https://www.pmi.com/resources/docs/default-source/pmi-sustainability/pmi-integrated-report-2024.pdf>

**Reporting standards and frameworks**

PMI global sustainability report has been prepared with reference to the Global Reporting Initiative (GRI) Universal Standards (2021) and relevant topic-specific standards. Our 2024 GRI Index, which also maps the principles and standards of the UN Global Compact (UNGC), is



available on PMI.com. We take into account guidance from the International Sustainability Standards Board (ISSB) of the IFRS Foundation, including using its SASB Standards, Integrated Thinking Principles, and Integrated Reporting Framework. Our SASB Index is available on PMI.com. Our 2022 report aligned with the Task Force on Climate-related Financial Disclosures (TCFD) is available on PMI.com. We also continued to prepare for the EU Corporate Sustainability Reporting Directive (CSRD).

### **PMI's value chain carbon footprint: Methodology Overview**

The vast majority (88.6 percent) of our carbon footprint lies in our upstream value chain, encompassing purchased goods and services, tobacco growing, transportation and distribution, business travel, and employee commuting. A smaller percentage (3.9 percent) comes from our downstream value chain, including product use and end-of-life phases, and finished goods transportation and distribution. Our upstream and downstream value chains combine to form our scope 3 GHG emissions. Our 2024 data show a 12 percent decrease in scope 3 GHG emissions versus our 2019 baseline. However, the rate of reduction has slowed in recent years, including in 2024, falling short of our originally planned trajectory. While our planned programs delivered reductions to expectation, unfavorable conditions in 2024 demanded supply chain adjustments. These business continuity decisions, particularly in tobacco sourcing, required shifts to regions with higher carbon footprints, creating a temporary setback to our emission reduction progress. On the other hand, in 2024, targeted interventions were implemented to reverse past years' supply chain disruption impacts. This allowed us to significantly reduce emissions from air shipments, and it also allowed us to develop our first pilot project for PMI's internal carbon price for scope 3, focusing on ocean shipping activities.

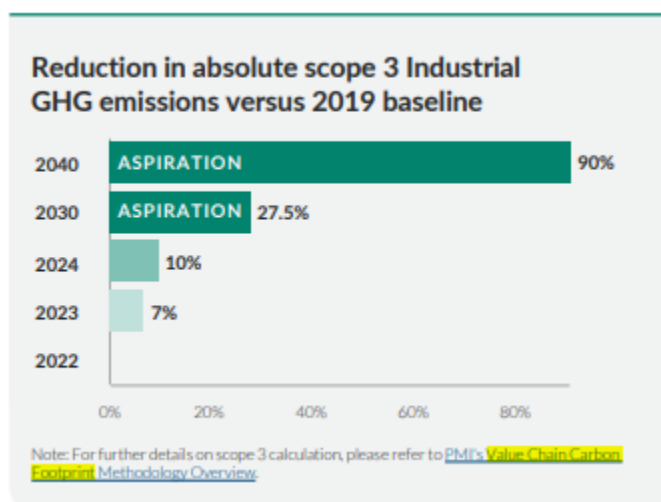
In 2024, as a result of our strong engagement with our value chain partners and deployment of targeted initiatives, we observed a 10 percent reduction of our scope 3 Industrial emissions versus 2019. The better we understand the drivers of our emissions, as well as the emissions and profiles of our suppliers, the more effective our interventions can be to achieve our targeted reductions. In 2024, we enhanced our GHG emissions primary data collection from suppliers in multiple categories, including tobacco and direct materials. We also engaged with suppliers across our logistics categories such as overland carriers that supplied their GHG emissions data for the transportation of PMI goods. This approach allows us to progressively transition from spendbased to supplier-specific calculations, making our methodology more robust and enabling us to shift to primary data.

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In 2024, we enhanced our GHG emissions primary data collection from suppliers in multiple categories, including tobacco and direct materials. We also engaged with suppliers across our logistics categories such as overland carriers that supplied their GHG emissions data for the transportation of PMI goods. This approach allows us to progressively transition from spend-based to supplier-specific calculations, making our methodology more robust and enabling us to shift to primary data.

Beyond our SBTi-validated target on the percentage of supply spend covered by suppliers with their own science-based targets, we incorporated additional sustainability criteria (such as GHG emissions) into selected tender processes related to our direct materials sourcing, steering business decisions in line with our ambitions (learn more about how we help accelerate the sustainability journey of our suppliers, including in the area of climate action, here). Furthermore, we are exploring the usage of CDP data to engage with suppliers beyond our direct materials supply chain on their emissions reduction journey.



## Governance

The section covered by the 2024 Philip Morris International Integrated Report:

<https://www.pmi.com/resources/docs/default-source/pmi-sustainability/pmi-integrated-report-2024.pdf>

## Anti-corruption

Philip Morris International (PMI) recognizes that operating in a global environment involves various corruption and bribery risks. These include interactions with government officials, the use of external intermediaries, the offering of gifts, business travel and hospitality, as well as



employment and contractual relationships with public sector representatives. Additional risks arise from grants, donations, sponsorships, political contributions, and mergers and acquisitions.

PMI's Global Anti-Corruption Policy outlines clear and comprehensive frameworks to address these risks. The policy strictly prohibits all forms of bribery and corruption and applies to all employees, board members, agents, and third parties acting on behalf of PMI.

It is based on the principles of integrity, transparency, legality, and proportionality. The policy is implemented through a set of detailed internal standards and procedures, including the Gifts, Travel and Hospitality Standard, the Employment and Fee-for-Service Standard, the Contributions Standard, the Business Intermediary and Due Diligence Standard, and the M&A Legal & Compliance Due Diligence Standard. These documents provide specific guidance for high-risk activities and define requirements for due diligence, documentation, approvals, and monitoring.

In 2024, PMI trained approximately 40,000 employees on key compliance risk areas, including anti-corruption. In total, employees and external partners completed over 440,000 compliance training courses.

PMI also maintains a robust compliance infrastructure, including a global whistleblowing mechanism, a no-retaliation policy, and a 24/7 multilingual Compliance Help Line. All transactions must be accurately recorded in the company's books and records, and facilitating payments are strictly prohibited, except in cases of imminent physical harm. Looking ahead, PMI plans to further strengthen its compliance systems by expanding localized training in high-risk regions, enhancing due diligence for third-party engagements, and increasing transparency through more frequent public reporting. While the policy itself does not include quantitative goals, these actions demonstrate the company's ongoing commitment to mitigating corruption risks and fostering a culture of ethics.

All non-financial KPIs presented are calculated based on PMI's internal reporting systems. The number of training courses includes both e-learning modules and in-person sessions, recorded in the Learning Management System. The number of reports is sourced from the global Speak Up system and includes all submission channels. Data on investigations and confirmed violations are recorded by the Compliance team according to internal investigation standards. Percentage indicators, such as the rate of confirmed violations or disciplinary actions, are calculated based on the number of concluded cases relative to the total number of investigations.

To obtain more information please kindly check the Philip Morris International Integrated Report for 2024:

<https://www.pmi.com/resources/docs/default-source/pmi-sustainability/pmi-integrated-report-2024.pdf>

## Data Ethics

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



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

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



<b>Income statement</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>	1	<b>1,679,503,082</b>	<b>1,664,063,471</b>
Other operating income		60,231,578	103,075,981
Cost of goods sold		1,442,822,484	1,509,124,886
Other external expenses		196,262,151	174,077,137
		<hr/>	<hr/>
<b>Gross profit</b>		<b>100,650,024</b>	<b>83,937,430</b>
Staff expenses	2	78,410,502	64,269,959
Depreciation	3	410,148	344,699
		<hr/>	<hr/>
<b>Profit before financial income and expenses</b>		<b>21,829,374</b>	<b>19,322,772</b>
Financial income	4	700,494	437,243
Financial expenses	5	14,291,860	13,318,626
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>8,238,008</b>	<b>6,441,390</b>
Corporation tax	6	2,658,630	1,964,830
		<hr/>	<hr/>
<b>Net profit for the year</b>	7	<b>5,579,378</b>	<b>4,476,559</b>
		<hr/>	<hr/>



<b>Assets</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
		DKK	DKK
Fixtures, fittings and equipment	8	735,340	945,775
Leasehold improvements	8	98,731	0
<b>Property, plant and equipment</b>		<b>834,070</b>	<b>945,775</b>
Deposits	9	1,694,739	1,699,473
<b>Fixed asset investments</b>		<b>1,694,739</b>	<b>1,699,473</b>
<b>Fixed assets</b>		<b>2,528,809</b>	<b>2,645,248</b>
<b>Inventories</b>		<b>269,605,569</b>	<b>325,942,625</b>
Trade receivables		146,340,543	87,071,606
Other short-term receivables		53,026	4,081
Receivables from group companies		68,478,852	104,710,402
Deferred tax asset	11	193,477	286,461
Prepayments	12	-	104,874
<b>Receivables</b>		<b>215,065,897</b>	<b>192,177,424</b>
<b>Cash and cash equivalents</b>		<b>6,836,612</b>	<b>9,892,290</b>
<b>Current assets</b>		<b>491,508,078</b>	<b>528,012,339</b>
<b>Total assets</b>		<b>494,036,888</b>	<b>530,657,587</b>



<b>Liabilities, provisions and equity</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
		DKK	DKK
Share capital		125,000	125,000
Retained earnings		1,259,472	7,680,094
Proposed dividend for the year	7	12,000,000	-
<b>Equity</b>		<b>13,384,472</b>	<b>7,805,094</b>
Trade payables		38,199,603	34,521,572
Debt to group enterprises		325,051,317	361,930,114
Corporation tax liabilities		1,748,004	748,615
Payables, other	13	115,653,492	125,652,191
<b>Short-term debt</b>		<b>480,652,415</b>	<b>522,852,493</b>
<b>Total Debt</b>		<b>480,652,415</b>	<b>522,852,493</b>
<b>Total liabilities, provisions and equity</b>		<b>494,036,888</b>	<b>530,657,587</b>
Contingent assets, liabilities, and other financial obligations	14		
Other disclosures	15-18		



**Statement of changes in equity  
2024**

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
<b>Equity at 1 January 2024</b>	125,000	7,680,094	0	7,805,094
Net profit for the year	0	5,579,378	0	5,579,378
Proposed dividend for the year	0	-12,000,000	12,000,000	0
<b>Equity at 31 December 2024</b>	<b>125,000</b>	<b>1,259,472</b>	<b>12,000,000</b>	<b>13,384,472</b>



## 1. Revenue

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

Revenue by product category:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Conventional cigarettes	1,453,400,761	1,500,726,160
Heating devices & accessories	4,964,593	8,091,677
HTU	162,045,851	151,711,582
Oral category	59,091,877	3,534,052
	<b>1,679,503,082</b>	<b>1,664,063,471</b>

## 2. Staff expenses

Staff expenses amount to the following:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Wages and salaries	69,765,089	57,629,196
Pensions	5,786,217	5,017,070
Other employee benefits	2,859,196	1,623,692
	<b>78,410,502</b>	<b>64,269,959</b>
<b>Average number of employees</b>	<b>91</b>	<b>82</b>

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 is recognized as expense in the income statement.

### 3. Depreciation

Depreciation is specified as follows:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Depreciation for the year	410,148	344,699
	<b>410,148</b>	<b>344,699</b>

### 4. Financial Income

Financial income is specified as follows:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Interest income	255,642	264,616
Exchange adjustments	444,852	172,628
	<b>700,494</b>	<b>437,243</b>

### 5. Financial Expenses

Financial expenses are specified as follows:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Interest expenses group companies	13,495,383	12,820,803
Exchange adjustments	762,633	461,332
Other financial expenses	33,845	36,491
	<b>14,291,860</b>	<b>13,318,626</b>



## 6. Corporation Tax

The corporation tax expensed is specified as follows:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Current tax for the year	2,565,647	2,288,615
Deferred tax for the year	92,984	-323,785
	<b>2,658,630</b>	<b>1,964,830</b>

Tax on profit for the year is calculated as follows:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Tax on profit for the year	1,812,362	1,417,106
Tax effect of non-deductible cost	846,268	547,725
	<b>2,658,630</b>	<b>1,964,830</b>

## 7. Distribution of Profit for the Year

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Proposed distribution of profit	12,000,000	0
Transferred from/to retained earnings	-6,420,622	4,476,559
	<b>5,579,378</b>	<b>4,476,559</b>



## 8. Property, Plant, and Equipment

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

	<b>Fixtures, fittings and equipment</b>	<b>Leasehold improvements</b>
<b>Cost at 1 January 2024</b>	3,715,832	888,833
Additions	2,251	296,192
<b>Cost at 31 December 2024</b>	<b>3,718,083.47</b>	<b>1,185,024.61</b>
Depreciation at 1 January 2024	2,770,057	888,833
Depreciation	212,687	197,461
<b>Depreciation at 31 December 2024</b>	<b>2,982,744</b>	<b>1,086,294</b>
<b>Carrying amount at 31 December 2024</b>	<b>735,340</b>	<b>98,731</b>

## 9. Deposits

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Cost at 1 January	1,699,473	1,656,947
Additions	450,292	42,526
Returns	-455,026	0
<b>Cost at 31 December 2024</b>	<b>1,694,739</b>	<b>1,699,473</b>



## 10. Joint Taxation

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

## 11. Deferred Tax/Provision for Deferred Tax

Deferred tax asset is specified as follows:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Tangible assets	-26,338	-46,415
Accrued expenses	219,815	332,876
	<b>193,477</b>	<b>286,461</b>

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

## 12. Prepayments

Prepayments consist of prepaid expenses for rent and insurance.

## 13. Payables, Other

Payables, other are specified as follows:

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Accrued salaries	11,509,158	11,203,816
VAT payable	33,133,421	31,977,745
Excise tax payable	71,010,913	82,470,631
	<b>115,653,492</b>	<b>125,652,191</b>
<b>Total Payables</b>	<b>115,653,492</b>	<b>125,652,191</b>



## 14. Contingent assets, liabilities, and other financial obligations

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

	<u>2024</u>	<u>2023</u>
	DKK	DKK
Within 1 year:	3,591,143	2,982,558
Between 1-5 years:	3,325,752	2,439,371
	<u>6,916,895</u>	<u>5,421,930</u>
Total contractual obligations	<b>6,916,895</b>	<b>5,421,930</b>

Significant legal matters to report for Philip Morris ApS for the financial year of 2024 are as follows.

The Company has an ongoing case with the Danish Consumer Ombudsman regarding potential violations of the Danish Tobacco Advertising Act in relation to the marketing of IQOS and HEETS. On July 11, 2023, the Prosecution Department of the Copenhagen Police filed with the City Court of Copenhagen an indictment against PM ApS for alleged breach of the Danish tobacco advertising ban. The alleged violations would be subject to criminal sanctions, i.e., a fine for PM ApS. In accordance with the judgment issued by the City Court of Copenhagen on 26 June 2025, a fine of DKK 3,000,000 has been imposed on Philip Morris ApS. The Executive Board has decided not to adjust the Financial Statements 2024.

## 15. Group matters

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

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

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

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

## 16. Related Parties

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



## Transactions:

The main activity of the Company is buying and selling 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.

	<u>2024</u>	<u>2023</u>
	DKK	DKK
<i>(Total transaction value during the year)</i>		
Finished Goods Purchased	72,743,505	113,256,523

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

	<u>2024</u>	<u>2023</u>
	DKK	DKK
<i>(total transaction value during year)</i>		
Service Fees	48,347,697	41,599,987
Expats Recharge Fees	595,897	88,257
Insurance & Surety Fees	1,229,573	1,668,976
Share based compensation recharge	936,723	0

Other operating income for the year 2024, amounting to DKK 60,231,578, includes the following components:

A recharge to Philip Morris Products S.A. (Trademark Owner) in the amount of DKK 59,535,850.

Other sales to Philip Morris International Services Sàrl in the amount of DKK 1,573,498.

A credit note issued to NCP NEXTGEN A/S in the amount of DKK 877,770.

The total net payables amount at year-end 2024 is DKK 325,051,317 and carry interest based on arm's length basis.

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



## 17. Audit Fee

	<b>2024</b>	<b>2023</b>
	DKK	DKK
Total fee	355,908	359,547
where of audit	324,908	328,722

## 18. Events after the Balance Sheet Date

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



## Accounting Principles

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

The accounting principles are unchanged compared to prior year.

Certain amounts have been reclassified in the comparative figures for 2023 to ensure the same presentation.

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

### Recognition and measurement

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.

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

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

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

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

### Translation policies

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

### Corporation tax and deferred tax

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



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

## Income Statement

### Revenue

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

### Cost of goods sold

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

### Other external expenses

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

### Staff expenses

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

### Depreciation and impairment Losses

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

### Other operating income and expenses

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



## Financial income and expenses

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

## Balance Sheet

### Property, plant, and equipment

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

### Impairment of non-financial assets

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

### Inventories

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

### Receivables

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

### Prepaid Expenses

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

### Equity

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



### **Loan debts and accounts payable**

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

### **Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of **Philip Morris International Inc., 677 Washington Blvd., Ste. 1100, Stamford, CT 06901, U.S.A.**, the Company has not prepared a cash flow statement.

### **Segment information on net revenue**

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

### **Key ratios**

Gross margin =  $\text{Gross profit} * 100 / \text{Revenue}$

Operating margin =  $\text{Profit before financial income and expenses} * 100 / \text{Revenue}$

The rate of return =  $\text{Profit before financial income and expenses} * 100 / \text{Balance total}$

Solidity =  $\text{Equity} * 100 / \text{Balance total}$  Return on equity

Return on Equity =  $\text{Net profit of the year} / \text{Average of total equity within two years.}$

