



PHILIP MORRIS INTERNATIONAL

Contact:

Martin Schatzky

Philip Morris International

T. +41 (0)58 242 4500

E. Martin.Schatzky@pmi.com

Philip Morris International: New Study Shows Decline of Total Illicit Cigarette Consumption in the European Union in 2019 Despite Continued Increase in Counterfeiting

PMI calls for sustained anti-illicit trade efforts and collaboration with law enforcement.

Lausanne, Switzerland—June 18, 2020—Philip Morris International Inc. (PMI) (NYSE: PMI) reiterated today the need for collaborative efforts against illicit trade to continue, as a new report produced by KPMG underlined the changing nature of the problem in the European Union (EU).

The independent KPMG annual [study](#), commissioned by PMI, found that in 2019, the consumption of illicit cigarettes—which consist of contraband, counterfeit, and illicit whites—continued to decline in the EU, reaching an all-time low since the study first took place in 2006. In total, 38.9 billion illicit cigarettes were consumed, representing 7.9 percent of total cigarette consumption, a 0.7 percentage point reduction compared to the previous year.

Despite the overall decline of illicit cigarette consumption, which continued for the seventh consecutive year, the consumption of counterfeit cigarettes continued to grow, reaching 7.6 billion, a 38.3 percent increase compared to 2018 and the highest level recorded to date.

“The continued decline of illicit tobacco trade in the EU is a positive development and reinforces the importance of supply chain control measures, strict enforcement, and collaboration in combating this issue,” said Alvis Giustiniani, vice president of Illicit Trade Prevention at PMI. “We must remain focused on these collective efforts, as there continue to be worrying trends like the increase of counterfeit cigarettes and the persisting problem of illicit whites. The first ever EU-wide tracking and tracing system that was introduced last year under the European Tobacco Products Directive is an important tool for law enforcement and one that we should continue to enhance through close collaboration and information-sharing to remain highly vigilant on emerging risks.”

Illicit trade undermines efforts to reduce smoking prevalence and makes unregulated tobacco products easily accessible. For PMI to deliver a smoke-free future and enable millions of people who would otherwise continue to smoke to switch to better alternatives to cigarettes, it’s essential to eliminate illicit tobacco trade wherever it exists.

Interviews with law enforcement conducted by KPMG as part of the study indicate that the manufacture of illicit whites and counterfeit cigarettes in illegal factories located in the EU is increasing. Insights from law enforcement also refer to emerging organized crime groups that specialize in the smuggling and sale of illicit raw tobacco.

Other report findings reveal that:

- Counterfeit cigarettes represent 19.5 percent of total illicit cigarette consumption. Compared to 2018, the biggest increases in counterfeit consumption occurred in the U.K. (by 137 percent, to 2.1 billion cigarettes) and France (by 82 percent, to 0.84 billion cigarettes).
- Illicit whites continue to be a major element of illicit cigarette consumption, representing 35.6 percent of illicit consumption in the EU, or 13.8 billion cigarettes, up from 29.8 percent in 2018.
- For the first time since the research began in 2006, counterfeit cigarettes and illicit whites represent more than 50 percent of total illicit cigarette consumption in the EU.
- The countries with the largest volumes of illicit cigarette consumption in the EU were France, with 7.2 billion illicit cigarettes, and the U.K., with 5.5 billion illicit cigarettes.
- The highest shares of illicit cigarette consumption were found in Greece (22.4 percent), Lithuania (17.7 percent), and Ireland (17.5 percent). Compared to 2018, both Greece and Ireland saw a declining trend in illicit cigarette consumption, while Lithuania marked a slight increase.
- Illicit flows from identifiable markets outside the EU, such as Ukraine and Belarus, continued to decline. However, illicit products reportedly originated from within the EU—and destined to another EU country—increased in 2019.

PMI invests significantly in supply chain controls through preventive and protective measures, implements track-and-trace solutions worldwide in line with strict regulatory requirements, and applies comprehensive due diligence of customers and suppliers. The company supports regulations such as the FCTC Protocol to Eliminate Illicit Trade in Tobacco Products and the tracking and tracing provisions under the EU Tobacco Products Directive. Furthermore, PMI works with private and public actors alike to help advance the global anti-illicit trade efforts, including through PMI IMPACT, a global initiative supporting third-party projects against illegal trade and related crimes.

For more information about PMI's illicit trade prevention efforts, visit [StopIllegal.com](https://stopillegal.com).

About KPMG's Report

A detailed overview of results and methodology is available [here](#).

Philip Morris International: Delivering a Smoke-Free Future

Philip Morris International (PMI) is leading a transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adults who would otherwise continue to smoke, society, the company, and its shareholders. PMI is a leading international tobacco company engaged in the manufacture and sale of cigarettes, as well as smoke-free products and associated electronic devices and accessories, and other nicotine-containing products in markets outside the United States. In addition, PMI ships a version of its IQOS Platform 1 device and its consumables authorized by the U.S. Food and Drug Administration to Altria Group, Inc. for sale in the United States under license. PMI is building a future on a new category of smoke-free products that, while not risk-free, are a much better choice than continuing to smoke. Through multidisciplinary capabilities in product development, state-of-the-art facilities, and scientific substantiation, PMI aims to ensure that

its smoke-free products meet adult consumer preferences and rigorous regulatory requirements. PMI's smoke-free *IQOS* product portfolio includes heat-not-burn and nicotine-containing vapor products. As of March 31, 2020, PMI estimates that approximately 10.6 million adult smokers around the world have already stopped smoking and switched to PMI's heat-not-burn product, available for sale in 53 markets in key cities or nationwide under the *IQOS* brand. For more information, please visit www.pmi.com and www.pmiscience.com.

###