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## **Philip Morris International: New Study Shows Near-Doubling in Counterfeit Cigarettes in the European Union Drives Increase of Total Illicit Consumption in 2020**

*The share of illicit cigarettes increased by 0.5 percentage points, to 7.8% of total consumption in the EU; PMI calls for continued collaboration between public and private sectors*

**LAUSANNE, Switzerland—June 24 2021**—Philip Morris International Inc. (PMI) (NYSE: PM) is calling for public and private representatives to jointly combat illicit trade as a new report produced by KPMG was released on the consumption and flows of illicit cigarettes in 30 European countries—the 27 European Union (EU) member states, as well as U.K., Norway and Switzerland. The study estimates that, while total cigarette consumption continues to decline, the share of illicit cigarettes increased by one half of a percentage point to 7.8% of total consumption in 2020, reaching 34.2 billion cigarettes consumed across the EU 27 member states (EU27). The increase of illicit cigarettes—which consist of contraband, counterfeit, and illicit whites—was driven by an unprecedented 87% surge in counterfeit consumption. The tax loss for governments in the EU27 now amounts to approximately €8.5 billion.

The annual [study](#), conducted independently by KPMG and commissioned by PMI, shows how legal and illicit cigarette consumption was impacted by the COVID-19 pandemic, a period of lockdowns and restricted movement of people within the EU coupled with declines in affordability. The report estimates that total consumption of cigarettes declined by 4.7% in 2020 to 438.8 billion in the EU27, while the COVID-19-related border controls and travel restrictions resulted in a sharp decrease of non-domestic consumption, which declined in 2020 by 18.5% (11.9 billion cigarettes). It is noted that the decline in total cigarette consumption also coincided with the growth of 6.0 billion cigarette equivalent units in the fine cut tobacco category in 2020.

Consumption of illicit whites and other contraband cigarettes decreased year-over-year, but these declines were more than offset by an increase in counterfeit, which almost doubled in 2020, equating to 10.3 billion fake cigarettes, up from 5.5 billion in 2019. This was estimated to be driven mainly by an unprecedented 609% increase in counterfeit cigarette consumption in France, reaching 6.0 billion fake cigarettes consumed in the country alone.

“It is crucial to protect consumers against counterfeits and that law enforcement, governments, and trademark owners such as ourselves in the private sectors come together as one to address and eradicate illicit trade in Europe and beyond,” said Alvisе Giustiniani, Vice President, Illicit Trade Prevention. “Eliminating illicit trade is particularly important within the

context of PMI's transformation toward a smoke-free future, and we need to continue working in partnerships to address any potential illicit trade threats, including in our novel products. Compliance to the law and effective enforcement against criminals profiting from illicit trade is an absolute must."

Interviews with law enforcement, conducted by KPMG as part of the study, indicate that organized criminal groups continued to move their operations inside the EU borders, as a large proportion of illicit whites and counterfeit cigarettes are also believed to be manufactured in illegal factories within the EU. This is further supported by the increasing number of illegal cigarette factory raids in multiple European countries.

The availability of cheap, fake, and unregulated cigarettes on the black market undermines efforts to reduce smoking prevalence and prevent youth from smoking. To succeed in PMI's mission to achieve a smoke-free world, it is imperative that illicit trade is eradicated wherever it exists. In order to tackle the illicit tobacco trade, PMI is working closely with a broad range of law enforcement authorities and private actors worldwide to identify and shut down counterfeiting and smuggling operations.

The company recently announced the launch of the third funding round of PMI IMPACT, its global initiative supporting third-party projects aimed at reducing or preventing illegal trade, and fostering an ecosystem of public and private actors to tackle illegal trade in its many forms.

Additionally, in its efforts to combat illicit trade, PMI continues to invest significantly in supply chain controls through preventive and protective measures, implements state-of-the-art track-and-trace technology, and has strict due diligence protocols in place for all customers and suppliers. The company also supports regulations such as the FTC Protocol to Eliminate Illicit Trade in Tobacco Products and the tracking-and-tracing provisions under the EU Tobacco Products Directive.

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

### **About the KPMG 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, its shareholders and its other stakeholders. PMI is a leading international tobacco company engaged in the manufacture and sale of cigarettes, as well as smoke-free products, associated electronic devices and accessories, and other nicotine-containing products in markets outside the U.S. In addition, PMI ships versions of its *IQOS* Platform 1 device and consumables to Altria Group, Inc. for sale under license in the U.S., where these products have received marketing authorizations from the U.S. Food and Drug Administration (FDA) under the premarket tobacco product application (PMTA) pathway; the FDA has also authorized the marketing of a version of *IQOS* and its consumables as a Modified Risk Tobacco Product (MRTP), finding that an exposure modification order for these products is appropriate to promote the public health. 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 product portfolio includes heat-not-burn and nicotine-containing vapor products. As of March 31, 2021, PMI's smoke-free products are available for sale in 66 markets in key cities or nationwide, and PMI estimates that approximately 14.0 million adults around the world have already switched to *IQOS* and stopped smoking. For more information, please visit [www.pmi.com](http://www.pmi.com) and [www.pmiscience.com](http://www.pmiscience.com).

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