EU Economic Footprint

2021 - 2025



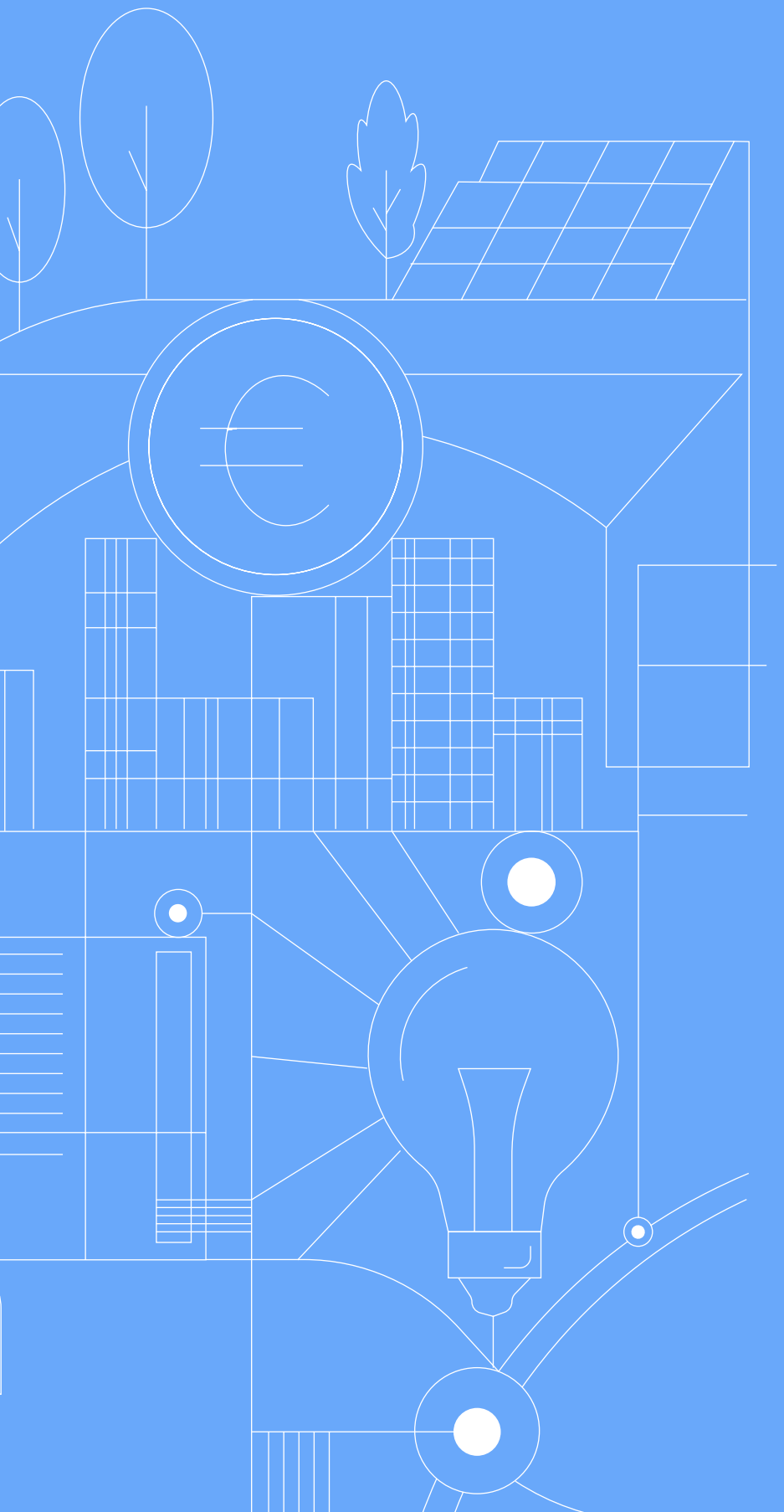
PHILIP MORRIS INTERNATIONAL

EY Shape the future with confidence

October 2026 - Second Edition

Economic Footprint of Philip Morris International Inc. in the European Union





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Foreword



Bart Deckers

Dear Readers,

Companies do not operate in isolation from the societies that host them. Their activities extend well beyond their own operations, creating effects through the suppliers they engage, the people they employ, the taxes they contribute, the goods they export, and the knowledge they generate. Understanding the scale and nature of these wider effects is essential to understanding the role businesses play in regional economies and communities.

As a Partner at EY-Parthenon in Brussels, I am pleased to present this assessment of the economic footprint of Philip Morris International Inc.'s (PMI) economic footprint in the European Union over the years 2021–2025. This report examines how value created through PMI's European activities flows through the broader economy. It considers the company's contribution through the lens of three forms of capital: economic capital, reflected in production, investment, trade and public revenues; social capital, reflected in employment, skills and livelihoods; and cognitive capital, demonstrated by research, innovation and the creation of knowledge. Throughout the report, these dimensions are explored using company-reported data, publicly available sources, and established economic modeling techniques.

The period under review is one of transformation. PMI is reshaping its business towards a smoke-free future, and the change is visible across many aspects of its footprint. From investments in research and development and evolving manufacturing activities to changing export patterns and workforce capabilities, the company's transformation provides important context to understand this report's findings.

PMI commissioned this study to provide a comprehensive assessment of its socio-economic contribution in the European Union. To estimate the direct, indirect and induced economic effects associated with PMI's activities, EY-Parthenon applied an established input-output modeling approach based on the Leontief framework. The analysis also considers broader social and cognitive contributions across the value chain, including employment, skills, innovation and research-related activities.

Our assessment focuses exclusively on socio-economic impacts. It is based on a combination of quantitative and qualitative information provided by PMI, complemented by secondary sources including Eurostat, the OECD and national statistical databases. The findings have been developed with the objective of providing a factual, transparent and evidence-based account of PMI's footprint in the European Union. The data provided by PMI has not been independently verified by EY-Parthenon and findings and conclusions presented in this report are dependent on the accuracy and completeness of the information received.

The report does not seek to evaluate or endorse PMI's business activities. It aims to contribute to a better understanding of the economic, social and cognitive dimensions associated with the company's presence in Europe. I hope this report provides valuable insights into the breadth of PMI's activities and their contribution across European economies and societies.

Yours sincerely,
Bart Deckers
Partner, EY-Parthenon Belgium



Marco Hannappel

Dear Readers,

History has shown that Europeans are at their strongest when faced with moments of choice. Moments that call for unity, ambition and the determination to build something better than what came before.

Today is one of those moments.

Europe is navigating a period of profound change. Geopolitical tensions, economic uncertainty and technological developments are reshaping the environment in which governments,businesses and societies operate. Yet periods of change also create opportunities. Opportunities to rethink, to adapt, to build and, above all, to choose. To choose the future we want to build.

These choices need to be made collectively. Governments, businesses, academia and civil society all have a role to play in creating the conditions for sustainable growth.

A year ago, our first Economic Footprint Study contributed to an important conversation about competitiveness, resilience and growth in Europe. This updated edition covering the period 2021-2025 builds on that discussion and provides fresh evidence of the contribution our business continues to make across the European Union. During these years, we generated more than **€340b in economic value and nearly €40b in exports,** helping reinforce Europe's position as a global manufacturing and export hub.

Behind these figures are people. Farmers, manufacturers, scientists, entrepreneurs, retailers and employees whose work strengthens Europe's economic foundation every day.

Our own transformation is reflected in these results. Today, more than half of our net revenues in Europe come from smoke-free products, many of which are researched, developed and manufactured here. This highlights an important reality: in Europe, **Smoke-Free Future is Smoke-Free Present.**

Looking ahead, Europe has the talent, capabilities and infrastructure needed to compete and succeed. The challenge is to create an environment that gives businesses the confidence to invest and innovate. This calls for pragmatism, constructive engagement between policymakers and industry, and a regulatory framework that enables innovation rather than creating unnecessary barriers to it.

The decisions we make today will shape Europe tomorrow. As a company, we have made our choice about the side of history we want to be on: we choose to be among the solutions that will define New Europe and help shape a future built to last.

Warm regards,
Marco Hannappel
President, Europe Region
PMI International

Disclaimer

This report has been prepared by EY-Parthenon (EYP) at the request of Philip Morris International (PMI) to assess the economic, social, and cognitive impacts of PMI's activities on the socio-economic development of the European Union (EU).

EYP has conducted this analysis based on data provided by PMI, complemented by secondary sources including Eurostat, the OECD and national statistical databases. While we made our best effort with respect to the accuracy and completeness of the information contained in this report, it is important to note that the data has not been independently audited or verified by us. Therefore, EYP does not provide any assurance or guarantee regarding the accuracy, reliability, or completeness of the data provided by PMI.

The findings and conclusions presented in this report are based on the data and information available at the time of the analysis. EYP's responsibilities are limited to the scope of work agreed with PMI and do not extend beyond the preparation of the report. EYP shall not be held liable for any decisions or actions taken by PMI or any third parties based on the information contained in this report.

Due to organizational changes within PMI and the full integration of Swedish Match into PMI's operations and reporting structure, minor differences may be observed between figures presented in this report and those reported previously. These variations reflect changes in organizational scope, reporting boundaries, and data consolidation methodologies over time.



Executive Overview





Delivering a Smoke-free future

Philip Morris International

Europe is navigating a period in which industrial competitiveness, productivity, innovation, resilient supply chains, and fiscal sustainability have become central policy priorities. In this context, the economic contribution of companies extends beyond the boundaries of their own operations, contributing to the creation, preservation, and enhancement of long-term value for society and the economy. A company's contribution is also reflected in the activity it supports across supplier networks, labor markets, public finances, innovation ecosystems and export-oriented value chains. As Europe seeks to strengthen its industrial base and foster innovation-led growth, the contribution of companies undergoing significant business transformation becomes increasingly relevant.

This report assesses the wider economic footprint of PMI in the European Union over the 2021-2025 period, at a time when the company is undergoing a transformation from a business historically centered on combustible cigarettes toward one increasingly driven by smoke-free products. Ultimately, this is the story of how PMI's transformation towards a smoke-free future is creating economic value through investment, innovation, manufacturing excellence, and highly-skilled employment across Europe.

The analysis therefore goes beyond a set of economic indicators to examine PMI's contribution to manufacturing, supplier networks, employment, exports, and public revenues across Europe. It also highlights Europe's growing role as a hub for the design, development, production, and export of smoke-free products through an increasingly integrated European value chain.

The report provides a detailed view of PMI's economic footprint across the European Union, capturing its direct, indirect, and induced contributions. Country-level evidence further illustrates how this impact is generated and distributed across European economies.

PMI's Economic Impact Across Europe

€342.8b

Total contribution to the European Union (EU)

€130.5b	Total economic impact of business activities
€195.7b	Total tax revenues from PMI activities
€16.6b	Total value created to retailers



PMI's contribution to the EU economy as share of EU GDP

0.40%

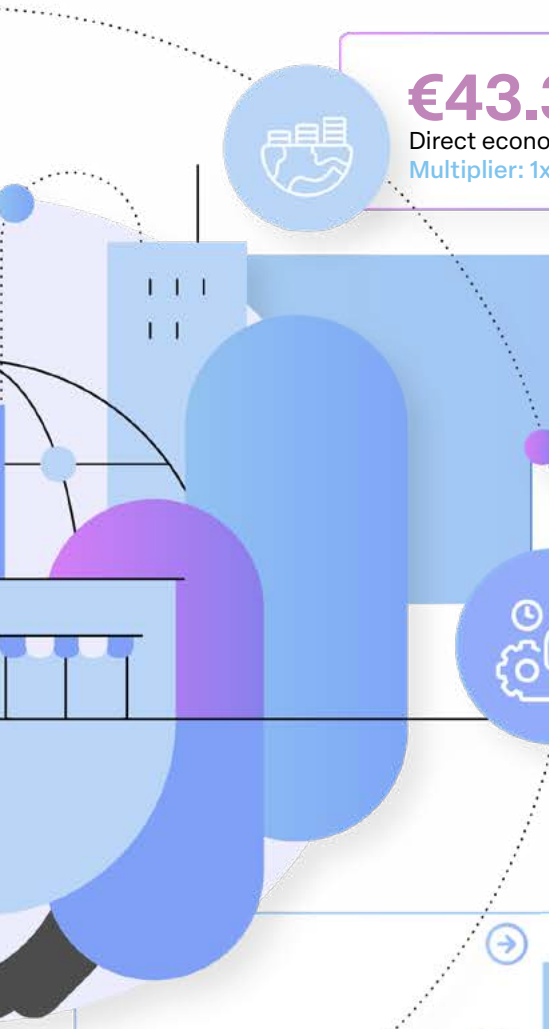
Equivalent to approximately 1€ out of every 250€ generated in the EU economy

IMPACT HIGHLIGHTS

~510,000	Retailers across the EU	**€39.5b**	Total exports
>49,000	European suppliers	**€6.6b**	Investment in employees
€582m	Volume of tobacco leaf purchased in the EU	**€422m**	Investment in research and development in the EU, and 2.2b in Switzerland

€130.5b
Total business impact

The total economic impact of PMI's business activities comprises the following components:



€43.3b
Direct economic activity
Multiplier: 1x

€42.1b
Indirect economic activity
Multiplier: 0.97x

€45.1b
Induced economic activity
Multiplier: 1.04x

163,974 jobs supported

22,490
Direct jobs
Multiplier: 1x

87,619
Indirect jobs
Multiplier: 3.90x

53,865
Induced jobs
Multiplier: 2.39x

PMI's Transformation Journey
From traditional manufacturing to an innovation-led footprint

2016

3% of global revenues from smoke-free products

10 manufacturing facilities in the EU, all dedicated to combustible tobacco products; the company's only European smoke-free product facility in Switzerland

INVESTMENT

- Advanced manufacturing
- Scientific research
- Innovation
- Digital technologies
- Supply chain capabilities

2025

Smoke-free products passed 50% of European net revenues in Q4 2025

15 EU manufacturing sites supporting the smoke-free transformation, alongside facilities in Serbia and Switzerland

Europe is PMI's global hub for innovation, manufacturing and exports

PMI's economic impact reflects how innovation, research and advanced manufacturing are increasingly creating value in Europe through products designed, developed and manufactured by Europeans.



A Framework for Understanding PMI's Footprint

Impact Framework

PMI's footprint in Europe extends well beyond its own operations. Direct activities such as manufacturing, employment, investment and tax payments represent the most visible part of its contribution, but the full footprint is a much broader ecosystem of suppliers, retailers, logistics providers, research partners and communities that participate in creating value across the European economy.

To capture this broader contribution, the report adopts a **Three Capitals Framework**, assessing PMI's impact through **economic** capital, **social** capital and **cognitive** capital. Together, these dimensions provide a holistic view of how business activity translates into value creation for Europe.

The Economic Capital

Economic capital measures **PMI's contribution to economic activity, productivity and public finances**. It captures impacts generated through operations, supply chains, exports, tax contributions and retailer margins, as well as wider effects arising from supplier spending and household consumption. Using an input-output model of the European economy, these impacts are traced through industries, supply chains and households. The relationship between PMI's direct contribution and total economic impact is reflected in the economic multiplier, which measures how PMI's activity supports additional economic activity across the wider economy.

The social capital

Social capital assesses **how PMI's activities support people and communities**. It includes direct employment, jobs sustained throughout the supply chain, workforce development, wages, skills and contributions to regional livelihoods, including agriculture-linked communities. Employment impacts are estimated using country- and industry-specific employment coefficients, which translate economic activity into the number of jobs supported. The resulting **employment multiplier** measures how PMI's direct activities support additional employment across supply chains and the wider economy through indirect and induced effects. These coefficients vary across Member States, reflecting differences in the structure and labor intensity of national economies.

The cognitive capital

Cognitive capital captures the **knowledge, innovation and capabilities generated through PMI's transformation**. It includes research and development, scientific expertise, advanced manufacturing, digital technologies, workforce capabilities and the wider knowledge embedded in the value chain. Because the transition toward smoke-free products is increasingly driven by science, technology and innovation, this dimension highlights how investments in research, talent and advanced capabilities are reshaping the company's operating model and broader European value chain.

Key Take-aways

Economic Capital

Supporting production, trade and public finances

PMI's economic contribution is generated through an interconnected ecosystem of farmers, suppliers, manufacturers, exporters, retailers and governments. Between 2021 and 2025, the company generated nearly **€40b in exports** and approximately **€22.3b in supplier expenditure**. PMI sourced approximately **€582m of tobacco leaf and agricultural inputs** during this period, helping sustain rural communities across Europe's tobacco-growing regions.

Social Capital

Supporting employment, skills and livelihoods

PMI's contribution extends beyond economic activity to support employment and livelihoods across Europe. **Direct employment increased by almost 39% in 2025,** reflecting the company's continued transformation and growth. Importantly, in 2025, more than four-fifths of the wages associated with PMI's footprint were supported outside PMI itself, through suppliers and the wider economy, demonstrating PMI's role in sustaining household incomes across retail, supply chain and farming communities. Between 2021 and 2025, the company **invested approximately €6.6b in its workforce, including €45.8m in learning and development**, strengthening the skills and capabilities needed for its transformation while supporting productivity levels that significantly exceed the European average.

Cognitive Capital

Supporting innovation and future competitiveness

PMI's transformation toward smoke-free products has been underpinned by investments in science, innovation and people. Between 2021 and 2025, PMI invested **approximately €422m in R&D across Europe and €2.2b in R&D activities in Switzerland**, while European R&D expenditure more than doubled over the same period. Significant investments in digital technologies, artificial intelligence, and employee learning and development have strengthened the skills and capabilities required for continued transformation and growth. Together, these activities contribute to Cognitive Capital: the intellectual property, research capability, innovation ecosystems and organizational knowledge that support long-term value creation.



PMI's footprint is not only a measure of economic activity. It is also a measure of transformation.

The company's transition toward a smoke-free future is reshaping manufacturing systems, supplier relationships, export patterns, workforce capabilities, sustainability performance and innovation activities throughout Europe. Viewed through the lenses of Economic, Social and Cognitive Capital, PMI's significance lies not only in the value it creates today, but also in the capabilities it is building for the future.

***From footprint to future value:** transformation made in Europe, value created across Europe, capabilities built for the future.*

Transformation: The Strategic Lens of PMI's European Footprint

A DECADE OF TRANSFORMATION

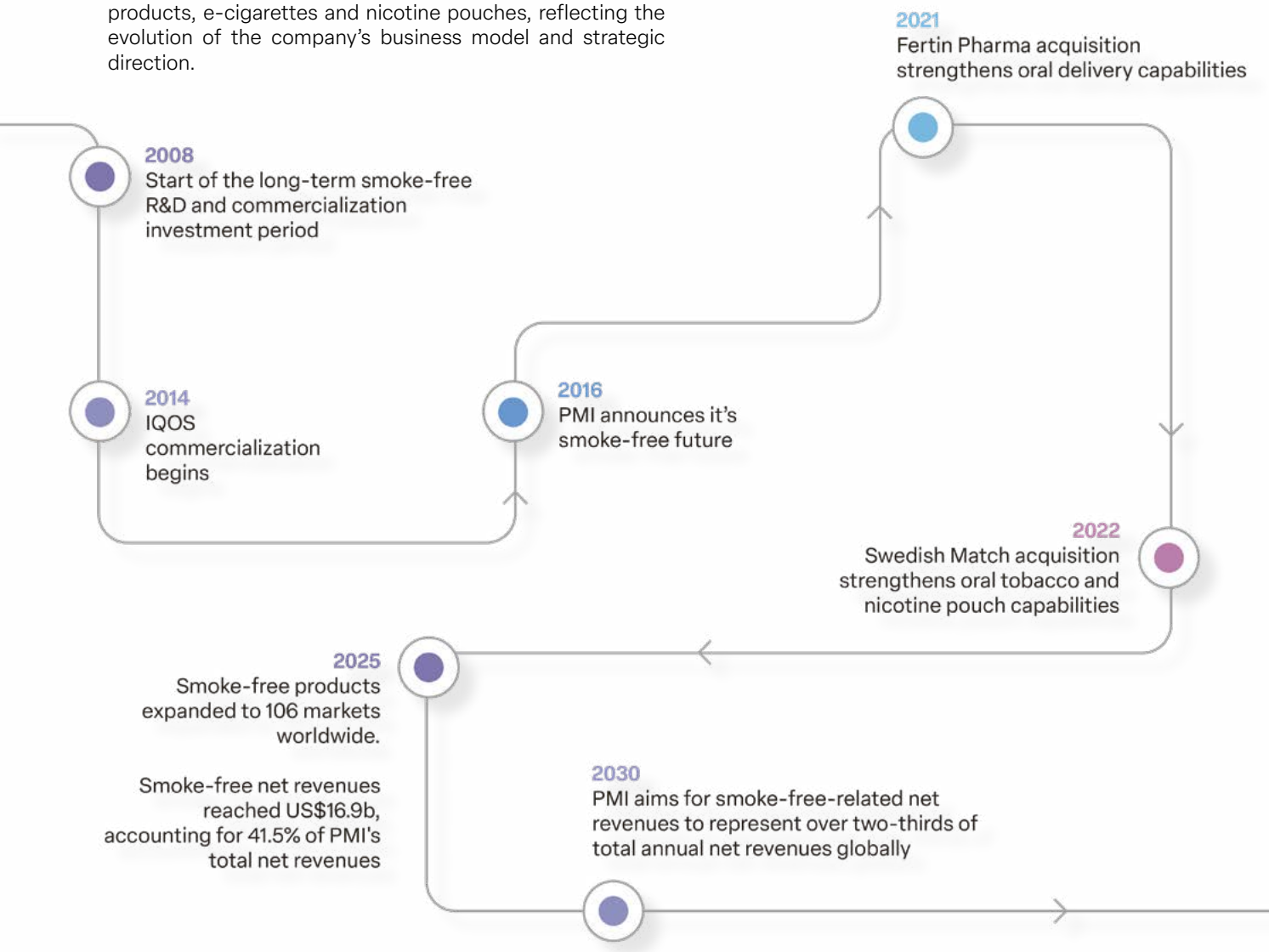
PMI's economic footprint in Europe extends beyond traditional measures such as employment, taxes, investment and value added. While these remain the foundation of the company's contribution, a second dimension of impact arises from the transformation of its business and from the new economic value created through innovation, capability building and long-term investment.

Across Europe, economic competitiveness is increasingly shaped not only by scale, but also by the ability of businesses to adapt to evolving technologies, changing consumer expectations and sustainability ambitions. In this environment, transformation itself has become an important source of economic value, strengthening productivity, supporting innovation and creating new capabilities that contribute to long-term growth.

PMI has been transforming its business from one centered on combustible products to one increasingly driven by smoke-free alternatives since 2016. Since announcing its vision for a smoke-free future in 2016, the company has progressively shifted its focus from cigarettes towards a growing portfolio of smoke-free alternatives, including heated tobacco products, e-cigarettes and nicotine pouches, reflecting the evolution of the company's business model and strategic direction.

PMI's transformation has required more than the launch of new products. It has required the **redesign of business processes, manufacturing systems, supply chains, scientific research, product development and workforce skills**. Unlike conventional product diversification, this has called for entirely new capabilities spanning advanced manufacturing, electronics, product engineering, scientific assessment, digital technologies and modern quality-control systems. PMI's progress towards a smoke-free future is increasingly reflected in the scale and reach of its smoke-free business.

According to PMI's 2025 Value Report, **smoke-free products were available in 106 countries by year-end 2025 and were used by around 43.5m legal-age adult consumers worldwide**. The smoke-free business accounted for **41.5% of PMI's full-year 2025 total net revenues**, while PMI reported **cumulative investment of more than US$16b since 2008** in developing, substantiating and commercializing smoke-free products.





MADE BY EUROPEANS

Europe represents more than the location where products are manufactured. PMI's transformation reflects the contribution of thousands of people across SMEs and larger companies alike, including engineers, scientists, suppliers, logistics providers, retailers and agricultural communities that collectively participate in the company's European value chain.

Historically, tobacco manufacturing was primarily associated with agricultural processing and large-scale production activities. Smoke-free products rely on a much broader ecosystem of scientific, technological and industrial expertise, with many of the highest-value activities taking place within Europe itself.

Consequently, PMI's transformation has supported the emergence of a more diversified industrial ecosystem: **Europe serves as PMI's global manufacturing hub for its smoke-free products, producing 100% of the heated tobacco consumables and nicotine pouches sold in the EU, as well as 73% of heated tobacco units and 95% of nicotine pouches sold worldwide[1].**

MADE ACROSS EUROPE

Europe is central to PMI's smoke-free transformation, serving as a key hub for the innovation, manufacturing and export of smoke-free products. As demand for smoke-free alternatives grows, Europe has become a leading hub for innovation, advanced manufacturing and export-oriented production.

This transformation is evident in PMI's manufacturing footprint and is not limited to a single location. It is being delivered through an increasingly interconnected European manufacturing network.



Italy | EU Manufacturing Flagship: Hosts PMI's largest smoke-free product-exclusive manufacturing facility in the EU and globally.



Greece | €700m+ Invested since 2017: Transformed Papastratos into a smoke-free product-exclusive production centre.



Romania | 90%+ Exported: Otopeni operates as an export-focused heated-tobacco consumables hub.



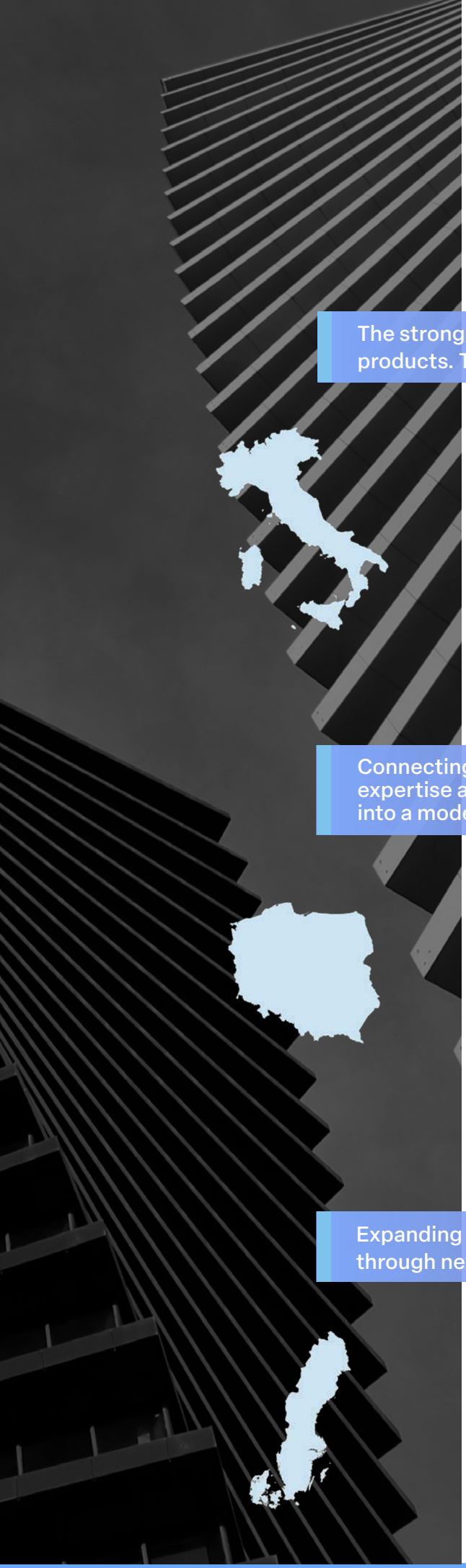
Poland | €230m Invested: Modernized Kraków with IQOS ILUMA lines and created 300+ jobs.



Sweden | ~€15b Acquisition: Swedish Match strengthened PMI's nicotine pouch, R&D and production capabilities.



Germany | €7.4b invested over the past five years: Of this €7.4b, PMI spent on average €900m annually on a broad network of more than 15,000 suppliers across Germany, including numerous specialized companies and SMEs. Examples include German companies active across machinery, materials, nicotine extracts, and flavorings, highlighting the depth of capabilities supporting the smoke-free value chain.



WHY MADE-BY-EUROPEANS MATTERS

The growth of smoke-free products does not automatically create value in Europe. Capturing that value depends on where innovation occurs, products are manufactured, and supply chains are built. As new nicotine categories expand, Europe has an opportunity to reinforce its leadership in research, advanced manufacturing, exports and supplier ecosystems.

The strongest manufacturing hubs create more than products. They create capabilities.

Italy: From Manufacturing Site to Innovation Ecosystem

PMI's Manufacturing & Technology facility in Emilia-Romagna illustrates how European manufacturing sites are evolving beyond production alone. Located in one of Europe's most important engineering regions, Italy, the site has been transformed from a conventional tobacco manufacturing facility into a hub for smoke-free product production, advanced manufacturing capabilities and industrial innovation. The facility is complemented by initiatives designed to strengthen manufacturing competencies, foster collaboration with universities and technology partners, and accelerate the application of new production technologies. Together, these activities demonstrate how manufacturing, innovation and skills development increasingly operate as part of a single ecosystem

Connecting agricultural production, engineering expertise and export-oriented industrial capabilities into a modern manufacturing ecosystem

Poland: Building a Regional Smoke-Free Manufacturing Platform

PMI's operations in Poland demonstrate how transformation contributes to strengthening domestic industrial capabilities while supporting international competitiveness. Investments in modern production lines have expanded Poland's role in the manufacture of heated-tobacco consumables, serving both domestic demand and export markets across Europe and beyond.

The broader ecosystem extends beyond manufacturing itself. The value chain incorporates locally sourced agricultural inputs, specialized machinery providers, engineering expertise and advanced production technologies, creating economic linkages across multiple sectors of the Polish economy.

Expanding research, technology and manufacturing capabilities through next-generation products

Sweden and Denmark: Expanding Oral Nicotine Capabilities

Oral nicotine products have expanded PMI's innovation footprint. Acquisitions such as Fertin Pharma and Swedish Match strengthened expertise in patents, oral delivery systems, product development and advanced manufacturing. The result is a science-driven ecosystem that extends far beyond a traditional tobacco supply chain.

CHANGE IN MOTION-VALUE REPORT 2025

PMI's Value Report[1] describes the company's progress toward a smoke-free future, outlining how PMI seeks to address the environmental and social impacts of its business while continuing its transformation into a science- and technology-driven company.

PMI refers to this ongoing process as "Change in Motion": a continuous cycle of improvement, innovation, and adaptation that responds to evolving markets, advances in science, and changing societal expectations.

EU REGION AS A CATALYST FOR CHANGE IN MOTION

The European Union is undergoing profound economic, technological, and regulatory change, making the principle behind PMI's change in motion more relevant than ever.

The region has the talent and industrial strengths to lead on innovation again, if the right conditions are created now. A predictable, science-based regulatory framework is essential to promote innovation and turn the EU's potential into progress Made in Europe, supporting investment, competitiveness, and sustainable growth.

PMI contributes to this progress through measurable actions aligned with its long-term value creation approach. PMI invests in its workforce, supports workers in its value chain through several targeted initiatives, advances its ambition toward a smoke-free future, and invests in natural, human, social, intellectual, and manufactured capital.

Several EU country studies provide further evidence of this transformation. Slovakia is paving the way forward for reducing post-consumer waste. The Netherlands showcases PMI Investments' comprehensive efforts to enhance water sustainability and environmental responsibility. Portugal demonstrates how a manufacturing site became the first entity in the country to earn Alliance for Water Stewardship (AWS) certification. Greece illustrates PMI's transformation in action through Papastratos' 180° shift, from a legacy cigarette manufacturer to a smoke-free manufacturing hub.

PMI'S VALUE PLAN: 2030+ SETS THE DIRECTION

As the EU advances its own transition, it requires business models that connect transformation, sustainability, and growth. These elements reinforce one another: transformation enables more efficient and lower-impact operations; sustainability drives innovation and helps reduce long-term risks; together they support stable, future-proof growth.

PMI's Value Plan 2030+ is designed to deliver exactly this, linking business performance with measurable progress in value creation and outlining how PMI aims to transform its portfolio, reduce its environmental footprint, and create value for people, communities, and the economy.

Purpose-aligned and grounded in the results of PMI's sustainability materiality assessment[2], the company's global strategy for 2030 and beyond charts the course for its next phase of sustainable growth.

PMI's Value Plan 2030+ outlines measurable strategies and targets across six priorities: (1) consumers, (2) circularity, (3) workforce, (4) workers in the value chain, (5) climate, and (6) nature.

The European Union is central to making this strategy a reality. The region's policy frameworks, markets, and partnerships create the conditions needed to advance innovation, circularity, and responsible business practices, making the EU a key driver of PMI's 2030+ ambitions.

STORIES OF IMPACT

Paving the way forward for sustainability in Slovakia — **Slovakia**

Ripples of responsibility: A water stewardship journey in the Netherlands — **Netherlands**

Advancing responsible water stewardship across our operations and value chain — **Portugal**

Papastratos's 180° shift: From legacy to leadership — **Greece**

1. Value Plan 2030+, Philip Morris International (pmi.com)
2. Sustainability Materiality Report 2025, Philip Morris International, 2025

TRANSFORMATION LANDSCAPE

Smoke-free ecosystem Leadership

Research & Innovation

Engineering capabilities

Digitalization

Manufacturing excellence

LOOKING AHEAD

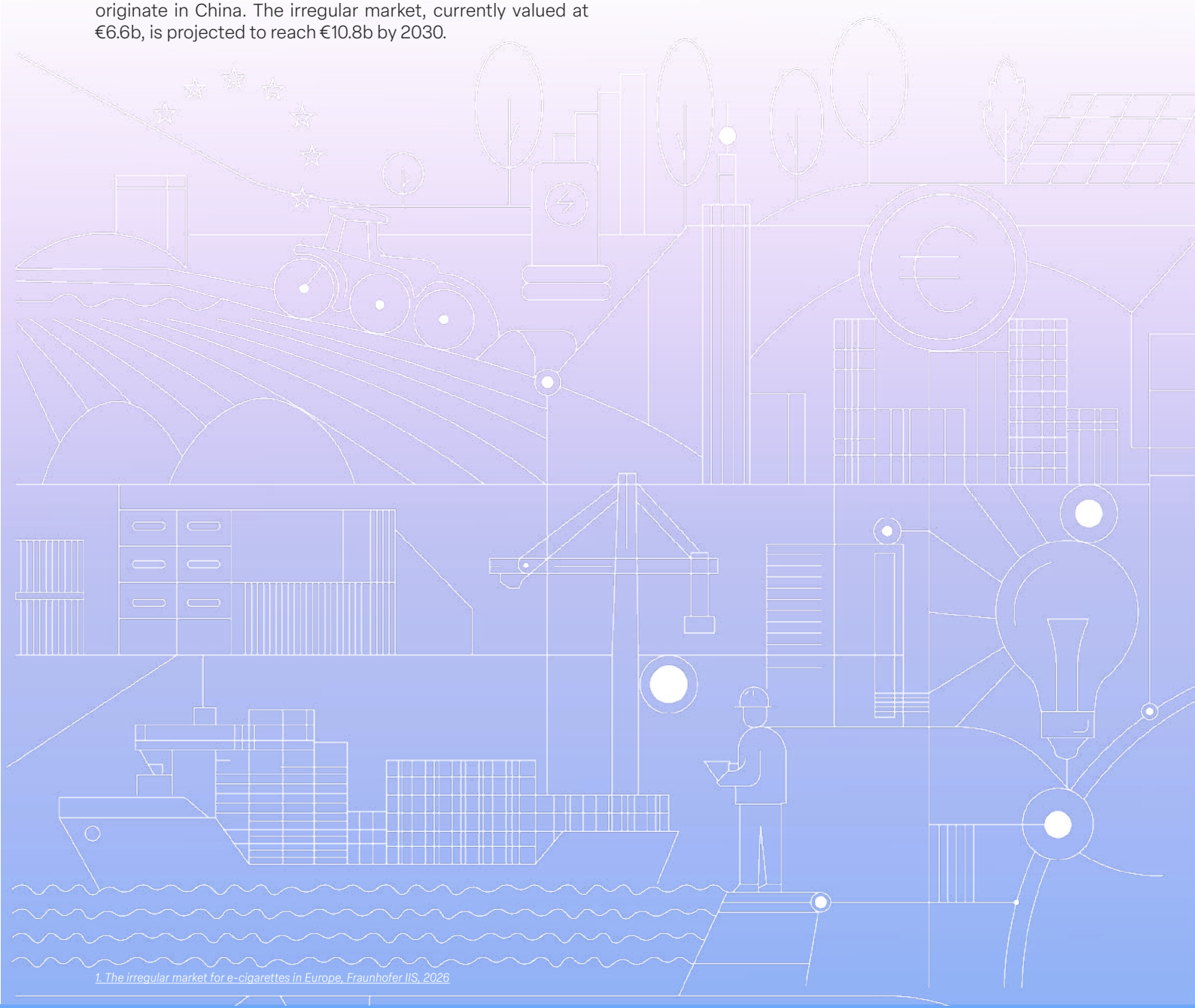
Sustaining and solidifying Europe's position demands a clear strategic vision and timely action. The transformation described in this chapter has already reshaped Europe's industrial footprint, positioning the continent as a leading hub for smoke-free manufacturing and innovation. Yet this position remains subject to evolving market, regulatory and competitive dynamics.

Investments in facilities, suppliers, innovation, exports, and workforce capabilities have built a network of economic relationships that extends well beyond PMI's operations, contributing to pioneering capabilities in heated tobacco products and nicotine pouches. In other categories, however, Europe's position is less secure. While many e-cigarette products are legitimately imported into Europe, including from manufacturing hubs outside the region, a substantial share of the market is supplied through irregular channels. One example from recent research[1] estimates that around 48% of EU e-cigarette consumption comes from irregular sources, and that roughly 90% of imported devices and components originate in China. The irregular market, currently valued at €6.6b, is projected to reach €10.8b by 2030.

Every unit supplied through irregular channels represents manufacturing, investment, employment, technical capability, and fiscal revenue that Europe does not capture, value generated elsewhere or lost altogether to the formal economy.

As global demand for smoke-free alternatives grows, there is an opportunity for Europe to extend its strengths in heated tobacco and nicotine pouches into a legitimate, competitive e-cigarette industrial base, and lead the next generation of nicotine product innovation. Realizing this will require effective enforcement, coherent regulation, and an environment in which compliant European manufacturers can invest and compete at scale.

The following chapter explores this ecosystem in greater detail, examining how manufacturing, sourcing and investment activities create value across European economies and why an increasing share of that value can be described as Made by Europeans.



1. The irregular market for e-cigarettes in Europe, Fraunhofer IIS, 2026

Creating Value Across Europe: Economic Contribution and Multiplier Effects

THE ECONOMIC ECOSYSTEM BEHIND PMI'S OPERATIONS

PMI operates across a highly interconnected European value chain spanning agriculture, manufacturing, logistics, technology services, scientific research, distribution and retail. These activities generate economic linkages across multiple Member States, connecting global demand with local investment, employment and business activity.

The transition toward smoke-free products has broadened the range of industries and capabilities involved in this value chain. While traditional tobacco manufacturing was largely centered on agricultural inputs and production processes, smoke-free products increasingly depend on advanced manufacturing, engineering, electronics, digital technologies, scientific research and intellectual property. As a result, PMI's footprint today is more diversified and more deeply integrated into Europe's industrial and innovation base.

A MULTI-DIMENSIONAL CONTRIBUTION TO THE EUROPEAN ECONOMY

PMI contributes to the European economy through three principal channels.

Business Activity: Economic activity generated through PMI's operations and the wider supply chain, including direct, indirect and induced effects.

Government Revenues: Taxes generated through PMI's activities, including excise duties, VAT, corporate taxes and employment-related taxes.

Retail Value Creation: Income generated through retailer margins and local commerce supported by PMI products.

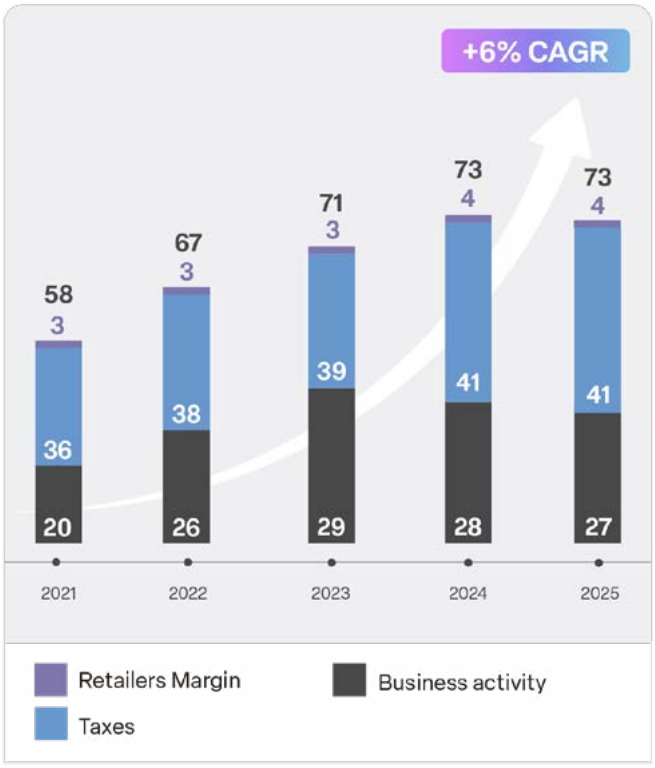
Taken together, these channels provide a comprehensive picture of PMI's economic footprint across Europe.

Every €1 generated by PMI creates an additional €2.02 across the wider EU economy

3.02x

Economic multiplier

PMI's estimated contribution to the EU economy (€b)



Between 2021 and 2025, PMI's activities generated an estimated €342.8b in economic value across the European Union, representing approximately 0.40% of EU GDP per year

Over the same period, PMI's overall contribution to the EU economy increased by 25%

THE BUSINESS ACTIVITY IMPACT

The remainder of this chapter focuses on **business activity**, the first component of PMI's economic footprint.

Business activity captures the value of goods and services generated as a result of PMI's presence in Europe and traces how spending associated with its operations flows through suppliers, industries, and households. As these linkages extend across the wider economy, they generate additional production, income, and employment beyond PMI's direct activities, providing a measure of the **overall scale and reach of the company's footprint.**



DIRECT ECONOMIC ACTIVITY

Direct economic activity captures the value generated through PMI's own operations across Europe, including manufacturing facilities, research and development centers, commercial organizations, logistics functions, service centers, and other business activities. This contribution is supported by PMI's production and export activities, workforce, capital investment, and procurement of goods and services.

Between 2021 and 2025, PMI's operations across Europe generated material economic activity through manufacturing, research and development, commercial operations, logistics, service centers, and engagement with suppliers and business partners. These activities support output, employment, labor income, and tax revenues directly within PMI's business while sustaining demand across the broader economy. As described in earlier chapters, PMI's transformation has reshaped the nature of this contribution.

Examples include:

Economic activity generated directly by PMI operations (2021-2025)

€43.3b

The transformation of the Otopeni facility into a major manufacturing hub for smoke-free products serving international markets.

Romania

The integration of manufacturing, innovation, R&D, and corporate leadership activities through the Swedish Match business.

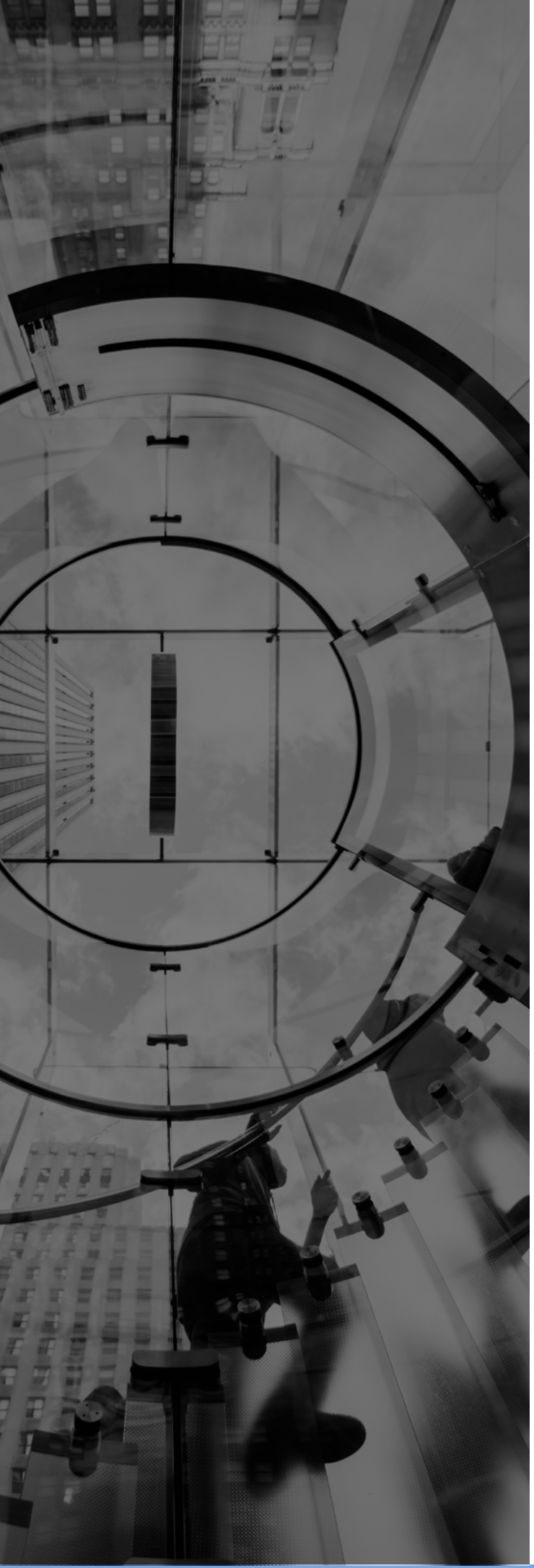
Sweden

High-value manufacturing activities supported by advanced production capabilities and sustainability initiatives.

Lithuania

Economic activity underpinned by manufacturing, export activities, and a globally connected shared services center.

Portugal



INDIRECT ECONOMIC ACTIVITY

Indirect economic activity captures the output generated throughout PMI's supplier network and the wider economy through business-to-business transactions linked to its operations. Through its demand for goods, services, and infrastructure, PMI supports production, investment, and employment across a broad range of industries.

For PMI, indirect impacts include:

- Demand for raw materials, production inputs and packaging materials
- Business activity generated across supplier industries and service providers
- Expenditure on logistics, utilities, infrastructure and professional services
- Wider supply-chain transactions that support production and employment across the economy

Economic activity generated through PMI's supplier network (2021-2025):

€42.1b

INDUCED ECONOMIC ACTIVITY

Induced economic activity captures the effects of household spending by employees of PMI and its suppliers. As wages earned through PMI's value chain are spent on housing, retail, transportation, care, hospitality, and other local services, they generate additional economic activity beyond the initial production process.

These effects extend the benefits of PMI's operations into communities across Europe, supporting local businesses and employment.

Economic activity supported by employee and household Spending (2021-2025):

€45.1b

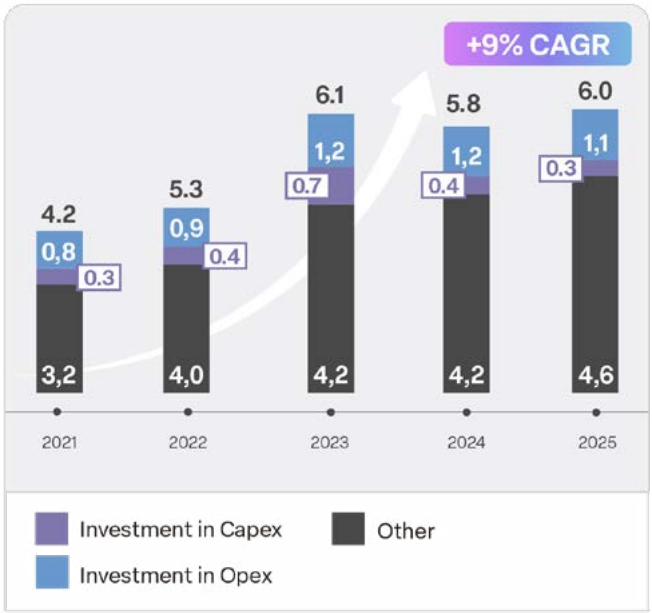
Over the past five years, PMI has devoted almost €50b to its European footprint through capital investment, procurement, trade, marketing, and other business activities, helping sustain a European value chain that spans research, manufacturing, exports, and innovation.

INVESTMENT AND MANUFACTURING: BUILDING LONG-TERM ECONOMIC CAPABILITIES

Total investment in European operating expenditure, capital expenditure, and other business-critical spending

€27.4b

Investment split by category (€b)



Investments in PMI's operations strengthen manufacturing capabilities, support innovation and reinforce Europe's position as a hub for advanced manufacturing and export-oriented production. Between 2021 and 2025, PMI invested €27.4b across the EU through a combination of capital expenditure (CAPEX), manufacturing operational expenditure (OPEX) and other[1] business-critical spending supporting its manufacturing and transformation activities. CAPEX accounted for 7.8% of total investments and supported new systems, machinery and facility upgrades, while OPEX represented 18.9%, supporting the operation and maintenance of manufacturing facilities and equipment.

1.Other investments relate to a broad range of activities, including logistics, marketing, and other business-critical functions that support PMI's operations and transformation efforts.

INVESTMENT AND MANUFACTURING: STRENGTHENING LOCAL SUPPLIER ECOSYSTEMS

Total investment in European supply chain over the past five years

49,095 European suppliers

€22.3b

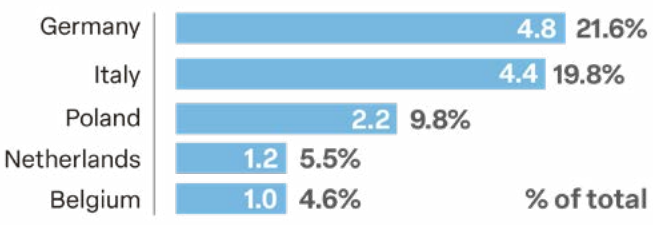
PMI's economic contribution extends beyond its own facilities through engagement with a network of 49,095 suppliers across Europe. Between 2021 and 2025, PMI spent approximately €22.3b with suppliers, representing an average annual growth rate of 7.6%. This expenditure supports businesses across manufacturing, logistics, professional services and other sectors, including many SMEs.

Supplier spend (€b)



PMI's supplier spend is anchored in five countries (Germany, Italy, Poland, the Netherlands and Belgium), which together receive 61% of the total.

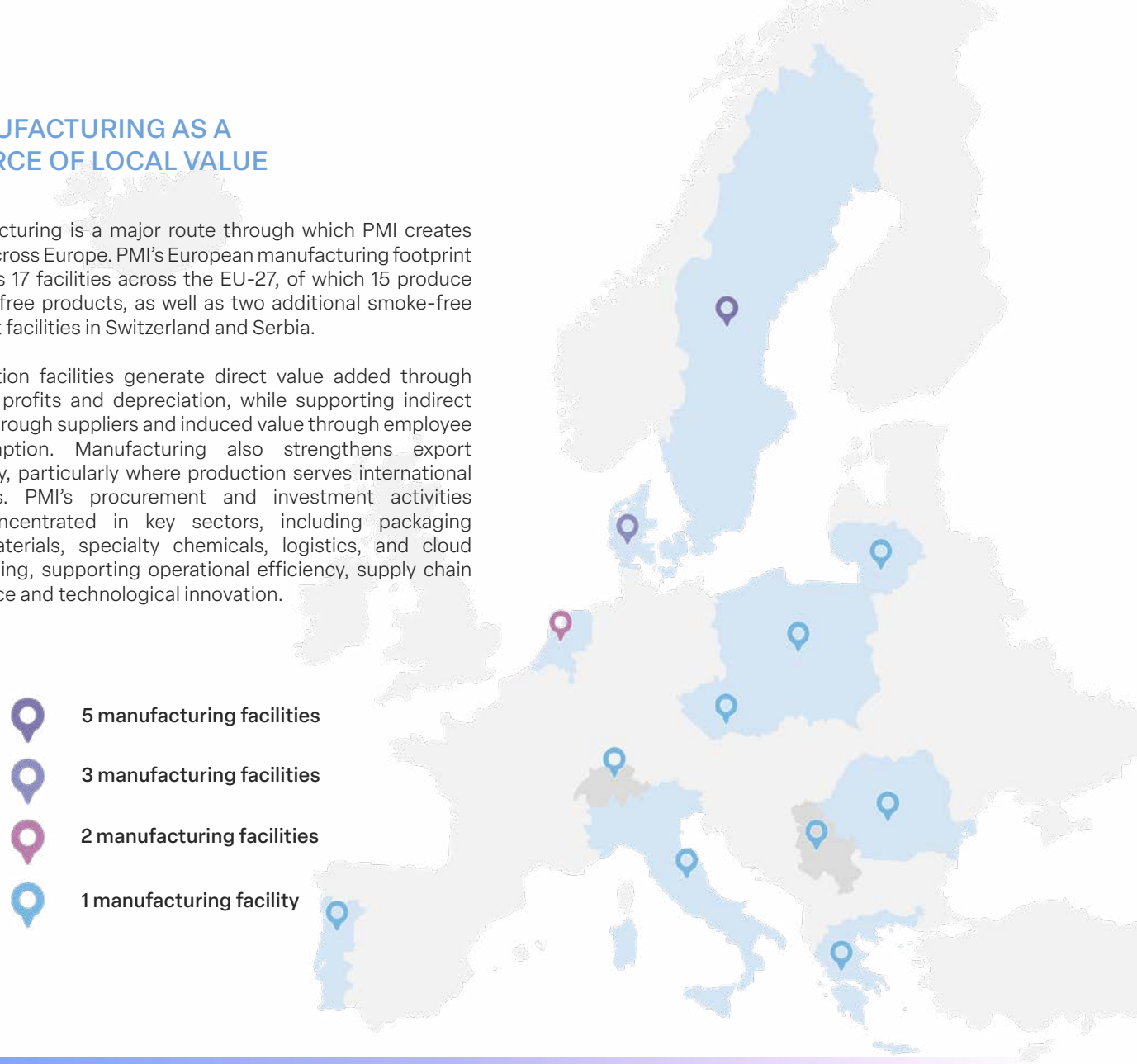
Top 5 countries by cumulative supplier spend, 2020-2025, (€b)



MANUFACTURING AS A SOURCE OF LOCAL VALUE

Manufacturing is a major route through which PMI creates value across Europe. PMI's European manufacturing footprint includes 17 facilities across the EU-27, of which 15 produce smoke-free products, as well as two additional smoke-free product facilities in Switzerland and Serbia.

Production facilities generate direct value added through wages, profits and depreciation, while supporting indirect value through suppliers and induced value through employee consumption. Manufacturing also strengthens export capacity, particularly where production serves international markets. PMI's procurement and investment activities are concentrated in key sectors, including packaging and materials, specialty chemicals, logistics, and cloud computing, supporting operational efficiency, supply chain resilience and technological innovation.



EU is PMI's global manufacturing hub for smoke-free products, with 15 of its 17 facilities dedicated to smoke-free production, supplying 100% of the heated tobacco consumables and nicotine pouches sold in the EU.

Romania as a transformed export hub

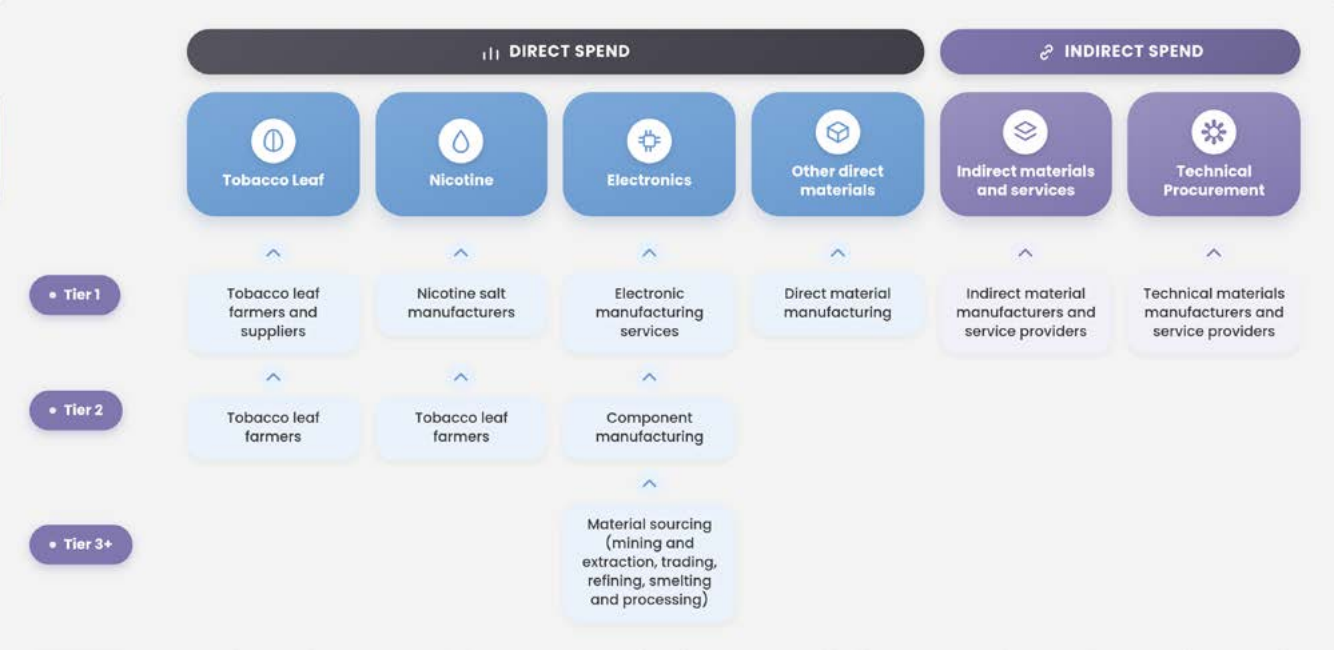
PMI's Otopeni facility has evolved into a major export hub for smoke-free products, with more than **90% of production exported.** The facility demonstrates how investment in advanced manufacturing can drive jobs, supplier demand, and export revenues in Europe.

Portugal as manufacturing, services and export platform

PMI's operations in Portugal combine manufacturing, global service functions, and international trade, with approximately 91% of local production exported. According to the footprint study[1], PMI is the **international company generating the highest added value in Portugal**, highlighting the country's strategic role in PMI's European value chain.

1. Study of economic footprint of Tabaqueira / PMI in Portugal, conducted by ICSTE, 2024

GLOBALLY CONNECTED, EUROPEAN AT ITS CORE



1. PMI Value Report 2025, Philip Morris International, 2025

While electronics devices are manufactured outside Europe and supplied through PMI's global network, the majority of the smoke-free product value chain remains anchored in Europe, supporting a broad ecosystem of European suppliers and service providers. Spanning agriculture, material production, manufacturing, research, packaging, logistics, and retail, every smoke-free product sold contributes to value creation and supports a wide network of businesses and workers across Europe.



Germany: Supplier Expertise Strengthening the Smoke-Free Value Chain

Germany hosts a well-developed ecosystem supporting the smoke-free value chain, particularly nicotine pouches. Companies active in machinery, materials, nicotine ingredients, and flavor development provide capabilities that are increasingly relevant to PMI's smoke-free transformation[2], while German engineering leaders contribute to manufacturing innovation and production capacity. Together, they illustrate the depth of industrial expertise and supplier capabilities supporting the production and supply of nicotine pouch products for markets where such products are legally sold.

LOOKING BEYOND BUSINESS ACTIVITY

While business activity represents the largest component of PMI's economic footprint, it is only one dimension of the company's overall contribution.

PMI's activities also generate substantial value through public revenues and retailer income, ensuring that the benefits created throughout the value chain reach governments, communities and local businesses across Europe.

The following chapters explore these additional dimensions of value creation:

Supporting Public Finances and Government Priorities

Retailers, Local Commerce and Consumer Access

Together, these chapters provide a more comprehensive view of PMI's economic and societal contribution across Europe.

2. Philip Morris in Deutschland: Wir sichern Wachstum und wirtschaftliche Stabilität für unser Land, PM GmbH, 2025

Supporting Public Finances and Government Priorities

KEY MESSAGE

Through excise duties, value added tax (VAT), corporate income taxes, and other fiscal payments, PMI contributes to public finances across Europe.

These revenues provide governments with a stable source of fiscal resources, strengthening their capacity to fund public services, infrastructure, innovation, and other strategic priorities.

Generated through a highly regulated and compliant value chain, these contributions represent another channel through which PMI's ecosystem supports economic prosperity, fiscal resilience and security, while contributing to Europe's long-term competitiveness

FROM ECONOMIC ACTIVITY TO PUBLIC VALUE

Previous chapters demonstrated how PMI's activities generate economic activity through manufacturing, investment, suppliers, exports and household spending.

Economic activity also generates public value. As goods are produced and sold, workers earn wages, businesses generate profits and governments collect taxes. These fiscal flows support public institutions and help finance priorities such as care, education, transport infrastructure and social protection systems. PMI contributes to public finances through multiple channels:

Excise Duties: Taxes collected on tobacco and nicotine products

Other Taxes: Taxes associated with value added tax (VAT), corporate income taxes, employment taxes, and other taxes associated with business activities.

Together these channels illustrate how economic activity generated by PMI ultimately contributes to public revenues across Europe.

Total taxes paid by PMI (€b)[1]



Between 2021 and 2025, PMI's European ecosystem generated approximately €195.7b in tax revenues, including excise duties, VAT, and corporate income taxes. Annual contributions ranged from approximately €36b to €41b, providing governments with a stable source of fiscal resources at both national and European levels.

1. Minor changes in 2021-2023 tax numbers (compared to the previous footprint study) are related to reconciliations done after the initial data sourcing period and actual payments done

EUROPE'S LARGEST FISCAL CONTRIBUTION COUNTRIES

Benchmarking PMI's tax contributions against selected areas of public expenditure helps illustrate the scale of this contribution and its broader significance for European economies and societies. Generated through formal and regulated economic activity, these revenues arise when products are manufactured, distributed, and sold through compliant supply chains operating within established legal and fiscal frameworks. As such, they represent a vast source of government revenue that can support public services, infrastructure, innovation, and other policy priorities.

The cumulative €195.7b in taxes generated by PMI's activities during 2021-2025 is more than the total budget of €175b allocated to Horizon Europe, the European Union's flagship research and innovation program for 2028-2035

TOP 3 CONTRIBUTORS



€34.2b

Between 2021 and 2025, PMI generated €34.2b in taxes in Germany, a figure broadly similar to the government's €40b coal transition program[1], supporting economic diversification, infrastructure and sustainable employment.



€31.2b

Between 2021 and 2025, PMI supported €31.2bn in tax revenues in Italy, comparable to the €30.6b National Plan for Complementary Investments[2] supporting the country's recovery and resilience agenda.



€29.0b

Between 2021 and 2025, PMI generated approximately €29b economic value across the French economy, equivalent to over 50% of the €54b France 2030[3] investment program supporting innovation, reindustrialization and the green transition.

These comparisons are not intended to imply that PMI funds any particular public service. Rather, they demonstrate how economic activity generated through regulated and compliant value chains can contribute meaningfully to the fiscal resources available to governments.

1. BMUKN: Was soll mit dem Strukturstärkungsgesetz erreicht werden? | Frage
2. Ragioneria Generale dello Stato - Ministero dell Economia e delle Finanze - Piano nazionale per gli investimenti complementari al PNRR
3. France 2030 : un plan d'investissement pour la France | economie.gouv.fr

Connecting European Production to Local Communities

KEY MESSAGE

PMI's economic footprint extends beyond manufacturing facilities, suppliers and governments. Through a network of retailers, wholesalers and distributors, PMI's products support thousands of businesses across Europe and contribute to the vitality of local economies.

Retailers represent the final link between European production and consumers. Around 510,000 retailers supply PMI products across the EU, with tobacco and smoke-free products helping many of these businesses attract customers, generate sales and strengthen their commercial viability. In 2025, PMI's retail and wholesale network supported approximately 650,000 jobs across the region, reflecting its contribution to employment and economic activity in communities of all sizes.

The benefits to retailers are also reflected in the income generated through product sales. Between 2021 and 2025, PMI products generated approximately €16.6b in retailer margins across Europe, increasing from €2.7b in 2021 to €4.2b in 2025. These margins reflect the income earned by retailers through the distribution and sale of PMI products across Europe.

RETAIL VALUE GENERATED ACROSS EUROPE

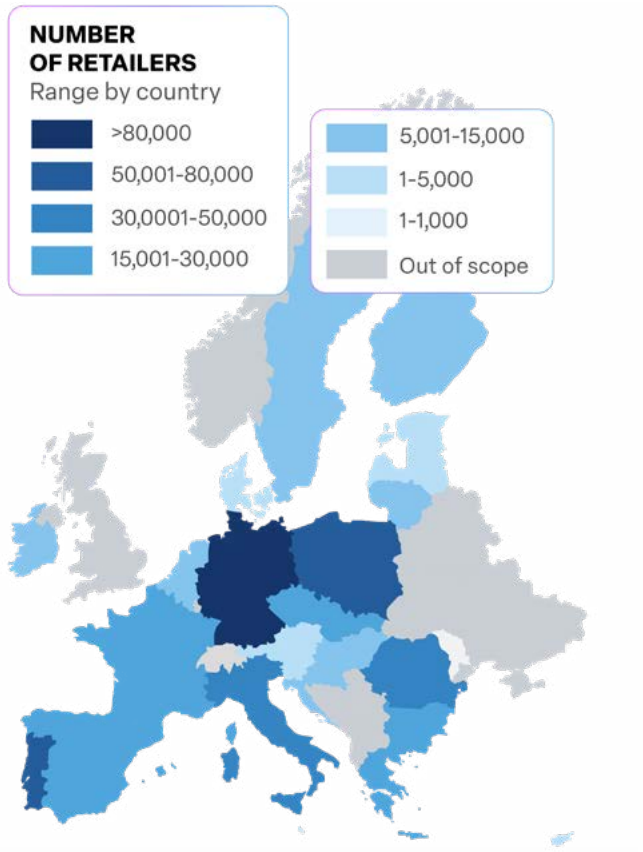
PMI's distribution network is where its economic footprint becomes local. Through a network of convenience stores, kiosks, supermarkets, specialist retailers, family businesses, service stations, and wholesale distributors, the value generated throughout PMI's ecosystem over the 2021-2025 period reaches communities across Europe.

Because retail activity is geographically dispersed, its benefits are widely shared, supporting local businesses, income generation, and economic vitality in towns and cities across the continent.

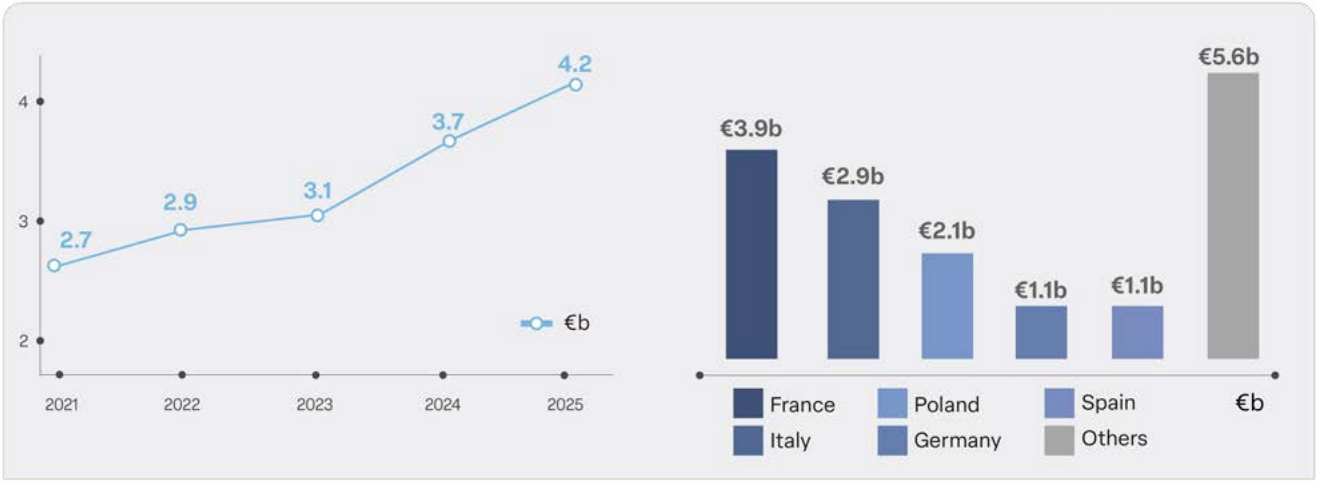
~650,000
Retail and wholesale jobs influenced

Retailers selling PMI's products in the EU

~510,000



Retailer margin generated by PMI products (2021-2025)



Europe Produces for the World: Exports, Trade and Competitiveness

KEY MESSAGE

Over the last decade, PMI's transformation has reshaped the role of Europe within its global value chain. What was once primarily a regional production base has evolved into a globally connected export platform supplying smoke-free products to markets around the world.

Today, PMI's European operations contribute to:

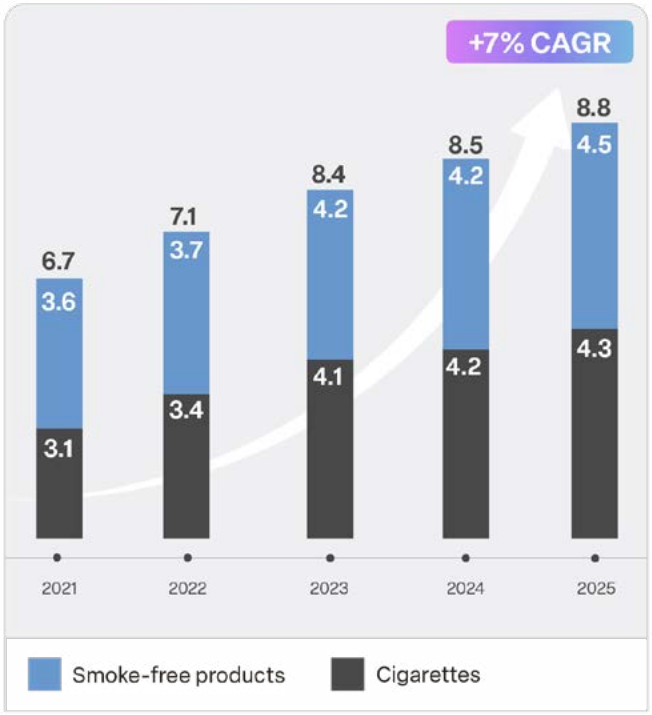
- Export revenues generated from global demand for smoke-free products
- Stronger trade performance through the sale of high-value manufactured goods
- Investment in advanced industrial capabilities and production capacity
- Demand for European suppliers, services, and logistics networks
- The development of specialized skills supporting internationally competitive industries

Increasingly, PMI's European footprint is a story of Europe producing for the world. Products designed, developed, and manufactured by Europeans are sold across global markets, extending the benefits of European skills, technology, and industrial capabilities far beyond the continent's borders.

Between 2021-2025 PMI exports

€39.5b

PMI export contribution (€b)



EXPORTING EUROPEAN VALUE TO THE WORLD

Europe is an increasingly important export hub in PMI's global value chain. Between 2021 and 2025, exports grew from €6.7b to €8.8b, driven by smoke-free products, whose exports increased from €3.6b to €4.5b and accounted for more than half of total exports by 2025. This shift underscores Europe's growing importance in PMI's smoke-free transformation and global manufacturing network.

Between 2021 and 2025, PMI generated approximately €39.5b in exports from Europe, highlighting Europe's role as a key manufacturing and export hub within PMI's global value chain.

European factories are not only serving European consumers. They are supplying to the entire world.

EXPORT CHAMPIONS: MANUFACTURING FOR GLOBAL MARKETS

Several European markets illustrate the scale of PMI's export footprint.

Italy: Exporting European Innovation

Italy is one of PMI's most important manufacturing and export locations. In 2023, heated tobacco exports from Italy reached approximately €1.9b, a figure approaching the total value of Italy's olive oil exports[1] and equivalent to approximately one-quarter of the country's wine exports[1].

Portugal: A National Export Champion

Portugal's global reputation has traditionally been built on products such as wine, olive oil, cork and cheese. Tabaqueira has become part of this export success story, generating €829m of goods exports in 2024 and accounting for approximately 1% of all Portuguese goods exports. With 91% of production exported, Tabaqueira's exports are comparable to 86% of Portugal's wine exports[2] and exceed the export value of many traditional Portuguese agri-food products.

Greece: Exporting Smoke-Free Products Worldwide

Greece is another important example of export-oriented production. Approximately 87% of Papastratos production is exported, supporting Greece's trade performance while positioning the country as an important production hub for smoke-free products. In 2023, PMI's heated tobacco product exports from Greece reached approximately €373m, around 45% of all Greek feta cheese exports[1] during the same year.

of Lithuania's Klaipėda production exported

98%

of Romania's Otopeni production exported

90%

of Czechia's Kutná Hora production exported

88%



European factories are not only serving European consumers. Europe produces for the world.

1. European Commission (Access2markets)
2. Exportações em , Vini Portugal, 2024

FOCUS: EUROPE'S OPPORTUNITY IN E-CIGARETTES

Europe has developed a strong manufacturing ecosystem for smoke-free products such as heated tobacco and nicotine pouches. Through its factories, research centers, engineering capabilities and exports, Europe creates jobs, investment and economic value that extend well beyond its borders.

A different picture emerges for e-cigarettes. Compared with heated tobacco products and nicotine pouches, Europe has yet to develop a large-scale, globally competitive e-cigarette manufacturing ecosystem.

THE VALUE EUROPE CONSUMES BUT DOES NOT CAPTURE

According to a recent Fraunhofer IIS assessment[1], approximately 48% of e-cigarette consumption within the EU originates from irregular sources, representing a market worth approximately €6.6b in 2024 and projected to reach €10.8b by 2030.

The study also found that approximately 90% of imported e-cigarettes, including devices and liquid components, originate from China. As a result, a considerable share of the manufacturing activity, supplier demand, investment and employment associated with these products is generated outside Europe.

Consequently, Europe captures less of the economic value associated with a category of product that is consumed by European consumers.

€10.8b
(2030)



€6.6b
(2024)

ENFORCEMENT IS IMPORTANT, BUT NOT SUFFICIENT

Addressing irregular trade requires effective enforcement. However, enforcement alone will not be enough to build a competitive European e-cigarette industry.

As a large share of e-cigarette products sold in the EU is imported, often from jurisdictions that are not subject to the same requirements, controls, and compliance obligations as European operators, competition can become distorted. This uneven playing field may reduce incentives to invest in European manufacturing, supply chains, and innovation.

Effective enforcement and responsible regulation are therefore complementary tools for creating a more predictable environment for businesses, supporting the long-term development of the industry in Europe, and ensuring consistent quality standards and regulatory oversight across smoke-free product categories.

1. The irregular market for e-cigarettes in Europe, Fraunhofer IIS, 2026



THE UPSIDE OF A LEGITIMATE EUROPEAN HUB

The growth of heated tobacco products and nicotine pouches demonstrates that Europe can host sophisticated smoke-free manufacturing ecosystems. A similar outcome is possible for e-cigarettes. A more consistent regulatory framework, combined with effective enforcement and a competitive manufacturing environment, could enable a larger share of e-cigarette value creation to occur within Europe.

Potential benefits include:

- Investment in manufacturing facilities
- Growth in supplier ecosystems
- Additional exports
- Employment creation
- Higher tax revenues
- Increased retention of economic value within Europe

WHAT COULD CHANGE THE PICTURE?

Two conditions would improve Europe's ability to build a more competitive e-cigarette manufacturing ecosystem:

- Effective enforcement against illicit and non-compliant products
- A competitive manufacturing base capable of serving domestic and international markets

CONCLUSION: EXPORTING EUROPE'S TRANSFORMATION

Exports demonstrate that PMI's transformation is not only reshaping the company's business model. It contributes to positioning Europe within a global smoke-free economy.

European factories manufacture products sold around the world. European suppliers support global value chains. European innovation supports international competitiveness.

The story of PMI's exports is therefore also the story of how European capabilities are creating value beyond Europe itself. Europe already manufactures the world's heated tobacco products and nicotine pouches at scale.

With appropriate market, regulatory and investment conditions, a similar outcome could emerge for e-cigarettes.

Agricultural Livelihoods and Rural Prosperity

KEY MESSAGE

Through long-term sourcing partnerships and supply-chain investments, PMI purchased €582m of EU tobacco leaf between 2021 and 2025, supporting agricultural regions where farming remains an important source of income and employment. The benefits extend across a wider ecosystem of:

- **Farmers and growers**
- **Seasonal workers**
- **Transport and logistics providers**
- **Agricultural suppliers**
- **Processing facilities**
- **Rural service businesses**

As a result, agricultural production supports local supply chains and contributes to economic activity in regions where farming remains an important source of employment, income and regional identity.

Additionally, PMI purchased approximately €11m of tobacco leaf in Switzerland over the same period, which is excluded from the EU-27 figures.

EU Tobacco-leaf purchase 2021-2025

€582m

PMI purchases 50% of all tobacco leaf produced in Italy and Switzerland, and 30% of all tobacco leaf produced in Spain.

Leaf purchases by country, 2021-2025

 **€385m**

 **€109m**

 **€57m**

 **€31m**

AGRICULTURE CONNECTED TO PMI'S TRANSFORMATION

PMI's transformation toward smoke-free products has expanded its footprint into advanced manufacturing, innovation, research, and exports. At the same time, many of the supplier relationships underpinning these activities continue to originate in agricultural communities.

Across the EU, approximately 390,000 livelihoods are connected to the tobacco-growing sector. Through long-term sourcing partnerships, PMI helps provide growers with greater predictability, supporting investment, productivity improvements, and the resilience of rural communities.

This demonstrates how value created through innovation, manufacturing, and exports extends throughout the value chain, contributing not only to industrial activity but also to employment, income generation, and economic opportunities in agricultural regions across Europe.

390k livelihoods connected to the EU tobacco-growing sector.

Supported through long-term sourcing partnerships that help strengthen agricultural communities and supply-chain resilience.



KEY INITIATIVES

Digital Farmer Program
Supporting the adoption of digital tools, data-driven farming and precision agriculture practices.

New Tobacco Varieties Pilot
Testing new tobacco varieties to enhance productivity, resilience and product quality.

Smart Irrigation Pilot
Using weather stations, field monitoring and advanced analytics to improve water-use efficiency.

Biomass Barn Conversion
Supporting the replacement of fossil fuels with renewable biomass in tobacco-curing barns.

BeeLeaf Project
Promoting biodiversity conservation through beehive and ecosystem monitoring.

Call for Innovation "Be Leaf – Be The Future"
Fostering collaboration between academia, startups and industry to accelerate innovation across the agricultural value chain.

Italy: A Long-Term Commitment to Rural Communities

Italy represents one of PMI's most significant agricultural partnerships globally. In 2024, PMI renewed its Program Agreement with the Italian Ministry of Agriculture and Food Sovereignty for the period 2024-2034, extending a relationship originally established in 2011. The agreement includes:

- Up to €1b of investment in the Italian tobacco supply chain between 2024 and 2034
- A commitment to purchase approximately 50% of Italy's tobacco production

This represents the largest private-sector investment program within the Italian tobacco supply chain, demonstrating PMI's long-term commitment to supporting agricultural communities.

Beyond its scale, the agreement provides predictability for growers and reinforces the integration of agriculture within PMI's wider European value chain.

Spain: Agricultural Production Supporting Rural Prosperity

Spain is one of the clearest examples of how agricultural activity supports rural livelihoods. The country accounts for around 20% of EU tobacco production, with 98% concentrated in Extremadura, where tobacco remains an important economic activity.

Since 1992, Philip Morris Spain[1] has purchased an average of 6,500 tons of green tobacco leaf annually, providing a stable market for local growers. Research by Analistas Financieros Internacionales found that, compared with similar municipalities without tobacco-related activity, tobacco-growing communities report approximately €1,400 higher average household income and unemployment rates 5.7 percentage points lower.

These findings suggest that tobacco cultivation contributes not only to regional output, but also to social cohesion, employment opportunities and rural prosperity.

Poland: Championing Sustainable Agricultural Innovation

PMI supports the long-term competitiveness of tobacco cultivation in Poland through initiatives focused on energy efficiency, biodiversity, and agricultural innovation.

Key efforts include the modernization of tobacco-curing barns, biodiversity projects supporting pollinator, and pilot projects launched in 2025 to evaluate new tobacco varieties with the potential to improve agronomic performance and product quality.

20% of EU tobacco production

98% concentrated in Extremadura

€1,400 higher household income

5.7ppt lower unemployment



1. El impacto socioeconómico de Philip Morris en España, The European House – Ambrosetti, 2026

People, Skills and Productivity

KEY MESSAGE

PMI's transformation supports employment beyond its direct operations, generating a total employment multiplier of 7.29x across the European economy through its network of manufacturers, suppliers, agricultural communities, logistics providers, research partners, retailers and service providers.

As PMI's smoke-free transformation has accelerated, its direct workforce in Europe has expanded by 6,346 employees since 2021, reflecting growing investment in advanced manufacturing, science, engineering and digital capabilities.

At the same time, the nature of employment is evolving. Demand is increasingly concentrated in research, technology, advanced manufacturing, AI and innovation. To support these changing requirements, PMI invests in continuous learning, future skills, talent mobility, leadership development and employability, helping employees build the capabilities needed to support long-term competitiveness and growth.

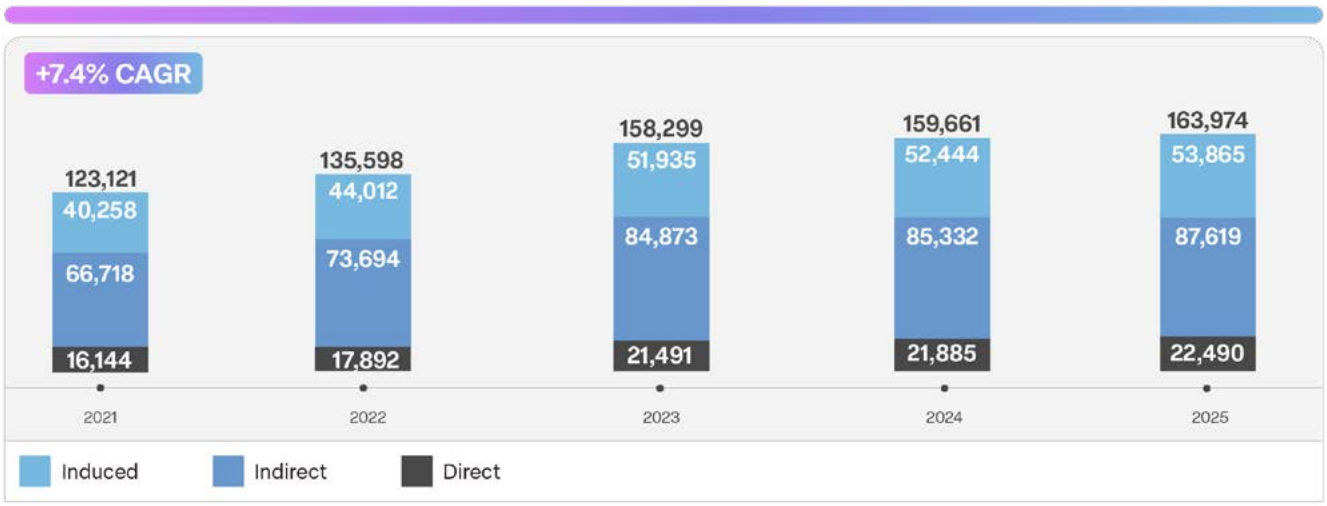
- **Employment** supported across the wider economy
- **Wages** and household income generated
- **Productivity** and investment in workforce capability
- **Future skills** and workforce readiness



Total employment multiplier

7.29x

Employment supported by PMI (Jobs)



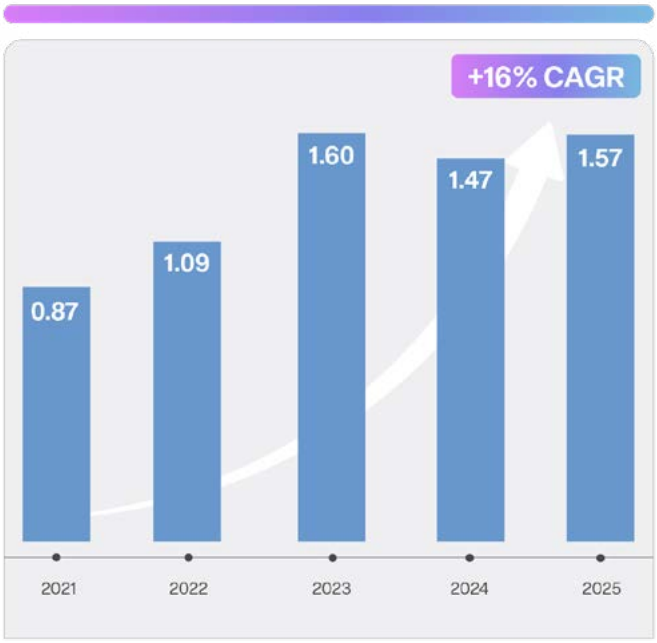
For every direct PMI job in 2025, approximately six additional jobs were supported across suppliers and the wider economy.

PRODUCTIVITY SUPPORTED BY INVESTMENT IN PEOPLE

Between 2021 and 2025, PMI invested approximately €6.6b in its workforce, including €45.8m in learning and training. Workforce investment increased at an average rate of 16% per year, reflecting a sustained commitment to developing the skills and capabilities needed to support future growth and transformation.

These investments contribute to a highly productive business. In 2025, PMI's European operations generated approximately €680,485 in revenue per direct employee, demonstrating the combined impact of workforce capabilities, technology, innovation, operational efficiency, and capital investment.

PMI's investment in people provides a bridge between current employment and future capability (€b)



Net revenue per direct employee

€680,485

PRODUCTIVITY GAINS SUPPORTED BY INVESTMENT IN PEOPLE

Labor productivity reflects the combined impact of investments in people, capital, technology, operational efficiency, and product mix, alongside the wider economic environment. It should therefore be interpreted as a measure of the efficiency and value creation of economic activity, rather than as a standalone assessment of workforce performance.

As a result, PMI's productivity reached 4.35x the EU average. Selected country-level studies illustrate a similar pattern, although they do not fully represent the EU-wide footprint, with productivity estimated at approximately 3.6x the national average in Czechia, 3.2x in Croatia and Romania, and more than 2x in Sweden, Denmark, and Slovenia.

PMI productivity relative to the EU average

4.35x

Several country studies provide additional context



SUPPORTING WAGES AND HOUSEHOLD INCOME

Employment is one channel of PMI's social contribution. The wages associated with those jobs are another. Direct wages are paid to PMI employees, indirect wages arise across suppliers and upstream industries, and induced wages are generated through the household spending of PMI and supplier employees.

Total wages supported by PMI were €32.2b during 2021-2025, which increased from approximately €5.8b in 2021 to €7.2b in 2025, an increase of roughly 24%. Supplier-related wages remained the largest component, demonstrating how PMI's activities contribute to household income well beyond the company's direct workforce.

Wages create a further connection between PMI's industrial footprint and local prosperity. Income earned by workers is spent on housing, food, transport, education, care and other household needs, transmitting the benefits of economic activity into communities across Europe. PMI also invests in employee development programs that support workforce capabilities, career progression and long-term employability.

Wages impacted by PMI (€b)



€11.6b
In tobacco farmers' wages influenced by PMI over 2021-2025

€19.2b
In wages influenced by PMI across the EU retail and wholesale network over 2021-2025

In 2025, more than four-fifths of the wages associated with PMI's footprint were supported outside PMI itself, through suppliers and the wider economy.

GROWING INVESTMENTS IN LEARNING AND DEVELOPMENT PROGRAMS

PMI's investment in employee development supports workforce readiness and long-term employability, reflecting its commitment to building the skills and capabilities needed to support its transformation and enhance the long-term employability of its workforce.

These investments illustrate the growing importance of human capital in PMI's business model and reinforce the shift towards increasingly knowledge-intensive, innovation-driven and capability-based activities.

Total investments in learning and training, 2021-2025

€45.8m



Learning and development have become an increasingly important part of PMI's people agenda. Average learning hours per employee increased from 19 hours on average during 2021-2024 to around 29 hours in 2025, reflecting a growing focus on skills development, workforce readiness and long-term employability.

PMI'S LIFELONG LEARNING ECOSYSTEM

01 Leadership Development

- Accelerate high-potential program
- License to Lead leadership program
- Executive Development Program with IMD
- People Manager Fundamentals

02 Continuous Learning

- PMI Campus with personalized learning pathways
- Udemy for on-demand skills development
- Rosetta Stone for language development
- Global learning communities and digital resources

03 Mentoring & Coaching

- iGrow mentoring program
- Executive mentoring for senior leaders
- MentorShift reverse mentoring program
- Senior leaders connected with early-career talent on AI, wellbeing and new ways of working

Investment in Young Talent

PMI is strengthening Europe's future workforce through targeted investments in skills and talent. The Graduate Program expanded from 40 participants in 2025 to 143 in 2026 across 25 countries, attracting more than 16,000 applications, while the Future Leaders Program accelerates the development of high-potential talent.

Together, these initiatives build capabilities, support employability, and develop the next generation of leaders.

RECOGNITION AS AN INDICATOR OF EMPLOYMENT QUALITY

External Recognition of PMI's People Practices

Global Top Employer 2026

- Tenth consecutive year of global certification
- One of 17 Global Top Employers certified in 2026
- Affiliates recognised across 32 international markets
- Country-level recognition in eight EU Member States included in the study's current list

Global EQUAL-SALARY Certification

- First achieved globally in 2019
- Third certification awarded in May 2025
- Current certification valid from 2025 to 2028
- Covers 60 affiliates globally, including 23 EU Member States

Recognized Workplace Excellence Across Europe

- Hungary's Family-Friendly Workplace Award, received annually since 2018
- Estonia's "Respecting Differences" label (2024)
- Lithuania's Equality Wings certification (2025-2026) and National Responsible Business Awards (2022), including Workplace of the Year and Most Positive Emotional Work Environment
- EB Stars Award recognition for PMI Baltics (Lithuania, Latvia and Estonia) in 2024 and 2025
- Cyprus recognized among the country's Best Workplaces, including #1 Best Workplace for Women (2025)
- Greece ranked #1 employer for six consecutive years (2021-2026) and recognized among the country's most admired companies
- Italian Gender Equality Certification

External certifications further provide independent external recognition of the practices supporting PMI's workforce. PMI's recognition as a Global Top Employer and EQUAL-SALARY certified employer demonstrates its commitment to pay equity, inclusion, talent development, and equal employee experience.

By achieving these certifications and embedding transparent job architecture and skills management practices, PMI has proactively implemented practices that are aligned with the objectives of the EU Pay Transparency Directive. Together, these measures support the company's alignment with the evolving European requirements on equal pay, pay transparency, workforce development, and skills-based talent management



The employment footprint is reflected not only in the number of jobs and wages supported, but also in independently assessed practices intended to help employees develop, participate and progress.

SOCIAL CAPITAL: SUPPORTING WORKERS, COMMUNITIES AND LIVELIHOODS

Several country studies demonstrate the significance of this contribution as exemplified by the examples below. The transformation toward smoke-free products has also altered the nature of employment supported by PMI's ecosystem.

Spain and Rural Economic Activity

The Spanish footprint demonstrates how long-term sourcing relationships can contribute to regional development.

Tobacco cultivation remains concentrated in Extremadura, where it supports agricultural activity, local employment and associated economic activity throughout surrounding communities.

Croatia and Knowledge-Based Employment

Croatia highlights how the nature of supported employment is evolving. Supplier-related growth is increasingly linked to scientific activities, professional services and ICT functions, illustrating the growing importance of knowledge-intensive work within PMI's value chain.

Italy and Workforce Transformation

Through the Philip Morris Institute for Manufacturing Competencies, Philip Morris Italy helps develop advanced capabilities in digital manufacturing, smart agriculture, data analytics, automation, and Industry 4.0 technologies. By partnering with universities, technical institutes, researchers, start-ups, and SMEs, the Institute supports workforce upskilling, technology transfer, and innovation across Italy's manufacturing and agricultural sectors. In 2024 alone, it delivered more than 5,000 hours of training across 16 thematic areas, helping equip workers and businesses with the skills needed to meet future technological and industrial challenges.



HUMAN CAPITAL BEHIND EUROPE'S TRANSFORMATION

Behind every manufacturing facility, export hub, innovation center and supplier relationship are people. PMI's activities support employment opportunities throughout Europe, generate billions of euros in wages, invest in workforce development and contribute to the skills increasingly associated with future competitiveness.

As smoke-free products become a larger part of PMI's business, demand for scientific, engineering, digital and AI-related capabilities continues to grow. Through initiatives such as its global Job and Skills Catalogue, PMI takes a proactive approach to anticipating future skill needs, supporting workforce mobility, and enabling targeted upskilling and reskilling across the organization.

The result is an employment footprint that contributes not only to economic activity, but also to the human capital that underpins Europe's future productivity, innovation and competitiveness.

AI, Digital Capability and Productivity

A TRANSFORMATION WITHIN THE TRANSFORMATION

Artificial intelligence is becoming a key enabler of PMI's transformation. PMI's AI strategy is built around a People, Process and Technology framework, reflecting a view of AI as an enterprise capability rather than a standalone technology initiative. By combining workforce readiness, process redesign and digital infrastructure, PMI aims to scale AI responsibly across the organization while delivering measurable business outcomes.

PMI's AI journey has evolved rapidly, progressing from capability-building and experimentation in 2023 and 2024 to enterprise-wide deployment and process transformation. According to PMI, approximately 20,000 employees were active users of Microsoft Copilot in 2024, while over 3,500 employees completed the AI Ready learning pathway, designed to build competence and confidence in using AI tools.

By 2026, more than 35,000 employees had access to generative AI tools, helping embed AI across everyday workflows and decision-making processes.[1]

AI THROUGH THE THREE CAPITALS FRAMEWORK

Economic Capital

Productivity and Operational Performance

AI supports productivity and operational performance through process automation, workflow optimisation, compliance support, demand forecasting and supply-chain management.

Social Capital

Skills and Workforce Capability

AI adoption is accompanied by workforce investment. PMI's people-focused approach focuses on building digital fluency, AI capability and employee confidence through training, communities and continuous learning.

Cognitive Capital

Innovation and Knowledge Creation

AI contributes to innovation by improving how knowledge is created, shared and applied across the organization, supporting activities ranging from research and analytics to content management and decision support.

AI @ PMI RECOGNIZED ON EUROPEAN AI AWARDS PLATFORM

PMI's AI transformation has received external recognition for both innovation and governance. In 2026, PMI received two GenAI Zürich Awards, placing it among a select group of organizations recognized for advancing AI from experimentation to enterprise-wide impact. PMI received two GenAI Zürich Awards:

- **AI Enterprise Transformer**[2]
- **AI's Choice Award**[3]

Building on PMI's **Forrester Enterprise Architecture Award 2025**, these recognitions highlight the company's success in embedding AI across the organization through strong governance, enterprise-wide adoption, and scalable innovation, transforming AI into a strategic business capability.





PMI'S AI FACTORY MODEL

A cornerstone of PMI's AI strategy, the **AI Factory** is PMI's enterprise engine for industrializing AI. By providing reusable capabilities, shared standards, and built-in governance, it helps teams move from idea to impact faster while helping to enable AI solutions that are secure, scalable, and trusted across the organization.

The approach is built around three principles:

Scale over pilots – prioritising enterprise-wide impact rather than isolated use cases

Reusable components – creating common building blocks that can be deployed across multiple functions

Business co-ownership – ensuring initiatives remain aligned with operational needs and business value

According to Forrester, this model has contributed to:

450+ AI use cases

35,000+ employees enabled with GenAI tools

40% faster time-to-value

30% lower development effort

1 The state of AI at PMI | PMI - Philip Morris International; How Philip Morris International's Outcome-Driven EA Practice Won The 2025 Forrester EA Award In EMEA
2 & 3 GenAI Zürich Award 2026: AI@PMI – Reinventing the Enterprise Through Responsible, Scalable Generative & Agentic AI

AI USE CASES

FirstPass

FirstPass is an AI-enabled tool that supports the review of marketing materials by internal PMI teams. As of August 2026, it is live in 19 countries, including Italy, France, Germany, the United Kingdom and Sweden. The tool continues to be developed, with opportunities for broader deployment across additional markets over time.

By helping streamline review workflows, FirstPass supports more efficient reviews, improves resource efficiency, and promotes greater consistency in how marketing materials are reviewed across markets and product categories.

Legal-Age Verification

In accordance with PMI's stated positioning, preventing underage access remains a core priority of the company's responsible commercialization strategy. Across Europe, the company is leveraging artificial intelligence and advanced digital technologies to strengthen age-verification controls in both retail and online environments. From facial age-estimation pilots in Austria, PMI has continued to explore and deploy innovative solutions across the EU, helping ensure that products are accessible only to legal-age consumers.

Looking ahead, PMI's Value Plan 2030+ sets an ambition to achieve comprehensive age-verification coverage across its owned digital channels, supported by technologies such as facial analysis, digital identity verification and AI-assisted monitoring.

Combating Illicit Trade

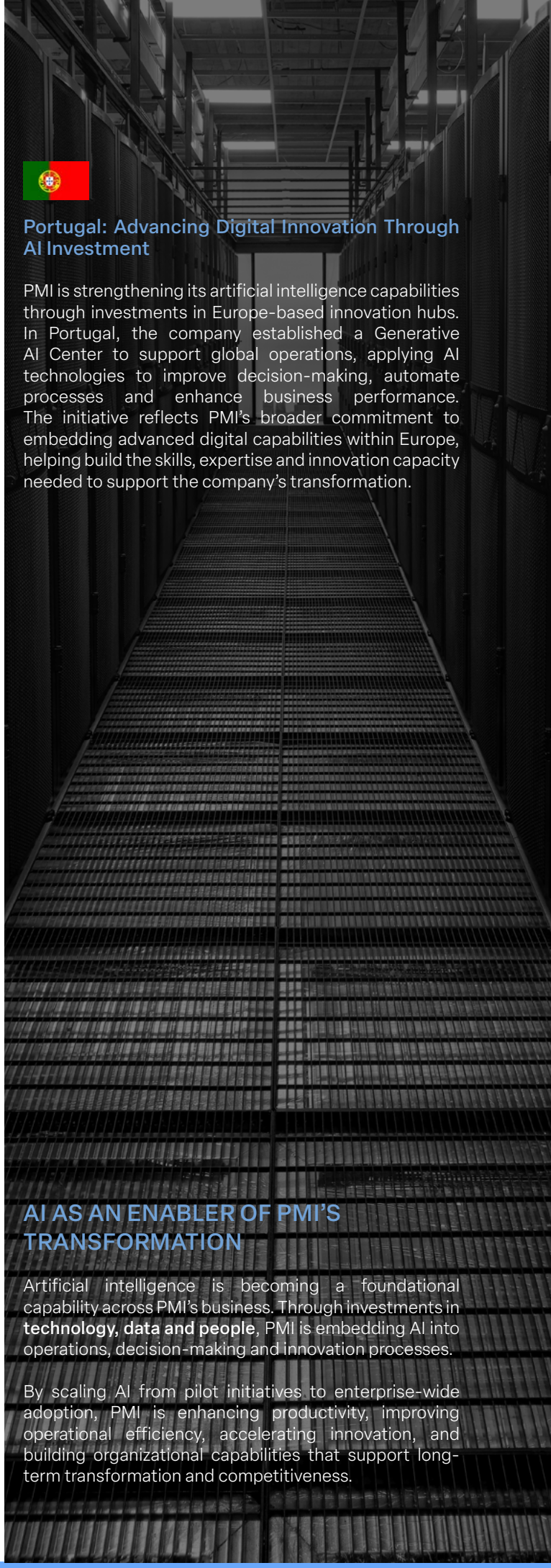
Artificial intelligence is strengthening PMI's fight against illicit trade by helping detect suspicious market patterns, identify potential product diversion and support the authentication of legitimate products.

Combined with track-and-trace technologies deployed across more than 150 countries, AI is enhancing supply chain transparency and helping protect consumers, public revenues and regulated markets.

Advanced Analytics for Diversion Risk Management

PMI is leveraging artificial intelligence to strengthen supply chain monitoring and improve operational efficiency. Through AI-powered product portfolio analytics, the company can rapidly identify unusual sales and product mix patterns that may indicate diversion risks. What was once a manual process is now a scalable, data-driven capability, enabling faster risk detection and more consistent monitoring across global markets.

- **49 markets analyzed quarterly**
- **1,085 operators screened**
- **7 trade channels monitored**
- **11,317 data points assessed**
- **457 SKU groups reviewed**



Portugal: Advancing Digital Innovation Through AI Investment

PMI is strengthening its artificial intelligence capabilities through investments in Europe-based innovation hubs. In Portugal, the company established a Generative AI Center to support global operations, applying AI technologies to improve decision-making, automate processes and enhance business performance. The initiative reflects PMI's broader commitment to embedding advanced digital capabilities within Europe, helping build the skills, expertise and innovation capacity needed to support the company's transformation.

AI AS AN ENABLER OF PMI'S TRANSFORMATION

Artificial intelligence is becoming a foundational capability across PMI's business. Through investments in **technology, data and people**, PMI is embedding AI into operations, decision-making and innovation processes.

By scaling AI from pilot initiatives to enterprise-wide adoption, PMI is enhancing productivity, improving operational efficiency, accelerating innovation, and building organizational capabilities that support long-term transformation and competitiveness.

Innovation, Knowledge and Cognitive Capital

Cognitive capital is one of the least visible, yet increasingly important, dimensions of PMI's footprint. It encompasses the scientific expertise, innovation capacity, technological know-how and advanced skills developed across PMI's European operations. Driven by the transition to smoke-free products, these capabilities have expanded across R&D, engineering, product science, digital technologies and advanced manufacturing.

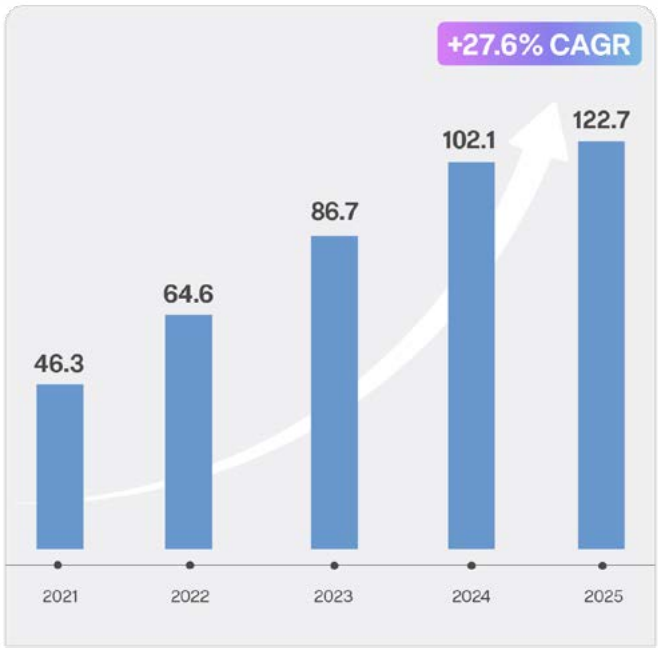
According to PMI's Value Report 2025, the company has invested more than US$16b (€14.5b) globally since 2008 in the development, scientific substantiation, and commercialization of smoke-free products, while securing approximately 5,000 smoke-free product patents across major patent jurisdictions since 2015.

Between 2021 and 2025, PMI invested approximately €422m in R&D across Europe, reinforcing the region's role as a key innovation hub within the company's global operations. Annual R&D expenditure increased from €46m to €122m over the period, reflecting sustained scientific expertise, product development and technical capabilities.

At the heart of this innovation ecosystem is Switzerland, home to PMI's Neuchâtel research campus, **The Cube**, one of the company's two global R&D centers. The facility brings together a multidisciplinary community of scientists, engineers and researchers focused on the development and scientific substantiation of smoke-free products.

Complementing the growth in European R&D spending, PMI invested **approximately €2.2b in R&D activities in Switzerland between 2021 and 2025**, underscoring the country's strategic role as a global innovation hub and reinforcing Europe's position as a key center of knowledge creation and technological development within PMI's global operations.

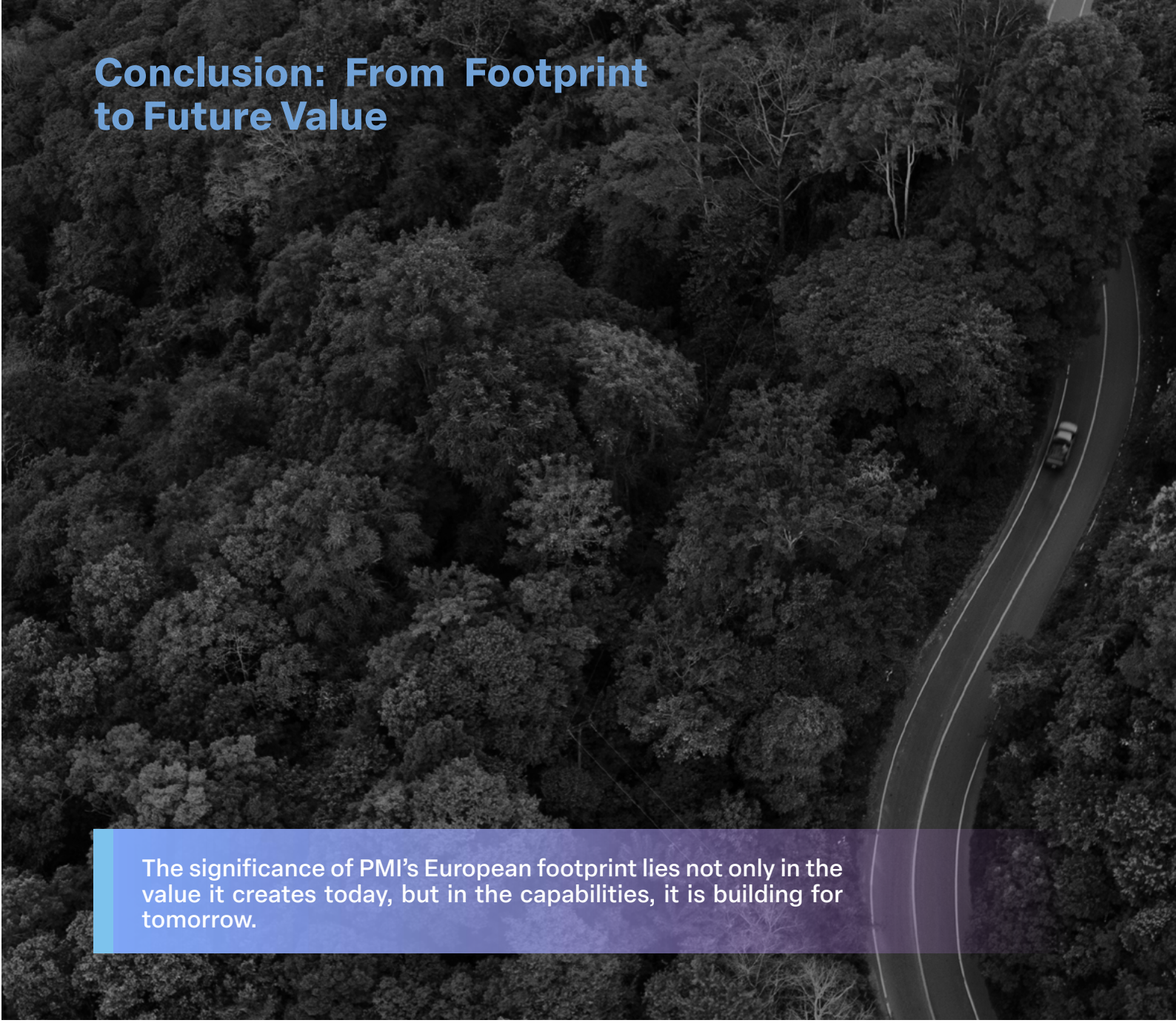
Investment in research and development by PMI (€m)





Innovation is not a separate activity from PMI's transformation. It is one of the mechanisms through which the transformation is delivered.

Conclusion: From Footprint to Future Value



The significance of PMI's European footprint lies not only in the value it creates today, but in the capabilities, it is building for tomorrow.

Over the last decade, PMI has progressively shifted from a business centered on combustible products toward one increasingly driven by smoke-free alternatives. This transformation has required sustained investment in advanced manufacturing, research, digital capabilities and human capital. As a result, Europe has evolved from a production base into a platform for innovation, exports and capability development.

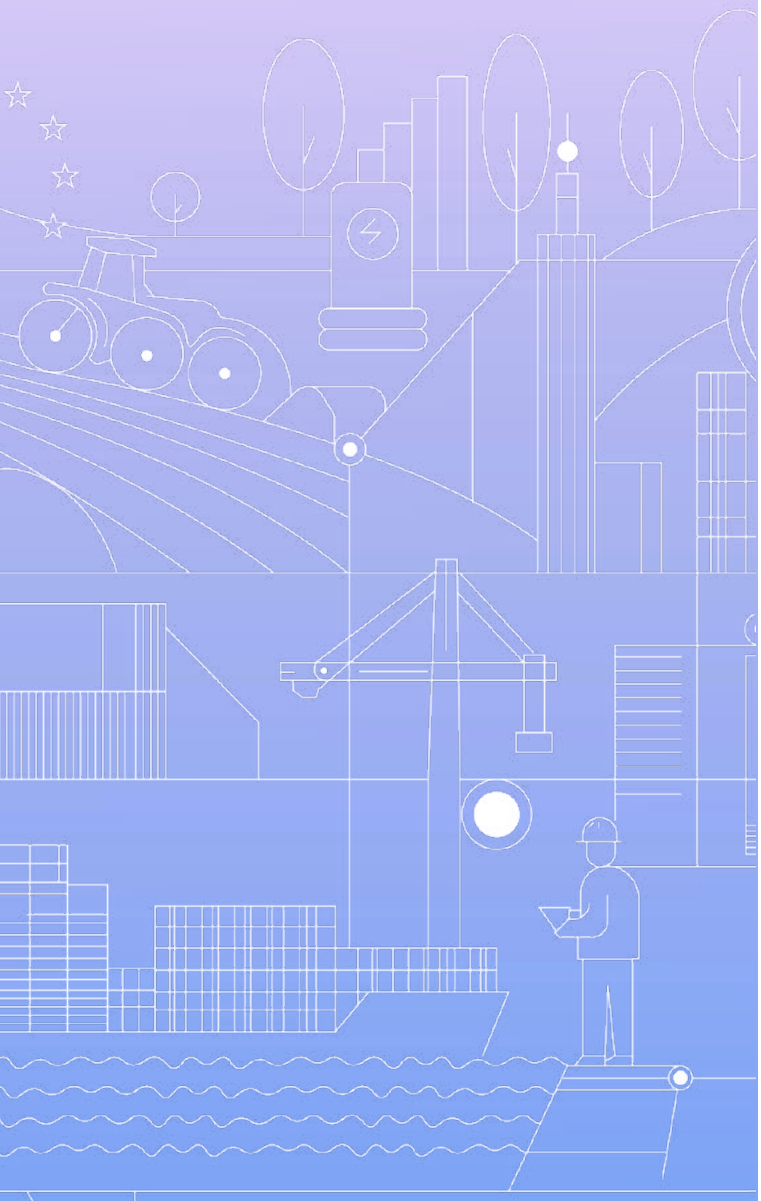
Viewed through the Three Capitals Framework, PMI's contribution extends beyond GDP, employment and tax revenues. It encompasses the skills, knowledge and industrial capabilities that support long-term competitiveness and connect suppliers, researchers, engineers, farmers, retailers and communities across Europe.

Increasingly, products designed, developed and manufactured by Europeans are creating value both within Europe and beyond its borders. By strengthening innovation, advanced manufacturing and export capabilities, PMI's transformation is helping Europe capture a greater share of value creation while reinforcing the foundations of future competitiveness.

Ultimately, PMI's footprint should be viewed not as a static measure of economic contribution, but as the manifestation of an ongoing transformation. The value created today through operations, suppliers, exports and employment is increasingly complemented by investments in innovation, sustainability, digital capabilities and human capital that will shape Europe's future economy.

Made by Europeans. Creating value for Europe. Capabilities built for the future.

Methodology



SCOPE OF THE ENGAGEMENT

The engagement involves analyzing the contribution of PMI's activities to the European Union economy based on the three capitals model. This model entails the following:

Economic capital: Determine direct, indirect, and induced impacts of PMI on national economies, including significant contributions to the economic activity of the respective countries.

Social capital: Detail PMI's role in enhancing employment within the EU, with a focus on job creation and workforce development.

Cognitive capital: Outline PMI's total investments in research and development (R&D) and initiatives aimed at fostering human capital development. For both the economic and social capital analyses, the renowned Leontief Model was used.

THE LEONTIEF MODEL

The Leontief Model illustrates the interdependence of economic sectors through input-output tables that detail the flow of goods and services between industries, with technical coefficients indicating the input required from one industry to produce output in another.

By constructing the Leontief Matrix and deriving the Inverse Leontief Matrix, total input requirements associated with specific final demand levels can be quantified, enabling the assessment of wider economic effects. This study utilized qualitative and quantitative data from PMI and a range of secondary sources like Eurostat and the OECD for a well-rounded and accurate analysis of the three pillars in scope.

APPROACH

The economic capital

The Leontief Model, based on OECD data, was applied to assess PMI's contribution to GDP, exports and imports, FDI attraction, and tax revenues across direct, indirect, and induced economic effects.

The social capital

Job creation was evaluated using employment multipliers derived from the Inverse Leontief Matrix, capturing direct, indirect, and induced employment effects.

The cognitive capital

PMI's investments in R&D and safety initiatives are examined to measure cognitive capital, highlighting efforts in innovation, personnel development, and supply chain safety. This approach captures PMI's socio- economic contributions across the EU.

SOURCES

Capital	Quantitative PMI data
Economic	VAT, excise duties, corporate tax, income taxes, estimated indirect corporate income taxes*, commercial expenditures, business investments, investments in the supply chain, etc.
Social	Number of jobs, investment in employment, investment in training, etc.
Cognitive	Investment in agricultural training, investment in R&D, amount of R&D employees, etc.

Capital	Quantitative PMI data
Economic	Number of tobacco companies supported
Social	Top employer certifications, employee programs, etc.
Cognitive	Research projects funded, training programs for students, initiatives regarding internships, etc.

Type of data	Database
Macro-economic	Eurostat, OECD
Market-specific	Statista, Trend Economy
Publicly available data	Company website

ECONOMIC CAPITAL - METHODOLOGY

The economic capital includes PMI's contribution to the GDP of various countries through direct production and sales (direct effect), stimulating economic activities in the supply chain (indirect effect), and the broader economic effects of increased consumer spending (induced effect). Additionally, PMI's data is analyzed for its impact on exports/imports, FDI attraction, tax revenues, and more.

To analyze PMI's direct, indirect, and induced economic impacts, the input-output model is used with tables from the OECD, focusing on the 'Food, Beverages and Tobacco' industry [C10-C12] for each country.

The indirect technical coefficients are calculated by dividing the value per industry by the output at basic prices for that industry. The Inverse Leontief Matrix is then computed by taking the inverse of the identity matrix minus the matrix of the indirect technical coefficients. The sum per column of this matrix represents the indirect multiplier.

The model is enhanced by adding a column for the final consumption expenditure of households per industry and a row for the total remuneration of employees per industry. These values are recalculated per industry by dividing them by the output at basic prices, incorporating the additional row and column.

The Leontief inverse matrix is determined by taking the inverse of the identity matrix minus the matrix of the induced technical coefficients. The sum per column of this matrix indicates the induced multiplier. This approach supports the assessment of PMI's economic impacts across the specified industries and regions.

The economic multipliers were analyzed across multiple years to assess their stability over time. Given the limited variation observed, the 2021 OECD Input-Output tables were used as the basis for estimating indirect and induced impacts across countries. As input-output tables are periodically updated, the resulting multipliers may differ from those applied in previous editions of the report.

SOCIAL CAPITAL - METHODOLOGY

The second pillar, social capital, captures PMI's contribution to employment across the economy. Employment impacts are assessed through direct, indirect and induced effects. Direct employment reflects jobs supported within PMI, while indirect and induced employment impacts are estimated using country- specific employment multipliers derived from the OECD Input-Output framework.

The estimation begins by calculating employment coefficients for each country, expressed as the number of jobs supported per unit of economic output in the Food, Beverages and Tobacco sector (C10-C12). Where available, these coefficients are refined using tobacco-specific (C12) employment and output data to better reflect the labor intensity of PMI's activities. These employment coefficients are then combined with the direct, indirect and induced economic multipliers derived from the Leontief input-output model.

The indirect employment multiplier captures the additional jobs supported throughout the supply chain as a result of PMI's economic activity. The induced employment multiplier captures the jobs supported by household spending generated from labor income earned through direct and supply-chain activities.

Together with direct employment, these effects provide an estimate of the total employment contribution associated with PMI's operations. By linking employment coefficients to the output multipliers obtained from the Leontief inverse matrices, the analysis quantifies how economic activity generated by PMI translates into employment across industries and the wider economy. This approach reflects both the labor intensity of the tobacco sector and the broader interconnections between economic sectors, enabling a comprehensive assessment of PMI's employment footprint.

COGNITIVE CAPITAL - METHODOLOGY

For the third pillar, cognitive capital, a deep dive is made into PMI's investments in research and development (R&D), partnerships, certifications, and training of employees. These efforts are essential for maintaining a competitive edge, driving innovation, and ensuring the continuous growth and development of the workforce. This pillar reflects the accumulated knowledge, skills, and experiences within the organization, emphasizing the importance of R&D investments made by PMI in the EU from 2020 to 2025.

By allocating resources to R&D, PMI develops new products, enhances existing offerings, and explores emerging technologies, driving long-term growth and profitability. Partnerships with universities, research institutes, and other companies are crucial for fostering innovation and advancing knowledge. These collaborations enable PMI to leverage external expertise and share resources, aligning research initiatives with strategic goals.

Certifications, such as the Top Employer and Equal-Salary certifications, demonstrate PMI's commitment to its employees and supply chain. Additionally, training programs for employees and students, along with internship initiatives, highlight the company's dedication to personnel development. Collectively, these efforts embody the essence of cognitive capital at PMI.



LIMITATIONS

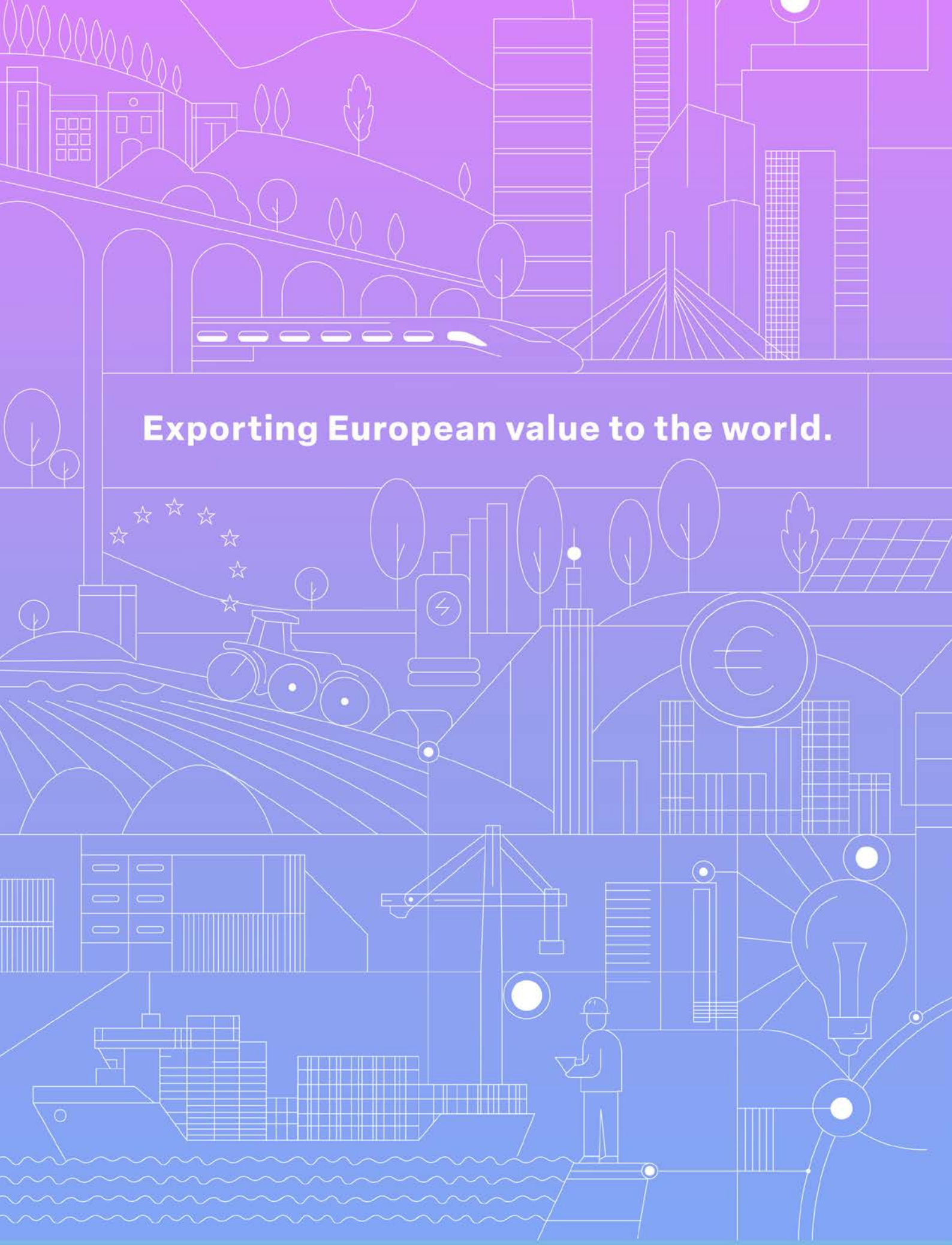
Limitations to our analysis include the nature of the data received, the scope of the analysis, and limitations surrounding the model that was used.

The data used in this report have been provided by PMI and has not been independently verified by a third party. As such, the accuracy, reliability, and completeness of the data cannot be guaranteed by EY-Parthenon. The conclusions drawn in this report are contingent upon the validity of the data provided by PMI. Although the analysis covers 2020–2025, some data was received specifically for 2025 while other data was aggregated across all years, and certain terms and definitions may differ from those used in previous editions. Both factors may limit the comparability of certain findings over time.

As the nature of the report focuses on the economic, social, and cognitive impacts associated with PMI's activities, it does not consider all potential forms of impact. In particular, the report does not assess the public health implications associated with tobacco and nicotine consumption, nor does it seek to evaluate PMI's products or business activities from a public health perspective. These potential externalities, while outside the scope of this report, are nevertheless important considerations in understanding the broader societal costs and benefits associated with PMI's activities.

From a methodological perspective, the report employs the Leontief Model to assess the economic impact of PMI's activities. While robust, the model has its own inherent limitations. Specifically, it relies on input-output tables that may not fully capture the dynamic and complex nature of modern economies. As a result, the findings should be interpreted with caution and in the context of the model's assumptions and constraints.

In summary, while this report provides valuable insights into the economic and social contributions of PMI, it is essential to take into account the limitations when interpreting the findings. The report should only be viewed as one component of a broader assessment of PMI's overall impact on society.



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