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New KPMG Report Shows Illicit Cigarette Consumption Still at Worrying Levels in the European Union, With Organized Crime Moving Operations Closer to Western Countries

- *More than 35 billion illicit cigarettes were consumed across the 27 EU member states in 2023, close to 2022 figures.*
- *France continues to be the largest illicit market in the EU, and now accounts for 47.7% of total illicit cigarette consumption in the region.*
- *Illicit consumption has grown for the fifth consecutive year in Europe, reaching 52.2 billion cigarettes across the 38 countries included in this study. Nearly one in 10 cigarettes in the continent are illicit.*
- *More than 110 clandestine cigarette factories were dismantled in 2023, as illegal manufacturing sites are being set up nearer large end markets.*

LAUSANNE, Switzerland – September 9, 2024 – Philip Morris International Inc. (PMI) (NYSE: PM) today warns about the high levels of contraband and counterfeit cigarettes in the European Union (EU) year over year, with 35.2 billion illicit cigarettes consumed in the region in 2023, accounting for 8.3% of total consumption in the EU, an increase of 0.1 percentage point compared to 2022.

PMI praises European law enforcement agencies for their continued crackdown on criminal networks that profit from the illicit tobacco trade, and calls on regulators to advance a sensible, data-driven policy approach that puts consumers—and public health—front and center and that effectively addresses the challenges posed by the millions of adult smokers who are turning to the black market rather than quitting or, for those who do not quit, switching to smoke-free products.

The results of the 2023 KPMG annual [study](#) on illicit cigarette consumption, commissioned by Philip Morris Products SA, revealed that the illicit market in the EU continues to be a major threat for public health, public security, and states' economies. Counterfeit cigarettes remain one of the main sources of illicit consumption in the region, with 12.7 billion (36%) cigarettes consumed—as criminal networks increasingly target higher-taxed and higher-priced markets. Overall, governments in the EU lost an estimated €11.6 billion in tax revenue, up from €11.3 billion in 2022. France is still leading the ranking as the country with the largest illicit consumption in all of Europe, with 16.8 billion illicit cigarettes and an estimated €7.3 billion in tax revenues lost.



“We are witnessing an evolution of organized crime groups in Europe, as they are increasingly locating production facilities nearer Western European countries. We consider this phenomenon to be a direct consequence of failed policy approaches that have not done enough to curb illicit trade and reduce smoking prevalence, and it is putting consumers, governments, legitimate businesses, and society alike at risk,” said Christos Harpantidis, Senior Vice President of External Affairs, PMI. “Law enforcement agencies have played an instrumental role in disrupting crime rings dealing in clandestine cigarette production across Europe, as well as cross-border contraband operations. However, if we want to curb illicit trade in the region altogether, we need a holistic approach that complements tough penalties and strong law enforcement with awareness and education campaigns about the real-life impact of illicit trade, a predictable fiscal and regulatory environment where adult smokers are not being driven to the black market, and coordinated and committed public-private partnerships.”

Interviews with law enforcement agencies included in the KPMG report shed light onto transnational organized crime’s professionalization of their role in the supply chain of illicit cigarettes. According to information from law enforcement agencies, publicly available media articles, and PMI estimates, criminals have expanded the setup of illegal cigarette factories; in 2023 alone, law enforcement data shows that at least 113 clandestine cigarette manufacturing sites in 22 European countries were disrupted by regional and local authorities.

The steady increase of counterfeit cigarette consumption for the fourth consecutive year—mainly driven by the U.K. and Ukraine—is now coupled with the rise of all other illicit trade categories, including illicit whites and contraband. Combined with the continued recovery of cross-border legal volumes, after COVID-related travel restrictions ended in 2022, total nondomestic consumption has also reached its highest level ever (15.5%), equal to more than one cigarette out of six.

Despite this scenario, KPMG revealed that in 26 European countries illicit consumption share was less than 10% of total consumption. Of these, 16 markets had an illicit consumption share of less than 5%. And in 25 of the 38 European countries included in the study, the share of illicit cigarette consumption was either stable or declining, compared to 2022.

“It’s truly encouraging to see a decrease in illicit consumption in countries like Italy, Poland, Romania, and Spain. We need to continue working together with law enforcement agencies and governments to ensure that illicit trade does not become an even larger problem across the EU,” stated Massimo Andolina, President Europe Region, PMI. “Illicit trade undermines efforts to reduce smoking prevalence; it’s bad for public health and consumers and creates financial damage for governments and lawful operators. Regulators must make this fight a top priority, while at the same time enabling smoke-free products to be available and affordable for all adult smokers who don’t quit cigarettes.”

“If we want to tackle illicit trade, governments must deploy relentless law enforcement action against criminals profiting from the black market. This has proven successful over excessive taxation on consumer goods, or even prohibition,” added Harpantidis. “In order to end smoking overall, traditional tobacco control policies must be complemented with innovative approaches. Governments must recognize that embracing alternatives to cigarettes for those adults who would otherwise continue to smoke will reduce smoking-related harm much faster than existing measures alone.”

The KPMG report has expanded to 38 European countries



For the first time since its publication in 2006, the KPMG annual research study has broadened its scope and incorporated all Balkan countries. Now, the research covers 38 countries: the 27 EU member states, as well as Albania, Bosnia and Herzegovina, Kosovo, Moldova, Montenegro, North Macedonia, Norway, Serbia, Switzerland, Ukraine, and the U.K.

The Balkan region has shown lower presence of illicit cigarettes compared to some of the Western European countries, such as France or the U.K. Ukraine, on the other hand, remains the country with the second highest volume of illicit cigarettes consumed, at 8.4 billion.

This is the 18th consecutive year that KPMG has estimated illicit cigarette consumption across Europe.

What are Europeans saying?

Illicit trade has a direct impact on people's lives across Europe. It makes unlawful and inferior-quality tobacco products easily accessible—discouraging smoking cessation efforts, undermining youth access prevention measures, and preventing adult smokers from considering better alternatives to cigarettes. It has serious consequences for consumers, as these illegal goods are produced in substandard conditions, in complete disregard of the rule of law and applicable tobacco control regulations.

To better understand societal views regarding illicit trade, PMI commissioned independent public opinion research firm Povaddo to conduct a survey among adults in 14 European countries. The survey, which was executed in January 2024, found that:

- More than half (60%) believe their country (and the EU as a whole) has a problem with illicit tobacco and illicit nicotine-containing products.
- Almost three quarters (74%) agree that governments must consider illicit trade as an unintended consequence when deciding how to regulate and tax tobacco and nicotine-containing products.
- 77% agree that illicit trade robs governments of significant tax revenue.

Illicit trade fuels ruthless criminal gangs, often impacting the most vulnerable communities and populations. It deprives governments of tax revenue needed to provide public services, including security. The proceeds from illicit trade often help facilitate other serious crimes such as human trafficking, corruption, and money laundering.

For PMI, eliminating the illicit tobacco trade has been a long-standing priority. We implement preventive and protective measures to fight illicit trade and work with public and private sectors to advance efforts against this global issue.

As we advance on our journey toward delivering a smoke-free future, we are increasing our efforts to secure both our supply chain and the products we sell and to protect consumers and our brands from smugglers and counterfeiters. We collaborate with law enforcement agencies and other organizations all over the world to root out and shut down illegal activities, including counterfeiting and smuggling operations. PMI also continues to support relevant European regulations, such as the EU Tobacco Products Directives' tracking-and-tracing provisions.

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

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



Note to editors

Definitions of illicit cigarette categories, as detailed in the KPMG report

- Counterfeit: Illegally manufactured and sold by a party other than the original trademark owner. In the KPMG report, counterfeit volumes are reported from the participating manufacturers of BAT, IB, JTI, and PMI.
- Illicit whites: Usually manufactured legally in one country/market, but which the evidence suggests have been smuggled across borders during their transit to the destination market under review, where they have limited or no legal distribution and are sold without payment of tax.
- Other C&C: Mainly contraband, i.e., genuine products that have been either bought in a lower-tax country and that exceed indicative quantities/limits or acquired without taxes for export purposes to be illegally resold (for financial profit) in a higher-priced market. This category may also contain counterfeits of brands that are not trademark-owned by empty pack survey participant manufacturers.

Povaddo survey methodology

PMI commissioned Povaddo LLC to field the survey in the following countries: Belgium, Bulgaria, Croatia, Czech Republic, France, Greece, Italy, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, and Ukraine. A total of 14,119 interviews were conducted among legal age, general population adults (approximately 1,000 per country) between Dec. 29, 2023, and Jan. 31, 2024. The data has been weighted at a country level by age, gender, and tobacco/nicotine product consumption to reflect national population statistics. The survey carries an overall margin of error of +/- 1% at the 95% confidence interval. Results are available both at an overall level (14 countries) and at an individual country level. Country-level results carry a margin of error of +/- 3.2% at the 95% confidence interval.

Philip Morris International: Delivering a Smoke-Free Future

Philip Morris International (PMI) is a leading international tobacco company, actively delivering a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector. The company's current product portfolio primarily consists of cigarettes and smoke-free products. Since 2008, PMI has invested over \$12.5 billion to develop, scientifically substantiate and commercialize innovative smoke-free products for adults who would otherwise continue to smoke, with the goal of completely ending the sale of cigarettes. This includes the building of world-class scientific assessment capabilities, notably in the areas of pre-clinical systems toxicology, clinical and behavioral research, as well as post-market studies. In 2022, PMI acquired Swedish Match – a leader in oral nicotine delivery – creating a global smoke-free champion led by the companies' *IQOS* and *ZYN* brands. The U.S. Food and Drug Administration has authorized versions of PMI's *IQOS* devices and consumables and Swedish Match's *General* snus as Modified Risk Tobacco Products and renewal applications for these products are presently pending before the FDA. As of June 30, 2024, PMI's smoke-free products were available for sale in 90 markets, and PMI estimates that 36.5 million adults around the world use PMI's smoke-free products. Smoke-free business accounted for approximately 38% of PMI's total first-half 2024 net revenues. With a strong foundation and significant expertise in life sciences, PMI announced in February 2021 its ambition to expand into wellness and healthcare areas and, through its Vectura Fertin



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Pharma business, aims to enhance life through the delivery of seamless health experiences. "PMI" refers to Philip Morris International Inc. and its subsidiaries. For more information, please visit www.pmi.com and www.pmiscience.com

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