



PHILIP MORRIS INTERNATIONAL

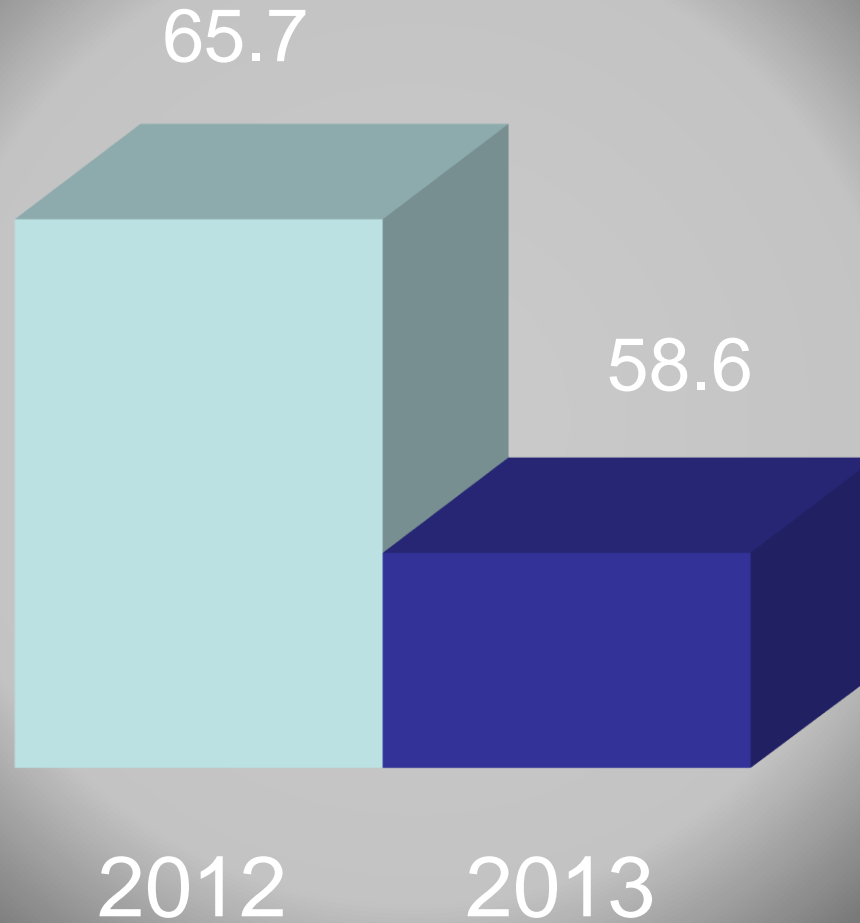
Member State Meeting

OLAF meeting – Brussels

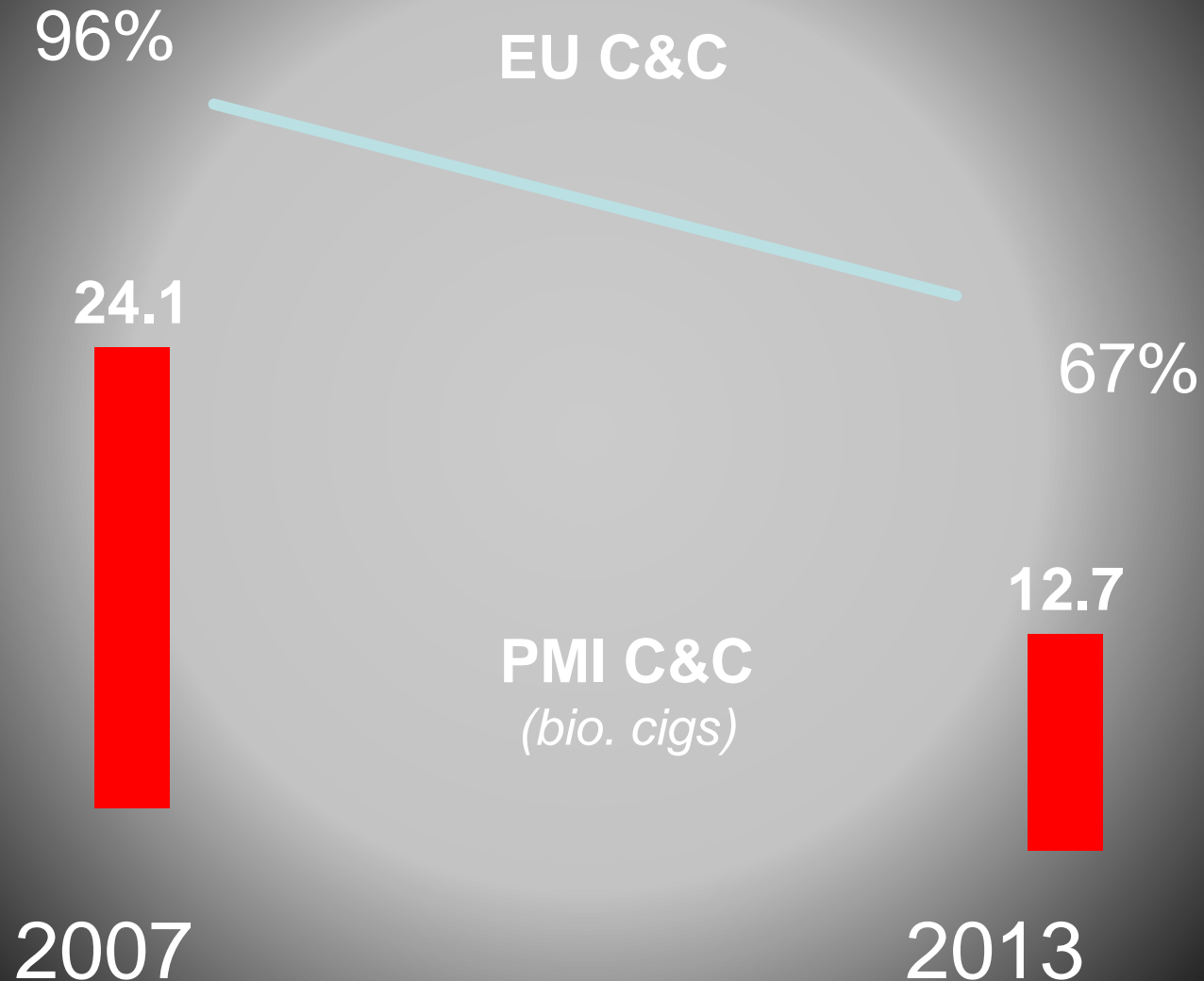
October 30th , 2014

Illicit Trade in EU – signs of decline

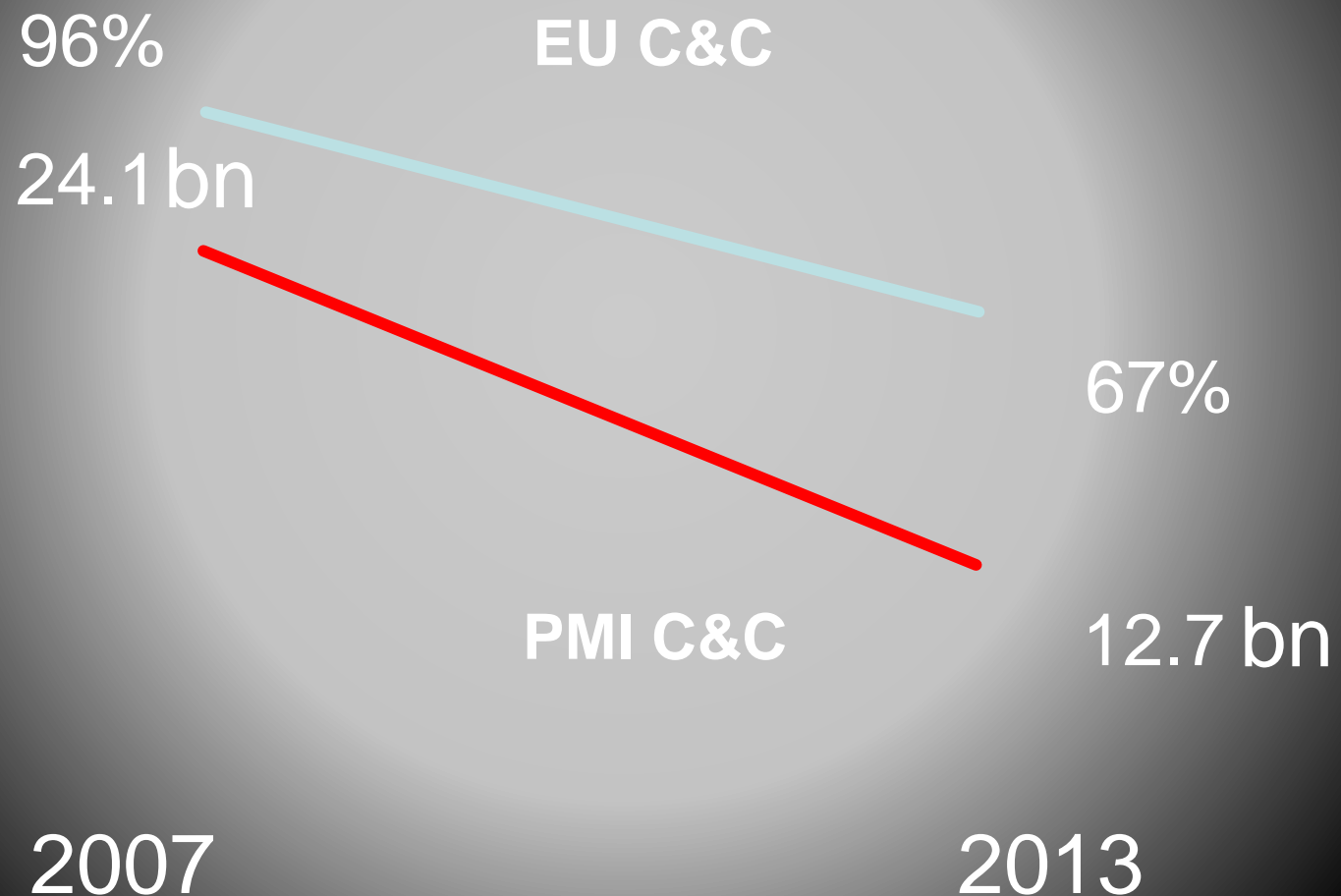
(Bio. Cigs)



Contraband & Counterfeit is down

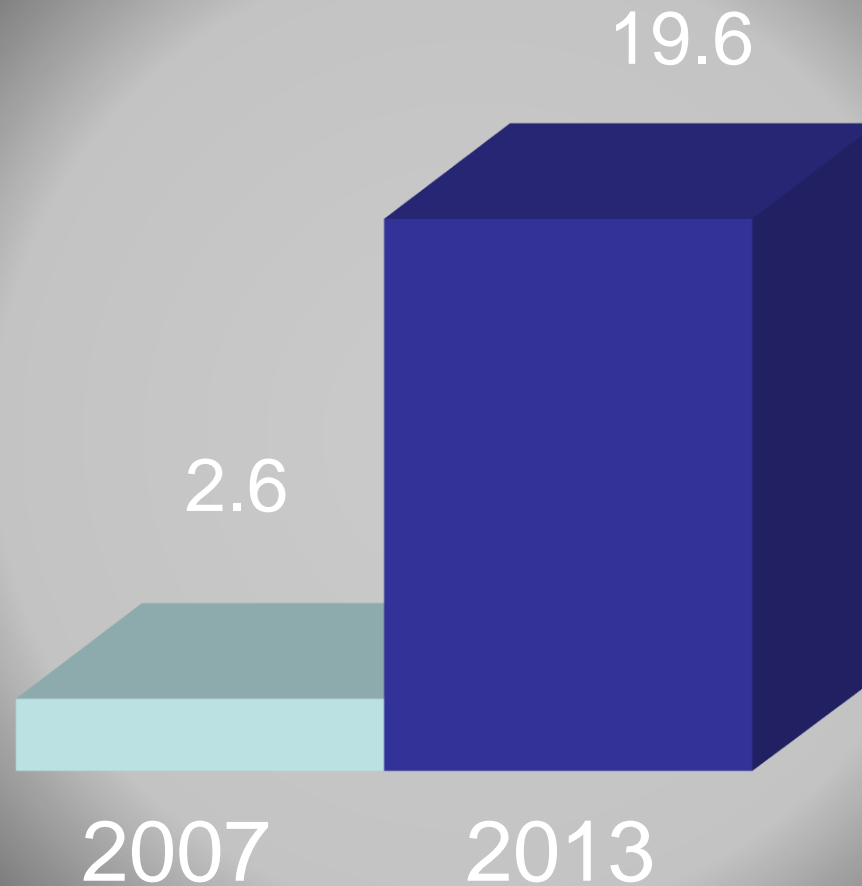


Contraband & Counterfeit is down



Illicit Whites take over

(Bio. Cigs)



Decade of responsiveness

Contraband &
Counterfeit

-

Illicit White

EU

-

Other regions

Understanding



Education



Solutions & Tools



Sharing





Global Understanding

2007

2014

54

Primary Research

132

1

Regional Studies

4



Education

2007

1

Campaigns
& Events

2014

16



Solutions & Tools





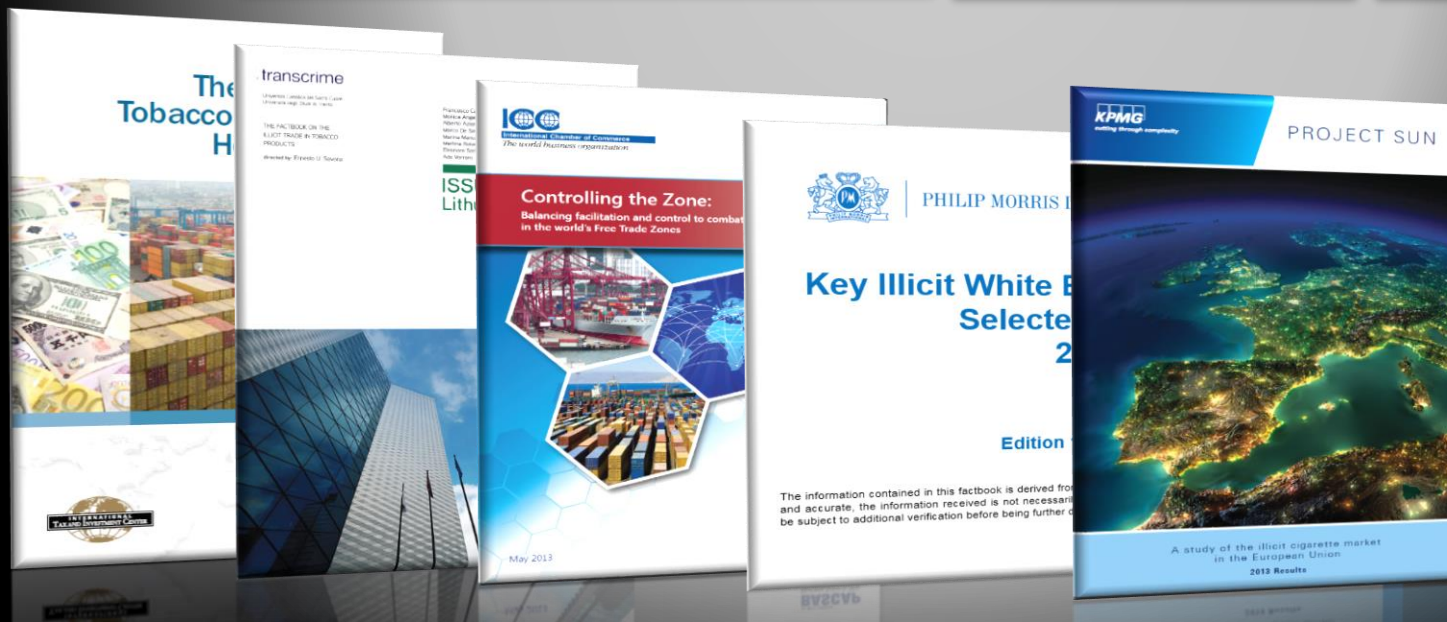
Tools & Cooperation

THERE IS A SIDE TO CONTRABAND TOBACCO THAT YOU CAN'T SEE

It funds the Mafias

OPEN YOUR EYES

It matters to me, it matters to everyone





Sharing

Methodology

Intelligence

Technology

Industry wide

Investigation

Knowledge



Resources

Organization

Operations Center



Markets

Education

Trainings

Conferences

EC Agreement

ANTI-CONTRABAND AND ANTI-COUNTERFEIT
AGREEMENT AND GENERAL RELEASE

dated as of

July 9, 2004

among

PHILIP MORRIS INTERNATIONAL INC.,
PHILIP MORRIS PRODUCTS INC.,
PHILIP MORRIS DUTY FREE INC., and
PHILIP MORRIS WORLD TRADE SARL

THE EUROPEAN COMMUNITY
REPRESENTED BY THE EUROPEAN COMMISSION

AND

EACH MEMBER STATE LISTED ON
THE SIGNATURE PAGES HERETO

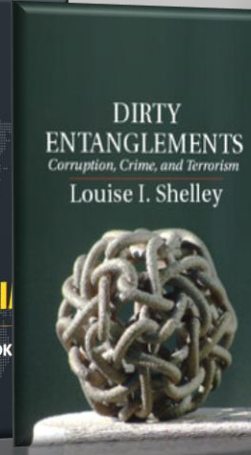
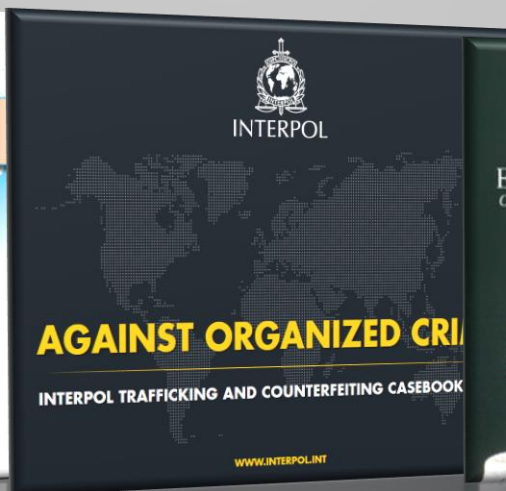
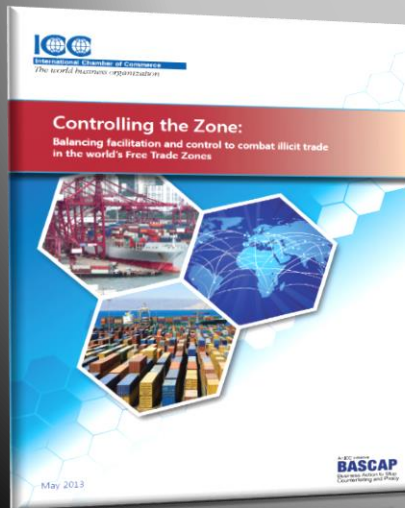
4,400
Seizure notifications¹



¹ since the Agreement was signed

Key Enablers

Free-Trade Zones



Key Components

5-10 suppliers

15-25 suppliers

ACETATE TOW

Raw material used to produce cigarette filter

ENTRY COST: High
NUMBER OF SUPPLIERS: Very low (5-10 suppliers)
MULTIPURPOSE: Very low
POTENTIAL FOR SUBSTITUTION: Extremely low (currently the only acceptable material)

EASIEST TO CONTROL

PAPER

Paper wrapped around the tobacco in a cigarette

ENTRY COST: Medium-high
NUMBER OF SUPPLIERS: Medium (15-25 suppliers)
MULTIPURPOSE: Low
POTENTIAL FOR SUBSTITUTION: Medium

TOBACCO

Main ingredient in any cigarette

ENTRY COST: Very low
NUMBER OF SUPPLIERS: Very high (>1 million growers)
MULTIPURPOSE: High
POTENTIAL FOR SUBSTITUTION: Low

SOLUTION:

STANDARD DUE DILIGENCE PRACTICE –
know-your-customer/market and
record keeping requirements

>1 million growers

Summary

- Illicit Trade in the EU showing signs of decline
- Growing issue of Illicit Whites
- Increasing PMI investment in
 - understanding the issue
 - educating on the issue
 - supporting solutions
 - cooperating with the industry, Law Enforcement & Legislators
- Focusing on key enablers of the Illicit Trade