THE SCALE OF ILLICIT TRADE IN THE EUROPEAN UNION

IN 2025, ILLICIT CIGARETTES EXCEEDED **10% OF EU'S TOTAL CONSUMPTION** FOR THE FIRST TIME IN OVER A DECADE

41.8 BILLION
illicit cigarettes consumed in the EU in 2025

10.3%
of total consumption — more than 1 in 10 cigarettes

€16.7 BILLION
in lost tax revenues

ACROSS 38 EUROPEAN COUNTRIES, ILLICIT CONSUMPTION REACHED 55.3 BILLION CIGARETTES, CORRESPONDING TO AN ESTIMATED **€22.4 BILLION IN STATE BUDGET REVENUES LOSSES.**

A STRUCTURAL SHIFT: COUNTERFEITS NOW DOMINATE

- **44%**
  of illicit cigarettes in the EU are counterfeits (18.3 billion)
- **20%**
  Counterfeit volumes increased by more than 20% year-on-year
- Criminal supply chains are becoming faster, more localized, and harder to trace

KEY TREND:
Illicit cigarettes trade is shifting away from traditional East-to-West contraband toward 'Made in EU' counterfeit production closer to end-consumers, particularly in high-value Western European markets such as France, Belgium, and the Netherlands, which are becoming central hubs for illicit tobacco and nicotine products.

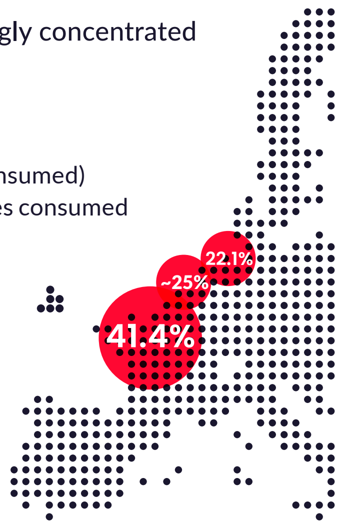
WESTERN EUROPE: THE EPICENTER OF ILLICIT CONSUMPTION

Illicit cigarette trade is increasingly concentrated in major Western EU markets.

41.4% illicit share
(20.5 billion cigarettes consumed)
Nearly 10 billion cigarettes consumed are counterfeit

~25% illicit share

22.1% illicit share



6 EU member states now exceed 20% illicit cigarette share, underscoring the scale and concentration of the issue. Outside the EU, the UK remains the 2nd largest illicit cigarette country in the study (over 7 billion illicit cigarettes).

A GROWING SECURITY AND ECONOMIC CHALLENGE IN EUROPE

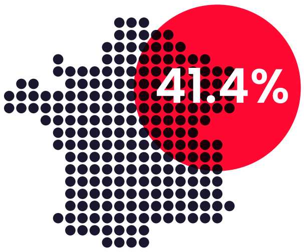
Illicit trade represents a **significant and growing loss of public revenues**

These losses **divert funds from public services, enforcement, and infrastructure**

The expansion of counterfeit production reflects **increasingly sophisticated organized crime activity**

MARKET SPOTLIGHTS & KEY TRENDS

FRANCE: LARGEST ILLICIT MARKET IN EUROPE



- **41.4%** illicit cigarettes share- Europe's largest illicit market
- **20.5 BILLION** illicit cigarettes consumed
- **~9.7 BILLION** counterfeit cigarettes (19% of total consumption)

France combines **high volume, high penetration, and strong growth,** making it one of the most significant illicit markets globally.

NETHERLANDS: BACK ABOVE 20%

- **22.1%** illicit share
- **2.1 BILLION** cigarettes

returning to levels last seen around 2006

Increasing presence of both **counterfeit and contraband products**

BELGIUM: A FAST-GROWING WESTERN HUB

illicit share
(more than 2 billion cigarettes)

Record high illicit share, **among the highest penetration rates in Europe**

ILLICIT TOBACCO CONSUMPTION IS INCREASINGLY CONCENTRATED IN MAJOR WESTERN EUROPEAN MARKETS, AMPLIFYING FISCAL PRESSURES AND ENFORCEMENT CHALLENGES.

A CHANGING ILLICIT MARKET

Illicit cigarette trade across Europe is rising despite declining legal consumption

Counterfeits have become the **primary engine of illicit cigarettes trade in the EU**

Production is becoming **more fragmented and geographically dispersed**

WHAT WORKS: EVIDENCE-BASED POLICY, NOT EXTREMES

Some European countries demonstrate successful combat against illicit trade, achieving sustained declines through a balanced policy mix of predictable fiscal approaches, risk proportionate regulation, and consistent enforcement.

14.1% illicit share
(1.9 billion cigarettes), one of the largest year-on-year declines in Europe

15.9% illicit share
(5.1 billion cigarettes), with decline by nearly 1 billion cigarettes year-on-year

WIDER TOBACCO AND NICOTINE MARKET: EMERGING TRENDS

Heated Tobacco Products:

Illicit share remains limited (1.2% contraband)

No counterfeit flows identified

While the scale remains limited, no product category is immune to illicit trade.

Oral Nicotine Products:

Evidence shows that extreme policies, such as product category bans, do not eliminate demand. The highest share of counterfeit oral nicotine products is observed in the Netherlands, Belgium and Germany despite sales ban.

Source: "Illicit cigarette and heated tobacco consumption, and oral nicotine share in Europe, 2025 results, 20th annual report", KPMG, June 2026 [Commissioned by Philip Morris Products SA]