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Project Star 2010: Executive Summary

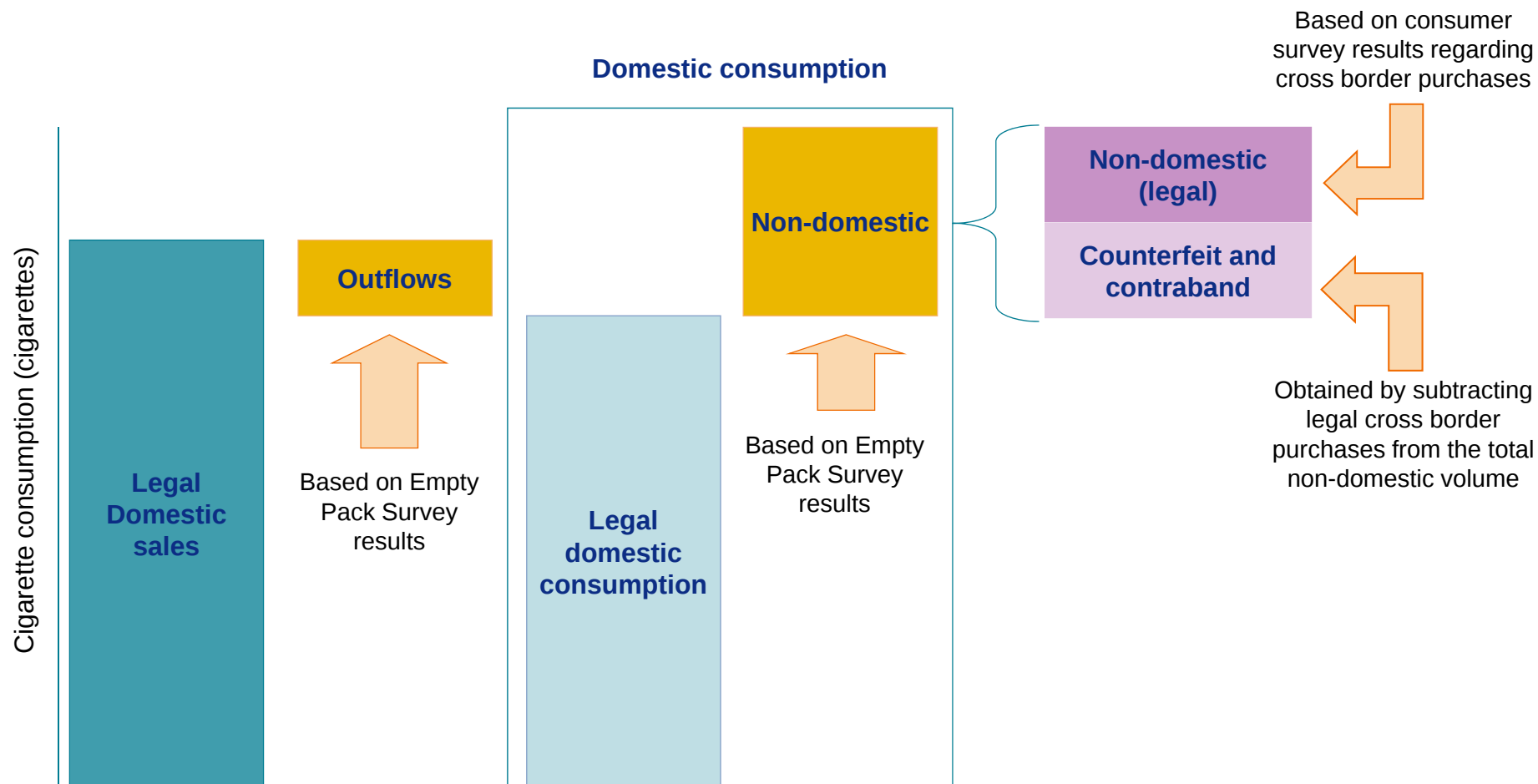
Advisory - Strategic and Commercial Intelligence

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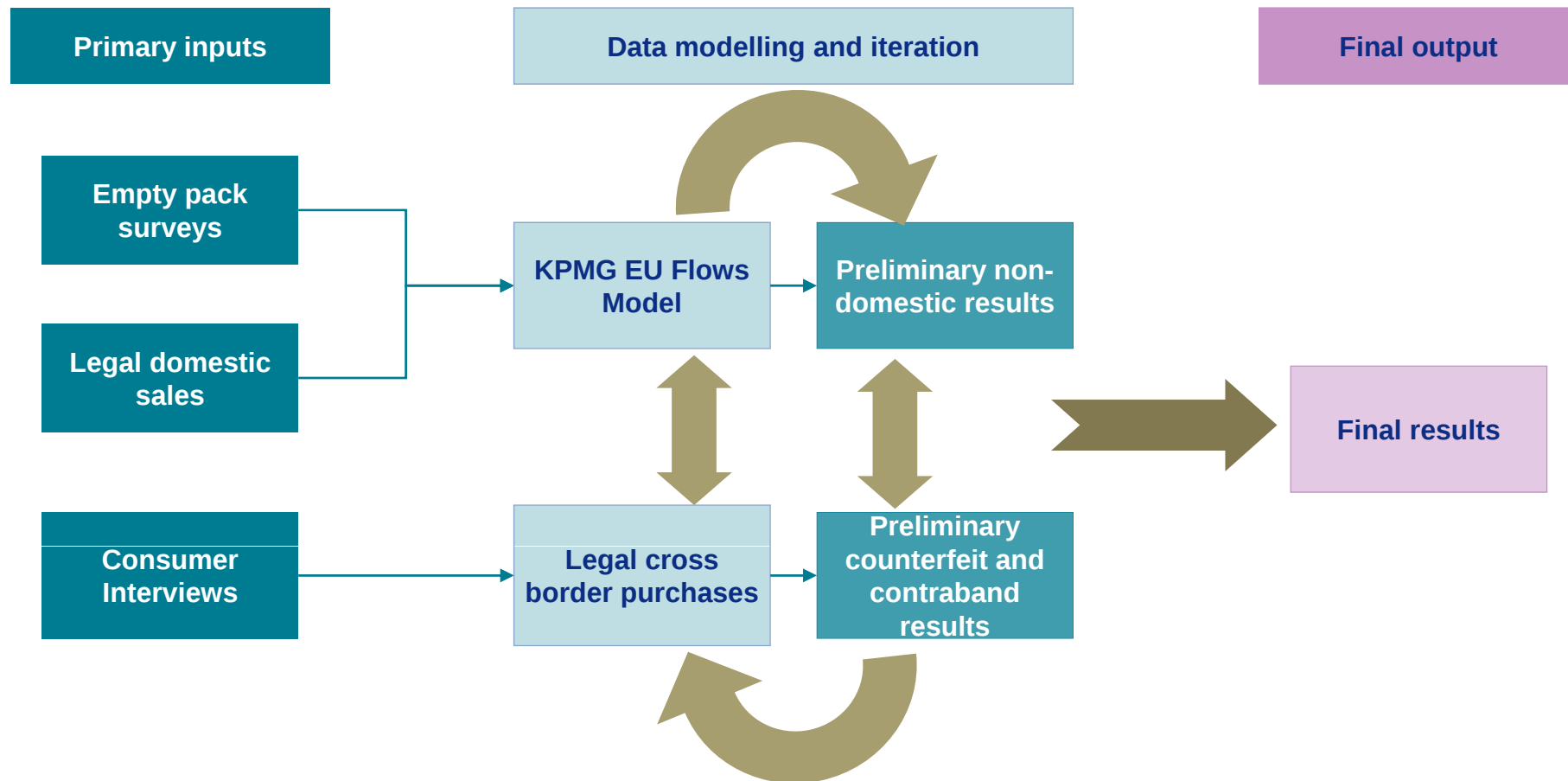
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The Project Star methodology quantifies the volume of counterfeit and contraband cigarettes consumed in the EU



The Project Star methodology was developed by KPMG and approved by OLAF. It has been deployed on a consistent basis since 2006, enabling comparisons to be made between counterfeit and contraband volumes from year to year

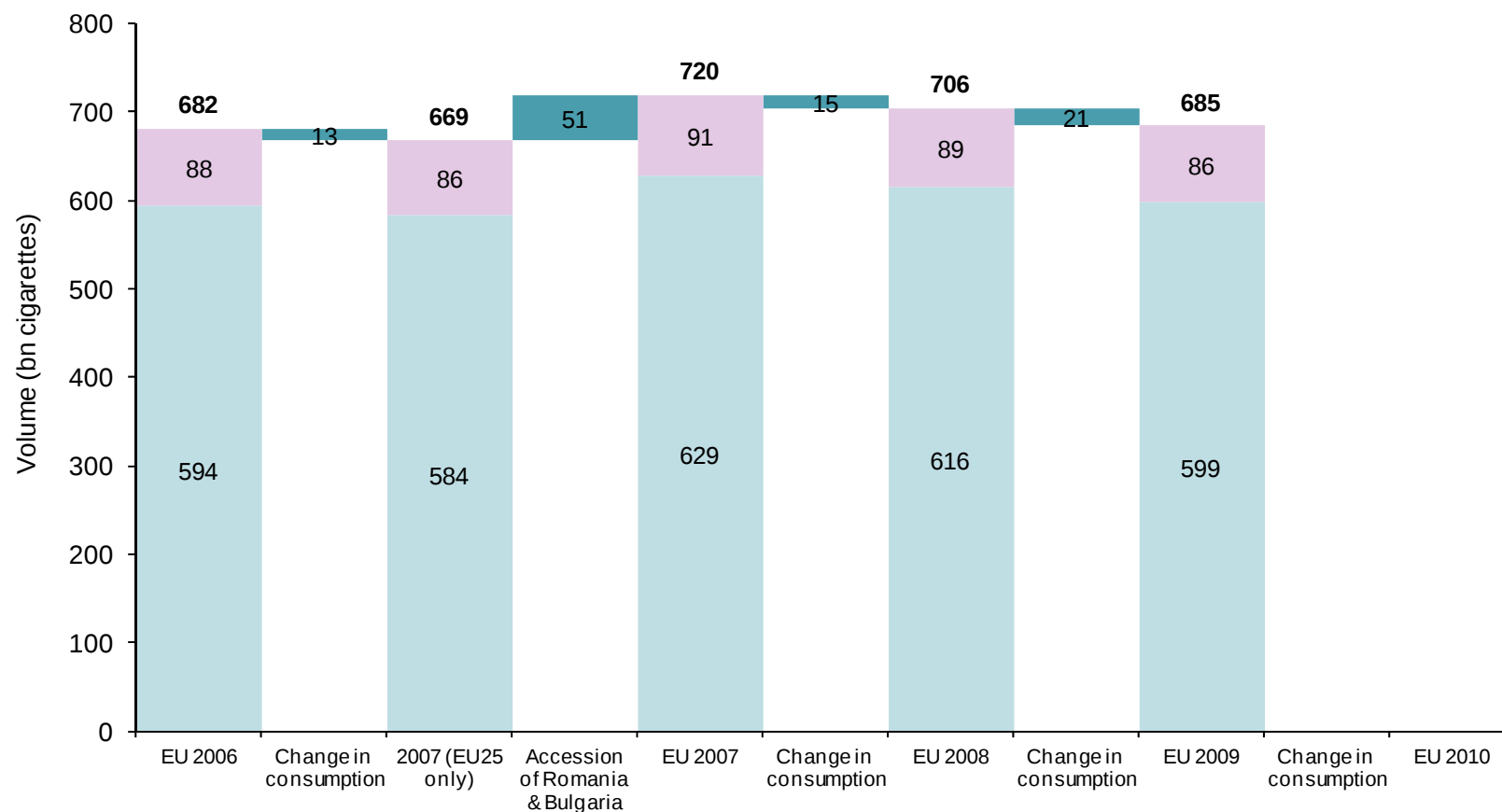
KPMG's iterative methodology uses multiple sources and custom-built analytical tools to validate results and corroborate findings with alternative estimates



All results are extensively tested using both a wide range of interviews and analyses

Total EU consumption was estimated at 685 billion cigarettes in 2009, of which 86 billion cigarettes were non-domestic

EU consumption by type, 2006-2009⁽¹⁾

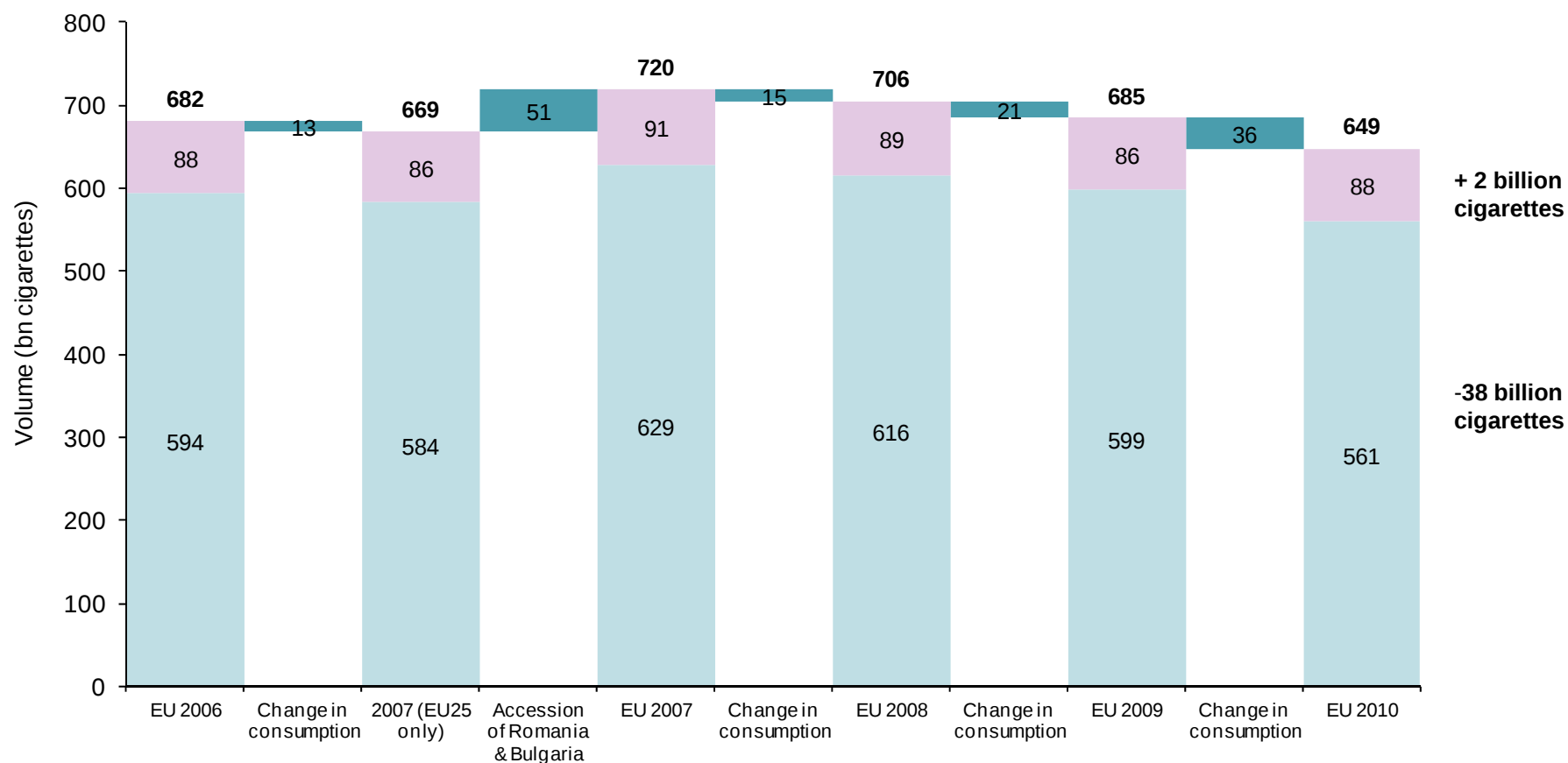


Key:
■ Non-domestic
■ Legal domestic consumption

Source: (1) KPMG analysis based on empty pack surveys, legal domestic sales and non-domestic (legal) research

Total consumption declined by 5.3% to 649 billion cigarettes in 2010, while non-domestic consumption volumes increased by 2 billion cigarettes

EU consumption by type, 2006-2010⁽¹⁾

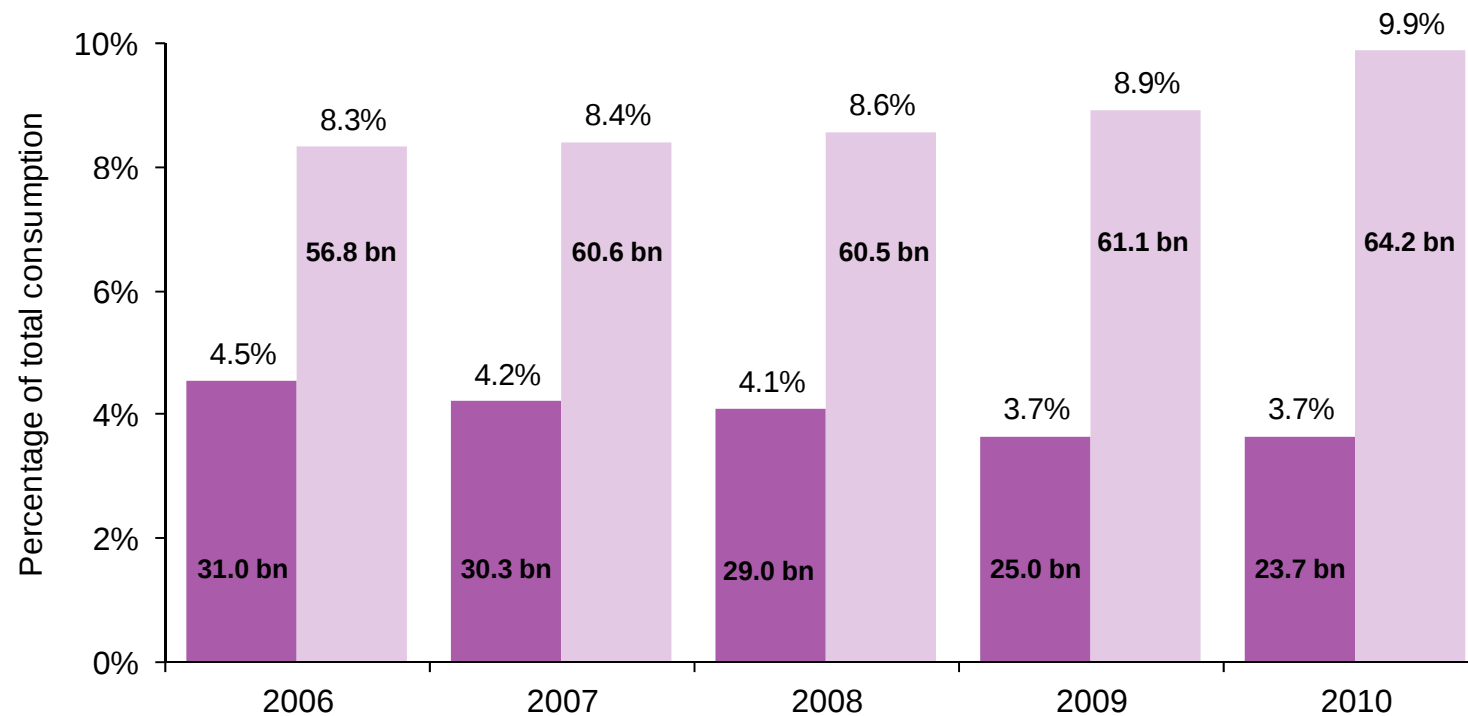


Key: ■ Non-domestic
■ Legal domestic consumption

Source: (1) KPMG analysis based on empty pack surveys, legal domestic sales and non-domestic (legal) research

Counterfeit and contraband share of cigarette consumption increased to around 9.9% in 2010, an estimated increase of 3.1 billion cigarettes between 2009 and 2010

Comparison of non-domestic consumption levels and volumes by type, 2006-2010⁽¹⁾



Key: ■ Non-domestic (legal)
■ Counterfeit and contraband

Source: (1) KPMG analysis based on empty pack surveys, legal domestic sales and non-domestic (legal) research