



PRESS RELEASE

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PLAIN PACKAGING OF TOBACCO PRODUCTS, LICENSING OF SALES OUTLETS AND INCREASED TAXATION WILL ONLY BENEFIT CRIME

On 7 April, Tobačna Ljubljana submitted its comments to the proposed amendments to the Tobacco Act. Based on domestic and international experience, it objects only to those measures which have been shown to reduce the likelihood of achieving the objectives of the State, while on the other hand they open the doors of opportunity wide for the criminals whose activities could result in increased exposure of minors to tobacco products.

Director of Tobačna Ljubljana for the Slovenian market, Tomaž Maver, pointed out that Tobačna Ljubljana supports all measures that effectively prevent the sale of tobacco products to minors. In the past, the company has suggested the Ministry of Health require all purchasers to provide identification in the form of a personal ID document before purchasing tobacco products, which would represent the best possible form of protection. Such a measure would preclude arbitrary decisions of inspectors regarding violations of the law, which is the main concern Tobačna has with respect to the proposal concerning the licensing of sales outlets. The practice of recent years indicates that inspectors interpret the existing legislation differently every day. The new legislation would even increase this risk, and would jeopardize the livelihoods of the large number of small kiosk operators.

Tobačna Ljubljana finds the proposal for additional taxation of tobacco products extremely controversial. This measure, together with the prohibition of displaying tobacco products at points of sale and proposals to introduce plain (standardised) packaging, would immediately cause an increase in the influx of illicit cigarettes and their availability to minors. At the same time, sales of cigarettes to foreigners from neighbouring countries, which now accounts for almost a third of all sales in Slovenia, would substantially fall. These sales account for 27% of State revenues - approximately 111 million EUR. Due to the cascade effect of VAT and other pro-rata taxes, we

believe that the additional tax would result in an increase in retail prices of between EUR 0.70 and EUR 0.80 per pack, which would result in a reduction in budget revenues in the entire amount of excise duties charged on purchases by foreign nationals. This is not even counting the negative impact of legal retail losing sales to the illicit trade.

In conclusion, Dr. Axel Gietz, Director of Group Corporate Affairs at Imperial Brands, highlighted the broader issue of how plain packaging would violate the intellectual property rights and the rights of companies to differentiate their brands from others available in the market. Consumers need to be aware of the range of products legally available when making a purchase decision. In the few countries that have opted to introduce Plain package, legal actions for the protection of rights have already been brought. At the same time, Dr. Gietz highlighted the interesting paradox that the report which reviewed the effect of plain packaging in Australia, the first country to introduce plain packaging, had to concede that the measure of a plain packaging was not achieving its stated objectives. Australia must now increase expenditure on the fight against the black market, while at the same time face a reduction of revenues from excise duties and taxes, whilst smoking trends remain unchanged.