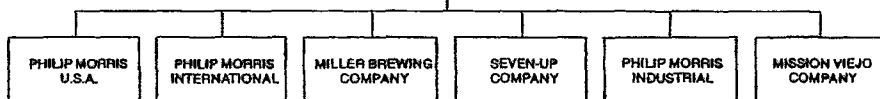


APRIL 1982

PHILIP MORRIS  
INCORPORATED

# CALL NEWS

TEAMWORK



Philip Morris/Wall Street

## PM Message: Quality



WALL STREET PRESENTATION: (l-r) PM Group Exec. VP John A. Murphy; Lehman Brothers' Jack Maxwell; Bill Nobler, Pres. of the New York Society of Security Analysts; PM's CEO George Weissman and VP/Chief Financial Officer Hans Storr.

In late March, PM senior management made an in-depth presentation to more than 150 members of the New York Society of Security Analysts—the people who recommend PM stock to investors all over the world. This was the latest in an ongoing series of such meetings.

Chairman and CEO George Weissman summarized his reasons for confidence in the continued growth of the company in one word: *Quality*. Said Mr. Weissman, "Were I forced to choose one word to explain the reasons for our growth projections, it would be 'Quality.' Quality management, quality products, quality marketing, and quality production facilities."

Group Executive VP John Murphy reported on PM's operating companies. VP and Chief Financial Officer Hans Storr, in his financial review, announced that for 1982 the company is adopting the Financial Accounting Standards Board #52, which alleviates the impact of foreign currency fluctuations on the company's earnings statement.

Mr. Weissman reminded the analysts that Philip Morris has recorded 28 straight years and 70 consecutive quarters of growth in revenues and earnings. "We operate in largely recession-resistant industries," he noted, before explaining the bright prospects ahead for Philip Morris.

"Of primary importance to our future is the continuing opportunity to grow because of the large size of the industries we are in," he said.

"At retail, cigarettes, beer, and soft drinks are each in excess of \$20 billion a year businesses. Manufacturers' profits in the cigarette industry are more than \$3 billion and the beer and soft drink markets combined provide an additional potential profit pool of more than \$1 billion dollars a year. And that is only in the United States."

"Tobacco is a worldwide industry in which American companies compete quite successfully. The soft drink industry worldwide is dominated by American companies, and while none of us in the American brewing industry have yet expanded overseas to any great extent, there is potential for that in the future."

At the end of the two-hour session, the analysts left, understanding that PM's management believes the company's size, geographic reach, and product diversity spread our business risk and enhance our ability to predict and react to swings in the economy, in currency exchange rates, and in consumer demands.

Philip Morris/Capitol Hill

## All About Leaf



PM USA Chairman/CEO Hugh Cullman

It was an unusual event and another first for Philip Morris when PM USA Chairman and CEO Hugh Cullman appeared on Washington's Capitol Hill in mid-March to tell the vital story of tobacco leaf to an appreciative audience of legislators, congressional aides, and staffs.

The occasion was not a Philip Morris event. Mr. Cullman had been invited to make the presentation by certain members of Congress and some leaders of tobacco industry organizations.

Mr. Cullman's remarks were based on facts assembled by PM USA's Leaf Department, working with the U.S. Department of Agriculture (USDA).

Addressing some 100 attendees at the breakfast meeting in the Rayburn House Office Building, Mr. Cullman pointed out, "As one of the largest—and growing—consumers of America's flue-cured and burley tobaccos, we at Philip Morris are concerned about the U.S. leaf industry's future." But he noted that his per-

pose for being there was to add to his listeners' knowledge of a complex subject—not to suggest changes.

"Let me state the facts," he began. "First, there is a shortage of quality leaf tobacco. Second, worldwide leaf demand is projected to increase, and the U.S. leaf industry has lost—and continues to lose—share of market."

Here are some excerpts from Mr. Cullman's presentation:

Quality United States-grown tobacco is the backbone of our blends and our business. It has been indispensable to our success, here and abroad, helping us sell one out of every ten cigarettes consumed throughout the world. A major contributor to this achievement is the role of high-quality United States tobaccos in building international markets for our brands. American leaf is the essential ingredient of most brands sold by our more than 60 affiliates and licensees around the world.

The United States flue-cured tobacco producer had a 40% share of world production in 1960. He currently has only a 19% share. In the early 1960s, the United States producer had a 60% share of world exports. Today, he has only 30%. The USDA projects a continued erosion of both production and export share.

The United States burley picture is similar. The United States in the 1960s had 80% of world production and 57% of world exports. Currently, the United States burley producer has only 52% of production and 27% of exports.

The disparity between our (U.S.) price and our competition's is unmistakable. In 1980, our flue-cured tobacco at \$5.47 per kilogram and burley at \$5.67 created a protective umbrella under which competitive countries priced their leaf. While most competitors' prices are rising, the price gap is still huge.

In spite of declining market share, the United States tobacco industry still is a strong exporter. Last year, our industry contributed \$1.29 billion in product exports and \$1.46 billion in leaf exports. Philip Morris is the leading exporter of United States cigarettes and a leading exporter of United States leaf. In 1981, Philip Morris contributed \$760 million to the tobacco balance of trade.

Adequate supplies of reserve stocks are necessary to assure United States and world manufacturers of dependable supplies. These reserves have been composed of tobacco that fail to receive an auction bid of at least one cent per pound over the price support. They protect the worldwide manufacturing industry from disastrous conditions caused by weather, plant diseases, or political instability in some countries. This feature of the tobacco program also protects growers from overproduction.

Philip Morris has supported these programs for the past 44 years. They have protected growers against wild swings in supply and demand and have brought relative stability and dependability to tobacco supply.

### Tobacco Observer Special

This CALL NEWS contains a reprint of the Tobacco Institute's *Tobacco Observer Special* issue (see page 7). It's a valuable document for Philip

smokers who wish to be better informed about the controversy over smoking and health, particularly in light of the Surgeon General's recent report.

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# Teamwork

Through no intended design, the contents of this issue are threaded together by a common theme—by a spirit so characteristic of Philip Morris that we simply accept it as the *PM* way. Yet, without it, Philip Morris would not be where it is today. It's called *teamwork*.

It is groups of PMers working together in many diverse areas and operations around the world to achieve important company objectives. It is their backup support and enthusiastic participation in PM events that give the company its character and reputation.

Many PMers made possible the outstanding management presentations on Wall Street and Capitol Hill (page 1). More than 10,000 miles away, it was the team effort of PMers that sparked the spirit and success of the Marlboro Australian Open (page 11). In the southeastern U.S., it was good teamwork that boosted Miller/Albany's shipping volume 1,500% in two years (pages 12-13).

The behind-the-scenes view of PM's Annual Report (page 4) is a story of PMers in three separate corporate departments working together to produce another winner. The page 3 story out of the Midwest is testimony to the nationwide pulling-together of Seven-Up PMers to steal the thunder from the soft drink giants.

PM employees share many things in common—ability, enthusiasm, company loyalty, hometown pride. As *individuals* they make the company great. But as *teammates* they make Philip Morris thrive.

## YOUR CHANCE TO GET INVOLVED!

During Keep America Beautiful Week, join your neighbors, city officials and businesses.

Together, make your community cleaner, safer—a better place to live.

Get involved.  
Share the work.  
Share the pride.



For information on KAS Week, write:  
Keep America Beautiful, Inc.  
99 Park Avenue  
New York, New York 10016



**KEEP AMERICA BEAUTIFUL WEEK**  
**APRIL 18-24**

## A Million Saved Is a...

The numbers read like an earnings chart of a thriving company: \$1 million in 1974...1975: \$2.7 million...1976: \$3 million...1977: \$4.7 million...1978: \$6 million...1979: \$6.5 million...1980: \$8.8 million...1981: \$12.7 million.

These aren't year-end profits, but they're just as significant. They represent the amount of money that PM USA employees in Richmond have saved the company each year since the Cost Reduction Program began in 1974.

The figures from PM USA's Louisville facilities, although not as large, reveal similar success. Cost-saving ideas from Louisville employees generated a modest \$100,000 in savings in 1974. But in 1981, employee suggestions saved the company nearly \$2 million in Louisville.

"The Cost Reduction Program has been very successful," said Bob Rottman, PM USA's Director of Cost Control, in one of the larger undertakings of the year. "And it's due to good participation by almost everybody in Richmond and Louisville."

According to Bob, the original idea for a waste and cost reduction plan came from Shepard P. Pollack, PM USA's President and Chief Operating Officer, who was working in Richmond in 1971. "I was Director of Quality Control at the time," Bob said. "I remember him coming to me with the idea of having employees submit ideas to cut costs in their work places, since they are the experts there."

Bill Arey, PM USA's Administrator of Cost Control, explained how the program works. "We have a volunteer representative in each department who has idea cards for employees to fill out. The cards enable an employee to tell what the situation is now, what the change would be, and what it would do. Then volunteer committees in each department determine which ideas to implement. We provide backup if they need more study or something like that."

There are a few restrictions on suggestions: The idea cannot involve a management decision (policy change, etc.); it cannot change the product itself, as this might affect the fine customer acceptance rate we enjoy; and it cannot involve renegotiating for new union contracts, changing benefits and remunerations, etc., for employees.

Every employee who submits an idea gets a letter of recognition, and those whose ideas are implemented receive framed "jewel" certificates. For an idea that saves up to \$5,000 per year, the suggester gets a ruby certificate. Next up is an emerald certificate for ideas worth up to \$25,000 in savings, then sapphire for up to \$50,000, diamond for up to \$100,000, and double diamond for savings of over \$100,000. In addition, each suggester of a viable idea receives an automatic pencil as a SCRIMPS Award (Suggested Cost Reductions Increase My Profit Sharing).

To further encourage employees to submit ideas, there is an "Idea Club" for employees who provide at least five ideas a year. Club members receive a lightbulb lapel pin—bronze for 5 suggestions, silver for 10, and gold for 15. This is in effect in both Richmond and Louisville. The ideas don't have to be implemented, but they do have to be viable.

One thing is certain, ideas are plentiful. In Richmond in 1979, 360 suggestions were made. In 1980, 766 were turned in. In 1981, there was a record: 1,564! Louisville employees contributed their share of ideas in 1981, too, with 177.

What's more, PM USA employees have a track record of sound suggestions. "We're a member of the National Association of Suggestion Systems, and they say that the national implementation average is one out of every five ideas," said Bob Rottman. "Right now, we're implementing over 30% of the ideas. That's a credit to our employees because it shows that they're really thinking through their suggestions."

Ideas range from the remarkably simple to the highly complex. One suggestion from the Richmond make-pack floor is saving \$183,000 a year.

"The suggestion involved the rejection of loose-end cigarettes in the make-pack operation," Bob says. "In the past, if one cigarette wasn't completely filled with tobacco, the whole pack was ripped open and the tobacco went back into produc-

tion. The idea was to fix it so that only the unfilled cigarettes were ripped and the good ones were just repacked."

Gerry Haas, the Louisville Coordinator of the Cost Reduction Program, tells of an idea from a Mechanical Supervisor in the Tow Department that saved the company over \$100,000 a year by adding an extra glue line to a combiner plug wrap, thus significantly reducing the rejection rate. A Louisville Stockroom Attendant had an idea that reduced machine downtime with a back-up winnowing system, thereby saving over \$50,000 annually.

Whether the idea is little or big, the Cost Reduction Program is clearly paying off. "If you add up all the savings since 1974 in both Richmond and Louisville, it comes to almost \$54 million," Bob says. That figure, impressive though it is, is only part of the story. Since most of the ideas save money on an ongoing basis, year after year, the real total savings is much higher. Figuring that the average project "lifespan" is around five years, Bill computes the savings in Richmond alone over the last five years at about \$81 million! Says Bob, "It's a phenomenal savings; and, in inflationary times like these, we really need it!"



Ed Bowen, Coordinator, and Karen Smith, Assistant Coordinator, Cost Reduction, smile at how successful their Richmond cost reduction team has been!



Kathy Underwood, Industrial Engineer Technician, and Gerry Haas, Industrial Engineer, run the successful Cost Reduction Program in Louisville.

### Call News

April 1982

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No Caffeine. Never Had It. Never Will.

# Seven-Up Shakes 'em Up!

The "No Caffeine" campaign for 7UP, introduced nationally just a month ago, has made a strong impact on the media, the soft drink industry, and—most important—consumers.

During the 2-day kick-off last month, two new commercials were run on the three networks 37 times. It is estimated they were seen at least 4 times each by an estimated 93% of the television viewing audience. Radio and print versions of the same ads also are being used.

Drawing on the 7UP brand's heritage, the message is, "No Caffeine. Never had it. Never will." That theme is to be part of all 7UP advertising, promotions, packaging, and point-of-sale material.

The consumer ads feature Philadelphia Phillies baseball star Tug McGraw and his daughter, Cari, looking for a soft drink that contains no caffeine. In the 30-second commercial, popular soft drinks containing as much as 52 milligrams of caffeine are compared with 7UP—the only one with no caffeine (see table). The new commercial series also features other comparative advertising. The 30-second commercials conclude with a musical phrase containing the "No Caffeine" theme.

Edward W. Frantel, President and Chief Executive Officer of The Seven-Up Company, describes the "No Caffeine" campaign as "a total marketing program designed to have an impact on the consumer in every possible way."

"Consumer interest in the caffeine issue is significant and growing fast," the Seven-Up President says. Seven-Up's perception of this increasing concern is based generally on three factors: (1) research by Seven-Up into consumers' awareness of and concern for caffeine in soft drinks; (2) widespread coverage in the news media of possible health disorders relating to caffeine ingestion; and (3) the October 1980 recommendation by the Food and Drug Administration that caffeine be deleted from the Generally Recognized as Safe list.

"Our research indicates that caffeine ingestion is a matter of growing concern to consumers," Ed Frantel explains, "and we have adjusted our advertising to make it clear that 7UP never had this stimulant and never will. We are taking advantage of the fact that 7UP is the leading nationally distributed soft drink that contains no caffeine."

The No Caffeine message was first unveiled in February to 7UP bottlers at six regional sales meetings held in Atlanta,

Dallas, Los Angeles, Chicago, St. Louis, and New York City. The bottlers were introduced to the new ad campaign, media, promotions, packaging, and Corporate Affairs programs.

Last month, before the advertising was aired nationally, the new marketing strategy was introduced at a press conference in New York City. Nearly 100 newspapers, magazines, television and radio stations, and trade journals attended, including *The Wall Street Journal*, *Time*, *NBC's Today Show*, *Business Week*, *Advertising Age*, and the *Associated Press*. In the ensuing weeks, hundreds of highly positive articles and broadcasts have appeared.

No-Caffeine Hotlines have been installed in the company's Corporate Affairs Department to help get the message to the media, as well as to 7UP bottlers and consumers. For information, call (800) 325-5453 or (800) 392-5453.

Says Ed Frantel, "It is fairly common knowledge that caffeine occurs naturally from the kola nut in cola soft drinks, but it is not widely known among consumers that approximately 90% of caffeine in cola soft drinks and 100% in some of the popular citrus-based soft drinks is added. The Seven-Up Company is not suggesting that any soft drink companies that add caffeine to their products are not concerned, but we think it is important that soft drink consumers be fully informed about caffeine content."

## CAFFEINE CONTENT\* (partial listing)

Product	Milligrams
Instant Coffee (5 oz.)	53
Soft Drinks (12 oz.)	
Mountain Dew	52
Diet Mr. Pibb	52
Mello Yello	51
Tab	44
Shasta Cola	42
Dr. Pepper	38
Pepsi	37
RC	36
Diet Rite	34
Diet Pepsi	34
Coca-Cola	34
Mr. Pibb	33
7UP	0
Diet 7UP	0

\*Source: Consumer Reports, October 1981



The new "No Caffeine" message now appears on all 7UP packaging.



At a press conference unveiling the "No Caffeine" campaign, Seven-Up CEO Edward W. Frantel answers reporters' questions.



One of the 30-second TV spots features Phillies relief pitcher Tug McGraw and his daughter, Cari. They find no caffeine in 7UP.

## BusinessWeek

### Seven-Up uncaps a cola—and an industry feud

Ever since Philip Morris Inc. bought Seven-Up Co. three years ago, it has tried with little success to position the lemon-lime drink head-to-head against its long-time rival, Coca-Cola. Now, a major new marketing campaign is under way to position the company by taking the market for caffeine-free soft drinks.

Seven-Up's new campaign is a direct challenge to the cola industry, which has long been the dominant force in the soft drink market. The campaign is a direct challenge to the cola industry, which has long been the dominant force in the soft drink market.

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## Los Angeles Times

### A Word From the Sponsor

### Seven-Up Plays Up No-Caffeine Angle

The whole thing is kind of a nonchalant step in the company's long history of being a soft drink.

The company is not suggesting that any soft drink companies that add caffeine to their products are not concerned, but we think it is important that soft drink consumers be fully informed about caffeine content.

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## THE WALL STREET JOURNAL

### Seven-Up Ads On Caffeine Rile Industry

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PMers Team Up to Produce the Best

# Presenting: The Annual Report

There is a time in every year at Philip Morris headquarters when three departments—Corporate Affairs, Finance, and Legal—all work on one project: The Annual Report.

Although the Corporate Affairs Department is directly responsible for the overall project, the other departments play major roles in the report's publication.

The Finance Department, primarily through its treasury and control functions, is responsible not only for tallying the year's profits and losses, but also for checking the accuracy of all figures subsequently reported, writing the footnotes that explain our fiscal policies, and drafting the *Financial Review*.

The company's lawyers review the report as a whole to ensure that material aspects of the company's business and operations are properly covered. The Legal Department devotes special attention, however, to *Management Discussion and Analysis of Financial Condition and Results of Operations*. Since that part of the book is incorporated by reference in the company's report on Form 10-K and filed with the Securities and Exchange Commission, the lawyers directly participate in its preparation to see that SEC requirements are met.

All three departments share the eye-blurring proofreading task—often by midnight oil, occasionally on weekends. Galley proofs of copy and row upon row of figures are stacked on the desks of no fewer than 30 people from December to mid-February. They are kept handy so that when the phone rings with a message that one department found an error af-



PM's Annual Report team (standing, l-r) Staff Accountants Ben Min, Adam Wurtz, and Paul Duffy; Accounting Director Mike Wozdyt; Staff Accountants Larry Gentilini, Tom Urbach, and (not shown) Danka Malkowska; Chermayeff & Geismar Designers Stephan Geissbuhler and Gary Stillovich; (seated, l-r) Accountant Ron Lombardo; and Coordinator Mary Jane Jolda and Mgr. George Knox, Financial Relations, Corporate Affairs Dept.

fecting the information entered by another department, the change can be made immediately by everyone involved.

The man standing by at the printer, with authority to give the final "Run the presses" order when the 56-page financial report card is perfect enough, is George Knox, Manager of Financial Relations, Corporate Affairs. George, who has shepherded three reports through development to distribution, explained how the 1981 Annual Report was made.

The first step is deciding on the theme of the book. That is Chief Executive Officer George Weissman's decision. George Knox recalled, "It was very early in 1981 that Mr. Weissman mentioned to me that the theme of the annual report

would be the advanced technology we use in the manufacture of our products."

Establishing the theme is the equivalent of throwing out the first baseball of the season—it sets in motion months of team planning: brainstorming meetings, layout conferences, interviewing, writing, rewriting, editing, and photo sessions around the world. The players, in this case, however, are all on the same side. The opponent is the ticking clock.

The time schedule is dictated in large part by the SEC's requirement that the annual report be sent to shareholders of publicly owned companies approximately six weeks before the annual meeting. Since PM's 1982 annual meeting is scheduled for April 28, the report had to

be in the mail by the first week in March. To meet that deadline, planning sessions began last June.

"The book is truly a child of nine months of labor," said Stephan Geissbuhler, of Chermayeff & Geismar, the graphic arts studio that has designed PM's annual reports since 1972. "George Knox calls us in June, so we have two months to develop a mock-up." The mock-up is ready by August, and from then until October, George Knox meets with senior managers and corporate affairs directors at the operating companies to discuss theme, editorial content, and pictorial needs. Later, he dispatches photographers to PM's operating locations.

"In October," George said, "we order the paper the report is printed on from PM Industrial's Plainwell Paper Co., which supplies the high-gloss stock used in many corporate year-end reports."

Mid-December is the beginning of an eight-week crunch. A first draft of the editorial content of the book goes to George Weissman and then to senior officers.

Much of January is spent rewriting and taking new photographs to make sure the words and pictures better convey the Philip Morris story.

The year-end figures come out the last week of January, and the book can finally be completed. Barely three weeks remain in which to finish. Everyone on the project becomes a proofreader.

In February, galley proofs and then blueprints of spreads are circulated to operating companies around the country, as proofreading progresses and "the absolute final deadline" nears.

Then, in mid-February—like Noah's passengers—George Knox and his assistant, Mary Jane Jolda, plus PM Accountants Tom Urbach and Larry Gentilini, and Designers Gary Stillovich and Stephan Geissbuhler board a plane for Rochester, NY, where our printers, Case-Hoyt, are based. There, they oversee the "make-ready," the final step before the presses roll. After working round the clock—"I have a favorite table to sleep on," George said—all return to New York, while the presses run for two days straight to fill PM's order.

The result of such collective and individual concern, as history has proven, is an award-winning public statement about the current direction PM is taking—signed by the Chairman, Vice Chairman, and President of the corporation. It remains in use for all the following year.

## How to Read—What to Look for

Annual reports are produced to inform investors and potential investors of a company's operating results for the year and its financial strength at a particular point in time—usually year end. This is accomplished by using various financial statements including a balance sheet, income statement, and statement of changes in financial position.

The company's results for the year and its intended direction for the future are explained in the narrative content of the report. In PM's 1981 Annual Report, that includes the Chairman's letter or *Review of the Year*, which begins on page 4 and gives a broad overview; the *Management Discussion and Analysis of Operations*, pages 36-39, which identifies and explains any important changes

from prior years; and the *Financial Review*, pages 34-35, which tracks the companies' operating performance and financial position.

Any event of importance to the current financial state of the company is specifically referred to in the annual report. For example, the company's extension last year of the "last-in, first-out" (LIFO) method of costing inventories and the expansion of its international tobacco interests through an investment in Rothmans International plc are discussed on page 47, in the *Notes to Consolidated Financial Statements*.

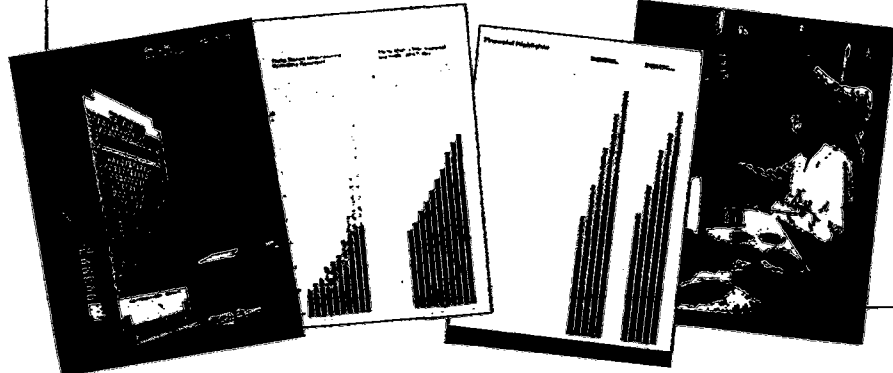
Opinions differ on which is the most important section to read in an annual report. Bill Smiy, PM's VP and Controller, explained: "Particularly in today's economic climate, many read-

ers tend to emphasize the importance of *Statement of Changes in Financial Position*, which indicates the company's ability to generate, through operations, sufficient cash to sustain its operations and other commitments."

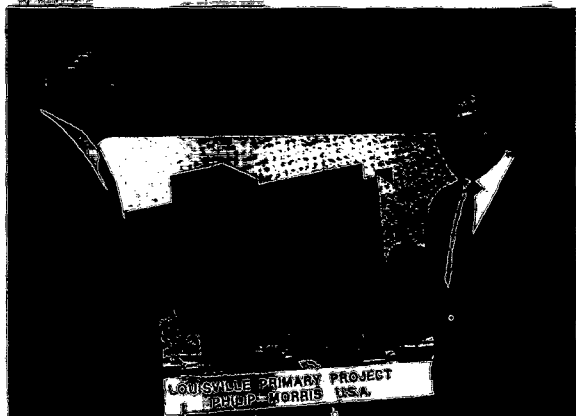
It is also important to read the *Fifteen-Year Financial Review*, pages 40-41, because it reveals at a glance the recent history of the company's financial position and earnings.

While the order in which an annual report is read is a subjective decision, everyone interviewed agreed that all PMers should read the Chairman's letter, since it provides background on both the company's activities and an indication of our future direction.

We hope this very "short course" will help you get a better reading of PM's Annual Report 1981.



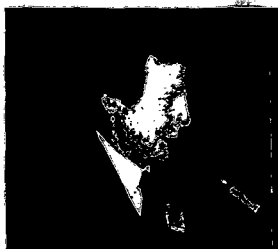
# Kentucky Leaders Laud PM



PM USA VP Jim Remington proudly shows expansion display to John Barr, Chairman of the First National Bank of Louisville.



Kentucky Governor John Y. Brown, Jr.



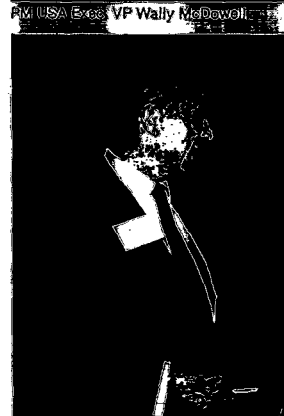
Jefferson County Judge Mitch McConnell.



PM USA Chairman Hugh Cullman.



Cissy Musselman, Louisville Chamber of Commerce President.



PM USA Exec VP Wally McDowell.



George Brown, Kentucky's First Lady.

*I sometimes think the phrase Good Corporate Citizen was invented to describe Philip Morris. And when a company like that continues to enjoy great success and is now investing \$25 million in new additions to its Louisville factory ... it's a genuine cause for celebration.*

With those words, Cissy Musselman, president of the Louisville Chamber of Commerce, opened a Business Leaders Luncheon recognizing Philip Morris for its many contributions to the community.

Kentucky Governor John Y. Brown, Jr., joined leaders from all sectors of the community—civic, finance, education, manufacturing, and government—to honor Philip Morris.

Louisville Mayor Harvey Sloane seconded Cissy's appreciation when he proclaimed March 17 "Philip Morris Day in Louisville," a first for PM. Said the Mayor, "Philip Morris' expansion of its primary processing operation means a great deal to our city. We're delighted they're here to stay."

Echoing Sloane's gratitude to PM was Judge Mitch McConnell of Jefferson County, where approximately 80% of all PM employees live.

But PM's economic impact extends beyond Louisville and Jefferson County to other parts of Kentucky. Last year, PM spent \$120 million in Kentucky for salaries, taxes, materials, and other expenditures. With 4,200 employees, PM ranks as the Bluegrass State's sixth-largest employer.

According to Hugh Cullman, PM USA Chairman and CEO, a major

financial commitment in Louisville would never have happened a few years ago. "Quite candidly, because of an unsettled labor climate, Louisville ranked at the bottom in management's mind in any projected expansion and modernization plans, and what we had—or did not have here—was having an effect on our other locations," he told the luncheon guests.

The turn for the better began in June 1979, when labor and management signed a nine-year arrangement that, for the first time, guaranteed the company the promise of uninterrupted production and union employees uninterrupted jobs and wages. The "Long-Term Agreement" was a landmark event. "What's more, by everyone's reckoning, it's working better all the time," Mr. Cullman added.

Naturally, employees in Louisville are thrilled with the expansion. Beth Wagner, an Accounting Clerk, said she thinks PM is "the place to be in Louisville."

Supervisor Mary Wilson, who works in the department that is being expanded, said she was delighted with the announcement. "Because I work in Primary, I was aware of the proposal, and I was happy when I heard the good news. Now I know PM's here to stay."

Roy Pierce, another Primary Department employee, felt more secure about his job after he heard about the expansion plans. "We had heard a lot of rumors over the years, but the 'big news' put an end to those."

Philip Morris has had facilities in Louisville since 1944, and one third of all PM USA cigarettes are made there.



PM/Louisville employees (l-r) Beth Wagner, Roy Pierce, and Mary Wilson are thrilled with expansion plans (see story).



PM USA's Jim Remington, Louisville Mayor Harvey Sloane, Louisville General Mgr. Larry Zink, Cissy Musselman, and PM USA VP John Campbell.

# Young Farmers Front 'n' Center

Twenty-four young men from seven tobacco-producing states marked February 17 as a special day on their calendars. On that evening, Philip Morris U.S.A. hosted the fourth annual Outstanding Young Tobacco Farmers Awards and Recognition banquet in Richmond. The young farmers and their wives celebrated the occasion with their local agricultural extension agents and their spouses. The farmers and extension agents shared in the festivities, as they work hand-in-hand to produce high-quality tobacco.

While in Richmond, the young farmers were honored by PM USA's Hugh Cullman, Chairman and Chief Executive Officer, and O. Wither Dudley III, Vice President-Leaf. The event paid tribute to the young growers for their outstanding contributions to tobacco and community affairs, and the consistent excellence of their leaf.

The program, initiated in 1978, is

sponsored by Philip Morris U.S.A., the Agricultural Extension Services and land-grant universities of the Southeast, and the West Virginia Department of Agriculture. The Outstanding Young Tobacco Farmers program demonstrates that it is possible for young people to enter tobacco production successfully and make a contribution to the entire industry.

To be eligible, nominees must be under 35 years of age at the beginning of the program's operating year and earn at least 75% of their income from farming; the farmers must also support the Cooperative Extension Service. Each state that participates in the program sets additional qualifications.

Young tobacco farmers are first nominated at the local level by county extension personnel and community leaders. The candidates must show innovative production practices for increased operating efficiency, as well as

excellence of character and leadership abilities. Finalists are chosen at the state level by the Agricultural Extension Service of the land-grant universities.

One burley and one flue-cured grower receive recognition each month as Outstanding Young Tobacco Farmers. The amount of tobacco produced in a state determines how many winners that state can have, with a total of 24 men gaining the title, "Outstanding Young Tobacco Farmer," each year. This year's winners represented Kentucky, North Carolina, South Carolina, Virginia, Tennessee, Georgia, and West Virginia.

The award consists of a \$400 cash prize, a plaque commemorating the individual's selection for the Outstanding Young Tobacco Farmer title, and an all-expense-paid trip for the recipient and his spouse, and his county agent and spouse, to Richmond. On the first evening of their stay is the yearly Awards and Recog-

nition Banquet, followed by a tour of the Manufacturing Center on the next day. Announcements of the awards also appear in local news media.

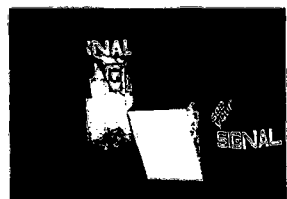
Recognition of these deserving young tobacco farmers encourages other young people to enter the business and promotes the tobacco community as well. Additionally, the recognition accorded the young farmers prepares them for even broader leadership roles within their tobacco and civic organizations.

As Hugh Cullman said when addressing the dinner guests, "Philip Morris has a special relationship with these exceptional young farmers and with all tobacco producers. We depend on them for high-quality burley and flue-cured tobaccos. Their tobacco is a key ingredient in our phenomenal success, both in the United States and abroad."

"Quality tobacco is the backbone of our successful brands."

## Communications Display Hits Road

The Philip Morris conference, "Communications in The 21st Century," continues. PM's 42-foot-long, eight-foot-wide chart that traces the evolution of



PM Inc.'s Gina Gallovich, Coordinator Communications Research, demonstrates the use of one of the educational displays included in the telecommunications exhibit at Louisville's Museum of History and Science.

communications technology is traveling all over the country to remind people of "what God has wrought"—to paraphrase the first message sent by Samuel Morse, inventor of the telegraph.

The communications chart began its tour last month at Louisville's Museum of History and Science.

The exhibit is ingeniously designed to include hands-on educational tools such

as a telegraph unit that enables viewers seated on either side of a short wall to send messages back and forth. A computer is also stationed at the end of the chart to provide a quiz for museum visitors on the information illustrated in the eleven-paneled history.

The chart tracks the path of telecommunications technology with four color-coded time lines: basic inventions;

developments in telecommunications; developments in computer technology; and fundamental events in physics.

PM developed the chart for the "Communications in the 21st Century" conference held last April at PM USA's Manufacturing Center in Richmond. The company later donated the display to the Science Museum of Virginia, which will have permanent ownership after the tour.



PM USA's Minor Conklin, Staff Assistant, Finance, and Miller's Richard Klemp, Mid-Atlantic Government Affairs Mgr.



Jefferson County Judge Mitch McConnell and Louisville Plant Mgr. Al Mathis.



PM USA/Louisville Fabrication Manager Ray Taylor and Labor Relations Manager Jim Payne test their knowledge of PM's communications history chart against Alan Cowan, Executive Director of the Louisville Fund for the Arts.

### Mission Viejo's New Valencias

## New Families Snap Up Condos



Just when many young couples are ready to give up all hope of ever owning a home, Mission Viejo has opened new condominiums designed and priced for the first homeowner—and they are selling like lemonade in a desert.

The 35 townhouses in the first selling phase of Valencia, as the condominiums are called, sold in 35 minutes at a lottery held March 6.

Grant Sullivan, Mission Viejo's Marketing Director, says: "We want to keep home ownership opportunity open to

young people. A key factor in Mission Viejo's success as a community has been its broad range of homes. Today, Valencia maintains that tradition for a new generation of California homeowners."

Valencia townhouses range in price from \$63,000 to \$81,000 and are offered to buyers eligible under Orange County's Housing Opportunity Program. To be eligible, a couple's combined annual income cannot be less than \$24,500 or more than \$37,560.

In addition to compact floorplans, Valencias offer solar hot water heaters as a standard feature. Since such energy-saving equipment enables homeowners to a one-time federal income tax credit of \$1,000—Mission Viejo literally gives buyers a "housewarming" present.