



Philip Morris Incorporated
Philip Morris U.S.A.
Philip Morris International
Miller Brewing Company
Philip Morris Industrial
Mission Viejo Company

Cullman: We Have Long Way to Grow

PM's 3rd Quarter Report Reflects Our Brands' Gains

Philip Morris Incorporated reported that revenues, net earnings and earnings per share for both the third quarter and the first nine months of the year reached record highs, Joseph F. Cullman 3rd, chairman of the board and chief executive officer, announced October 18.

"The company's record results for the first nine months of 1976 reflect higher sales and increased earnings for all of our operating companies," Mr. Cullman said. "Gains in our worldwide cigarette sales and continued strong demand for the products of the Miller Brewing Company were the primary contributors to our record performance."

Consolidated operating revenues for the quarter ended September 30, 1976 were \$1,122,584,000, an increase of 17.8% over the \$953,325,000 reported in the corresponding period last year. Net earnings were \$74,542,000, up 22.7% from \$60,776,000 earned in the third quarter of 1975. Earnings per share increased to \$1.25 for the quarter up 20.2%

from \$1.04 reported a year earlier.

For the nine months ended September 30, 1976 consolidated operating revenues totalled \$3,135,318,000, an increase of 17.4% over the \$2,670,568,000 reported for the similar 1975 period. Net earnings increased 24.9% to \$198,649,000 from \$159,005,000 earned in the first nine months of 1975. Earnings per share for the nine months in 1976 were \$3.34, a 22.8% increase from \$2.72 reported for the same period last year.

"The continued growth of Marlboro, Benson & Hedges 100's, Virginia Slims and Merit enabled us again to outperform the domestic cigarette industry, with a further increase in market share," Mr. Cullman said. "Profitability for Philip Morris U.S.A. is greater this year than last despite the marketing expenses related to the Merit introduction," he added. Commenting on Merit, Mr. Cullman said: "In the nine months since its introduction Merit's success has established it as a leader

(Continued on page 7)



Joseph F. Cullman 3rd, chairman of the board, accepts an award from Jeffrey Weingarten, vice president of Wertheim & Co., Inc. and a representative of the Financial Analysts Federation. The award, presented during a meeting of the New York Society of Security Analysts and PM executives, is in recognition of excellence in corporate reporting.

Tells Analysts Cigarettes, Beer Are Our Strength

"With a 25% share of the U.S. cigarette industry, a 5% share of the international cigarette market and about 12% of the U.S. beer industry, Philip Morris has come a long way since 1970," Joseph F. Cullman 3rd, chairman of Philip Morris Incorporated, told a meeting of the New York Society of Security Analysts November 5.

Mr. Cullman also pointed out that although Philip Morris has been the fastest-growing company in both the cigarette and beer businesses, there still remains a great potential for future growth. He noted that it had been six years since Philip Morris last made a presentation to New York analysts.

"Our revenues, net income and earnings per share have nearly tripled in these six years," he said, "and we are now the second-largest publicly-held cigarette company in the world and the third-largest brewer in the U.S."

Periodical meetings with security analysts are an important responsibility of our senior management. In fact, in the following week, George Weissman, vice chairman of the board, made a similar presentation to analysts in Houston, Messrs. Cullman and Weissman gave the operational overview, and at both meetings Shepard P. Pollack, vice president, finance, presented detailed financial data.

Others who participate in meetings with security analysts include Ross R. Millhiser, president of Philip Morris Incorporated, and the presidents of our five operating companies. Thus at any one meeting, there are a half dozen or more of our top executives to make formal presentations and to answer questions afterwards.

(Continued on page 7)

Mission Viejo Pioneers In Energy-Saving Homes

Two experimental homes designed to use less than half the energy used in similar conventional houses were unveiled in October in Mission Viejo, California.

The homes were designed and built as part of the five-year Minimum Energy Dwelling (MED) research effort. The research is being conducted jointly by Mission Viejo Company, Southern California Gas Company and the federal Energy Research and Development Administration (ERDA).

According to Don Schulz, vice president of development and sales of the Mission Viejo Company, "Mission Viejo realizes that residential energy conservation is one of the biggest challenges we face in the coming decade. Mission Viejo is studying this project very carefully and

will be incorporating those features which are feasible and beneficial in future Mission Viejo homes."

This goal is in keeping with all Philip Morris operating companies' conscientious efforts to provide the highest quality products for the consumer, whether it be tobacco products, beer or living environments. Frequently, assuring this quality demands extensive study, and Philip Morris has always been a leader in areas of research and development.

Of vital importance to the MED project is that the Mission Viejo Company has extensive data on residential construction costs in its area, placing the company in an excellent position to gather detailed cost data on MED and compare them with similar information on traditional

(Continued on page 7)

We're Outpacing Competitors

Preliminary estimates of cigarette consumption in the U.S. in 1976 were recently compiled by cigarette industry analyst John C. Maxwell, Jr. Philip Morris showed the largest gain of the six major U.S. companies, as the following percentage changes in unit sales of cigarettes indicate:

Philip Morris	+ 7.8
R. J. Reynolds	+ 3.3
Lorillard	+ 1.6
Brown & Williamson	- 3.1
American Brands	- 4.7
Liggett Group	- 7.9

Weissman Heads Philip Morris Delegation To China for Technical-Exchange Talks

A delegation headed by Vice Chairman George Weissman; Fred Stefan, chairman of Philip Morris Industrial; and James Kurtzweil, executive vice president of Philip Morris Industrial, visited China October 4 through 16, and met with CHINAPACK, the corporation that handles all the export packaging for China. The visit was part of an industrial exchange program initiated following the Shanghai Communiqué, an agreement signed by the United States and China in 1972 calling for step by step progress in industry and other areas to rebuild relationships

through the exchange of visits.

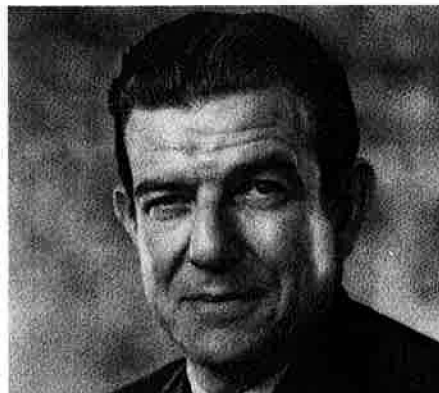
"The Chinese interest in packaging and Philip Morris was first created," explained Mr. Weissman, "when a Chinese delegation visited our new Richmond factory and saw our corporate film, showing the work of Philip Morris Industrial. After a period during which the Chinese ascertained the leading role of Philip Morris Industrial in the technology of packaging, specialty paper-making and adhesives, the invitation was extended.

"For one week," Mr. Weissman continued, "we met with various members of CHINAPACK

in Peking, outlining the highly technical and diversified interests of Philip Morris Industrial: the many uses and kinds of Milprint packaging, the materials Milprint uses, the printing processes involved, the types of paper produced at Nicolet and Plainwell, and the various adhesives produced at Polymer."

Although the Chinese were the inventors of paper-making and printing, the state of their packaging today is behind American standards. They have the technical know-how to produce high-standard packaging, but lack the

(Continued on page 7)



George Weissman, vice chairman of Philip Morris Incorporated.