

REMARKS
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PHILIP MORRIS COMPANIES, INC.

APRIL 9, 1996 MEETING WITH EMPLOYEES

I want to start this session with a thank you. The past few weeks have not been an easy time for any of us. But I have felt in this building -- and around the globe -- that our spirit is strong and that we remain a confident team of people.

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~~They say that there is nothing like a battle to bring a team together. Well, today we are together more than ever before. And I thank you -- personally and most sincerely -- for that support.~~

~~Today,
What I want to do today is answer your questions,
And if I can't answer a particular specific, then I will ask Murray Bring or Steve Parrish to step in.~~

^b
~~But~~ let me start by laying a framework for where I believe we are.

First, ^{before,} as I have said to you in ~~in~~ memos, we must never forget that despite all the noise and thunder of the last few weeks, nothing fundamental has changed.

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Our business is growing by leaps and bounds. We will report a strong first quarter and the next quarter looks equally good.

[And even if our stock has taken a bit of a beating, some of this was inevitable profit-taking in the market. The Wall Street analysts who follow us continue to recommend our stock. They know that our fundamentals -- including in the litigation area -- remain strong.]

Just,

Let me explain, ^{begin with}

^{It}
~~Just~~ the proposed Liggett settlement is a sham.

Originally, the newspapers described the Liggett settlements as a crack in the dam. But now everyone understands that the proposed settlements were ^{just} a tactic in a war which has nothing to do with the fundamentals of tobacco litigation. It ~~was~~ is a desperation move by Bennett LeBow in his efforts to take over RJR. ~~[And we will know next week whether or not he will succeed in that quest.]~~

* 3rd

Third, let me talk about the issue
of youth smoking. ~~Phily Thomas~~ We
we believe kids should not smoke
and Phily Thomas has been a
leader in the effort to keep
cigarettes away from kids.

One of the most frustrating things
about the past few weeks has been

Second, the proposed Liggett settlement does not change the litigation.

But the strength of our position in these suits is untouched. Indeed, we were encouraged by the hearing last week ⁱⁿ on the Castano ^{class action} case. ^{The investment community and} Even the press agreed that the Court seemed skeptical of many of the plaintiffs' arguments.

It isn't our dam that is showing cracks. It is theirs.

~~Everyone now understands that the Liggett settlement is a sham. It will be challenged in the courts by the plaintiffs -- since it is a lousy deal for them -- and by other lawyers. And, make no mistake, Liggett has not bought itself legal peace with this settlement. They got pats on the back from some hypocritical politicians and lawyers, but they got nothing and gave nothing. All they did in the end was to temporarily erode significant value for investors in our industry.~~

Third (See track of page 2)

In retrospect, the worst part of the LeBow charade was to see Liggett ^{being praised as} receive praise for being a leader on the youth smoking issue. ^{Nothing could be further} In truth, we are the ^{from the truth} leaders in the U.S. industry on the youth issue. Our Action Against Access program here in the United States is being implemented aggressively across the country. I'm very proud of this effort and you should

be too. It puts our money where our mouth is -- which is against youth smoking.

Over the next weeks you will see us communicating more on this effort. You have already seen the first ad. That is not just chest beating. We are going to fight back strongly against any misperception or distortion of our position on youth smoking. We oppose youth smoking. We want it to stop. Period.

(Pause)

Now let me mention the affidavits of our former employees. ~~I know that some of you have felt that we have been a little slow on this one and, in a sense, we have been. Let me tell you why.~~

~~To be sure,~~ ^{public} our opponents handled these ^{affidavits} leaks with real ^{public} media relations skills. The affidavits were given to reporters and not to us. So we were asked to comment on documents we did not have and could not see.

We refused to do that. Why? Because it would be foolish. We can not be shooting back wildly on these issues, ~~particularly~~ particularly when they involve people who have worked for our company. The three

individuals who have given these statements worked for ~~us~~ for many years. They are entitled to their views. We have to take the time to see exactly what *the facts* they are saying so that we can respond accurately and persuasively.

That is smart legal strategy. It is also the right thing to do.

We have now reviewed the statements in detail. We have talked to other people involved in these issues, and will shortly cross-examine at least two of the three former employees.

Let me be clear.

We are completely confident that the affidavits not only have been misrepresented by our opponents but that they also ^{contain} have errors of fact and many incorrect assertions. We will go into this in detail after the depositions and after we have submitted our formal response to the FDA. Not before.

But let me assure you -- I am confident that these statements will not undermine the fundamentals of our position, which has been stated repeatedly and was restated in the ad we ran three weeks ago. Let me state it yet again.

We do not "manipulate" nicotine levels in our cigarettes to keep people smoking. We do have quality control procedures to assure consistency in our brands. That's it.

We also stand four-square behind former PM USA President and CEO Bill Campbell and reject the irresponsible charges that have been made with respect to his Congressional testimony.

And with regard to the so-called "safer cigarette," the fact is that we have worked diligently on changes to our products which some in the medical community have sought. We have lowered the tar, we have looked at -- and made several modifications -- relating to phenols, nitrites, and carbon monoxide, among others.

Indeed, the process referred to by our one of our so-called whistle blowers -- denitrification -- is actually taking place and has been for more than 20 years. His particular process for denitrification was not brought to market because it proved to have problems. This was a practical issue, not a legal one.

Those are the facts and the facts will come out.
(Pause)