Timothy J. Brennan
06/25/97 04:43:26 PM

Record Type: Record

To: Janet L. Yellen/CEA/EOP, Alicia H. Munnell/CEA/EOP, Jeffrey A. Frankel/CEA/EOP

cc: See the distribution list at the bottom of this message
Subject: Tobacco memo, with corrections

DRAFT: FOR USG USE ONLY.

I've looked over the text of the tobacco settlement delivered to CEA. Among the many provisions regarding underage use, tort immunities, FDA regulation, and advertising, are three provisions that are expected to affect the price and, perhaps, the competitiveness of domestic cigarette sales. Very briefly, these three provisions entail:

1) Annual payments from cigarette manufacturers to local, state, and federal governments that will eventually rise to $15 billion per year. A noteworthy feature would be a statutory requirement that the annual payments "be reflected in the prices manufacturers charge for tobacco products."

2) An additional surcharge of up to $2 billion per year if teenage smoking (or use of smokeless tobacco) rises above certain prescribed percentages.

3) A provision setting an aggregate cap on subsequent outlays by cigarette companies in judgments or settlements associated with lawsuits from individuals, and where each dollar of such outlays reduces that manufacturer's payment to governments by 80 cents.

I'll describe each of these in more detail, with some predictions on their effects. At the outset, it is important to keep in mind that policy implications are particularly ambiguous here. Typically, price increases and output reductions would be justifications for opposing a policy initiative. In the cigarette context, the clear objective is to raise price and reduce consumption. To criticize aspects of this plan because they may lead to monopolistic behavior may miss the boat.

Annual payments

The largest financial aspect of the settlement is an annual payment that cigarette manufacturers would pay local, state, and federal governments to fund regulatory enforcement efforts, health care and research, and as a substitute for punitive damage claims that might have been paid to states in litigation. The basic features of the payment plan are:

1) An up front $10 billion payment, payable when enabling statute is signed.

2) An annual payment, beginning 12/31 of first full year after statute is signed, starting at $8.5 billion in year one and rising to $15 billion in year 5. This aggregate amount is subject to a volume adjustment, described below. During the first 8 years, between $2.5 billion and $5 billion per year are reserved for a "public health" trust.

3) Annual payments would be adjusted by the *greater* of 3% per year or the CPI.

4) Payments would be given "priority" in case of bankruptcy.

5) Payments would be tax-deductible.

6) The actual annual payment would be adjusted on the basis of actual sales volume.

a) If total unit sales increase, the annual payment at the end of that year would be the listed amount multiplied by the ratio of total sales in that year divided by total sales in 1996.

b) If total unit sales decrease, the annual payment at the end of that year would be the listed amount multiplied by the ratio of total sales to adults in that year, divided by total sales to adults in 1996. Any decrease in the annual payment resulting from this adjustment would itself be reduced by 25% of any increase in "net operating profits" over 1997 levels.

[Note 1: Why the unit sales base year is 1996 but the net profits base year is 1997 is not explained in the settlement. I'll assume it makes no difference to qualitative predictions on effects.]

[Note 2: The formula for decreasing the annual payment if aggregate sales fall may have a perverse effect. Since the payment in the event of an aggregate sales decrease would be based on sales to adults only, a cigarette sold to an adult instead of a minor would increase rather than decrease payments. As noted above and described below, there is a volume-based surcharge if sales to minors exceed prescribed levels. Whether this overcomes the other effect is not clear to me. It surely will not if sales to minors are below the prescribed levels.]

Leaving aside the "adult/minor" effect, the adjustment formula essentially means that the actual Annual Payment will be akin to a per-pack tax on cigarettes. Based on WSJ data indicating that roughly 25 billion packs of cigarettes were sold in the U.S. in 1996, the Annual Payment will result in a per pack tax ranging from 34 cents in the first year up to 60 cents (not counting the inflation adjustment). If there is an increase in net operating profit, however, the per-pack annual payment will fall by less than these amounts, reducing the marginal effect of the tax. If there's time, I'll come back to this below.

Market effects of the Annual Payment

If this tax were passed through to consumers penny for penny, the Annual Payment would raise cigarette costs by about 18-30%, based on an annual average per pack price of $1.91 (also from the WSJ). In principle, whether this would happen could depends on

a) how the annual payments affect the costs of each individual company,

b) the elasticity of demand for cigarettes, and

c) whether the marginal costs of producing cigarettes increase, decrease, or are constant over the range of sales volumes we are likely to see with and without the settlement,

d) whether the cigarette industry is characterized by price competition, product differentiation, quantity-limited oligopoly, or collusion.

Let's look at each in turn.

<u>a. The effect of the tax on marginal cost.</u>

Unfortunately, the settlement describes only the aggregate industry payment. The only places I can find with references to how those obligations would affect particular companies are

a) Summary, p.8 -- Payments would be "the joint responsibility of the participating companies."

b) Settlement statement, p. 35 -- The annual payment obligation would be "applicable to all sellers of tobacco products" [manufacturers? retailers? 7-11?].

The best guess at this point is that each company's share of the payment would be based on its market share, as the aggregate Annual Payment is based on actual aggregate volumes. Therefore, it's reasonable to think that each firm's marginal cost will go up by the amount of the tax.

b. Demand elasticity

A recent WEB article indicated that the elasticity of demand for cigarettes is -.4 in the short run and double that in the long run. Were the price of cigarettes to rise by the amount of the tax, the reduction on sales would go from about 7% in the short run (18% price increase times -.4) to 24% in the long run (30% price increase times -.8), assuming demand elasticity is constant over the relevant range.

c. The pattern of marginal costs

The usual economic assumption is that marginal production costs are constant. This seems reasonable here. The output effects are substantial only in the long run. Moreover, and perhaps more importantly, the sales percentage reductions calculated above are only domestic sales, and do not count exports, which I take to be a substantial and growing component of sales by U.S. cigarette manufacturers. Accordingly, the easy assumption--constant marginal costs at the margin--seems the safest.

d. Competition, collusion, or something in between?

The usual assumption in making back-of-the-envelope calculations is that markets are competitive. With constant marginal costs, one would get the simple and straightforward prediction that market prices would rise by the size of the tax, as discussed above.

That assumption might seem reasonable, as the industry has, I gather, at least five somewhat substantial competitors. However, I gather that there is an extensive economic literature arguing that this industry's performance significantly diverges from the ideal competitive model. Until we get a better sense of the industry, we might want to keep some options open:

1) If the industry is characterized by meaningful product differentiation, i.e., consumers do not view different cigarette brands as close substitutes, then we might expect price to be a constant markup over marginal costs. Assuming the different brand-specific elasticities of demand are constant over the relevant range, I think one would expect that the Annual Payment tax would lead to a more than penny-for-penny increase in the price of cigarettes. Of course, this assumption is probably impossible to validate in advance of experience.

[Note 3. There could be product differentiation downstream from the manufacturers, i.e., among cigarette retailers, but I think it better and safer to assume that the retail component of cigarette sales is pretty competitive.]

2) If each firm in the industry sets a quantity target--"Cournot oligopoly"--predicting what happens to market price depends on whether demand elasticity is constant, and how costs vary across companies. Making the simplest assumptions--constant elasticity of demand and equal

costs across companies--a ballpark estimate of the effect of the Annual Payment tax is that it would increase price by anywhere from 1.3 to 2 times the size of the tax.

[Note 4: This comes from the fact that the ratio of prices to marginal cost in a Cournot oligopoly meeting the assumptions in the text equals ne/[ne - 1], where n is the number of firms and e is the (constant) absolute value of the elasticity of demand. With n = 5 (the number of companies signing the agreement) and e = .8 (from long run elasticity of demand), the ratio of prices to marginal costs would be 4/3. With e = .4 (from short-run elasticity of demand), the ratio of prices to marginal cost would be 2/1.]

3) The industry could be collusive, but if so, they are leaving some money on the table, in that a cartel would set prices up to the point where elasticity of demand is greater than 1 in absolute value. The industry could be a cartel constrained by imports, but my very vague sense of the U.S. cigarette market is that imports are not a big deal.

All of these predictions are sensitive to assumptions that are probably impossible to verify. With different assumptions, e.g., marginal costs in cigarette production that increase with output, or elasticity of demand that increases as price increases, prices could rise by less than the Annual Payment tax, or not at all. However, that latter case may be ruled out by the provision in the settlement stating that the Annual Payment tax would "be reflected in the prices manufacturers charge for tobacco products." How this proposed statutory provision would be enforced is a good question. It may result in setting a cartel-like price floor on cigarettes. Normally, we would regard this as a bad thing, but in this case, one cannot be sure. This could also be said of price increases that are passed through to consumers on a more than one for one basis.

The youth smoking surcharge

A second, less consequential financial aspect of the settlement is a provision to penalize the industry if smoking by 13-17 year olds [actually, 8th, 10th, and 12th graders] fails to fall to prescribed percentages of that population--from a 30% reduction in years 5 and 6 to a 60% reduction by year 10. (A similar reduction is prescribed for smokeless tobacco.) The penalty the industry would pay is $80 million times each percentage point that the actual reduction fails to meet this target, up to a $2 billion limit. This appears to rely on a percentage of a percentage. The WSJ reports, 35% of high schoolers have smoked in the past year. If there are about 3.5 million people in each of these three grade cohorts, then each additional person in those cohorts who smokes would cost the cigarette industry about $22.

[Note 5: $80 million divided by 10.5 million in the three cohorts, divided again by .35, the base percentage who report smoking.]

[Note 6: "The surcharge [in any given year] will be reduced to prevent double counting of persons whose smoking had already resulted in the imposition of a surcharge in previous years." I take this to mean that the $22 estimate is paid only once, not per year.]

Offsetting this effect would be the fact that any effort to advertise or sell cigarettes to persons in these three age cohorts would stimulate sales to those in adjacent cohorts, and perhaps adults as well. Moreover, the surcharge amount is fixed on a per youth-smoker basis. Suppose price exceeds marginal cost by 50%, implying an average per pack marginal profit of about 64 cents. ($1.91 times 2/3). Then, if one were to sell about 35 packs of cigarettes for each one of these "taxable" customers drawn into the market, the industry would break even.

If the surcharge payment obligation is likely to be assigned on a market share basis, each firm would retain a financial incentive to market cigarettes to younger consumers if they thought they could meet the break-even quantity. Moreover, each firm would retain an incentive to market disproportionally to younger customers, if the surcharges are allocated by share of the overall cigarette market.

Damage payments

While the settlement would end class action and state lawsuits, individuals would remain free to pursue cases. Any such payments made in those cases would reduce the industry's obligations on an 80 cents-on-the-dollar basis. There is an annual limit, but awards in excess of that limit are used to reduce annual payments in subsequent years. This essentially makes the recipients of the Annual Payment funds--local, state, and the federal government--liable defendants in these damage suits. One can surely predict that tobacco companies will be less willing to resist settling for large damage awards, or to put as much effort to litigating against individuals. I wonder if local, state, and federal governments will participate in these cases to protect their vested interest in minimizing payments to individuals.

Message Copied To:

Charles F. Stone/CEA/EOP
David L. Sunding/CEA/EOP
Mark J. Mazur/CEA/EOP
Sarah J. Reber/CEA/EOP
Cristian J. Santesteban/CEA/EOP
Alice H. Williams/CEA/EOP

From Jean Lambrew (NEC)
6/23/97

PROGRAMS / FUNDS IN TOBACCO SETTLEMENT

UP-FRONT COMMITMENT ($10 billion over 25 years)

- A one-time, $10 billion payment would be required as of the date of enactment of the settlement. There is no dedicated use for these funds.

↳ $1B to HHS for general use
$1B for smoking cessation/enforcement (to HHS)
$8B for States

BASE PAYMENTS ($333.5 billion over 25 years)

- **Federal and State Uses**

  Reduction in Tobacco Usage ($5.325 billion): For Secretary of HHS to encourage current tobacco users to quit through media-based and non-media based education, prevention and cessation campaigns.

  FDA ($7.5 billion): To the Food and Drug Administration (FDA) to enforce the terms of the settlement.

  Programs like ASSIST ($3.0 billion): For state and local tobacco control, similar to the community-based model of the ASSIST program

  S+L programs

  Research ($2.5 billion): On the methods to prevent smoking and help individuals quit.

  Education ($12.5 billion): To fund an Independent, non-profit organization to run a multi-media campaign to discourage and de-glamorize tobacco use.

- **Cessation Fund ($35.5 billion)**: To create a trust fund to promote effective cessation programs and provide financial assistance to access such programs.

- **Teams' Fund ($1.8 billion):** For 10 years, to compensate events, teams, or entries in such events who lose sponsorship by the tobacco industry as a result of the settlement. After 10 years, funds will be reallocated to education, enforcement of provisions, and community-based programs.

- **Medicaid / Other ($265.375 billion / possibly $151.264 billion Federal):** Remainder of the Base Payments; no specified use.

↳ $20 B over 5 years is about same as Kennedy/Hatch

↳ acknowledgement that fed share is ≈57%, which is nat'l avg of Fed Medicaid payment

PUBLIC HEALTH TRUST FUND ($25 billion over 25 years)

- A Presidential Commission will be created to identify and fund specific tobacco-related medical research

Funding stream

PROGRAMS / FUNDS IN TOBACCO SETTLEMENT

(Dollars in billions unless otherwise specified)

YEAR	1	2	3	4	5	*1-5*	6-8	9-25	*1-25*
UP-FRONT COMMITMENT	**10.0**	-	-	-	-	***10.0***	-	-	***10.0***
BASE PAYMENTS									
Reduce Use	125 m	125 m	125 m	225 m	225 m	*825 m*	225 m	225 m	*5.325*
FDA	300 m	300 m	300 m	300 m	300 m	*1.5*	300 m	300 m	*7.5*
Programs like ASSIST	75 m	75 m	100 m	125 m	125 m	*500 m*	125 m	125 m	*3.0*
Research	100 m	100 m	100 m	100 m	100 m	*500 m*	100 m	100 m	*2.5*
Education	500 m	500 m	500 m	500 m	500 m	*2.5*	500 m	500 m	*12.5*
Cessation Fund	1.0	1.0	1.0	1.0	1.5	*5.5*	1.5	1.5	*35.5*
Teams' Fund	-	75 m	75 m	75 m	75 m	*300 m*	75 m	75 m	*1.8*
Medicaid/ Other	3.9	4.825	5.8	7.675	7.175	*29.375*	9.675	12.175	*265.375*
Federal Share	**2.223**	**2.750**	**3.306**	**4.375**	**4.090**	***16.744***	**5.515**	**6.940**	***151.264***
SUBTOTAL	**6.0**	**7.0**	**8.0**	**10.0**	**10.0**	***41.0***	**12.5**	**15.0**	***333.5***
PUBLIC HEALTH TRUST FUND	**2.5**	**2.5**	**3.5**	**4.0**	**5.0**	***17.5***	**2.5**	-	***25.0***
TOTAL	**18.5**	**9.5**	**11.5**	**14.0**	**15.0**	***68.5***	**15.0**	**15.0**	***368.5***

Note: Annual base payments are adjusted for inflation and sales volume decreases; protected during bankruptcy/ reorganization proceedings; and should be passed through to consumers through price increases to discourage use.

Paul J. Weinstein Jr.
06/24/97 06:23:00 PM

Record Type: Record

To:

cc: Mark J. Mazur
Subject: Tobacco/Economic Analysis Meeting

Message Creation Date was at 24-JUN-1997 18:23:00

Tobacco Industry Analysis Meeting

Participants

Bruce Reed (DPC)
Paul Weinstein (DPC)
Mark Mazur (DPC/CEA)

Larry Summers (Treasury)

Josh Gottbaum (OMB)

Alicia Munnell (CEA)

Peter Orszag (NEC)

Labor -- Ed Montgomery (Labor, Chief Economist)

Joe Glauber (USDA, Deputy Chief Economist) 720-6185

Lee Price (Commerce, Chief Economist)

Groups

1) Effects on Industries: Suggested Lead -- Alicia Munnell/CEA

- Tobacco (shareholders, managers, workers)
- Farmers
- Advertising/Communications
- Sports
- Transportation
- Retail/Vending Machines

Note: The industry effects group will conduct a full analysis of the tobacco market, foreign and domestic, and look at how they spend their money (advertising, lawyers, etc)

2) Revenue Projections of Settlement: Suggested Lead -- Josh Gotbaum/OMB

- Price Per Pack
- Present Value
- Potential Decreases and Increases of Payments

3) Antitrust/Legal Implications: Suggested Lead -- Alicia Munnell/CEA

4) Effect on Stock Prices: Suggested Lead -- Summers/Treasury

5) Demand Impacts: Suggested Lead -- Summers/Treasury

Note: This group will look at the youth smoking performance incentives in the settlement, at the settlement's overall impact on adult demand, and at the economic impact and benefits of reducing demand.

Government/Economic Savings: Suggested Lead -- Gottbaum/OMB

Note: This group will look at whether the settlement will reduce smoking, thus saving lives and the impact on the economy and whether the settlement will reduce smoking- related costs to the Federal government.

Q&A on Tobacco Settlement
June 20, 1997

Q. Did the Administration help close the deal?

A. No. My staff monitored the talks closely so that we would be in a position to evaluate and respond to any possible settlement. We consistently told the parties that they would have to close an agreement on their own, and they were able to do so without any help from the Administration.

Q. How will you proceed?

A. I have asked my Domestic Policy Advisor, along with the Secretary of Health and Human Services, to undertake a thorough public health review of this agreement. They will consult with all interested agencies, members of Congress, and the public health community.

Q. How long will the review take?

A. The review will take as long as necessary to conduct a careful analysis, but we will seek to work promptly and expeditiously. We expect this to be a matter of weeks, not months.

Q. Dr. Kessler and Dr. Koop have asked in a letter to you that you give them 30 days to complete their own review before signing off on anything. Are you going to wait?

A. I intend to consider closely the views of the public health community, including Drs. Koop and Kessler, before rendering any judgment on the settlement. But it is premature to commit to any firm timetable for reaching my conclusion.

Q. What will you look at in evaluating this agreement?

A. We will evaluate whether this agreement protects the public health -- and particularly the health of our children. We will pay special attention to the part of the agreement dealing with FDA jurisdiction. The actions the FDA has taken under this Administration forced the industry to the bargaining table, and we will insist that the FDA has all necessary authority to regulate nicotine and tobacco products. We also will carefully review the financial terms of the settlement, including whether the money will go toward protecting the health of our children and the general public.

Q. The final deal limits punitive damages -- a key concession to the tobacco industry. Won't you oppose that given your previous opposition to caps on punitive awards?

A. The limitation on punitive damages for past misconduct is not a deal-breaker for us. We understand that the attorneys general extracted substantial concessions from the tobacco companies for this limitation, and we will evaluate whether the agreement as a whole advances the nation's public health interests.

Q. Are you taking a political risk in considering approval of this settlement?

A. This isn't about politics; it's about protecting the public health. We didn't think about politics when we took on the tobacco companies last year with our announcement of the FDA rule. And we won't look to politics now in evaluating this agreement.

Tobacco Settlement Background

Industry Performance / Accountability 6/26

Name	Agency	Phone	Fax
Janet Yellen	CEA	55042	56958
Jennifer Haverkamp	USTR	57320	54579
Peter Scher	USTR	5-5057	5-3390
Larry Braslow	FDA	301-827-5331	-5340
Judith Wilkenfeld	FDA	301-827-5321	301-443-5169
Harriet S. Rabb	HHS/OGC	202/690-7741	202/690-7998
Michael Eriksen	CDC/HHS	770/488-5701	770/488-5767
Andrew Hyman	HHS/OGC	(202) 690-6318	202 690-7998
Josh Gotbaum	OMB	395-3060	395-3174
Joe Minarik	OMB	395-5873	395-1198
Ed Montgomery	DOL	219-5108	219-4902
Jennifer O'Connor	DOL	219-6197	219-9216
Alicia Munnell	CEA	55036	
Jerry Mande	OSTP	456-6018	456-6027
Summers Larry	Treasury	622-5300	
Steve Wandner	DOL	219-5677 x157	219-5455
Mark Mazur	DPC/CEA	395-5147	395-6809
Toby Donenfeld	OVP	6-6265	66231
Wendy Taylor	OMB	3957316	395-6974
Hima Vatti	DPC	456-5589	456-7431
Mary Smith	DPC	456-5571	456-7431
Tom Freedman	DPC	456-5587	456-7431
Ellen Seidman	NEC	456-5359	456-1605
Jon Gruber	Treasury	622-0563	622-2633
Peter Orszag	NEC	456 5358	456 2223
Chad Stone	CEA	395-5086	56958
Joe Glauber	USDA	720-6185	
Charlie Rawls	USDA	720-6158	720-5437
Don Arbuckle	OMB	395-5897	395-7245
Paul Weinstein	DPC/WH	456-5577	456-7028
Elizabeth Drye	DPC	456-5573	456-7028
Dan Tarullo	~~NEC~~ White House	456-5353	

US Tobacco Market Share

US Tobacco Companies' Shares of US Cigarette market

Market Share (in %)

Year	Philip Morris	RJR	B&W	Lorillard	Liggett
1994	44.8	26.7	18.7	7.5	2.3
1995	46.1	25.7	18	8	2.2

Source: John Maxwell, "Premiums Up," TOBACCO REPORTER, March 1996, p. 16.

Last Updated: 4/5/96

****

****

Return to HomePage
****

END OF DOCUMENT

The Fool Snapshot

Home Help Index Search Messages HOOVER'S

A Product of Hoover's, Inc., the Ultimate Source for Company Information.

Philip Morris Companies Inc.

NYSE: MO

120 Park Ave.
New York, NY 10017
Ph: 212-880-5000
Fx: 212-878-2167

Philip Morris's operations include the world's largest tobacco business; it controls almost half of the US tobacco market and owns Marlboro, one of the world's 2 most valuable brands (Coca-Cola is the other). In addition to Marlboro, the world's best-selling cigarette, the company makes such brands as Virginia Slims. Philip Morris gets almost half of its revenue (but only 1/3 of its profits) from food and beer subsidiaries that include Kraft (the US's largest food company and marketer of such leading brands as Jell-O, Oscar Mayer, and Post cereals) and Miller Brewing (ranked #2 among beer makers, after Anheuser-Busch). The company also operates financial services and real estate investment businesses.

Source: Hoover's, Inc.

See Hoover's Company Profile of Philip Morris. (Find out how you can subscribe).

Philip Morris Message Boards

Historical Performance

BASELINE Financial Services, Inc. provides Price Action graphs for approximately 7,400 public companies. A Price Action graph is available for most Company Snapshots.

Market Data

Market Closed	
Last	45 5/8
Day Change	
High	
Low	
52 Week High	48 1/8
52 Week Low	28 1/2
Volume	
Div	$ 1.60
Yield	3.5 %
PE Ratio	17.2

Source: Hoover's, Inc. / North American Quotations, Inc.

Trailing 12 Month Data	Total	QTR 1 March 97	QTR 4 Dec. 96	QTR 3 Sep. 96	QTR 2 June 96
Sales ($ mil.)	69,930	18,217	16,790	17,414	17,509
Operating Income ($ mil.)	12,106	3,266	2,755	3,071	3,014
Operating Margin (%)	17.3%	17.9%	16.4%	17.6%	17.2%
Net Income ($ mil.)	6,511	1,773	1,471	1,646	1,621
Profit Margin (%)	9.3%	9.7%	8.8%	9.5%	9.3%
Earnings per Share ($)	2.66	0.73	0.60	0.67	0.66
Shares Outstanding (in thousands)	2,433,781	2,421,561	2,433,781	2,448,781	2,463,733

Source: Media General Financial Services, Inc.

Balance Sheet Data Mar. 97	
Cash ($ mil.)	321.0
Current Assets ($ mil.)	15,826.0
Equity ($ mil.)	13,817.0
Current Liabilities ($ mil.)	14,233.0
Long Term Debt ($ mil.)	13,979.0
Source: Media General Financial Services, Inc.	

See Historical Financials for Philip Morris. (Find out how you can subscribe).

EPS Forecast	QTR June 97	QTR Sept. 97	FY Dec. 97	FY Dec. 98
Earnings per Share ($):	0.76	0.78	2.97	3.47
Source: First Call Corporation				

What can I do with these numbers?

See another Snapshot
Enter ticker symbol:

OR Company Name:

Recent SEC Filings	May 14 97	March 11 97
Form Type:	10-Q	10-K405
Search EDGAR Online for more SEC filings from Philip Morris.		

About The Fool Snapshot

Legal Disclaimer | FoolMart | Who Are We? | Suggestions

The New York Times

s 153.80 Points 'nd From Selloff

exchange rate.

An aide later said that Mr. Hashimoto's remarks had been misinterpreted. And yesterday, Japan's Finance Minister, Hiroshi Mitsuzuka, said his Government had no such plans.

Meanwhile, a chorus of prominent Wall Street analysts argued that the sharp selloff was unjustified.

"It was a question of shooting first and asking questions later," said Byron R. Wien, the United States investment strategist at Morgan Stanley & Company. "But then when the news cleared, the eternal optimism returned. So we're back to go."

Go is nearly 7,800 points on the Dow — a 20 percent gain this year — and nearly 900 on the Standard & Poor's 500-stock index. Yesterday, the S.& P. 500 rose 17.72 points, also a jump of 2.02 percent, to 896.34.

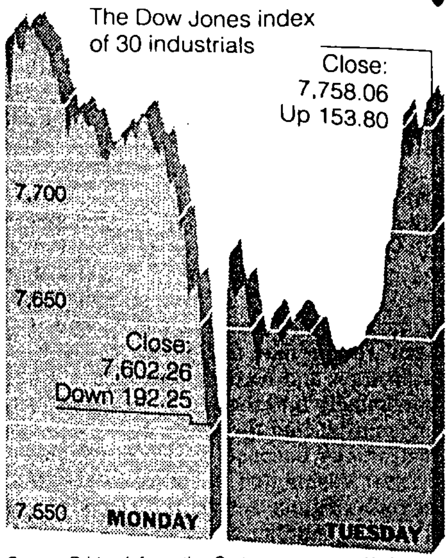
Such returns have Wall Street in a bullish mood this year, and despite occasional jitters, investors are riding a wave of optimism based on strong earnings, low inflation and stable interest rates.

Yesterday, addressing a conference in New York, Abby Joseph Cohen, the Goldman Sachs strategist, said that the economy had been going in the right direction since 1991 and that she did not see the course altering any time soon.

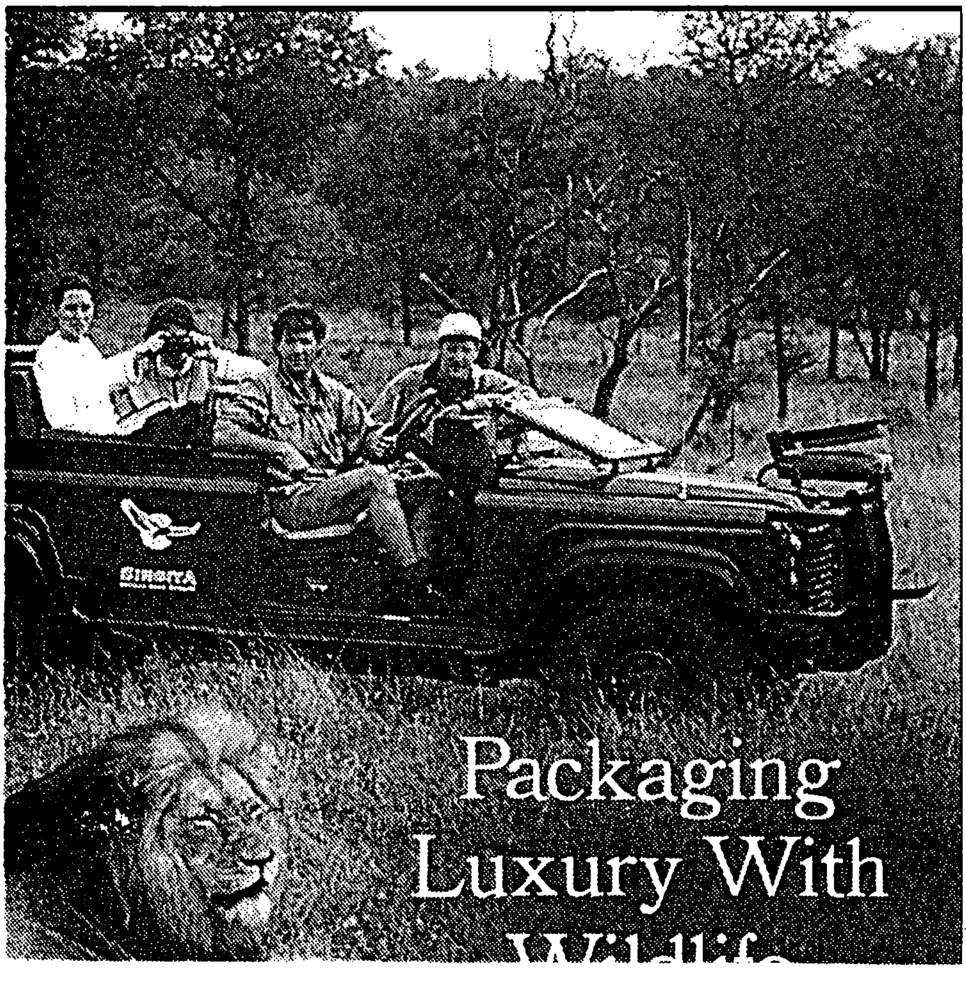
There has been a "magic" about this economic expansion, she said, partly because the economy has grown at a moderate pace, and the cycle has lasted so long.

She called the apparent elasticity of this economic expansion the "Silly Putty cycle" and said that the biggest threat was

Continued on Page 8



Source: Bridge Information Systems The New York Times



Philip Morris To Pay Most Of First Bill

Tobacco Plan Payment Based on Market Value

By BARRY MEIER

The **Philip Morris** Companies, the giant of the cigarette industry, will provide the majority of an initial $10 billion payment under the $368.5 billion tobacco settlement proposal reached last week, industry officials said yesterday.

Under a formula agreed to by the five tobacco companies taking part in the proposal, the first $10 billion payment will be divided based on their stock market value. Under the plan, which was a heated topic of discussion among companies during the talks, Philip Morris will pay $6.5 billion of the initial payment and maybe more, people inside and outside the company said.

The subsequent annual payments under the settlement, which will start at $8.5 billion and grow to $15 billion, will be divided based on each company's share of the cigarette market in the United States. At the beginning of this year, Philip Morris had about 50 percent, and its closest competitor, the **RJR Nabisco Holdings Corporation**, the parent company of the R. J. Reynolds Tobacco Company, had about 25 percent.

RJR Nabisco's part of the initial $10 billion payment will be about $600 million, the company said yesterday in a filing with the Securities and Exchange Commission. That payment is significantly less than the initial payment of the third-leading cigarette marketer in the United States, **B.A.T. Industries** P.L.C., and reflects RJR Nabisco's weaker financial position, said Martin Feldman, a tobacco industry analyst with Smith Barney.

The payment disclosures came yesterday as tobacco producers filed documents with the S.E.C. that discussed the possible effect of a tobacco settlement on their future earnings.

In its filing, Philip Morris said that it expected a settlement "would materially adversely affect" the company's financial position in its first year and potentially afterward. RJR Nabisco said in its filing that a settlement "could have a significant negative effect" on its tobacco subsidiary and on the financial health of the parent company.

While several analysts said that they

Continued on Page 6

Philip Morris To Pay Most Of the First Tobacco Bill

Continued From First Business Page

expected that RJR Nabisco, which is struggling to maintain a healthy credit rating, might feel some financial effect from the settlement, they said that Philip Morris would absorb the costs of the proposal quickly.

"I think the impact on them will be negligible," said Gary Black, a tobacco industry analyst with Sanford C. Bernstein. "It's in their best interests not to tout the deal too highly."

Along with B.A.T Industries, which is the parent company of the Brown & Williamson Tobacco Corporation, other tobacco producers participating in the proposed settlement include the Loews Corporation, the parent company of Lorillard Inc., and UST Inc., the parent of the United States Tobacco Company.

While a spokesman for Philip Morris said that the company's share would be about $6.5 billion, Mr. Feldman, the analyst, said he estimated that it could reach $7 billion to $7.5 billion. Joe Helewicz, a spokesman for Brown & Williamson, said that B.A.T Industries, which has about 15 percent of the United States cigarette market, would pay $1.7 billion of the initial $10 billion payment.

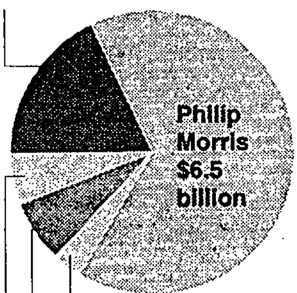
The remainder of the initial payment will be paid by Loews, UST and other chewing tobacco companies that join the settlement, Mr. Feldman said.

Several people close to the talks said that companies involved in the talks clashed over matters such as how to divide the initial payment because RJR Nabisco and other companies feared that Philip Morris would use its greater financial strength to gain a competitive advantage from the settlement.

Dividing the Ante

Philip Morris said yesterday that it expected to contribute about $6.5 billion to the tobacco industry's first payment of $10 billion under last week's settlement agreement, with the cost to each company determined by its market capitalization. If yesterday's closing prices are used, here is how the $10 billion would be divided among the five tobacco companies.

Brown & Williamson (B.A.T.)
$1.7 billion



U.S. Tobacco (UST)
$324 million

Lorillard (Loews)
$720 million

R.J. Reynolds (RJR Nabisco)
$571 million

Source: Bloomberg Financial Markets

The New York Times

New Chairman Nam

By REED ABELSON

Edmund L. Jenkins, a retired managing partner for Arthur Andersen, was named yesterday as chairman of the Financial Accounting Standards Board, the seven-member group responsible for establishing the nation's accounting rules.

As head of the F.A.S.B., which has come under increasingly sharp attack from the business community, Mr. Jenkins, 62, will have the opportunity to weigh in on a number of key issues. The new chairman, whose five-year term begins July 1, will not only grapple with a series of narrow but highly controversial accounting matters but will also lead the board's efforts in examining its role in the larger context of financial reporting and international standards.

"I think it's a very challenging job, without question, one that has not been easy for prior chairs to handle," Mr. Jenkins said in a telephone interview from his office in Chicago. "It's a job that needs doing. Keeping standard setting in the private sector is very important."

Mr. Jenkins's selection came after months of delit tees of the F Foundation, w oversees the F. ment, which v only about a we chairman, De leaves after se 10 years in the

Best known man of an infl financial report Institute of Cer ants, Mr. Jenk three years ago cial statements investors and c forward-lookin panies' prospe information ab nesses.

As chairman Jenkins will p role in helping whether it shou in setting stan array of inforn F.A.S.B.'s missi accommodate t

The F.A.S.B. into the debat accounting st

Attorneys General Defend Landmark Tobacco Pact

By JAMES BROOKE

GRAND TETON NATIONAL PARK, Wyo., June 24 — With a landmark tobacco settlement coming under increasing criticism as too lenient on cigarette companies, state attorneys general today offered a spirited defense of the pact they

"You've got to keep this thing in perspective," continued Mr. Woods, a member of the negotiating team. "This is the biggest public health and corporate settlement in the history of this country."

Although the 68-page tobacco pact would impose restraints and penalties on the tobacco industry that would have been unimaginable only a year ago, critics have expressed

"Her living life was very strong, and her fight here showed that endurance," Ms. Shabazz said, standing with her sisters. "We are a family of daughters who got to learn a lot more about our mother, as have a lot of people around the globe."

As many of the dignitaries and

Continued on Page A22

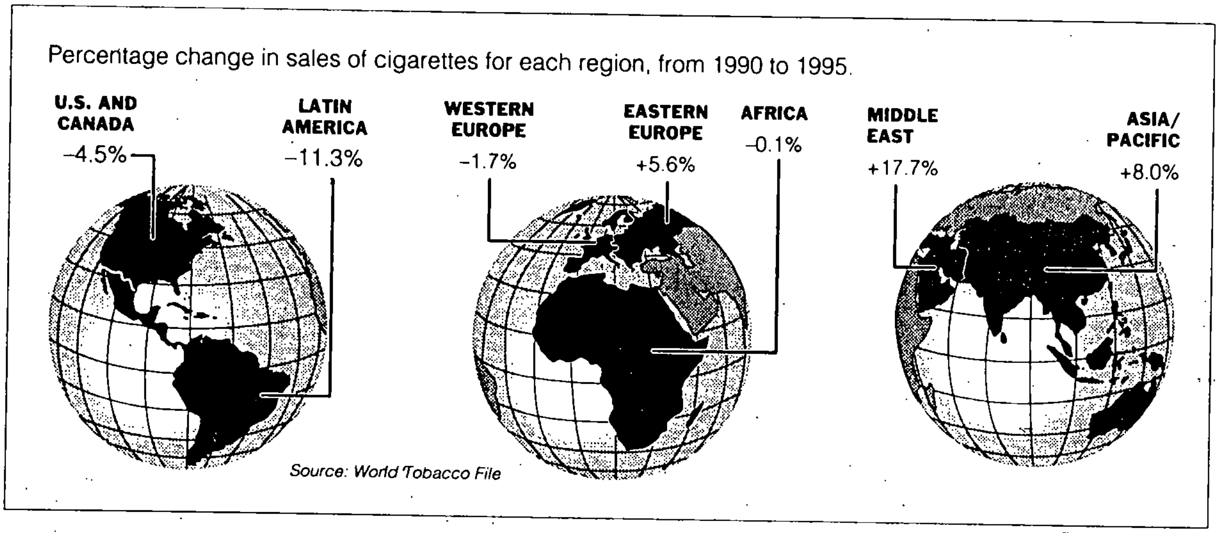
William H. Gates, the software entrepreneur sometimes criticized for being slow to give away his billions, is creating a foundation to spend $200 million to bring computers and the Internet into public libraries. It is the largest charitable effort by Mr. Gates, the chairman of Microsoft.

Business Day, page D1.

tery, abuse, abandonment, a lengthy marital separation or imprisonment on a felony.

On the final day of the legislative session, the bill, which would take effect on Aug. 15, passed the House by a vote of 98 to 0 and the Senate by a vote of 37 to 1. Gov. Mike Foster, a Republican, is expected to sign it, said Marsanne Golsby, the Gover-

Fenced In at Home, Marlboro Man Looks Abroad



The New York Times

By JANE PERLEZ

VIENNA, June 22 — On the wall of Andre Calantzopoulos's office in Warsaw hangs a glass cabinet displaying dozens of the more than 300 brands of foreign cigarettes, including seductively packaged "his" and "hers" brands, that the tobacco giants are churning out to entice Polish smokers.

Mr. Calantzopoulos, an executive of the Philip Morris Companies for a dozen years, has worked in some of the world's heaviest-smoking countries. But of Poland, where he is the company's managing director, he said: "I've never seen anything like it in my life. People go to the kiosk and say: 'Do you have any new cigarettes for me to try?' "

If there is a heaven for beleaguered cigarette manufacturers from the West, it is the developing markets of Eastern Europe, Asia and the Middle East, half a world away from trial lawyers, assertive regulators and a proposed billion-dollar fund to compensate smokers who are ill.

With cigarette sales in the United States stagnating, companies like Philip Morris and the R.J. Reynolds Tobacco Company view those regions as a frontier with bountiful opportunities for growth and profit. And the tobacco compensation settlement reached on Friday in the United States does nothing to limit manufacturers' aggressive moves to profit from foreigners' growing appetite for smoking and their general disregard for its effects on their health.

Anti-smoking forces fear that as the regulatory grip tightens in the United States, foreign markets will increasingly feel the marketing muscle of the Marlboro Man and the allure of Joe Camel, and in some countries they are pressing the health authorities to sue the industry to recover the cost of treating smoking-related illnesses.

Already, Philip Morris, the world's biggest tobacco company, has increased sales of cigarettes abroad by nearly 80 percent since 1990, to 662.2 billion cigarettes last year. In America, by contrast, sales have nudged up a mere 4.7 percent during the same period.

Although Asia is the largest market, Eastern Europe is a profitable, if distant, No. 2. And Poland is emblematic of how American tobacco companies, faced with a weak market in the United States, have aggressively moved to capture a developing and potentially lucrative foreign market. But even in Poland, the cigarette

Continued on Page A16

Fenced In at Home, Marlboro Man Eyes East Europe

Continued From Page A1

makers are confronted with tax increases, curbs on advertising and a fledgling anti-smoking movement that recently pushed through a law [illegible]g smoking on the job and is proposing a ban on smoking while driving.

Last year, consumption dropped 7.3 percent, and experts predict a further decline this year.

Still, the Polish market and Eastern Europe would seem to hold a lot of promise. Smoking is seen everywhere in the region. About half the adults smoke, compared with about 25 percent in the United States, and the running joke in Poland is that people enjoy tobacco so much that they smoke in their sleep.

When Vaclav Havel, President of the neighboring Czech Republic, was [illegible] to have surgery for lung cancer, he was photographed smoking a cigarette with the Minister of Health. In Hungary, there is a perception that the primary cause of lung cancer is air pollution, not smoking.

Western tobacco companies have [illegible] more than $3 billion in the last six years buying dozens of often decrepit but potentially lucrative state-owned cigarette factories — from Hungary to Kazakstan — and turning them into efficient cigarette sup[illegible]

With increased advertising and bigger sales forces, cigarette companies have relentlessly promoted their brands, and sales and profits have steadily risen.

"This is where the American tobacco companies are making money hand over fist," said Martin Feldman, a tobacco analyst at Smith Barney in New York.

In particular, he said, Philip Morris has made astounding inroads into the growing market of higher-priced American cigarettes, where the margins are higher than with the raw, unfiltered cigarettes that are popular in Eastern Europe's smoke-filled bars and restaurants.

Four years ago, for example, when American companies started to have serious influence in the former Soviet bloc, Philip Morris had a 51 percent share of the 59 billion American cigarettes sold. By last year, that share had grown to 70 percent of 177 billion cigarettes, Mr. Feldman said, and the company had 12,000 employees in the region. In 1991, it had only 135.

The strategy in Poland for Philip Morris and its Western rivals is to improve the quality of cheaper cigarettes, and as incomes grow, encourage customers to buy more expensive American brands.

"I can do much more about switching of brand" than whether a person smokes or not, Mr. Calantzopoulos said. "Competition in the marketplace is the biggest problem."

To deal with this, Philip Morris increased its sales force last year to 200, from 38.

In smart Warsaw discothèques, attractive Philip Morris salespeople approach smokers, take away their cigarettes on the table and replace them with a Philip Morris brand, a technique called "switch selling."

The biggest brand switch over the last three years has been to the British-American Tobacco Company's Sobieski cigarettes.

The goal was straightforward: attack the leader in the market segment, a cigarette called Mars produced for years by a Polish Government factory.

"Research showed if we could bring a better-quality cigarette — more consistent in quality and at the same price and with distribution muscle — it would work," said Louis Hughes, the chairman of British-American Tobacco in Poland.

In addition to making cigarettes better — Polish cigarette quality made under state management was notoriously poor — British-American Tobacco also chose an extraordinarily successful brand name. It called its new cigarette Sobieski, tapping into Polish pride about a 17th-century warrior king.

"Part of the success was the product," Mr. Hughes said. "Part of the magic was the name."

British-American Tobacco, a unit of B.A.T. Industries P.L.C., manufactures Sobieski at a plant it bought from the Government at Augustow in northeast Poland.

Still, the Polish market declined last year. It has fallen and bounced back before, but this time the manufacturers blame a new excise tax. The tax was a deterrent, the anti-smoking groups say, but so was their effort to educate people about tobacco's [illegible] effects.

Men in Eastern Europe and the former Soviet Union have the highest death rates in the world from smoking, according to the Epidemiological Studies Unit at Oxford University in Britain, headed by Dr. Richard Peto, one of the leading anti-smoking campaigners. He says that 40 percent of all male deaths in middle age are related to tobacco.

In Poland, one of Dr. Peto's allies is an eloquent and highly visible cancer specialist, Dr. Witold Zatonski. Dr. Zatonski has bolstered his influence with numerous lectures about the health hazards of cigarettes and the high incidence of lung cancer in Poland. He has used his connections in the political and religious spheres of Polish life to fight the tobacco companies.

Dr. Zatonski, who infuriates the international tobacco companies with the way he saunters into the chamber of the Polish Parliament to talk to his friends among the legislators, played a major role in getting legislation passed requiring that by December, health warnings cover 30 percent of the space on cigarette packages, compared with 4 to 6 percent in Western Europe and 20 percent of the space on billboards that advertise tobacco.

Under the proposed industry settlement in the United States, warning labels on cigarette packages would grow to 25 percent of the front of the package, compared with a small label on the side now.

"The tobacco industry was shocked at how fast we were able to get these laws," Dr. Zatonski said. The principal law on health warnings and the smoking ban in the workplace was signed last year by President Aleksander Kwasniewski, who overturned a veto by his predecessor, Lech Walesa.

But despite these successes by the anti-smoking activists, , the tobacco companies still have huge potential markets. And, as they do in the United States and Western Europe, the companies have compensated for the advertising restrictions with give-aways and promotions at sports events.

After years of negotiations, Philip Morris completed its deal for the Polish Government's biggest tobacco factory early last year. The company paid $227 million for a 32 percent interest in the factory and agreed to invest $145 million more for the acquisition of an additional 33 percent over the next three years. Since taking over management of the factory in Nova Huta, the Communist-era industrial area just outside the medieval city of Cracow, Philip Morris has had its work cut out for it.

With 4,100 workers, the plant is vastly overstaffed, yet Philip Morris agreed to keep all the workers for three years. It also agreed to a 30 percent wage increase for the workers and an additional bonus.

Bertrand Butticaz, a Philip Morris manager who has revamped factories all over the world, immediately started to modernize machinery and management. A new hall with the latest German machines that make 8,000 cigarettes a minute boasts high ceilings, air-conditioning, smooth flooring and pleasant light. It sets the standard for what the rest of the plant will eventually look like, Mr. Butticaz said. Under the Communists, poorly paid workers used to haul 110 pounds of tobacco on their backs at the plant.

For Mr. Butticaz, the main goal in the first year was something basic: how to stop the slide in sales in the increasingly fickle market of the local brand, known as Klubowe. Cigarettes made from domestic tobacco, measuring 2.75 inches or less, still make up 50 percent of the Polish market, with Klubowe the most popular brand, but with slightly falling sales.

Packaging the cigarettes in boxes instead of soft packages, and "upgrading" the taste of Klubowe, a process that included refusing to buy the inferior fire-cured tobacco from Polish farmers, has helped stop the slide, Mr. Butticaz said.

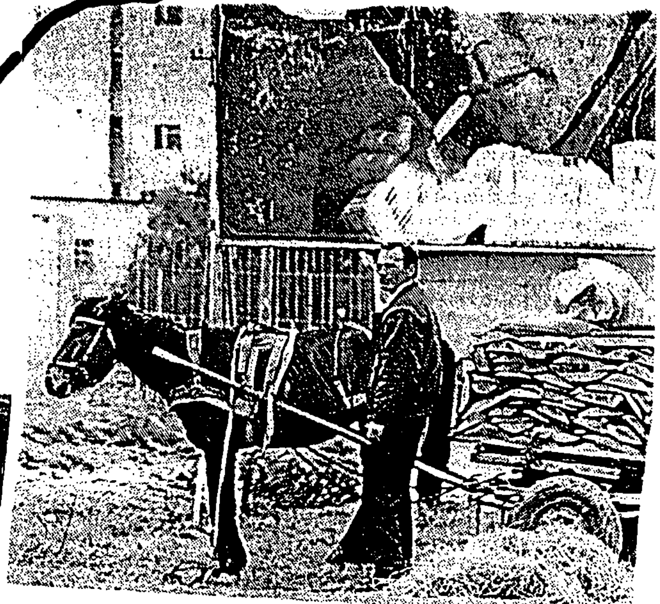
Back at the headquarters in Warsaw, the long-term goal for Mr. Calantzopoulos getting more Polish smokers to switch to Marlboro or L & M.

"Of course, we're working in that direction," he said. "But it's very difficult to tell a Klubowe smoker to smoke Marlboro. It doesn't taste like anything he knows. The conventional wisdom is that the international companies are going to kill the domestic brands and introduce the international brands. Easy to say, not to do."

An Albanian man waited to sell firewood
Western cigarettes near Tirana, the Alba

PM ⇒ 660B cigarettes

closed



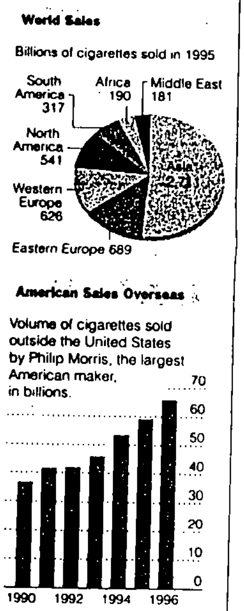
Associated Press

An Albanian man waited to sell firewood under a billboard advertising Western cigarettes near Tirana, the Albanian capital.

OVERVIEW

Look East For Growth

As the American market dwindles, demand for cigarettes in Asia and [illegible] Europe is booming. Industrywide figures for 1995 are the latest available



Sources: World Tobacco File; company reports

The New York Times

Tobacco Company Lawyer Says Pact Might Lead to Bankruptcy

By JOSEPH B. TREASTER

A lawyer for the Liggett Group Inc., the first cigarette maker to negotiate a deal with government offi-

conspiracy of silence and deceit.

Under the agreement in March, Mr. Kasowitz said, Liggett agreed to pay 25 percent of its pretax profits

PHILIP MORRIS COMPANIES INC.

OVERVIEW

The tobacco industry has been under fire recently, but when the smoke clears #1 cigarette maker Philip Morris may still be in good shape. The New York City-based conglomerate now gets half its revenue from food and beer. Its subsidiaries include Kraft, the US's largest food company; Miller Brewing, ranked #2 among beer makers (after Anheuser-Busch); and Philip Morris Inc., which makes Marlboro, the world's best-selling cigarette. Other company subsidiaries are involved in financial services and real estate investment.

Kraft — whose brands include Oscar Mayer, Jell-O, and Post cereals — has combined Kraft and General Foods and realigned its international operations in an effort to offset weak demand in some markets and speed its expansion into new ones.

Miller has debuted several brands, including Southpaw Light, and is enjoying increased sales among its premium beers, such as Lowenbrau, Miller, and Red Dog.

Meanwhile back at the Marlboro ranch, legal and governmental actions against Philip Morris, as well as other top tobacco companies, are escalating, with consumers, the media, federal and state governments, and tobacco industry players battling over issues of intent and liability. The firm is challenging antismoking legislation and lobbying for smokers' rights. The controversy has heated up as new witnesses for the opposition — including several former Philip Morris employees — and documents damaging to the industry have surfaced.

WHEN

Philip Morris opened his London tobacco store in 1847 and by 1854 was making his own cigarettes. Morris died in 1873, and his heirs sold the company to William Thomson around 1900. In 1902 Thomson introduced his company's cigarettes to the US. American investors bought the rights to leading Philip Morris brands in 1919 and 10 years later began making cigarettes in Richmond, Virginia.

When the original members of the old Tobacco Trust (broken up by the federal government in 1911) raised their prices in 1930, Philip Morris countered by introducing inexpensive cigarettes popular with Depression-weary consumers. A popular ad campaign in 1933 featured bellhop Johnny Roventini chanting the slogan "Call for Philip Morris."

The company acquired Benson & Hedges and its president, Joseph Cullman III, in 1954. Cullman enlisted advertiser Leo Burnett, who created the hugely successful Marlboro Man. Under Cullman, Philip Morris experienced tremendous overseas expansion.

In 1970 Philip Morris purchased Miller Brewing Company (formed in 1855 by Frederic Miller) and with aggressive marketing vaulted to #2 among the world's beer makers by 1980.

Philip Morris paid $5.6 billion in 1985 for food and coffee giant General Foods. General Foods traces its roots back to acquisitions made by C.W. Post's cereal company, including Jell-O (1925) and Maxwell House Coffee (1928). The Post company acquired the General Foods Company from frozen foods pioneer Clarence Birdseye (and changed its own name to General Foods) in 1929.

In 1988 Philip Morris purchased Kraft, which had been created in 1930 when Thomas McInnerney's National Dairy Products bought Kraft-Phenix (formed in 1903 by cheese wholesaler James Kraft).

The company acquired RJR Nabisco's cold cereal operations in 1993. It also bought 20% of Molson (Canada's largest brewer) and 100% of Molson's US breweries. That year it sold Bird's Eye frozen foods to Dean Foods.

Also in 1993 Philip Morris cut Marlboro cigarette prices by 40 cents a pack to fend off low-priced competitors. The cut almost halved domestic tobacco profits but boosted market share in the US for Philip Morris brands. Amid price pressures and political attacks, CEO Michael Miles stepped down in 1994, shortly after the board rejected a proposal to split Philip Morris into separate tobacco and food companies.

New CEO Geoffrey Bible led challenges in 1995 to the EPA's findings on 2nd-hand smoke as well as to antismoking regulations. The company also settled a $10 billion libel suit it had filed against Capital Cities/ABC over an ABC news story. Later it spent $100 million to recall more than 7 billion cigarettes contaminated with an irritant.

In 1996 Philip Morris bought a controlling interest in Poland's largest tobacco operation, ZPT Krakow. That year Miller introduced a new premium beer, called Miller. In a replay of its 1993 cigarette marketing strategy, the company cut its breakfast cereal prices by 20% in hopes of gaining market share.

WHO

Chairman and CEO: Geoffrey C. Bible, age 58, $2,475,000 pay

EVP Worldwide Food: James M. Kilts, age 48, $1,340,000 pay

EVP External Affairs and General Counsel: Murray H. Bring, age 61, $1,300,000 pay

EVP and CFO: Louis C. Camilleri, age 41

Chairman and CEO, Kraft: Robert S. Morrisor

Chairman and CEO, Miller: John N. MacDono age 52

President and CEO, Philip Morris Internatior William H. Webb, age 56, $1,175,000 pay

President and CEO, Philip Morris Inc.: James J. Morgan, age 53

President and CEO, Kraft Foods Internationa John Bowlin, age 45

SVP Worldwide Operations and Technology: Marc S. Goldberg, age 52

SVP Corporate Affairs: Steven C. Parrish, age

SVP Human Resources and Administration: Lawrence A. Gates, age 58

Auditors: Coopers & Lybrand L.L.P.

WHERE

HQ: 120 Park Ave., New York, NY 10017

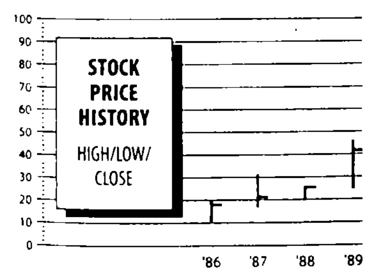
Phone: 212-880-5000 Fax: 212-878-2167

1995 Sales

	$ mil.
US	32,479
Europe	23,076
Other regions	10,516
Total	**66,071**

HOW MUCH

NYSE symbol: MO FYE: December 31	Annual Growth	1986
Sales ($ mil.)	32.1%	5,409
Net income ($ mil.)	15.7%	1,478
Income as % of sales	—	5.8%
Earnings per share ($)	17.3%	1.55
Stock price – high ($)	—	19.50
Stock price – low ($)	—	11.00
Stock price – close ($)	19.6%	17.97
P/E – high	—	13
P/E – low	—	7
Dividends per share ($)	23.2%	0.56
Book value per share ($)	12.3%	5.94
Employees	3.5%	111,000



The Fool Snapshot

Home Help Index Search Messages HOOVER'S

A Product of Hoover's, Inc., the Ultimate Source for Company Information.

RJR Nabisco Holdings Corp.

NYSE: RN
http://www.rjrnabisco.com

1301 Avenue of the Americas
New York, NY 10019
Ph: 212-258-5600
Fx: 212-969-9173

RJR Nabisco Holdings Corp. is the parent of separately traded subsidiary Nabisco, Inc., a leading US food company. RJR is also the #2 cigarette maker (after Philip Morris) in the US. Product lines include cigarettes (Camel, Winston, Salem); candy, gum, and nuts (Breath Savers, Care*Free, Planters); cookies, crackers, and cereals (Nilla Wafers, Cheese Nips, Cream of Wheat); and a myriad of other brands (A.1. steak sauce, Blue Bonnet margarine, and Ortega Mexican food products). Almost 3/4 of RJR's revenues come from domestic operations; sales are split almost evenly between food products and tobacco products.

Source: Hoover's, Inc.

See Hoover's Company Profile of RJR Nabisco. (Find out how you can subscribe).

RJR Nabisco Message Boards

Historical Performance

Market Data

Market Closed	
Last	34 1/2
Day Change	
High	
Low	
52 Week High	38 7/8
52 Week Low	25 1/8
Volume	
Div	$ 2.05
Yield	5.9 %

BASELINE Financial Services, Inc. provides Price Action graphs for approximately 7,400 public companies. A Price Action graph is available for most Company Snapshots.	PE Ratio	19.1
	Source: Hoover's, Inc. / North American Quotations, Inc.	

Trailing 12 Month Data	Total	QTR 1 March 97	QTR 4 Dec. 96	QTR 3 Sep. 96	QTR 2 June 96
Sales ($ mil.)	16,956	3,779	4,625	4,349	4,203
Operating Income ($ mil.)	2,693	653	692	683	665
Operating Margin (%)	15.9%	17.3%	15.0%	15.7%	15.8%
Net Income ($ mil.)	626.0	213.0	215.0	225.0	(27.0)
Profit Margin (%)	3.7%	5.6%	4.6%	5.2%	--
Earnings per Share ($)	1.80	0.62	0.63	0.66	(0.11)
Shares Outstanding (in thousands)	273,574	273,913	273,574	269,923	272,108
Source: Media General Financial Services, Inc.					

Balance Sheet Data Mar. 97	
Cash ($ mil.)	218.0
Current Assets ($ mil.)	4,949.0
Equity ($ mil.)	9,609.0
Current Liabilities ($ mil.)	3,873.0
Long Term Debt ($ mil.)	9,653.0
Source: Media General Financial Services, Inc.	

See Historical Financials for RJR Nabisco. (Find out how you can subscribe).

EPS Forecast	QTR June 97	QTR Sept. 97	FY Dec. 97	FY Dec. 98
Earnings per Share ($):	0.71	0.78	2.99	3.41
Source: First Call Corporation				

What can I do with these numbers?

See another Snapshot
Enter ticker symbol:

May 13, 1997

RJR NABISCO HOLDINGS CORP (RN)
Quarterly Report (SEC form 10-Q)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of RJRN Holdings' financial condition and results of operations should be read in conjunction with the historical financial information included in the Consolidated Condensed Financial Statements.

RESULTS OF OPERATIONS

Summarized financial data for RJRN Holdings is as follows:

	THREE MONTHS ENDED MARCH 31,		
	1997	1996	% C
	(DOLLARS IN MILLIONS)		
NET SALES:			
RJRT......................................	$ 1,076	$ 1,057	
Reynolds International......................	798	839	
Total Tobacco..............................	1,874	1,896	

Nabisco Biscuit	801	871
U.S. Foods Group	527	563
Domestic Food Group	1,328	1,434
International Food Group	577	556
Total Food	1,905	1,990
	$ 3,779	$ 3,886
OPERATING COMPANY CONTRIBUTION(1):		
RJRT	$ 380	$ 380
Reynolds International	195	197
Total Tobacco	575	577
Nabisco Biscuit	134	125
U.S. Foods Group	65	63
Domestic Food Group	199	188
International Food Group	54	50
Total Food	253	238
Headquarters	(17)	(17)
	$ 811	$ 798
OPERATING INCOME:		
RJRT	$ 289	$ 289
Reynolds International	185	187
Total Tobacco	474	476
Domestic Food Group	148	137
International Food Group	48	44
Total Food	196	181
Headquarters	(17)	(17)
	$ 653	$ 640

(1) Operating company contribution represents operating income before amortization of trademarks and goodwill.

TOBACCO

The tobacco line of business is conducted by RJRT and R.J. Reynolds International ("Reynolds International").

RJRT's net sales for the first quarter of 1997 was $1.1 billion, an increase of $19 million or 2% over the comparable period in 1996. The increase is primarily attributable to pricing ($62 million), partially offset by lower overall volume ($51 million). Volume of 26.7 billion units decreased by 1.4 billion units or 5% from 1996 with full price volume decreasing 4% and savings brand volume decreasing 6%. Volume for the quarter was impacted by one less shipping day.

Industry volume decreased approximately 3% and continued its shift toward full price brands which increased to 72% from 71%. RJRT's overall market share decreased to 25.56% in the 1997 March quarter from 26.46% for 1996. The company's full price volume as a percentage of total volume increased to 63% for the quarter compared to 62% for 1996. Savings brands comprised 37% and 38% of total volume for the respective periods.

By brand, Camel's volume increased 8% led by its Red Kamel line extension and the introduction of Camel Menthol. Doral strengthened its position as the industry's leading savings brand with a 3% volume gain. Offsetting these increases were declines in Winston, Salem and low margin savings brands. The company continues its program of ceding market share of low margin brands. RJRT continues to study Eclipse, a cigarette featuring 90% reduced second-hand smoke, along with the Moonlight Tobacco Company brands that feature innovative packaging and product concepts. Additionally, RJRT is test marketing a repositioning of Winston in Florida emphasizing a no additive blend using the "No Bull" theme.

RJRT's operating contribution of $380 million for the quarter was even with 1996, despite lower volume, primarily due to pricing and operating efficiencies. Operating income was $289 million, also flat with 1996.

On March 25, 1997, RJRT followed the industry as Philip Morris announced a $2.50 per thousand price increase effective with shipments on March 24th. It is higher than the previously announced increase of $2.00 per thousand or 4% average price increase, which RJRT lead on March 6, 1997.

Reynolds International's net sales decreased 5% to $798 million for the March quarter, primarily due to volume ($67 million) and foreign currency translation ($31 million), partly offset by pricing ($58 million). Overall volume of 41.5 billion units decreased 11% from 1996 primarily due to volume shortfalls in the former Soviet Union. Excluding the former Soviet Union, volume increased 2% over 1996. The volume decrease in the former Soviet Union resulted from uncertainty surrounding the government tax policies that forced importers to delay purchases of higher margin products. The company expects volume to return to normal levels as the tax issues have been resolved. In other regions, volume in Asia increased 6% primarily in Japan where volume increased 38%. Reynolds International continues to be the fastest-growing international tobacco company in Japan. Volume in Central Europe increased 36% due to strong performance in Turkey and Romania. Offsetting these increases were declines in Western Europe, particularly Spain and France, related to recent excise tax increases.

≈ 125 B cigarettes

By brand, the Camel family continues to perform strongly worldwide, fueled by several line extensions. Camel Medium, introduced in Holland, Belgium and Germany, is receiving favorable response. Plans are to roll out the product in other markets through 1997. Camel Lights, introduced in late 1996, continues to perform well in all its markets. Winston reported solid growth in Greece, Turkey, the Adriatic region and Japan. New Winston Lights and super-lights were launched in Switzerland in March as part of the company's plans to expand participation of its largest-selling international brand in the growing worldwide lights segment. Salem continues its strong performance across Asia led by the continued success of Salem Pianissimo in Japan, which drove Salem's volume more than 20% higher.

Operating company contribution of $195 million decreased 1% from 1996, primarily driven by the volume declines and unfavorable foreign currency, partially offset by pricing. Operating income decreased

1% to $185 million as a result of the decrease in operating company contribution. Reynolds International has commenced a European distribution rationalization program to improve productivity and reduce costs that will not have a material impact on the financial statements. The program includes inventory realignment as well as the sale and closure of certain facilities.

GOVERNMENTAL ACTIVITY

In August 1996, the U.S. Food and Drug Administration (the "FDA") asserted jurisdiction over cigarettes and certain other tobacco products by declaring such products to be medical devices and adopting regulations, first proposed in 1995, on the advertising, promotion and sale of cigarettes. The regulations include a phased in schedule of effectiveness over a two year period. The first phase began February 28, 1997, when regulations relating to the sale of cigarettes to minors became effective. Among other things, the regulations would prohibit or impose stringent limits on a broad range of sales and marketing practices, including bans on sampling, sponsorship by brand name, and distribution of non-tobacco items carrying brand names. The FDA's rules also limit advertising in print and on billboards to black and white text and impose new labeling language.

The purported purpose of the FDA's assertion of jurisdiction was to curb the use of tobacco products by underage youth. RJRT believes, however, that the assertion of jurisdiction and the scope of the proposed rules would materially restrict the availability of cigarettes and RJRT's ability to market its cigarette products to adult smokers. RJRT, together with the four other major domestic cigarette manufacturers and an advertising agency, filed suit on the day of the initial proposal in 1995 in the U.S. District Court for the Middle District of North Carolina seeking to enjoin the FDA's assertion of jurisdiction (Coyne Beahm v. United States Food & Drug Administration). On the day the final regulations were announced, the plaintiffs filed an amended complaint challenging the regulations. Similar suits have been filed in the same court by manufacturers of smokeless tobacco products, by operators of retail stores and by advertising interests. On April 26, 1997, the court ruled on a motion for summary judgment, that based on the facts alleged by the FDA, that agency was not barred from asserting jurisdiction over tobacco but lacked authority to issue certain of the regulations bearing on marketing and advertising. The court immediately certified its decision for appeal to the Fourth Circuit court of appeals and stayed the effectiveness of that portion of the regulations which had not yet been implemented pending appeal or further court action. RJRT is unable to predict the ultimate outcome of this litigation seeking to find the FDA's regulations to be unlawful. If the full regulations do go into effect, they could be expected to have an adverse effect on cigarette sales and RJRT.

RJRT understands that the U.S. Federal Trade Commission is considering filing a complaint against RJRT based on allegations regarding a purported connection between "Joe Camel" and youth smoking decisions.

In March 1994, the U.S. Occupational Safety and Health Administration ("OSHA") announced proposed regulations that would restrict smoking in the workplace to designated smoking rooms that are separately exhausted to the outside. Although RJRT cannot predict the form or timing of any regulations that may be finally adopted by OSHA, if the proposed regulations are adopted, RJRT expects that many employers who have not already done so would prohibit smoking in the workplace rather than make expenditures necessary to establish designated smoking areas to accommodate smokers. RJRT submitted comments on the proposed regulations during the comment period which closed in February 1996. Because many

employers currently do not permit smoking in the workplace, RJRT cannot predict the effect of any regulations that may be adopted, but incremental restrictions on smokers could have an adverse effect on cigarette sales and
RJRT.

In July 1996, Massachusetts enacted legislation that would require manufacturers of tobacco products sold in Massachusetts to report yearly, beginning in 1997, the ingredients of each brand sold. RJRT believes that the disclosure of trade secrets required by this law could damage the competitive position of its brands. The statute requires the reporting of nicotine yield ratings in accordance with procedures to be established. Together

with other cigarette manufacturers, RJRT has filed suit in the U.S. District Court for the District of Massachusetts seeking to have the statute declared null and void and to restrain Massachusetts officials from enforcing it. A similar suit has been filed by manufacturers of smokeless tobacco products. The Massachusetts district court denied the manufacturers' motion for summary judgment based on preemption grounds, but certified the case for appeal of this issue to the First Circuit which will hear oral argument in June 1997. RJRT is unable to predict the outcome of this litigation.

A number of foreign countries have also taken steps to discourage cigarette smoking, to restrict or prohibit cigarette advertising and promotion and to increase taxes on cigarettes. Such restrictions are, in some cases, more onerous than restrictions imposed in the United States. In June 1988, Canada enacted a ban on cigarette advertising, which was struck down on grounds of constitutionality by the Supreme Court of Canada in 1995. A new law of similar impact was recently enacted by the Canadian parliament and became effective immediately. It is being challenged as to constitutionality in a Toronto court.

Senators Kennedy and Hatch have introduced legislation into the U.S. Congress expanding Medicaid/Medicare coverage of children. The bill includes an increase of $.43 per pack of cigarettes to finance the expanded coverage and to reduce the federal budget deficit. It is not possible to determine what additional federal, state, local or foreign legislation or regulations relating to smoking or cigarettes will be enacted or to predict any resulting effect thereof on RJRT, Reynolds International or the cigarette industry generally, but such legislation or regulations could have an adverse effect on RJRT, Reynolds International or the cigarette industry generally.

For a description of certain litigation affecting RJRT and its affiliates, see Note 3 to the Consolidated Condensed Financial Statements.

FOOD

The food line of business is conducted through the operating subsidiaries of Nabisco Holdings Corp. ("Nabisco Holdings"). Nabisco Holdings' businesses in the United States are comprised of the Nabisco Biscuit company and the U.S. Foods Group (collectively, the "Domestic Food Group"). The U.S. Foods Group is comprised of the Specialty Products, LifeSavers, Planters, Tablespreads and Food Service companies. Nabisco Holdings' businesses outside the United States are conducted by Nabisco Ltd and Nabisco International, Inc. (collectively, the "International Food Group").

Nabisco Holdings reported net sales of $1.91 billion in the first quarter of 1997, a decrease of 4% from the first quarter 1996 level of $1.99 billion, with the Domestic Food Group down 7% and the

International Food Group up 4%. Within the Domestic Food Group, Nabisco Biscuit sales declined 8%, principally due to the impact of reorganizing the sales force and volume declines caused by three fewer selling days in the 1997 first quarter versus the 1996 first quarter. The U.S. Foods Group net sales decline of 6% was attributable to lower sales volume for tablespreads and condiments, partially offset by higher sales volume for nuts, candy and gum. The International Food Group's sales increase was primarily driven by business acquisitions during the second half of 1996, and improved results in Argentina, Mexico and Iberia, mainly due to volume gains. Partially offsetting these gains were volume declines in Brazil, due to a change in trade practices which reduced distributor purchases, and South Africa.

Nabisco Holdings' operating company contribution was $253 million in the first quarter of 1997, an increase of 6% from the first quarter 1996 level of $238 million, with the Domestic Food Group up 6% and the International Food Group up 8%. The Domestic Food Group's operating company contribution increase for the first quarter of 1997 was primarily due to improved operating results at Nabisco Biscuit, resulting largely from restructuring driven margin improvements. The U.S. Food Group's increase in operating company contribution was primarily attributable to restructuring efficiencies. The International Food Group's increase in operating company contribution for the first quarter of 1997 was principally due to the

1996 business acquisitions, the profit impact of increased sales volumes in Argentina, Mexico and Iberia, and productivity initiatives in Canada.

Nabisco Holdings' operating income was $196 million in the first quarter of 1997, an increase of 8% from the first quarter of 1996 level of $181 million, as a result of the increase in operating company contribution discussed above.

LIQUIDITY AND FINANCIAL CONDITION

Net cash flows from operating activities resulted in an outflow of $171 million in 1997, a decrease of $301 million compared to net cash flows provided from operating activities in 1996 of $130 million. The decrease in net cash flows from operating activities primarily reflects higher inventory levels, restructuring and restructuring related payments and income tax payments.

Free cash flow, another measure used by management to evaluate liquidity and financial condition, is essentially net cash flow from operating activities and investing activities per the Consolidated Statement of Cash Flows, adjusted for acquisitions and divestitures of businesses, less preferred dividends. It represents cash available for the repayment of debt and certain other corporate purposes such as common stock dividends, stock repurchases and acquisitions. Free cash flow resulted in an outflow of $305 million in 1997 and an outflow of $16 million in 1996. The higher outflow of free cash flow in 1997 primarily reflects the higher inventory levels, restructuring and restructuring related payments and income tax payments discussed above, which more than offset the impact from lower capital expenditures.

Nabisco Holdings' operating income was $196 million in the first quarter of 1997, an increase of 8% from

Management of RJRN Holdings and its subsidiaries are continuing to review various strategic transactions, including but not limited to, acquisitions, divestitures, mergers and joint ventures. No assurance may be given that any such transactions will be announced or completed.

Capital expenditures were $131 million for the first three months of 1997. Management expects that the current level of capital expenditures planned for 1997 to be in the range of approximately $800 million to

$850 million (approximately 53% Food and 47% Tobacco), which will be funded primarily by cash flows from operating activities. The current planned level of capital expenditures for 1997 is higher than the 1996 amount of $741 million primarily due to the increased capital investments for Reynolds International (notably in the former Soviet Union). Management also expects its capital expenditures program will continue at a level sufficient to support the strategic and operating needs of RJRN Holdings' operating subsidiaries.

The foregoing discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements which reflect management's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the effect on financial performance and future events of competitive pricing for products, success of new product innovations and acquisitions, local economic conditions and the effects of currency fluctuations in countries in which RJRN Holdings and its subsidiaries do business, the effects of domestic and foreign government regulation, ratings of RJRN Holdings' or its subsidiaries' securities and, in the case of the tobacco business, litigation. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof.

RJR NABISCO HOLDINGS CORP.

OVERVIEW

RJR Nabisco knows how to satisfy an oral fixation. The New York City-based company comprises R.J. Reynolds, the US's 2nd largest cigarette maker (after Philip Morris) with about 30% of the market, and Nabisco, the leading maker of cookies and crackers. Each unit sports a shopping cart full of well-known brands, including Camel, Salem, and Winston cigarettes, and edibles such as Chips Ahoy! cookies, Ritz crackers, Care*Free gum, and Planters nuts.

The company has recently survived assault from within. Stockholder Bennet LeBow attempted a takeover and pushed for RJR Nabisco to spin off its food operations. The Nabisco spinoff is favored by the current board, but only when certain favorable financial conditions are met. The company is still battling attacks from outside as antismoking sentiment and tobacco litigation grow.

Now RJR Nabisco is looking overseas for relief. Nabisco, which already has regional brands in Asia, Europe, and Latin America, will introduce US brands into those areas. Reynolds is jousting with Philip Morris in the fast-growing "American blend" segment of the international tobacco market.

WHEN

R. J. Reynolds formed the R.J. Reynolds Tobacco Company in 1875 in Winston, North Carolina, to produce chewing tobacco. In the late 1890s James Duke of the American Tobacco trust forced Reynolds to sell out to him for $3 million. Reynolds regained control in 1911 after Duke's trust was dismantled by the government. In 1913 the company introduced Camel, its best-selling cigarette. After Reynolds died in 1918, leadership passed to Bowman Gray, whose family ran the company for the next 50 years.

With the success of Camel, R.J. Reynolds became the largest domestic cigarette company. During the 1930s and 1940s, Camel and Lucky Strike (American Tobacco Company) vied for the #1 cigarette position. In response to growing health concerns in the 1950s, the company introduced its filtered Winston (1954) and Salem (1956) brands.

Growing antismoking sentiment led to diversification in the 1960s and 1970s. Acquisitions included Chun King (1966; sold 1989), Patio Foods (1967), American Independent Oil (1970; sold 1984), and Del Monte (1979; sold 1990). In 1979 the company became R.J. Reynolds Industries; it acquired Heublein in 1982. Heublein's Kentucky Fried Chicken chain was sold to PepsiCo in 1986 and its liquor business to Grand Metropolitan in 1987.

In 1985 the company bought Nabisco Brands for $4.9 billion and renamed itself RJR Nabisco. The National Biscuit Company had been formed by the 1898 consolidation of several baking companies by Adolphus Green, Nabisco's first president. Products included Fig Newtons, Oreo, and Premium Saltines. Nabisco acquired Shredded Wheat (1929), Milk-Bone (1931), Dromedary (1954), Cream of Wheat (1961), James Welch (candy, 1963), and Standard Brands (Planters nuts, Blue Bonnet margarine, beer, wine; 1981). Standard Brands's CEO, Ross Johnson, became CEO of Nabisco and then of RJR Nabisco.

When Johnson attempted an LBO, Kohlberg Kravis Roberts outbid him, acquiring the company for $29.6 billion in 1989, and Louis Gerstner became CEO. To reduce the LBO debt, the company sold Nabisco's European food business (1989).

Antismokers' attacks on Reynolds increased when an American Medical Association report determined that the company's popular ad campaign featuring cartoon character Joe Camel appealed to children, implying that the ad encouraged children to smoke.

In 1993 RJR sold its cold cereal business to Kraft and brought new tobacco processing plants on line in Poland and Turkey. In a series of transactions in late 1994 and early 1995, KKR exchanged approximately 3/4 of its 35% stake in RJR Nabisco to acquire 100% of Borden, then sold off its remaining 8%.

RJR Nabisco separated its 2 companies by selling 19.5% of Nabisco to the public in early 1995. Late that year investors Carl Icahn and Bennett LeBow bought a 4.8% stake in the company. In 1996 the pair launched a proxy fight to win control of the company, saying they would boost RJR's performance with new management and would spin off Nabisco. The takeover attempt failed, in part because tobacco investors disliked LeBow's plans to settle cigarette lawsuits. Also in 1996 the company began consumer testing of its Eclipse cigarettes, which are said to reduce secondhand smoke by 90% (seen by some as an admission of the dangers of secondhand smoke).

WHO

Chairman, President, and
age 50, $1,372,821 pay (
Chairman and CEO, Nabi
H. John Greeniaus, age
President and CEO, R.J.
Andrew J. Schindler, age
President and CEO, R.J.
Pierre de Labouchere, a
SVP and CFO: Robert S.
SVP and General Counsel
SVP and Treasurer: John
SVP and Controller: Rich
SVP Human Resources a
Gerald I. Angowitz, age
Auditors: Deloitte & Touc

WHERE

HQ: 1301 Avenue of the A
New York, NY 10019-
Phone: 212-258-5600 F
Web site: http://www.triad

RJR Nabisco sells its prod
around the world.

WHAT

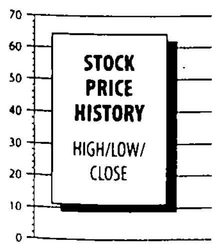
1995 Sales & Operating I

	$ mil.
Food	8,294
Tobacco	7,714
Adjustments	—
Total	**16,008**

HOW MUCH

NYSE symbol: RN
FYE: December 31

Sales ($ mil.)
Net income ($ mil.)
Income as % of sales
Earnings per share ($)
Stock price – high ($)
Stock price – low ($)
Stock price – close ($)
P/E – high
P/E – low
Dividends per share ($)
Book value per share ($)
Employees



WHO

Chairman, President, and CEO: Steven F. Goldstone, age 50, $1,372,821 pay (prior to promotion)
Chairman and CEO, Nabisco Holdings, Inc.: H. John Greeniaus, age 51, $1,530,500 pay
President and CEO, R.J. Reynolds Tobacco: Andrew J. Schindler, age 51, $829,481 pay
President and CEO, R.J. Reynolds International: Pierre de Labouchere, age 41
SVP and CFO: Robert S. Roath, age 53, $776,750 pay
SVP and General Counsel: Robert F. Sharpe Jr., age 43
SVP and Treasurer: John J. Delucca, age 52
SVP and Controller: Richard G. Russell, age 50
SVP Human Resources and Administration: Gerald I. Angowitz, age 46
Auditors: Deloitte & Touche LLP

WHERE

HQ: 1301 Avenue of the Americas, New York, NY 10019-6013
Phone: 212-258-5600 **Fax:** 212-969-9173
Web site: http://www.triadonline.com/rjrt

RJR Nabisco sells its products in more than 170 markets around the world.

WHAT

1995 Sales & Operating Income

	Sales $ mil.	Sales % of total	Operating Income $ mil.	Operating Income % of total
Food	8,294	52	902	38
Tobacco	7,714	48	1,500	62
Adjustments	—	—	(64)	—
Total	**16,008**	**100**	**2,338**	**100**

Selected Product Names

Cigarettes
Best Value
Camel
Century
Doral
Magna
More
NOW
Salem
Sterling
Vantage
Winston

Candy, Gum, and Nuts
Breath Savers
Bubble Yum
Care*Free
Gummi Savers
Life Savers
Now & Later
Planters

Cookies, Crackers, and Cereals
Barnum's Animal Crackers
Better Cheddars
Cheese Nips
Chicken in a Biskit
Chips Ahoy!
Cream of Wheat
Harvest Crisps
Nabisco Honey Maid Grahams
Newtons
Nilla Wafers
Nutter Butter
Oreo
Premium
Ritz
SnackWell's
Triscuit
Wheat Thins

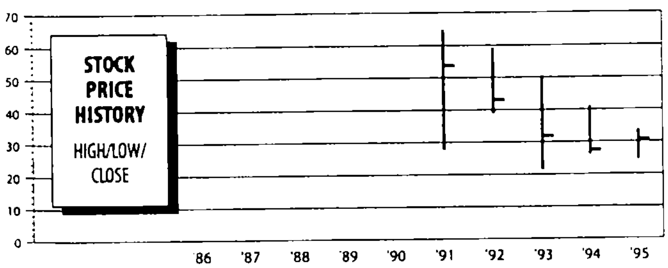
Other
A.1. Steak Sauce
Blue Bonnet
College Inn
Fleischmann's
Grey Poupon
Knox
Milk-Bone
Move Over Butter
My-T-Fine
Regina
Royal
Vermont Maid

KEY COMPETITORS

Allied Domecq
American Brands
American Home Products
B.A.T
Borden
Campbell Soup
Colgate-Palmolive
ConAgra
Danone
Dole
General Mills
Grand Metropolitan
Hanson
Heinz
Hershey
Imasco
Imlo Holdings
Kellogg
Loews
Mars
PepsiCo
Philip Morris
Procter & Gamble
Quaker Oats
Richemont
Sara Lee
Unilever
Wrigley

HOW MUCH

NYSE symbol: RN FYE: December 31	Annual Growth	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Sales ($ mil.)	0.0%	15,978	15,766	16,956	12,764	13,879	14,989	15,734	15,104	15,366	16,008
Net income ($ mil.)	(7.0%)	962	1,179	1,378	(976)	(429)	195	268	(213)	388	501
Income as % of sales	—	6.0%	7.5%	8.1%	—	—	1.3%	1.7%	—	2.5%	3.1%
Earnings per share ($)	9.5%	—	—	—	—	—	1.10	1.00	(0.03)	1.25	1.58
Stock price – high ($)	—	—	—	—	—	—	64.38	58.75	50.00	40.63	33.38
Stock price – low ($)	—	—	—	—	—	—	28.13	39.38	21.38	26.56	25.00
Stock price – close ($)	(13.0%)	—	—	—	—	—	53.75	43.13	31.38	27.50	30.75
P/E – high	—	—	—	—	—	—	59	59	—	33	21
P/E – low	—	—	—	—	—	—	26	39	—	21	16
Dividends per share ($)	—	—	—	—	—	—	0.00	0.00	0.00	0.00	1.50
Book value per share ($)	(1.1%)	—	—	—	—	—	37.55	36.90	33.26	34.55	35.87
Employees	(5.3%)	124,617	120,334	116,881	48,000	55,000	56,000	63,000	66,500	70,600	76,000



1995 YEAR-END

Debt ratio: 45.5%
Return on equity: 4.7%
Cash (mil.): $234
Current ratio: 1.11
Long-term debt (mil.): $9,429
No. of shares (mil.): 273
Dividends
Yield: 4.9%
Payout: 94.9%
Market value (mil.): $8,389

The Fool Snapshot

Home Help Index Search Messages HOOVER'S

A Product of Hoover's, Inc., the Ultimate Source for Company Information.

UST Inc.

NYSE: UST
http://www.shareholder.com/ust/

100 W. Putnam Ave.
Greenwich, CT 06830
Ph: 203-661-1100
Fx: 203-622-3626

UST is a holding company with 4 wholly owned subsidiaries. Its primary business is United States Tobacco, the world's leading producer of snuff and chewing tobacco, with its best-selling Copenhagen and Skoal brand snuff and other smokeless tobacco products. International Wine & Spirits produces 2 Napa Valley wines as well as premium and sparkling wines from Washington's Columbia Valley. UST Enterprises distributes videos such as *Larry McMurtry's Streets of Laredo* and sells premium cigars (Don Tomas, Astral) and smoking accessories (pipes, pipe cleaners). Subsidiary UST International sells the company's products outside the US, primarily in Canada.

Source: Hoover's, Inc.

See Hoover's Company Profile of UST. (Find out how you can subscribe).

Motley Fool Message Boards

Historical Performance

BASELINE Financial Services, Inc. provides Price Action graphs for approximately 7,400 public companies. A Price Action graph is available for most Company Snapshots.

Market Data

06/23/1997 10:20:00 EST	
Last	29 ↑
Day Change	0 UN
High	29
Low	28 5/8
52 Week High	35 3/8
52 Week Low	25 1/2
Volume	60,300
Div	$ 1.62
Yield	5.6 %
PE Ratio	12.0
Source: Hoover's, Inc. / North American Quotations, Inc.	

Trailing 12 Month Data	Total	QTR 1 March 97	QTR 4 Dec. 96	QTR 3 Sep. 96	QTR 2 June 96
Sales ($ mil.)	1,409.5	340.5	352.5	366.0	350.5
Operating Income ($ mil.)	740.5	164.6	180.5	200.1	195.3
Operating Margin (%)	52.5%	48.3%	51.2%	54.7%	55.7%
Net Income ($ mil.)	458.5	101.2	114.5	123.7	119.1
Profit Margin (%)	32.5%	29.7%	32.5%	33.8%	34.0%
Earnings per Share ($)	2.43	0.55	0.61	0.65	0.62
Shares Outstanding (in thousands)	183,856	183,636	183,856	186,184	187,909
Source: Media General Financial Services, Inc.					

Balance Sheet Data Mar. 97	
Cash ($ mil.)	16.9
Current Assets ($ mil.)	453.2
Equity ($ mil.)	298.3
Current Liabilities ($ mil.)	300.6
Long Term Debt ($ mil.)	100.0
Source: Media General Financial Services, Inc.	

See Historical Financials for UST. (Find out how you can subscribe).

EPS Forecast	QTR June 97	QTR Sept. 97	FY Dec. 97	FY Dec. 98
Earnings per Share ($):	0.64	0.65	2.45	2.65
Source: First Call Corporation				

What can I do with these numbers?

See another Snapshot
Enter ticker symbol:

OR Company Name:

Recent SEC Filings	May 9 97	March 17 97
Form Type:	10-Q	10-K
Search EDGAR Online for more SEC filings from UST.		

About The Fool Snapshot

Legal Disclaimer | FoolMart | Who Are We? | Suggestions

UST INC.

OVERVIEW

Whenever a smoker turns to smokeless tobacco, it's good news for United States Tobacco — the world's leading producer of snuff and chewing tobacco — and UST, its parent company. Greenwich, Connecticut-based UST is a holding company for 4 wholly owned subsidiaries. US Tobacco is UST's most profitable unit, with its best-selling Copenhagen and Skoal brand snuff and other smokeless tobacco products. International Wine & Spirits produces 2 Napa Valley wines as well as premium and sparkling wines from Washington's Columbia Valley. The company also distributes videos such as *The Little Rascals* series through Cabin Fever Entertainment and sells smoking accessories (pipes, pipe cleaners). Subsidiary UST International sells the company's products outside the US, primarily in Canada.

UST continues to rack up record sales and earnings. But all has not been wine and Skoal for the company, which has had its share of bad news as well. Recent research indicates that a can of smokeless tobacco has 3 times more cancer-causing chemicals than a pack of cigarettes. In addition, for the first time, a jury has sided with a former smoker instead of the tobacco industry, just as more than a dozen states have filed suit against tobacco companies, UST included.

WHEN

UST dates back to the 1911 founding of the Weyman-Bruton Co.; the small snuff manufacturer was chartered after a Supreme Court ruling dissolved the American Tobacco Trust (finding it in violation of the Sherman Act) but allowed members of the trust to reorganize independently. Copenhagen, the company's flagship tobacco brand, had been introduced to American consumers in 1822.

Weyman-Bruton was renamed United States Tobacco Company in 1922. United States Tobacco introduced wintergreen-flavored Skoal in 1934. The company diversified in 1958 by acquiring candy and nut products maker Circus Foods, but it was edged out of the market by the dominant Planters nut label. A brief stint as the marketer of Cadillac dog food had similar results, and by the 1960s the company had focused solely on tobacco.

In 1965 United States Tobacco purchased the W. H. Snyder & Sons cigar company. It later merged the subsidiary into Wolf Brothers Cigar, then renamed it House of Windsor in 1981 before selling it to employees in 1987. The company entered the pipe business with the 1969 purchase of Henry, Leonard & Thomas, Inc., makers of the Dr. Grabow brand of presmoked pipes. In 1974 the company added other pipe makers, including Mastercraft Pipes, and bought its first winery (now called Chateau Ste. Michelle).

Under Louis Bantle, who became chairman in 1973, sales of the company's snuff climbed — 10% annually between 1974 and 1979. Bantle expanded sales beyond snuff's traditional northern markets into the Southeast and Southwest using rodeo and sports personalities to promote the products. In 1983 UST introduced Skoal Bandits, a tea-bag-like, premeasured "dip" aimed at beginning consumers, although the company has vehemently denied pitching its products to minors. UST beefed up its wine segment in 1986 by acquiring the Villa Mt. Eden and Conn Creek wineries.

The company's good fortune began to sour in the late 1980s. Although previously excluded from the regulations imposed on cigarette makers, a $147 million case filed against UST in 1986 (Betty Ann Marsee claimed her son died of oral cancer caused by dipping Copenhagen) led to restrictions on smokeless tobacco. The suit was concluded in UST's favor in 1989, but the negative publicity it generated led to mandatory warning notices on packaging, a ban on radio and TV advertising, and the imposition of an excise tax.

Despite the controversy, smokeless tobacco was the only growing segment of the US tobacco industry in the early 1990s, and UST had more than 80% of the market. The company introduced both Skoal Long Cut cherry and spearmint in 1993. Public health questions persisted, however. Allegations of nicotine manipulation in its products had UST testifying before Congress in 1994, and the company was again sued the next year by snuff users claiming injury and addiction. In 1996 new federal regulations were proposed that would curtail advertising and athletic sponsorships by tobacco companies. UST has joined with Marlboro maker Philip Morris in offering to accept many of the conditions if the FDA is kept out of tobacco regulation.

WHO

Chairman, Presider
age 48, $2,684,95
EVP and CFO: Johi
$1,235,171 pay
EVP; President, US
Robert E. Barrett
EVP; President, US
Harry W. Peter II
EVP; President, U
Robert D. Rothe
(prior to promot
EVP and General (
$550,026 pay (pr
President, Interna
Allen C. Shoup
SVP Human Reso
Auditors: Ernst &

WHERE

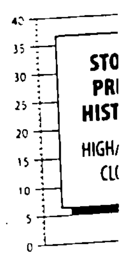
HQ: 100 W. Putn
Phone: 203-661-1

UST has tobacco
Hopkinsville, Ker
company's wine f
Paterson, Roosev
has almost 22,00
yards and other

HOW MUC

NYSE symbol: UST
FYE: December 31

Sales ($ mil.)
Net income ($ m
Income as % of s
Earnings per sha
Stock price – hig
Stock price – lov
Stock price – clo
P/E – high
P/E – low
Dividends per sl
Book value per
Employees



pipe cleaners).
al sells the
the US, pri-

record sales and
n wine and Skoal
had its share of
earch indicates
cco has 3 times
cals than a pack of
e first time, a jury
ker instead of the
re than a dozen
tobacco compa-

beginning con-
any has vehe-
roducts to
ine segment in
Mt. Eden and

ne began to sour
reviously ex-
imposed on ciga-
case filed against
ee claimed her
d by dipping
ons on smokeless
ded in UST's favor
licity it generated
tices on packag-
vertising, and the

nokeless tobacco
nt of the US to-
990s, and UST had
t. The company
Cut cherry and
alth questions
ns of nicotine ma-
d UST testifying
the company was
nuff users claim-
996 new federal
at would curtail
sorships by to-
ined with Marl-
offering to accept
FDA is kept out

WHO

Chairman, President, and CEO: Vincent A. Gierer Jr., age 48, $2,684,959 pay
EVP and CFO: John J. Bucchignano, age 48, $1,235,171 pay
EVP; President, UST Enterprises Inc.: Robert E. Barrett, age 57, $1,052,569 pay
EVP; President, UST International Inc.: Harry W. Peter III, age 56, $997,563 pay
EVP; President, United States Tobacco Company: Robert D. Rothenberg, age 47, $925,031 pay (prior to promotion)
EVP and General Counsel: Richard H. Verheij, age 37, $850,026 pay (prior to promotion)
President, International Wine & Spirits Ltd.: Allen C. Shoup
SVP Human Resources: Richard A. Kohlberger
Auditors: Ernst & Young LLP

WHERE

HQ: 100 W. Putnam Ave., Greenwich, CT 06830
Phone: 203-661-1100 **Fax:** 203-622-3626

UST has tobacco facilities in Franklin Park, Illinois; Hopkinsville, Kentucky; and Nashville, Tennessee. The company's wine facilities are located in the towns of Paterson, Roosevelt, and Woodinville, Washington, and it has almost 22,400 acres of land in Washington for vineyards and other agricultural purposes.

WHAT

1995 Sales & Operating Profit

	Sales $ mil.	Sales % of total	Operating Profit $ mil.	Operating Profit % of total
Tobacco	1,152	87	721	98
Wine	109	8	13	2
Other	67	5	(5)	—
Adjustments	(3)	—	—	—
Total	**1,325**	**100**	**729**	**100**

Selected Brands

Tobacco
Bruton (dry smokeless tobacco)
CC (dry smokeless tobacco)
Copenhagen (moist smokeless tobacco)
Red Seal (dry smokeless tobacco)
Skoal (moist smokeless tobacco)
WB Cut (chewing tobacco)

Wines
Chateau Ste. Michelle (premium varietal table wine)
Columbia Crest (premium varietal table wine)
Conn Creek (premium wine)
Domaine Ste. Michelle (sparkling wine)
Villa Mt. Eden (premium wine)

Other
Cabin Fever (entertainment videos)
Dill's (pipe cleaners)
Dr. Grabow Pre-smoked pipes
Mastercraft (imported pipes)

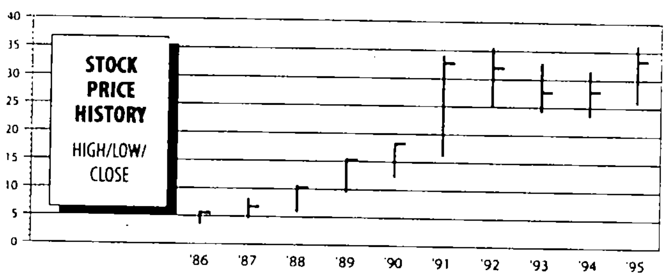
Principal Subsidiaries
International Wine & Spirits Ltd.
United States Tobacco Co.
UST Enterprises Inc.
UST International Inc.

KEY COMPETITORS

Allied Domecq
American Brands
B.A.T
Conwood
Gallo
Grand Metropolitan
Imasco
Loews
Philip Morris
Pinkerton Tobacco
RJR Nabisco
San Miguel
Seagram

HOW MUCH

NYSE symbol: UST FYE: December 31	Annual Growth	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Sales ($ mil.)	11.0%	518	576	619	683	765	907	1,044	1,110	1,223	1,325
Net income ($ mil.)	17.1%	104	131	162	191	223	266	313	369	388	430
Income as % of sales	—	20.1%	22.7%	26.2%	27.9%	29.2%	29.3%	29.9%	33.2%	31.7%	32.4%
Earnings per share ($)	19.0%	0.45	0.57	0.69	0.81	0.97	1.17	1.41	1.71	1.87	2.15
Stock price – high ($)	—	5.69	8.06	10.50	15.38	18.25	34.00	35.38	32.75	31.50	36.00
Stock price – low ($)	—	3.75	4.88	6.06	9.72	12.38	16.38	25.25	24.38	23.63	26.00
Stock price – close ($)	22.1%	5.55	6.75	10.25	15.31	18.25	32.75	32.00	27.75	27.88	33.38
P/E – high	—	13	14	15	19	19	29	25	19	17	17
P/E – low	—	8	9	9	12	13	14	18	14	13	12
Dividends per share ($)	20.1%	0.25	0.23	0.37	0.46	0.55	0.66	0.80	0.96	1.12	1.30
Book value per share ($)	(1.3%)	1.66	1.82	2.06	1.87	2.22	2.27	2.34	2.15	1.74	1.47
Employees	1.9%	3,456	3,323	3,284	3,337	3,551	3,569	3,651	3,724	3,317	4,082



1995 YEAR-END

Debt ratio: 40.5%
Return on equity: 146.3%
Cash (mil.): $69
Current ratio: 1.52
Long-term debt (mil.): $100
No. of shares (mil.): 199
Dividends
Yield: 3.9%
Payout: 60.5%
Market value (mil.): $6,651

The Fool Snapshot

Home Help Index Search Messages HOOVER'S

A Product of Hoover's, Inc., the Ultimate Source for Company Information.

B.A.T Industries PLC

AMEX: BTI [ADR]
http://www.batindustries.com

Windsor House, 50 Victoria St.
London SW1H 0NL, UK
Ph: +44-171-222-7979
Fx: +44-171-222-0122

B.A.T Industries is a diversified company with tobacco, financial services, and insurance operations. B.A.T is the world's #2 cigarette maker, behind Philip Morris. The company's Brown & Williamson tobacco segment makes and markets such US cigarette brands as Lucky Strike, Pall Mall, Kent, Kool, Benson & Hedges, and Viceroy. International cigarette brands include Sobieski, Hollywood, Sopianae, and State Express 555. Financial services include mortgage lending, asset management, and brokerage services through subsidiaries Threadneedle and Allied Dunbar. B.A.T also provides life, home, automobile, and travel insurance through Farmers Insurance Group and Eagle Star.

Source: Hoover's, Inc.

See Hoover's Company Profile of B.A.T.. (Find out how you can subscribe).

Motley Fool Message Boards

Historical Performance

BASELINE Financial Services, Inc. provides Price Action graphs for approximately 7,400 public companies. A Price Action graph is available for most Company Snapshots.

Market Data

06/23/1997 10:20:11 EST

Last	19 5/16 ↑
Day Change	-5/8 ↓
High	19 5/16
Low	19 3/16
52 Week High	20 1/8
52 Week Low	13 1/8
Volume	27,300
Div	$ 0.97
Yield	4.9 %
PE Ratio	12.2

Source: Hoover's, Inc. / North American Quotations, Inc.

Trailing 12 Month Data	Total	QTR 1 March 97	QTR 4 Dec. 96	QTR 3 Sep. 96	QTR 2 June 96
Sales ($ mil.)	44,019	11,390	13,134	9,946	9,550
Operating Income ($ mil.)	--	--	--	--	--
Operating Margin (%)	--	--	--	--	--
Net Income ($ mil.)	2,567.9	651.1	535.1	691.7	690.0
Profit Margin (%)	5.8%	5.7%	4.1%	7.0%	7.2%
Earnings per Share ($)	1.72	0.42	0.41	0.44	0.45
Shares Outstanding (in thousands)	1,936,250	10,338	10,338	10,338	10,338

Source: Media General Financial Services, Inc.

Balance Sheet Data Mar. 97	
Cash ($ mil.)	2,392.4
Current Assets ($ mil.)	8,218.4
Equity ($ mil.)	9,295.5
Current Liabilities ($ mil.)	12,047.4
Long Term Debt ($ mil.)	1,351.2
Source: Media General Financial Services, Inc.	

See Historical Financials for B.A.T.. (Find out how you can subscribe).

EPS Forecast	QTR March 97	QTR June 97	FY Dec. 97	FY Dec. 98
Earnings per Share ($):	0.38	0.46	1.69	1.82
Source: First Call Corporation				

What can I do with these numbers?

See another Snapshot
Enter ticker symbol:

OR Company Name:

About The Fool Snapshot

Legal Disclaimer | FoolMart | Who Are We? | Suggestions

B.A.T INDUSTRIES PLC

OVERVIEW

B.A.T Industries' smoke signals are easy to read — it wants to reclaim the position of being the world's #1 cigarette manufacturer (it is still several puffs away from overtaking Philip Morris and RJR Nabisco). London-based B.A.T — which sells cigarettes in nearly every country in the world — is trying to best its rivals through the aggressive marketing of its global brands and by acquiring strong regional brands. Its global brands include Benson & Hedges, Kent, Lucky Strike, and State Express 555. Regional brands include HB (Germany), Otaman (Russia), and Jan III Sobieski (Poland). B.A.T is the parent of US cigarette maker Brown & Williamson (Carlton, GPC, Kool, Misty).

The company's secondary businesses are insurance and financial services through Allied Dunbar (life assurance and pensions) and Eagle Star (life and general insurance) in the UK and Farmers Group (property and casualty insurance) in the US.

B.A.T also owns a minority stake in Canada's Imasco, whose businesses include Imperial Tobacco (Canada's #1 cigarette maker) and Hardee's, a US-based fast-food chain.

The British-American Tobacco Company was created in 1902 to end a cigarette price war in Britain between Imperial Tobacco (UK) and American Tobacco. James Buchanan Duke, creator of American Tobacco and owner of exclusive rights to the best cigarette manufacturing technology available, had set his sights on the British market after attaining a 90% share in the US. After a year of vicious price-cutting in Britain, Imperial counterattacked in America. The companies called a truce and created a cartel in 1902. The deal granted Imperial the British market, American the US market, and jointly owned British-American the rest of the world, with rights to the brand names of its founders.

With Duke in control, British-American began spreading throughout the world. Duke had his greatest early success in China, where a massive billboard campaign in 1907 and the distribution of millions of free samples in 1909 generated annual sales of 25 billion cigarettes by 1920. When the Communist revolution ended British-American's operations in China, the company lost over 25% of its sales (although China later reemerged as an important export market for the company's cigarettes).

A 1911 US antitrust action forced American to sell its interest in British-American and opened the US market to the company. It purchased an American cigarette manufacturer, Brown & Williamson, in 1927 and continued to grow through geographical expansion until the 1960s. Modest diversification efforts in the 1960s included packaging, paper, and cosmetics.

The 1902 agreement between British-American and Imperial was terminated in Britain in 1972, with the advent of the EC, and the 2 companies regained control of their own brands. Imperial sold its remaining shares in B.A.T in 1980.

As public concern over smoking mounted, British-American acquired more nontobacco businesses and changed its name to B.A.T Industries in 1976. The company bought food retailers in the early 1970s but sold them in the 1980s. The acquisitions of retailers Saks (1973), Argos (UK, 1979), Marshall Field (1982), and numerous others significantly diversified the company's sales base. B.A.T then developed a taste for insurance firms, buying Eagle Star (UK, 1984), Allied Dunbar (UK, 1985), and Farmers Group (US, 1988).

Responding to a 1989 hostile takeover bid from Sir James Goldsmith, B.A.T restructured. It sold its retail and paper operations, leaving the company with tobacco and financial services. In 1990 B.A.T sold Marshall Field to Dayton Hudson for just over $1 billion and sold Saks to Investcorp, an Arabian partnership, for $1.5 billion. Also that year B.A.T spun off its Wiggins Teape Appleton paper operations.

In 1992 Eagle Star sold its Australian Eagle life and general insurance subsidiary. The following year B.A.T and American Brands swapped brands in some European markets.

The company acquired its onetime parent, American Tobacco, for $1 billion in 1994. The move brought B.A.T a number of well-known brand names, like Carlton and Kool. Jeffrey Wigand, a former Brown & Williamson VP of research and development, turned whistle-blower in 1995, going public with claims that the company hushed up the dangers of smoking decades earlier. Brown & Williamson in 1996 became only the 2nd tobacco company to lose a US case involving a damage award to a smoker when it was ordered to pay $750,000 after a trial in Jacksonville, Florida.

WHO

Chairman: Lord Cair
Deputy Chairman a
Financial Services
$1,147,177 pay
Managing Director,
$1,255,517 pay
Group Finance Dire
$737,774 pay
Chairman and CEO,
(US): Nick G. Bro
EVP and CFO, Brow
Carl L. Schoenbac
VP Law, Human Res
& Williamson Tob
Auditors: Coopers &

HQ: Windsor House,
London SW1H 0
Phone: +44-171-222-
US HQ: Brown & Wil
401 S. Fourt
US Phone: 502-568-7
Web site: http://www.

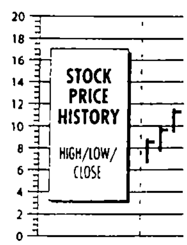
1995 Sales

Commercial activities
Revenue from associate
General financial service
Life insurance
Total

AMEX symbol: BTI
FYE: December 31

Sales ($ mil.)
Net income ($ mil.)
Income as % of sales
Earnings per share ($)
Stock price – FY high ($)
Stock price – FY low ($)
Stock price – FY close ($)
P/E – high
P/E – low
Dividends per share ($)
Book value per share ($)
Employees

1 ADR = 2 shares



Chairman: Lord Cairns, age 56, $103,520 pay
Deputy Chairman and Group CEO; Managing Director, Financial Services: Martin F. Broughton, age 48, $1,147,177 pay
Managing Director, Tobacco: Ulrich G. Herter, age 54, $1,255,517 pay
Group Finance Director: David P. Allvey, age 50, $737,774 pay
Chairman and CEO, Brown & Williamson Tobacco (US): Nick G. Brookes
EVP and CFO, Brown & Williamson Tobacco (US): Carl L. Schoenbachler
VP Law, Human Resources, and Public Affairs, Brown & Williamson Tobacco (US): M. J. McGraw
Auditors: Coopers & Lybrand L.L.P.

HQ: Windsor House, 50 Victoria St., London SW1H 0NL, UK
Phone: +44-171-222-7979 **Fax:** +44-171-222-0122
US HQ: Brown & Williamson Tobacco Corp., 401 S. Fourth St., Louisville, KY 40202
US Phone: 502-568-7000 **US Fax:** 502-568-7107
Web site: http://www.batindustries.com

1995 Sales

	$ mil.	% of total
Commercial activities	23,108	64
Revenue from associates	4,507	12
General financial services	4,438	12
Life insurance	4,203	12
Total	**36,256**	**100**

Selected Cigarette Brands

B.A.T. Brands
Benson & Hedges
Derby
Free
HB
Hollywood
Jan III Sobieski
John Player Gold Leaf
Kent
Lucky Strike
Otaman
Pall Mall
Plaza
State Express 555

Brown & Williamson Brands
Barclay
Belair
Capri
GPC Approved
Kool
Raleigh
Richland
Savannah
Viceroy

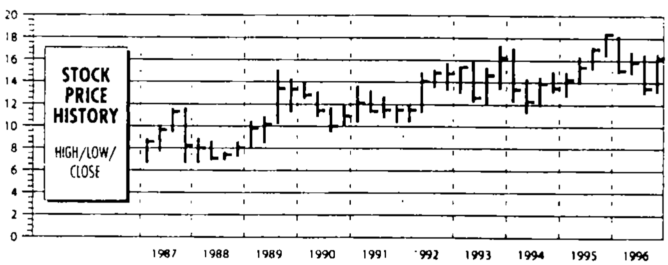
Major Subsidiaries and Affiliates

Allied Dunbar (insurance)
B.A.T Cigarettenfabriken (tobacco, Germany)
British-American Tobacco Co. Ltd.
Brown & Williamson Tobacco Corp. (US)
Canada Trust (financial services)
Eagle Star (insurance)
Farmers Group, Inc. (insurance, US)
Imasco Ltd. (minority stake; financial services, restaurants, retailing, and tobacco; Canada)
Investors Guaranty Life Insurance Co. (US)

Allianz
Brooke Group
CIGNA
GEICO
Loews
Met Life
Philip Morris
RJR Nabisco
Rothmans International
SEITA
Standard Commercial
State Farm
Tokio Marine and Fire
Universal Corp.
UST Inc.

AMEX symbol: BTI FYE: December 31	Annual Growth	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Sales ($ mil.)	8.4%	17,519	20,485	20,100	23,176	34,493	30,809	28,314	30,725	33,078	36,256
Net income ($ mil.)	7.6%	1,176	1,485	1,716	1,923	685	770	1,316	1,691	1,886	2,283
Income as % of sales	—	6.7%	7.2%	8.5%	8.3%	2.0%	2.5%	4.6%	5.5%	5.7%	6.3%
Earnings per share ($)	7.2%	0.80	0.72	0.88	1.04	0.36	0.44	1.04	1.14	1.22	1.49
Stock price – FY high ($)	—	7.00	11.56	8.81	15.00	13.88	13.56	15.63	17.25	17.00	18.38
Stock price – FY low ($)	—	4.19	6.69	6.75	8.00	9.56	10.44	10.50	12.13	11.38	12.88
Stock price – FY close ($)	11.7%	6.81	8.25	8.06	13.31	10.94	11.50	14.75	16.25	13.50	18.38
P/E – high	—	9	16	10	14	39	31	15	15	14	12
P/E – low	—	5	9	8	8	27	24	10	11	9	9
Dividends per share ($)	16.7%	0.20	0.28	0.36	0.36	2.40	0.60	0.72	0.94	0.47	0.80
Book value per share ($)	(4.5%)	8.37	10.08	8.82	11.31	8.03	8.20	8.12	4.80	4.66	5.55
Employees	(0.4%)	176,370	168,949	172,715	188,492	217,373	212,316	197,989	190,308	173,000	170,000

1 ADR = 2 shares



Debt ratio: 34.7%
Return on equity: 26.6%
Cash (mil.): $1,954
Current ratio: 0.90
Long-term debt (mil.): $4,557
No. of shares (mil.): 1,545
Dividends
Yield: 4.4%
Payout: 53.7%
Market value (mil.): $28,393

The Fool Snapshot

Home Help Index Search Messages HOOVER'S

A Product of Hoover's, Inc., the Ultimate Source for Company Information.

vestment Information.

Click here for more information

Loews Corporation

NYSE: LTR

667 Madison Ave.
New York, NY 10021-8087
Ph: 212-545-2000
Fx: 212-545-2525

Insurance forms Loews' main business, and after acquiring Continental Corp. and Alexsis, Loews is one of the 10 largest insurance providers in the US. Insurance subsidiaries also include CNA Financial, Continental Assurance, and Continental Casualty. Loews's wholly owned subsidiary Lorillard makes Kent, Newport, and True cigarettes.The holding company for brothers Larry and Bob Tisch, Loews also owns Loews Hotels, which operates in markets such as New York City and Monte Carlo; watchmaker Bulova; and oil-drilling subsidiary Diamond Offshore Drilling. The company also owns stakes in a crude oil transportation company, Hellespont.

Source: Hoover's, Inc.

See Hoover's Company Profile of Loews. (Find out how you can subscribe).

Loews Message Boards

Historical Performance

BASELINE Financial Services, Inc. provides Price Action graphs for approximately 7,400 public companies. A Price Action graph is available for most Company Snapshots.

Market Data

06/23/1997 10:17:29 EST

Last	102 7/8 UH
Day Change	-1/2
High	102 7/8
Low	101 3/4
52 Week High	112 7/8
52 Week Low	73 5/8
Volume	53,000
Div	$ 1.00
Yield	1.0 %
PE Ratio	8.7

Source: Hoover's, Inc. / North American Quotations, Inc.

Trailing 12 Month Data	Total	QTR 1 March 97	QTR 4 Dec. 96	QTR 3 Sep. 96	QTR 2 June 96
Sales ($ mil.)	20,337	4,939	5,137	5,216	5,045
Operating Income ($ mil.)	2,486	498	539	722	728
Operating Margin (%)	12.2%	10.1%	10.5%	13.8%	14.4%
Net Income ($ mil.)	1,254.4	239.3	247.8	388.6	378.7
Profit Margin (%)	6.2%	4.8%	4.8%	7.4%	7.5%
Earnings per Share ($)	10.85	2.08	2.15	3.37	3.25
Shares Outstanding (in thousands)	115,000	115,000	115,000	115,000	115,040

Source: Media General Financial Services, Inc.

Balance Sheet Data Mar. 97	
Cash ($ mil.)	--
Current Assets ($ mil.)	--
Equity ($ mil.)	8,615.1
Current Liabilities ($ mil.)	--
Long Term Debt ($ mil.)	4,491.7
Source: Media General Financial Services, Inc.	

See Historical Financials for Loews. (Find out how you can subscribe).

EPS Forecast	**QTR June 97**	**QTR Sept. 97**	**FY Dec. 97**	**FY Dec. 98**
Earnings per Share ($):	2.45	2.53	9.53	10.6
Source: First Call Corporation				

What can I do with these numbers?

See another Snapshot
Enter ticker symbol:

OR Company Name:

Recent SEC Filings	**May 15 97**	**March 27 97**
Form Type:	10-Q	10-K405
Search EDGAR Online for more SEC filings from Loews.		

About The Fool Snapshot

Legal Disclaimer | FoolMart | Who Are We? | Suggestions

LOEWS CORPORATION

OVERVIEW

Where will two savvy vulture capitalists loaded with money circle and land? Billionaire brothers Larry and Robert Tisch, each 16% owners of New York City-based holding company Loews Corporation, control a balance sheet fat from the proceeds of the company's sale of its stake in CBS to Westinghouse (pretax profit: almost $600 million). The Tisch brothers assembled Loews's eclectic holdings — which include majority stakes in insurer CNA Financial, Diamond Offshore Drilling, and watch maker Bulova, as well as wholly owned subsidiaries Loews Hotels, and the Lorillard Tobacco Company — by buying cheap and imposing disciplined management.

Besides the CBS deal, Loews is selling its interests in paper titan Champion International and has sold 30% of its Diamond Offshore drilling company through an initial public offering.

On the buy side, Loews's CNA Financial has become the largest US commercial insurer thanks to its $1.1 billion purchase of Continental Corporation, where the new owners have already cut 2,000 jobs. CNA also offers professional liability and specialty coverages, as well as group life and health and workers' compensation. CNA's investments were tended for years by James Tisch, the apparent leader of the boomer generation of Tisches. Another Loews cash cow is Lorillard, producer of the Kent, Newport, and True cigarette brands.

Larry Tisch declines to discuss plans for the CBS money, but one answer may lie in family history: his and brother Robert's first venture was the purchase of a hotel. Loews plans a joint effort with MCA (which operates the Universal Studios Florida theme park) to build 2 hotels in Walt Disney's Orlando backyard.

WHEN

In 1946 Larry Tisch, who had received an NYU business degree at age 18, dropped out of Harvard Law and with his younger brother Bob bought a Lakewood, New Jersey, resort hotel, with help from their parents. Tisch Hotels, the new entity, bought Atlantic City's Traymore and Ambassador Hotels in the early 1950s and acquired 10 others by 1955. In the early 1960s the brothers erected 6 hotels simultaneously in New York City.

Moving beyond hotels, the brothers bought money-losing companies saddled with poor management. Discarding the management along with underperforming divisions, they quickly tightened operational control and eliminated frills such as fancy offices, company planes, and even memos.

In 1960 Tisch Hotels gained control of MGM's ailing Loew's Theaters division and sold the real estate underneath many of the elegant one-screen theaters to developers. The company name became Loews in 1971; it sold its remaining theater operations in 1985.

In 1968 the company bought Lorillard, shed pet food and candy operations, and regained its slipping tobacco market share by introducing low-tar brands (Kent III, True). CNA Financial (bought in 1974) was next: the Tisch method turned losses of $208 million in 1974 to $110 million in profits the next year.

Bulova Watch (acquired in 1979), guided by Larry's son Andrew, combatted a nagging image problem with sleek new watch styles — profitability returned in 1984.

In 1985 Loews helped CBS fend off a takeover attempt by Ted Turner and ended up with almost 25% of the company. Larry became president of CBS.

Loews's deep pockets allowed the purchase of 6 used tankers for $5.5 million apiece (average construction cost: $60 million) during a period of depressed supertanker prices in the early 1980s. In 1990 Loews sold 3 of the tankers to Hellespont for $133 million and exchanged the other 3 for 49% interest in that company. Loews bought offshore drilling rig operator Diamond M in 1989.

Loews's caution during the hotel over expansion of the 1980s later enabled the company to purchase some bargains (e.g., Loews Giorgio, Denver; 1989). In 1989 Loews also entered a joint venture with Covia, a United Airlines affiliate, to create a new computer reservation service for hotels. Diamond M bought Odeco Drilling for $372 million in 1992. CNA Financial increased its reserves for asbestos claims to $1.5 billion in 1993, in part to cover claims associated with asbestos producer Fireboard, which CNA insured from 1957 to 1959. Also in 1993 CNA's drilling activities were grouped as Diamond Offshore Drilling. In 1994, 5 US tobacco companies, including Lorillard, were hit with a $5 billion lawsuit.

In 1995 Bulova sold its industrial and defense products segment (36% of 1994 revenues) for about $21 million, and Loews sold its interest in CBS and almost all its interest in Champion International.

WHO

Co-chairman Co-CEO
$861,758 pay
Co-chairman and Co-CEO
$1,770,335 pay
President and COO: Jame
$806,190 pay
VP; President and CEO, L
Jonathan M. Tisch, age 4
Chairman, Management C
age 46, $806,260 pay
Chairman, CNA Insuranc
President, Diamond Offs
Chairman, Lorillard Toba
SVP; President, Bulova: I
SVP and CFO: Roy E. Pos
SVP and Secretary: Barry
VP Human Resources: Al
Auditors: Deloitte & Touc

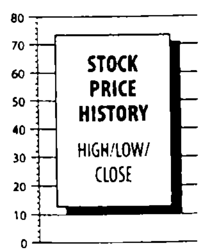
WHERE

HQ: 667 Madison Ave., Ne
Phone: 212-545-2000
Web site: http://www.loew

HOW MUC

NYSE symbol: LTR
FYE: December 31

Sales ($ mil
Net income ($ mil.)
Income as % of sales
Earnings per share ($)
Stock price – high ($)
Stock price – low ($)
Stock price – close ($)
P/E – high
P/E – low
Dividends per share ($)
Book value per share ($)
Employees



WHO

Co-chairman and Co-CEO: Laurence A. Tisch, age 73, $861,758 pay
Co-chairman and Co-CEO: Preston R. Tisch, age 69, $1,770,335 pay
President and COO: James S. Tisch, age 43, $806,190 pay
VP; President and CEO, Loews Hotels: Jonathan M. Tisch, age 42, $806,176 pay
Chairman, Management Committee: Andrew H. Tisch, age 46, $806,260 pay
Chairman, CNA Insurance: Dennis H. Chookaszian
President, Diamond Offshore Drilling: Robert E. Rose
Chairman, Lorillard Tobacco: Alexander Spears III
SVP; President, Bulova: Herbert C. Hofmann, age 53
SVP and CFO: Roy E. Posner, age 62
SVP and Secretary: Barry Hirsch, age 62
VP Human Resources: Alan Momeyer, age 48
Auditors: Deloitte & Touche LLP

WHERE

HQ: 667 Madison Ave., New York, NY 10021-8087
Phone: 212-545-2000 **Fax:** 212-545-2525
Web site: http://www.loewshotels.com

WHAT

1995 Sales & Operating Income

	Sales $ mil.	Sales % of total	Operating Income $ mil.	Operating Income % of total
Property & casualty insurance	11,092	59	954	30
Life insurance	3,617	19	331	10
Cigarettes	2,054	11	635	20
Drilling	339	2	14	—
Hotels	218	1	32	1
Watches & clocks	110	1	8	—
Investment income	1,259	7	1,255	39
Equity in income of CBS	16	—	16	—
Adjustments & other	(28)	—	(14)	—
Total	**18,677**	**100**	**3,231**	**100**

Major Holdings

Lorillard, Inc.

Diamond Offshore Drilling, Inc. (70%)

Loews Hotels
Days Hotel (NYC)
Howard Johnson Hotel (NYC)
Loews Annapolis

Bulova Corporation (97%)
Clocks
Jewelry
Watches

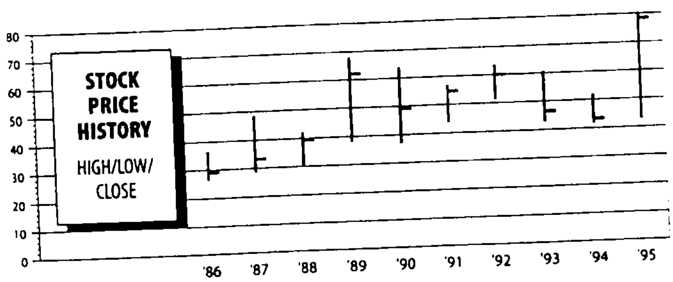
Hellespont (49%)
Crude oil tankers

KEY COMPETITORS

AIG
Allstate
Baker Hughes
B.A.T.
Carlson
CIGNA
Citizen Watch
Four Seasons Hotels
General Re
Global Marine
Hilton
Hyatt
ITT Hartford
Lincoln National
Marriott International
Met Life
Philip Morris
Prudential
Reading & Bates
RJR Nabisco
SAFECO
Seiko
Timex
Travelers Group
USF&G

HOW MUCH

NYSE symbol: LTR FYE: December 31	Annual Growth	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Sales ($ mil.)	9.3%	8,405	9,254	10,514	11,437	12,637	13,620	13,697	13,687	13,515	18,677
Net income ($ mil.)	13.9%	546	696	909	907	805	904	(22)	594	268	1,766
Income as % of sales	—	6.5%	7.5%	8.6%	7.9%	6.4%	6.6%	—	4.3%	2.0%	9.5%
Earnings per share ($)	18.1%	3.35	4.46	5.97	6.04	11.01	6.57	(0.17)	4.64	2.23	14.98
Stock price – high ($)	—	36.19	48.13	41.56	67.50	63.44	56.44	63.25	60.13	51.38	79.88
Stock price – low ($)	—	26.88	29.00	31.00	38.50	37.50	44.25	51.75	43.38	42.25	43.31
Stock price – close ($)	11.6%	29.13	33.31	39.44	62.13	49.06	54.75	60.06	46.50	43.44	78.38
P/E – high	—	11	11	7	11	6	9	—	13	23	5
P/E – low	—	8	7	5	6	3	7	—	9	19	3
Dividends per share ($)	2.6%	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.63
Book value per share ($)	16.2%	18.04	21.28	26.60	32.05	36.05	42.09	42.45	49.80	45.84	69.92
Employees	4.7%	22,950	23,900	24,500	26,800	26,600	26,800	28,100	27,100	25,400	34,700



1995 YEAR-END
Debt ratio: 37.9%
Return on equity: 25.9%
Cash (mil.): $7,379
Current ratio: —
Long-term debt (mil.): $4,248
No. of shares (mil.): 118
Dividends
Yield: 0.8%
Payout: 4.2%
Market value (mil.): $9,235