



EXECUTIVE SUMMARY

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President

ES00-26

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SPECIAL THIS WEEK ...

US Tobacco Weekly 00-29

World Alert 00-29

Legislative Bulletin 00-28

Leaf Bulletin 00-10

Corporate Finance: Philip Morris (PM) announced its 2Q00 results on July 18th, reporting a 5.5% increase in net earnings to \$2.2 billion and an 11.8% rise in diluted earnings to \$0.95 per share. PM's domestic tobacco operations showed a 6.5% increase in underlying operating income to \$1.3 billion as a result of increased prices and a 3.6% growth in shipment volume to 49.9% of the market; **Marlboro** recorded a 36.9% share. Operating income at Philip Morris International rose 4.6% to \$1.3 billion. Volume gains were made in Western Europe, Russia, and Asia,

while certain markets in Central and Eastern Europe saw volume declines. ● **R.J. Reynolds Tobacco Holdings, Inc.** announced its 2Q00 results on July 20th, reporting a 9% increase in net income to \$107 million from \$98 million in 2Q99 as net income per diluted share rose 16.7% to \$1.05 from \$0.90. Net sales increased 9% to \$2.09 billion from \$1.91 billion, reflecting higher prices partially offset by a 1.8% decline in volume to 24.6 billion units. The company's estimated retail market share during the March - May 2000 period fell to 23.34% from 24.06% during the same period in 1999. ● **UST Inc.** announced July 20th that its 2Q00 earnings declined 8.7% to \$112.2 million, or 69¢ a share, from \$122.9 million, or 70¢ a share in 2Q99, due to weaker sales of its premium brands, higher interest expenses, and higher excise taxes among other factors. Operating profit for the tobacco segment fell 4% to \$196.7 million, while revenue rose 4% to \$347.8 million due to higher prices and a 2.4% gain in net can volume. ● **Canada's Rothmans Inc.** on July 20th announced that first quarter fiscal 2001 revenue of \$93.2 million was in line with the \$93.3 million reported in the same period last year. Earnings from tobacco increased 4% to \$12.0 million. Additionally, the Board of Directors declared a regular quarterly dividend of 17¢ per common share payable on September 17th to shareholders of record on September 1st. ● **Altadis SA** announced July 17th that the price for its distribution unit **Logista SA's** public offering will be \$19.60 per share. Upon completion of the offer, Altadis will hold 51% of Logista, media group Grupo Planeta 4%, and the public the remainder. ● A new investment policy drafted by a consulting firm Wilshire Associates called for the **University of California (UC)** includes investments of around \$6.7 billion in an index fund, including \$60 million in cigarette companies. Although the Council for Responsible Public Investment is concerned about the cigarette stock inclusion, Wilshire said UC can easily avoid buying tobacco stocks if the UC regents wish (San Francisco Examiner 7/20). ● **Ventura County, California** Supervisor Frank Schillo wants the county's **Public Employees Retirement Fund** board to divest its \$6.8 million holding in tobacco stocks. The Fund's investment pool is estimated to be \$2.25 billion (TW 00-29, WA00-29).

Corporate Affairs: Philip Morris on July 17th launched a new TV advertising campaign showing its commitment to the MSA and how the company is changing the way it does business. ● **Altadis SA** affiliate **Aldeasa SA** secured the tender to acquire **Jordan Airports Duty Free Shops** for \$60.1 million from the Jordanian government as a part of the nation's privatization plan. ● According to French industry information authority Centre de Documentation et d'Information sur le Tabac (CDIT), sales of cigarettes in France increased 0.9% during 1H00 to 41 billion units compared to 1H99; cigars and cigarillos were up 4.2% to 836.9 million units; and rolling and pipe tobacco were down 1.1% to 3,619 MT. ● **Bolloré** earned a 16% return in nine months for its Seita shares; furthermore, should it decide to sell its African tobacco operations, **Coralma, Altadis** could be a potential buyer. On July 3rd, Bolloré acquired Seita's 40% stake in Coralma, resulting in Bolloré's 100% ownership (Le Telegramme 7/17).

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