

PROXY STATEMENT

This proxy statement is furnished by the Board of Directors (the "Board") of Philip Morris Companies Inc., 120 Park Avenue, New York, N.Y. 10017, in connection with its solicitation of proxies for use at the annual meeting of stockholders to be held on Thursday, April 26, 1990, at 9:30 A.M., at the Philip Morris Manufacturing Center, 3601 Commerce Road, Richmond, Virginia, and at any and all adjournments thereof. Mailing of the proxy statement will commence on or about March 15, 1990. Holders of record of Common Stock, \$1 par value, at the close of business on March 15, 1990 will be entitled to one vote for each share held on all matters to come before the meeting. On March 6, 1990, there were outstanding 925,606,752 shares of Common Stock. A proxy on the enclosed form may be revoked at any time before it has been exercised. Unless the proxy is revoked or there is a direction to abstain on one or more proposals, it will be voted on each proposal and, if a choice is made with respect to any matter to be acted upon, in accordance with such choice. If no choice is specified, the proxy will be voted as recommended by the Board. The proxy will also serve to instruct the administrator of the Company's dividend reinvestment and voluntary cash payment plan and the trustee of any defined contribution plan sponsored by the Company how to vote shares held by it for a stockholder or employee participating in any such plan.

As used herein, the term "Company" includes Philip Morris Companies Inc. from July 1, 1985 and Philip Morris Incorporated prior to July 1, 1985 and, where appropriate, their subsidiaries.

ELECTION OF DIRECTORS (Proposal 1)

General Information

The Board has the responsibility for establishing broad corporate policies and for the overall performance of the Company although it is not involved in day-to-day operating details. Members of the Board are kept informed of the Company's business by various reports and documents sent to them each month as well as by operating and financial reports made at Board and committee meetings by the Chairman of the Board and other officers.

Regular meetings of the Board are held each month, except July. The organizational meeting follows immediately after the annual meeting of stockholders. The Board held 11 meetings in 1989.

Committees of the Board

Various committees have been established by the Board to assist it in the discharge of its responsibilities. Certain of these committees are described below. The biographical information on the nominees for director, which begins on page 3 of this proxy statement, includes committee memberships currently held by each nominee.

The **Audit Committee** meets with management, the Company's independent accountants and its internal auditors to consider the adequacy of the Company's internal controls and other financial reporting matters. The Audit Committee recommends to the Board the engagement of the Company's independent accountants, discusses with the independent accountants their audit procedures, including the proposed scope of the audit, the audit results and the accompanying management letters and, in

connection with determining their independence, reviews the services performed by the independent accountants. This committee, which also monitors compliance with the Company's Business Conduct Policy, consists of seven non-management directors and met four times in 1989.

The **Committee on Public Affairs and Social Responsibility** focuses on the Company's policy with respect to major public issues.

The **Compensation Committee**, consisting of six non-management directors, held six meetings in 1989. This committee determines cash remuneration arrangements for senior management and administers the Company's Stock Unit, Stock Option, Incentive Compensation and Long Term Incentive Plans, recommending to the Board in the case of the Incentive Compensation Plan the amount to be credited to the Incentive Compensation Plan Reserve.

The **Corporate Employee Plans Investment Committee** oversees the investment of certain employee benefit plan assets.

The **Executive Committee** has authority to act for the Board on most matters during intervals between Board meetings. Six directors have been designated members of this committee.

The **Finance Committee** monitors the financial condition of the Company and advises the Board with respect to financing needs and dividend policy.

The **Nominating Committee** consists of eight non-management directors and met three times in 1989. This committee reviews the qualifications of candidates suggested by Board members, management, stockholders and other sources, considers the performance of incumbent directors in determining whether to nominate them for reelection and recommends to the Board a slate of nominees for election as directors.

The Nominees

It is proposed that 21 directors be elected to hold office until the next annual meeting of stockholders and until their successors have been elected. The Nominating Committee has recommended to the Board the persons named below as management's nominees and, unless otherwise marked, a proxy will be voted for such persons. In accordance with the Company's retirement policy, Howard L. Clark and William P. Tavoulareas are not eligible for reelection. All of the nominees currently serve as directors, with the exception of Richard D. Parsons. All incumbent directors, except for Michael A. Miles and Rupert Murdoch, were elected by the stockholders at the 1989 annual meeting. All nominees attended at least 75% of the aggregate number of meetings of the Board and all committees of the Board on which such nominees served during 1989, except John S. Reed, who attended 72% of all such meetings.

Although management does not anticipate that any of the persons named below will be unable or unwilling to stand for election, a proxy, in the event of such an occurrence, may be voted for a substitute

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designated by the Board. However, in lieu of designating a substitute, the Board may amend the By-Laws to reduce the number of directors.



Elizabeth E. Bailey
Dean of the Graduate
School of Industrial
Administration of
Carnegie-Mellon
University, Pittsburgh, PA

Director since January
1989

Age: 51

Dr. Bailey assumed her present position in 1983. She had previously served from 1981 to 1983 as vice chairman of the Civil Aeronautics Board to which she was appointed a commissioner in 1977 and held various positions with Bell Laboratories from 1960 to 1977. Dr. Bailey also served as adjunct associate professor of economics at New York University from 1973 to 1977. Dr. Bailey serves as a director of the College Retirement Equities Fund, CSX Corporation, Honeywell Inc., and National Westminster Bancorp Inc. She is a member of the Audit Committee and the Committee on Public Affairs and Social Responsibility.



Murray H. Bring
Senior Vice President
and General Counsel

Director since 1988

Age: 55

First employed by the Company in 1988, Mr. Bring had previously been a partner in Arnold & Porter, Washington, D.C., from 1967 to 1988. He became Associate General Counsel of the Company on January 1, 1988 and assumed his present position on July 1, 1988. He is a member of the Committee on Public Affairs and Social Responsibility.



Alfred Brittain III
Retired; former Chairman
of the Board of Bankers
Trust New York Corpora-
tion and Bankers Trust
Company

Director since 1966

Age: 67

Mr. Brittain served as chairman of the board of Bankers Trust New York Corporation and Bankers Trust Company from 1975 to 1987. He serves as a director of Bankers Trust New York Corporation and Bankers Trust Company. Mr. Brittain is a member of the Audit, Compensation and Corporate Employee Plan Investment Committees.

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Harold Brown
Consultant; Chairman of the Foreign Policy Institute, School of Advanced International Studies, The Johns Hopkins University, Washington, DC

Director since 1983

Age: 62

Dr. Brown served as president of the California Institute of Technology from 1969 to 1977, as the United States Secretary of Defense from 1977 to 1981 and as Distinguished Visiting Professor at The Johns Hopkins University from 1981 to 1984. He is a director of AMAX Inc., CBS Inc., Cummins Engine Co. Inc., International Business Machines Corporation and Synergen, Inc. and a member of the board of directors of the Council on Foreign Relations. Dr. Brown serves on the Compensation, Corporate Employee Plans Investment, Finance, Nominating and Public Affairs and Social Responsibility Committees.



J. A. Cordido-Freytes
Member of Betancourt, Cordido and Associates, Caracas, Venezuela, attorneys

Director since 1968

Age: 64

Dr. Cordido-Freytes has practiced law in Caracas, Venezuela, for more than 30 years. The firm of Betancourt, Cordido and Associates has performed and can be expected to continue to perform legal services for the Company and its subsidiaries and affiliates. Dr. Cordido-Freytes serves as a director and president of Banco Exterior, S.A., as a director and vice president of Financiera Exterior, S.A. and as president of C.A. Tabacalera Nacional, an affiliate of the Company. He is a member of the Nominating and Public Affairs and Social Responsibility Committees.



William H. Donaldson
Chairman and Chief Executive Officer of Donaldson Enterprises Incorporated, New York, NY, private investing

Director since 1979

Age: 58

Mr. Donaldson was dean of the Graduate School of Management of Yale University and the William S. Beinecke Professor in Management Studies from 1975 to 1980, having formerly served as United States Undersecretary of State and counsel to the Vice President of the United States. He was a founder and served as chairman and chief executive officer of Donaldson, Lufkin & Jenrette, Inc. from 1959 to 1973. He serves as a director of Aetna Life and Casualty Co., Honeywell Inc., London American Ventures Trust p.l.c., Comstock Partners Strategy Fund, the Carnegie Endowment for World Peace, the Lincoln Center for the Performing Arts, Inc. and the New York Community Trust and as a trustee of St. Lawrence University. Mr. Donaldson is chairman of the Corporate Employee Plans Investment Committee and a member of the Audit, Executive, Finance and Nominating Committees.

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Paul W. Douglas
Chairman and Chief
Executive Officer of The
Pittston Company,
Greenwich, CT, coal and
transportation services

Director since 1980

Age: 63

Mr. Douglas assumed his present position in 1984. He also serves as a director of The New York Life Insurance Company, Phelps Dodge Corporation and U.S. Trust Corporation. Mr. Douglas is a member of the Compensation and Executive Committees.



Jane Evans
President and Chief
Executive Officer of
Interpacific Retail Group,
San Francisco, CA, retail
specialty stores

Director since 1981

Age: 45

Ms. Evans assumed her present position in May 1989. She served as president and chief executive officer of Monet Jewelers, Inc. from 1984 to 1986 and from 1987 to 1989 as a general partner of the Shansby Group (formerly Montgomery Consumer Group). Ms. Evans serves as a director of Edison Brothers Stores, Inc. She is a member of the Nominating and Public Affairs and Social Responsibility Committees.



Robert E.R. Huntley
Counsel, Hunton &
Williams, Richmond, VA,
attorneys

Director since 1976

Age: 60

Mr. Huntley served as chairman, president and chief executive officer of Best Products Co., Inc. from 1987 to November 1988, having served as chief operating officer from 1984 to 1987. He became counsel to Hunton & Williams in December 1988. From 1968 to 1983, he had been president of Washington and Lee University. Mr. Huntley serves as a director of Centel Corp. He is chairman of the Audit Committee and a member of the Finance and Public Affairs and Social Responsibility Committees. The firm of Hunton & Williams acts as counsel to the Company.

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Hamish Maxwell
Chairman of the Board
and Chief Executive
Officer

Director since 1974

Age: 63

First employed by the Company in 1954, Mr. Maxwell became a Vice President in 1969, Senior Vice President in 1976, Executive Vice President and President of Philip Morris International in 1978, President and Chief Operating Officer of the Company in 1983 and Chairman of the Board and Chief Executive Officer in 1984. He serves as a director of Bankers Trust New York Corporation and Bankers Trust Company. Mr. Maxwell is chairman of the Executive Committee and a member of the Finance Committee.



Elizabeth J. McCormack
Adviser to members
of the Rockefeller Family,
New York, NY

Director since 1986

Age: 67

Dr. McCormack has acted as a philanthropic adviser to certain members of the Rockefeller family since 1976. She serves as a trustee of Alliance Capital Reserves, Inc., Alliance Government Reserves, Inc. and Alliance Tax-Exempt Reserves, Inc. and as a director of American Savings Bank and Champion International Corporation. She is a member of the Compensation, Nominating and Public Affairs and Social Responsibility Committees.



Michael A. Miles
Vice Chairman of the
Board and Chairman and
Chief Executive Officer of
Kraft General Foods, Inc.

Director since December
1989

Age: 50

First employed by Kraft, Inc. ("Kraft") in 1982 as President and Chief Operating Officer, Mr. Miles became President and Chief Executive Officer of the Kraft General Foods Group, now Kraft General Foods, Inc. ("Kraft General Foods") in March 1989 and Chairman and Chief Executive Officer of Kraft General Foods in December 1989. Mr. Miles is a director of Capital Holding Corporation, First Chicago Corporation and The Lyric Opera of Chicago and serves as a trustee of Lake Forest College.



T. Justin Moore, Jr.
Counsel, Hunton &
Williams, Richmond, VA,
attorneys

Director since 1973

Age: 64

Mr. Moore served as chairman of the board of Dominion Resources, Inc. from 1983 until his retirement in 1985, having previously served as chairman of the board of its subsidiary, Virginia Electric and Power Company. He is a director of Central Fidelity Banks, Inc., Dominion Resources, Inc. and GTE Corporation and serves as a trustee of the Colonial Williamsburg Foundation and the Virginia Foundation for Independent Colleges. Mr. Moore is chairman of the Nominating Committee and a member of the Finance and Public Affairs and Social Responsibility Committees.



Rupert Murdoch
Chief Executive of The
News Corporation
Limited, New York, NY,
publishing, motion
pictures and television

Director since August
1989

Age: 59

Mr. Murdoch became publisher of News Limited of Australia in 1954 and in 1959 assumed his present position as chief executive of the subsequently formed parent company, The News Corporation Limited, the interests of which include TV Guide and Twentieth Century Fox in the United States and The Times, Sunday Times and Sky Television in the United Kingdom. Mr. Murdoch also serves as a director of Reuters Holdings p.l.c.



John A. Murphy
President

Director since 1971

Age: 60

First employed by the Company in 1962, Mr. Murphy had previously been a partner in the law firm of Conboy, Hewitt, O'Brien & Boardman (now Hunton & Williams). He became a Vice President in 1967, Executive Vice President in 1976, Group Executive Vice President in 1978 and President in 1984. From 1971 to 1984, he served as Chief Executive Officer of Miller Brewing Company. Mr. Murphy serves as a director of National Westminster Bancorp Inc. and as a trustee of Marquette University and North Shore University Hospital. He is chairman of the Finance and Public Affairs and Social Responsibility Committees and a member of the Corporate Employee Plans Investment and Executive Committees.

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William Murray
Vice Chairman of the
Board

Director since 1984

Age: 54

First employed by the Company in 1970, Mr. Murray served Philip Morris International in various executive capacities from 1973 to 1987, attaining the position of President and Chief Executive Officer of Philip Morris International in 1983, having first become a Vice President of the Company in 1976. He assumed his present position in 1987. Mr. Murray is a member of the board of trustees of The Alvin Ailey American Dance Theater, the American Museum of Natural History and the Polytechnic University and a director of the International Tennis Hall of Fame. He is a member of the Finance and Public Affairs and Social Responsibility Committees.



Richard D. Parsons
President and Chief
Operating Officer,
The Dime Savings Bank
of New York, FSB,
New York, NY

Age: 41

Mr. Parsons assumed his present position in July 1988. From 1979 to July 1988, he had been a partner in the law firm of Patterson, Belknap, Webb & Tyler. Mr. Parsons serves as a director of American Television and Communications Co., the College Retirement Equities Fund, The Dime Savings Bank of New York, FSB, Federal National Mortgage Association, The M.S.B. Fund, New York Zoological Society and the Rockefeller Brothers Fund and as trustee of Howard University.



John S. Reed
Chairman of Citicorp and
Citibank, N.A.,
New York, NY

Director since 1975

Age: 51

Mr. Reed assumed his present positions with Citicorp and Citibank, N.A. in 1984. He also serves as a director of Monsanto Co. and United Technologies Corporation, as a member of the Corporation, Massachusetts Institute of Technology, as a trustee of The Rand Corporation and the Russell Sage Foundation, as a member of the board of managers of the Memorial Sloan-Kettering Cancer Center, as a vice chairman of the Americas Society and as a director of the Spencer Foundation. He is chairman of the Compensation Committee and a member of the Audit, Corporate Employee Plans Investment, Executive, Finance and Nominating Committees.

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John M. Richman
Counsel, Wachtell,
Lipton, Rosen & Katz,
Chicago IL, attorneys

Director since 1988

Age: 62

On December 1, 1989, upon his retirement as an officer of the Company, Mr. Richman became counsel to Wachtell, Lipton, Rosen & Katz, a law firm which has performed and can be expected to continue to perform legal services for the Company. First employed by Kraft in 1954, Mr. Richman served in various executive capacities, becoming Chairman and Chief Executive Officer of Kraft in 1979. He served as Vice Chairman of the Board of the Company from December 1988 to December 1989 and Chairman of Kraft General Foods from March 1, 1989 to December 1989. Mr. Richman is a director of Continental Bank Corporation and Continental Bank N.A., R.R. Donnelley & Sons Company, USX Corporation and the Evanston Hospital Corporation. He is a trustee of Northwestern University. Mr. Richman is a member of the Corporate Employee Plans Investment and Public Affairs and Social Responsibility Committees.



Hans G. Storr
Senior Vice President
and Chief Financial
Officer and Chairman
and Chief Executive
Officer of Philip Morris
Capital Corporation

Director since 1982

Age: 58

First employed by the Company in 1955, Mr. Storr served Philip Morris International in various executive capacities from 1968 to 1978, including Vice President—Finance. In 1978, he became a Vice President of the Company and was named its Chief Financial Officer in 1979. He was named a Senior Vice President in 1987. Since the formation of Philip Morris Capital Corporation in 1982, he has served as its Chief Executive Officer. Mr. Storr is a member of the American Institute of Certified Public Accountants and a director and treasurer of the International Tennis Hall of Fame. He serves on the Corporate Employee Plans Investment and Finance Committees.



Margaret B. Young
Chairman of the Whitney
M. Young, Jr. Memorial
Foundation, Inc., New
York, NY, and
Consultant to the
Company

Director since 1972

Age: 68

Mrs. Young is a director of The New York Life Insurance Company, the Lincoln Center for the Performing Arts, Inc., the Metropolitan Museum of Art and the Whitney M. Young, Jr. Memorial Foundation, Inc. She is a member of the Audit, Nominating and Public Affairs and Social Responsibility Committees.

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Compensation of Directors

Directors who are full-time employees of the Company receive no additional compensation for services as a director. Directors not so employed receive annually a retainer of \$26,000 and 400 shares of the Company's Common Stock and fees of \$1,000 for each Board meeting attended, \$1,000 (\$2,000 for the chairman) for each meeting attended of the Audit, Public Affairs and Social Responsibility, Compensation, Corporate Employee Plans Investment, Executive, Finance, and Nominating Committees and \$500 (\$1,000 for the chairman) for each other committee meeting attended. The chairman of the Compensation Committee receives \$10,000 for additional services rendered in connection with certain of the Company's compensation plans.

Under the Directors' Deferred Compensation Plan, a director may elect to defer all or part of the payment of the retainer, meeting fees and any additional compensation until certain specified dates when payment is made in a lump sum or in monthly, quarterly or annual installments. Interest on deferred amounts accrues quarterly at a rate equal to the Company's average cost of funds.

Under the Pension Plan for Directors, any non-employee director who ceases to be a director at his or her normal retirement date and who has completed five years of accredited service is entitled until death to an annual pension (payable monthly) equal to the annual cash retainer in effect on his or her retirement date plus 25% of attendance fees for up to 24 Board meetings earned during the two years before retirement. A non-employee director retiring before his or her normal retirement date but after age 60 and after completing five years of accredited service is entitled for a period equal to his or her accredited service to monthly pension payments. In the event of a change in control, a retiring director not otherwise eligible for a pension benefit will also receive monthly payments for a period equal to his or her accredited service.

The Company has entered into employment agreements with each of its officer directors as described below under "Remuneration—Certain Agreements."

Messrs. Huntley and Moore are counsel to Hunton & Williams, which acts as counsel to the Company. In 1989, the Company paid Hunton & Williams fees of \$7,989,000.

Ownership of Equity Securities

The following table sets forth information as of February 1, 1990 as to the beneficial ownership of Common Stock of the Company, including shares of Common Stock as to which a right to acquire ownership within 60 days exists (for example, through the exercise of stock options and stock units or through various trust arrangements), of each director, each nominee for director and of the directors and officers of the Company as a group. The beneficial ownership of each director, nominee and officer and of the group is less than 1% of outstanding shares.

Name	Sole voting and investment power(1)	Other(2)	Aggregate total
Elizabeth E. Bailey	2,400		2,400
Murray H. Bring	68,315	26,988	95,303
Alfred Brittain III	11,952		11,952
Harold Brown	2,000		2,000
Howard L. Clark	7,200	2,000	9,200
J.A. Cordido-Freytes	5,200		5,200
William H. Donaldson	9,200	72,932	82,132
Paul W. Douglas	8,000		8,000
Jane Evans	2,000		2,000
Robert E.R. Huntley	4,900	1,600	6,500
Hamish Maxwell	928,063	190,200	1,118,263
Elizabeth J. McCormack	2,189		2,189
Michael A. Miles	50,250	48,000	98,250
T. Justin Moore, Jr.	22,400	25,200	47,600
Rupert Murdoch		600	600
John A. Murphy	875,308	21,148	896,456
William Murray	294,700	117,260	411,960
Richard D. Parsons	100		100
John S. Reed	10,149	192	10,341
John M. Richman	272,856		272,856
Hans G. Storr	326,012	42,120	368,132
William P. Tavoulaareas	5,200		5,200
Margaret B. Young	3,650		3,650
Group	3,986,889	639,214	4,626,103

(1) Includes maximum number of shares subject to purchase before April 1, 1990 upon the exercise of stock options and stock units as follows: M.H. Bring, 60,000; H. Maxwell, 476,000; J.A. Murphy, 561,328; W. Murray, 281,388; J.M. Richman, 72,000; H.G. Storr, 135,732; and group, 2,344,412.

(2) Includes shares held in certain fiduciary capacities (including such holdings by a spouse) and shares owned by spouses, minor children and other relatives sharing the home of the nominee, director or officer. With the exception of Mr. Moore, beneficial ownership of these shares is disclaimed by all named individuals. Mr. Moore disclaims any beneficial interest in 1,200 shares held by his spouse. Also includes shares held jointly with spouse and shares of restricted stock.

The Company owns a substantial minority interest in C.A. Tabacalera Nacional, a publicly held and traded Venezuelan corporation. As of February 1, 1990, Dr. Cordido-Freytes owned 6,614 shares of such corporation, representing less than 1% of its outstanding shares.

Remuneration

The table below sets forth information concerning cash compensation paid to or accrued for the benefit of the five most highly compensated executive officers of the Company and all executive officers of the Company as a group (18 persons including the executive officers named below) for services rendered during 1989.

Name	Capacities in which Served	Salaries	Additional Compensation and Defined Contribution Plans (1)
Hamish Maxwell	Chairman of the Board and Chief Executive Officer	\$ 850,000	\$1,027,376
Michael A. Miles	Vice Chairman of the Board; Chairman (formerly President) and Chief Executive Officer of Kraft General Foods	629,635	703,436
John A. Murphy	President	647,500	622,030
William Murray	Vice Chairman of the Board	582,500	612,290
John M. Richman	Vice Chairman of the Board and Chairman of Kraft General Foods (until December 1, 1989)	763,154	884,935
Group		\$7,232,478	\$6,970,161

(1) Includes (i) amounts awarded under the Philip Morris Companies Inc. Incentive Compensation Plan (the "Philip Morris Incentive Plan") and the Kraft General Foods Annual Incentive Plan (the "KGF Incentive Plan") and (ii) amounts allocated from employer contributions to the Philip Morris Deferred Profit-Sharing Plan (the "Philip Morris Profit-Sharing Plan") and the Kraft Thrift Plan. Does not include (i) personal benefits received by the named individuals and the group that did not exceed the minimum reportable amounts, (ii) amounts accrued in 1989 as a result of awards earned for the 1987-1988 performance period under The Philip Morris 1987 Long Term Incentive Plan (the "Philip Morris Long Term Plan") or (iii) amounts accrued pursuant to the 1989 Kraft Special Award Plan.

Certain Agreements. The Company has entered into change of control employment agreements with all of its executive officers. The agreements provide that if the executive is terminated other than for cause within three years after a change in control of the Company, or if the executive terminates his employment for good reason or voluntarily during the thirty-day period following the first anniversary of the change of control, the executive is entitled to receive a lump sum severance payment equal to two and one-half times the sum of his base salary and highest annual bonus and certain other payments and benefits, including continuation of employee welfare benefits. An additional payment is required to compensate the executive for excise taxes imposed upon payments under the agreements.

Mr. Bring has entered into an employment agreement with the Company which provides, among other things, for a base salary in 1990 of \$350,000 and annual increases thereto under certain conditions and participation in retirement and other benefit plans.

Prior to the acquisition of Kraft by the Company, Messrs. Miles and Richman, as well as certain other executives of Kraft, had entered into employment agreements with Kraft, which, among other things, provided for a lump sum cash payment upon termination of employment other than for cause. Following the acquisition of Kraft, these employment agreements were replaced with new agreements between the Company and the executives. These new agreements established, in most cases, a deferred incentive payment account to which was credited a specific number of shares of Common Stock. The account will be credited with any increase in the market value of the number of shares credited to the account together with the market value of shares of Common Stock resulting from the reinvestment of dividends; the account will, if necessary, be credited on February 15, 1991 with an additional number of shares of Common Stock so that the aggregate value of shares credited will not be less than the lump sum payment plus interest. In the event of termination of employment, the employee will be entitled to the deferred incentive payment and the continuation of medical, dental and life insurance benefits but, if such termination occurs prior to February 15, 1991, will not be entitled to payments under any severance plan or policy other than the change of control agreements described above. In the event of involuntary termination of employment without cause after February 15, 1991, the employee will be entitled to a lump sum cash payment based upon his then current base salary and most recent applicable annual incentive compensation or a payment pursuant to the severance plan or policy applicable to the employee, whichever is greater. If receipt of the deferred incentive payment subjects the employee to any Federal excise tax, the Company has agreed to make additional payments to place the employee in the position that would have existed had no such excise tax been payable. Mr. Miles' account was originally credited with 109,028 shares of Common Stock and the accounts of all executive officers as a group were originally credited with 302,980 shares of Common Stock. Upon his retirement in December 1989, Mr. Richman received 198,856 shares of Common Stock that had been credited to his account.

An executive officer who is not a director has entered into an employment agreement with the Company which provides, among other things, for minimum compensation and participation in retirement and other benefit plans.

Philip Morris Incentive Plan. Under the Philip Morris Incentive Plan, awards, out of an incentive compensation reserve (the "Reserve") to which amounts are credited by the Board, are made annually to middle management and senior executives to recognize and reward exceptional performance. No award can exceed 100% of an employee's highest annual salary rate during the prior year. The maximum amount which can be credited to the Reserve for any one year is the lesser of (i) 7% of the amount by which the Company's consolidated pre-tax earnings for that year less \$475,000,000 is greater than 15% of the amount by which stockholders' equity on a consolidated basis as of December 31 of that year exceeds \$1,425,000,000 and (ii) 8% of the amount of cash dividends declared on the Common Stock during that year. In the event of a change of control, an employee who was a participant prior to the change in control shall, under defined circumstances, be entitled to an award equal to the one received in the prior year.

Philip Morris Long Term Plan. Under the Philip Morris Long Term Plan, the Compensation Committee is authorized to grant to officers and other key employees long term performance awards payable in cash and stock options, stock appreciation rights ("SARs"), restricted stock, deferred stock and stock

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purchase rights for up to 32,000,000 shares of Common Stock. In the event of a change of control or potential change of control of the Company, the Compensation Committee or the Board may determine that outstanding long term performance awards will be vested and paid out on a prorated basis, all stock options and SARs will become immediately exercisable, subject to certain conditions, the restrictions and deferral limitations applicable to outstanding restricted stock awards will lapse and the shares in question will fully vest and the value of all outstanding options, SARs and restricted stock awards, except as otherwise determined by the Compensation Committee, will be cashed out. In addition, at any time prior to or after a change of control or potential change of control, the Compensation Committee may accelerate awards and waive conditions and restrictions on any awards to the extent it deems appropriate.

Long Term Performance Awards. Under the Philip Morris Long Term Plan, the Compensation Committee may also grant long term performance awards. Such awards are based on corporate, business unit or individual performance over designated periods. Performance objectives may vary from participant to participant, group to group and period to period. Actual award payments will be tied to the performance criteria as adjusted to recognize individual achievements. During the 1987-1989 performance period, the Compensation Committee made awards to 69 key executives dependent upon the achievement of certain performance criteria during this period, including attainment of the Company's major objectives for these years, performances which compare favorably with competitors, and certain specified performance targets being met or exceeded. For this performance period, the following amounts, payable, in most cases, in three equal annual installments commencing in 1990, were accrued for Messrs. Maxwell, Murphy and Murray and all executive officers as a group: \$1,771,000; \$1,108,500; \$945,788; and \$8,626,034.

In January 1990, the Compensation Committee made awards to Messrs. Maxwell, Miles, Murphy, Murray and 16 executive officers as a group, dependent upon the achievement of specified performance criteria for the three-year period 1990-1992.

Stock Options. A description of options granted under the Philip Morris Long Term Plan appears below under the caption "Philip Morris Stock Option and Stock Unit Plans."

Restricted Stock. In 1989, the Compensation Committee awarded to Messrs. Maxwell, Miles, Murphy, Murray and Richman and to all executive officers as a group, 40,000, 48,000, 20,000, 40,000, 20,000 and 316,000 shares, respectively, of Common Stock subject to certain restrictions ("restricted stock"). Prior to the lapse of these restrictions, the participant has all rights of a stockholder with respect to the shares except that such shares are non-transferable. If a participant to whom shares of restricted stock are granted terminates employment for any reason (other than death, disability or retirement) prior to the lapse or waiver of the restrictions, the Company has the right to cause the forfeiture of the shares. If the Compensation Committee determines that special hardship circumstances have occurred with respect to a participant whose employment is terminated involuntarily (other than for cause), it may waive, in whole or in part, any remaining restrictions with respect to the restricted stock.

Philip Morris Profit-Sharing Plan. The Company maintains the Philip Morris Profit-Sharing Plan for certain employees. The Company contributes to a trust fund after the end of each calendar year an amount equal to the lesser of (i) 3% of consolidated earnings for such year before income taxes and

before deduction of the sum to be contributed to the Philip Morris Profit-Sharing Plan, the Philip Morris Incorporated Deferred Profit-Sharing Plan and amounts allocated or paid pursuant to incentive compensation plans including the Philip Morris Incentive Plan and the Philip Morris Long Term Plan and (ii) 15% of the aggregate annual compensation of the participants among whom the contribution is to be allocated. The employer's contribution for each year is allocated among participants in the proportion which the compensation for such year of each such participant bears to the aggregate compensation for such year of all such participants. Distribution of the part of a participant's share in the trust fund which is attributable to the employer's contribution is normally made after the participant ceases to be an employee. Contributions are not made to the extent the amount thereof would exceed the maximum permissible under the Internal Revenue Code. Each participant to whom such contributions would have been allocated receives credit therefor on the books of the Company, with payment to the participant to be made from the Company's general funds rather than from the Philip Morris Profit-Sharing Plan trust fund. For each of the two years following the year in which a change of control occurs, the Company will make a contribution equal to the lesser of (i) the percentage contribution made in the year prior to the change of control or (ii) 10% of the aggregate compensation of the participants.

Philip Morris Pension Plan. The Company maintains a non-contributory retirement plan (the "Retirement Plan") for the benefit of certain employees. The Retirement Plan currently provides that full retirement allowances are payable upon retirement at the normal retirement age (generally age 65); such annual retirement allowances are computed at the rate of 1¼% of average compensation received during the 60 highest paid consecutive months of the last 120 months of an employee's accredited service ("five-year average compensation") not in excess of the applicable social security integration level, plus 1¾% of that portion of five-year average compensation in excess of such social security integration level, multiplied by the number of years of accredited service. However, there is a minimum benefit equal to 1½% of the first \$17,000 of five-year average compensation multiplied by not in excess of 30 years of accredited service. "Compensation" is defined as base pay plus overtime and the full amount of any awards under the Philip Morris Incentive Plan. The Company anticipates that the Retirement Plan will be amended in 1990 in accordance with the requirements of the Internal Revenue Code.

Examples of annual full retirement allowances payable under the Retirement Plan are set forth in the following table. The examples, which assume retirement at the normal retirement age of 65 and an election not to have payments continue for the benefit of a surviving spouse, are based upon the social security integration level in effect for the calendar year 1990. However, full retirement allowances (based upon the number of years of accredited service to date of retirement) or in some instances actuarially reduced retirement allowances are payable upon retirement at earlier ages. The allowances set forth in the table would be reduced if benefits are payable after a retiree's death to a surviving spouse. The Retirement Plan provides an allowance to the surviving spouse of an employee who has a vested right to any portion of a retirement allowance and dies prior to the commencement of benefits. The survivor allowance is equal to 50% of the actuarially reduced retirement allowance the employee had earned to the date of death and is further actuarially reduced if paid prior to specified ages.

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An employee with more than 35 years of accredited service is limited to the greater of a full retirement allowance based upon 35 years of service and five-year average compensation, including Philip Morris Incentive Plan awards, or a full retirement allowance based on all service and five-year average compensation, excluding such awards.

Five-year average compensation	Years of service				
	5	10	20	30	35
\$ 250,000	\$ 21,411	\$ 42,823	\$ 85,647	\$ 128,470	\$ 149,882
500,000	43,286	86,573	173,147	259,720	303,007
750,000	65,161	130,323	260,647	390,970	456,132
1,000,000	87,036	174,073	348,147	522,220	609,257
1,250,000	108,911	217,823	435,647	653,470	762,382
1,500,000	130,786	261,573	523,147	784,720	915,507
1,750,000	152,661	305,323	610,647	915,970	1,068,632
2,000,000	174,536	349,073	698,147	1,047,220	1,221,757

At February 1, 1990, Messrs. Maxwell, Murphy and Murray had accredited service of 36, 28 and 20 years, respectively.

Annual benefits payable under the Retirement Plan up to the maximum permitted under the Internal Revenue Code (at age 65, generally the greater of \$102,582 or the accrued benefit as of December 31, 1982) will be paid from the assets of the Company's Retirement Plan trust. Benefits in excess of the maximum permissible benefit are payable from the Company's general funds. In the event of a change of control, each participant is entitled to a lump sum payment equal to the actuarial equivalent of the accrued excess benefit.

The Retirement Plan provides that, upon a change of control and for a period of ten years thereafter, each employee will have a non-forfeitable right to 100% of the retirement allowance accrued as of such change of control and the assets of the Plan (including any surplus) will be preserved for the exclusive purpose of providing benefits to employees, retired employees and their beneficiaries. During the ten-year period following a change of control, no action may be taken which would effect a termination of the Plan or reduction or cessation of future benefit accruals, a merger or consolidation of the Plan, a transfer to any other employee benefit plan or any other entity of any assets of the Plan, an assumption by the Plan of any liabilities of any other employee benefit plan or other entity or person or amendments materially reducing the assets available for employees, retired employees and their beneficiaries.

The Company has adopted the Supplemental Management Employees' Retirement Plan (the "Supplemental Plan") to provide for the payment of retirement benefits to selected key employees and their beneficiaries in addition to those payable under the Retirement Plan. The Supplemental Plan was adopted to provide benefits to those key employees who would otherwise receive retirement benefits which, because of the terms of the Retirement Plan applicable to such employees, could not reflect their experience prior to employment with the Company or would not be appropriate under the circumstances. Pursuant to the Supplemental Plan, the Company can provide supplemental allowances which

recognize as accredited service previous service deemed to be of special value to the Company, supplemental allowances at a stated dollar amount or equal to a stated percentage (not exceeding 60%) of five-year average compensation or which accrue faster than the accrual rate permitted under the Retirement Plan or which have the effect of waiving actuarial reductions for benefits commencing at an age which would require such reductions when paid under the Retirement Plan.

The Supplemental Plan provides that, upon a change of control, accrued benefits become fully vested, the assets necessary for the payment of accrued benefits are allocated to each participant's account and each participant is entitled to a lump sum payment equal to the actuarial equivalent of such accrued benefit.

Philip Morris Long Term Disability Plan. The Philip Morris Long Term Disability Plan protects certain employees of the Company against loss of income due to long term disability. Prior to age 65 (or, if disabled after age 60, for a period not to exceed five years), the maximum annual benefit is up to 50% of the employee's base compensation. At age 65 (or such other age as aforesaid), benefits cease unless the employee had five years of accredited service at the time of disability, in which case benefits will be payable in an amount equal to a full retirement allowance under the Retirement Plan computed as if the employee had worked during the entire period of disability (until age 65 or such other age as aforesaid) at the employee's compensation in effect at the time of disability.

Philip Morris Survivor Income Benefit Plan. The Philip Morris Survivor Income Benefit Plan provides annual income benefits to the families of certain deceased salaried employees of the Company. Subject to certain exceptions, the spouse of an employee who dies while in active service and prior to age 65 receives, until the date the employee would have attained age 65, an annual amount, commencing in the fifth year after the employee's death, equal to 25% of the employee's base annual compensation at the time of death. Benefits cease when the employee would have attained age 65, unless the employee had five years of accredited service at the time of death, in which case the spouse will receive an annual amount for life equal to what he or she would have received under the Retirement Plan if the employee had lived and had remained in the employ of the Company to age 65 at the compensation in effect at death. Benefits are reduced by the amount of certain other employee benefits. If the employee dies after retirement and no benefits are payable to the surviving spouse under the Retirement Plan, the annual income payments equal 50% of the employee's actuarially reduced retirement allowance. In certain instances, benefits are also payable to dependent children. In certain instances, similar benefits will be paid under the Supplemental Plan to persons not eligible to receive benefits under the Philip Morris Survivor Income Benefit Plan. Upon a change of control, the assets of the Plan will be preserved for the exclusive purpose of providing benefits to beneficiaries and no action may be taken during the ten-year period following a change in control which would effect a termination of the Plan, a transfer to any other employee benefit plan or any other entity of any assets of the Plan, an assumption by the Plan of any liabilities of any other employee benefit plan or other entity or person or amendments which materially reduce the assets available for beneficiaries under the Plan.

Philip Morris Stock Option and Stock Unit Plans. In 1977, the stockholders approved the 1977 Stock Unit Plan. Under this plan, units were granted to key employees of the Company. No further units

may be granted, but outstanding units may still be exercised until their expiration, which is generally ten years from date of grant. After termination of employment, unexercised units with respect to which the right of exercise had accrued may be exercised for varying periods of time (depending, in most instances, on the reason for termination). Subject to certain exceptions with respect to persons who are subject to Section 16(b) of the Securities Exchange Act of 1934, upon exercise of a unit the unit holder is entitled to do one of the following: purchase one share of Common Stock of the Company at not less than its fair market value on the date the unit was granted (the "unit price"); or receive, in the form of Common Stock or Common Stock and cash, the amount by which the fair market value of a share of Common Stock on the date of exercise of the unit exceeds the unit price (the "Appreciation Value" of such unit), provided, however, that such unit holder at the same time exercises a second unit and purchases one share of Common Stock of the Company; or receive, in the form of Common Stock or Common Stock and cash, an amount equal to one-half of the Appreciation Value of such unit on the date of exercise (the "Reduced Appreciation Value"). No unit holder may, upon exercise, receive in cash more than one-half of the Appreciation Value or Reduced Appreciation Value of all of the units such unit holder exercises at such time. With the exception of certain units which are treated as "incentive stock options", upon exercise of a unit in order to purchase a share of Common Stock, the purchase price may be paid in whole or in part by delivery of shares of Common Stock of the Company owned by the unit holder.

In 1982, the stockholders approved the 1982 Stock Option Plan (the "1982 Plan"). Under the 1982 Plan, options to purchase shares of Common Stock at fair market value on date of grant were granted to employees performing services of special importance to the management, operation and development of the Company. No further options will be granted under the 1982 Plan, but outstanding options may still be exercised until their expiration, which is generally ten years from date of grant. After termination of employment, unexercised options with respect to which the right of exercise had vested (including an acceleration of vesting if termination occurs by reason of death, disability or retirement) may be exercised for varying periods of time (depending upon date of grant of the option and the reason for termination).

Under the 1982 Plan, the shares for which any one employee was granted options in any calendar year did not exceed \$100,000 plus any "unused limit carryover" (as defined in Section 422A of the Internal Revenue Code), except that in certain cases options ("Supplemental Options") were granted in excess of this annual limitation, in most instances to executive officers. The purchase price, which may be paid in whole or in part by the delivery of shares of Common Stock of the Company owned by the optionee, is not less than the mean of the high and low prices of the Common Stock on the New York Stock Exchange on date of grant.

Supplemental Options under the 1982 Plan generally become exercisable on a cumulative basis in 25% installments on each anniversary of date of grant. Upon termination of employment, no option may be exercised with respect to any shares as to which the right of exercise had not accrued, except that, upon the retirement of an optionee who has attained age 60, has at least five years of service and is no more than five years from normal retirement age, all options become immediately exercisable in full. However, as a result of amendments adopted with stockholder approval in 1987, the Compensation

Committee has discretion to accelerate the vesting of Supplemental Options at any time and to incorporate the provisions of the Philip Morris Long Term Plan relating to option cash outs, stock appreciation rights, option settlements with deferred or restricted stock and change-in-control.

The Philip Morris Long Term Plan permits the granting of non-transferable stock options that either qualify as incentive stock options ("ISOs") under Section 422A of the Internal Revenue Code or do not so qualify ("Non-Qualified Options"). The option exercise price for each share covered by an option will, unless a higher price is determined by the Compensation Committee, be the fair market value of such share on date of grant and, if the Compensation Committee so determines, may be paid by delivery of Common Stock.

The term of each option may not exceed ten years from date of grant in the case of an ISO or ten years and one day in the case of a Non-Qualified Option. The Compensation Committee determines at what time or times each option may be exercised. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Compensation Committee.

In the event of termination of employment by reason of normal retirement at or after age 65, approved early retirement, long term disability or death, an option may thereafter be exercised (to the extent it was then exercisable) for various periods, subject to the stated term of the option. If an optionee whose employment is terminated by reason of retirement or long term disability dies while the option is still exercisable, the option will be exercisable for at least one year following death, subject to the stated term of the option. The Compensation Committee may at or after date of grant provide for acceleration of the exercisability of options upon termination of employment by reason of retirement, disability or death.

If an optionee's employment terminates for any reason other than retirement, disability or death, such options terminate, except that such options may be exercised for three months, subject to the stated termination of the option, if the optionee's employment is terminated involuntarily without cause.

The Philip Morris Long Term Plan also permits the Compensation Committee to cash out options for cash or Common Stock and to settle the spread values of options, upon exercise or cash out, in the form of deferred or restricted stock.

The following table shows, as to the five most highly compensated executive officers of the Company and to all executive officers as a group, (i) the number of shares for which options were granted during the calendar year 1989 and (ii) the net value of shares or cash realized during such year upon the exercise of options and units.

	<u>H.</u> <u>Maxwell</u>	<u>M.</u> <u>Miles</u>	<u>J.A.</u> <u>Murphy</u>	<u>W.</u> <u>Murray</u>	<u>J.</u> <u>Richman</u>	<u>Group</u>
Granted:						
Number of shares(1) . .	140,000	72,000	72,000	72,000	72,000	765,800
Exercised:						
Net value realized in shares or cash(2) . .	\$2,805,000	\$ 0	\$4,480,358	\$1,403,902	\$ 0	\$11,759,929

(1) The per share exercise price for options granted was \$35.42188.

(2) Represents market value less exercise price in the case of options and Appreciation Value or Reduced Appreciation Value in the case of units.

Kraft General Foods Annual Incentive and Special Award Plans. Mr. Miles and one other executive officer of the Company and certain key employees of Kraft General Foods are eligible to participate in the Kraft General Foods Annual Incentive Plan. As a result of the acquisition of Kraft by the Company, the Kraft Performance Unit Plan was terminated at the end of 1988, one year prior to the end of the normal three-year performance cycle. Accordingly, special awards for the year 1989, based upon the performance of Kraft General Foods, Inc. in 1989, were accrued for the benefit of Messrs. Miles and Richman in the amount of \$590,659 and \$722,181, respectively.

Kraft Retirement Plan. Mr. Miles is eligible to participate in the Kraft Retirement Plan. The Plan, prior to January 1, 1989, contained contributory and non-contributory components and specified different levels of pension benefits for periods of contributory and non-contributory service. Most participants elected to contribute. The Plan was amended, effective January 1, 1989, to eliminate the contributory component and to provide all participants with benefits at the level previously applicable for contributory service, all on a prospective basis.

Prior to January 1, 1989, the participant contribution rate under the Plan was (i) 1% of "covered compensation" (generally consisting of wages, salaries, overtime pay, bonuses under annual incentive plans and certain deferred compensation contributed to a tax-qualified thrift plan) up to the Social Security taxable wage base, plus (ii) 2% of covered compensation above such wage base. Effective January 1, 1989, five years of service (formerly ten years of service) are required for vesting, except that participant contributions are always 100% vested. Subject to certain "grandfather" provisions, the annual pension benefit payable to all participants (but limited to contributory service prior to January 1, 1989) upon retirement at age 62 or later is equal to (i) $1\frac{3}{4}\%$ of "final average pay" (consisting of the average annual covered compensation for the five highest-paid years during the last ten years of service) times years of service up to 30, less (ii) $1\frac{2}{3}\%$ of the then current primary Social Security benefit times years of contributory service up to 30, subject to non-statutory integration requirements effective January 1, 1989, plus (iii) $\frac{1}{2}$ of 1% of final average pay times years of contributory service in excess of 30. For periods of non-contributory service, the annual pension benefit is \$48 for each year of service prior to January 1974, and \$72 for each year of service thereafter but prior to January 1, 1989. Application of the joint and survivor form of benefit or the election of other payment options would reduce annual pension benefits, as would early retirement in cases where payments commence before age 62.

The following table shows estimated annual pension benefits under the formula described above payable on a straight life annuity basis upon retirement at age 62 or later to participants whose final average pay and years of service are as indicated. Since participant contributions could be substantial in individual cases, the benefit amounts shown in the table may be attributable in certain instances to participant contributions to a significant degree, depending upon retirement date and years of service.

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Final Average Pay	Years of Service			
	10	20	30	40
\$ 250,000	41,800	83,600	125,400	137,900
500,000	85,550	171,100	256,650	281,650
750,000	129,300	258,600	387,900	425,400
1,000,000	173,050	346,100	519,150	569,150
1,250,000	216,800	433,600	650,400	712,900
1,500,000	260,550	521,100	781,650	856,650
1,750,000	304,300	608,600	912,900	1,000,400
2,000,000	348,050	696,100	1,044,150	1,144,150

At February 1, 1990, Mr. Miles had 7 years of service.

Kraft Thrift Plan. Mr. Miles and one other executive officer are eligible to participate in the Kraft Thrift Plan. This Plan permits participants to contribute on a tax-deferred basis from 1% to 16% (subject, in the case of highly compensated employees, including the two executive officers mentioned above, to lower limits imposed by the Tax Reform Act of 1986) of "covered compensation."

Employer contributions under the Plan were 75% of each participant's contributions up to 6% of covered compensation for 1989. The vesting schedule for employer contributions provides for vesting at the rate of 25% after two years of service, increasing by 25% per year thereafter until participants are 100% vested after five years of service. Participant contributions are always 100% vested. Distribution of participant contributions and vested employer contributions, together with all accruals thereon, normally is made upon termination of employment in the form of a lump sum payment or, if the participant elects, an annuity.

The Kraft Retirement Plan and the Kraft Thrift Plan have limitations on contributions and benefits complying with the restrictions contained in the Internal Revenue Code. Supplemental payments will be made in certain instances to provide the benefits that would be payable under such plans but for such limitations.

SELECTION OF AUDITORS (Proposal 2)

The Audit Committee has recommended to the Board that Coopers & Lybrand, which firm has been the independent accountants of the Company since 1933, be continued as auditors for the Company. The stockholders are being asked to approve the Board's decision to retain Coopers & Lybrand for the fiscal year ending December 31, 1990. A representative of Coopers & Lybrand will be present at the

meeting. The representative will be given an opportunity to make a statement if he desires to do so and will be available to answer questions.

The Board recommends a vote FOR Proposal 2.

STOCKHOLDER PROPOSALS (Proposals 3 and 4)

The Company has been advised that two stockholder proposals will be presented at the annual meeting. The proposals contain certain assertions that the Board believes are inaccurate, if not false and misleading. Rather than refuting each of these assertions, however, your Board has strongly recommended a vote **AGAINST** each of these two proposals for the broader policy reasons set forth following each proposal. The affirmative vote of a majority of the shares voted is required to adopt each proposal. The names and addresses of the stockholders submitting these proposals and information concerning their share ownership will be furnished by the Company to any person requesting such information.

(Proposal 3)

WHEREAS, an estimated 38% of high school seniors have smoked in the last month, thus making them "regular smokers" (National Institute for Drug Abuse);

- half of these children regularly smoke Marlboros;
- of all children alive in the U.S.A. in 1989, 5,000,000 are predicted to be killed prematurely by cigarette smoking, with at least 39% of these deaths attributable to Philip Morris products;
- according to NIDA more children are more addicted to cigarettes than to heroin, cocaine, and PCP;
- children have been found not to know that cigarette smoking is addictive or to underestimate health-hazards caused by smoking;
- studies show the imagery used with Marlboro advertising appeals to children;
- Federal and State legislation is pending restricting tobacco products to minors;
- our Company is being sued in the Commonwealth of Massachusetts for illegally selling tobacco products to children;
- it is estimated that our Company realizes about \$45,000,000 in annual profits from illegal sales of Marlboros to U.S. children;
- our Company has aggressively tried to keep children from using our Marlboro lighters;

RESOLVED, that a Review Committee composed of no more than twelve members (one half selected by the Board and one half by the U.S. Surgeon General and this resolution's proponents) be in place

by September 1, 1990. This Review Committee shall report to the Board by September 1, 1991 its findings regarding:

1. the impact promotional practices and sampling has on children's decisions to smoke our Company's brands;
2. a specific evaluation of how promotional techniques such as advertisements and sponsorships of sporting and music events, paid product placements in movies viewed by children, as well as free sampling affect children's purchase of our Company's cigarette products;
3. what policies/practices our Company might implement to insure that minors not be targeted with the above, inducing them to buy our cigarette products;
4. the possibility of our Company considering the adoption of a policy that profits realized by the illegal sale of our cigarette products to minors be transferred to public health organizations (such as state health departments) for anti-smoking campaigns geared to under-age children and enforcement of laws to insure the non-sale of our cigarette products to children.

FURTHER RESOLVED, that by January 1, 1992 this Review Committee's recommendations, together with such plans, if any, as management may have to implement those recommendations, be made available to all requesting shareholders.

Supporting Statement

Our Company doesn't condone illegal sales of its products; yet millions of underage children regularly and illegally smoke our Company's cigarettes. The profit realized is "blood money" which should not benefit the board, management, or shareholders.

A sign of our Company's commitment to stop this illegal activity at its source would be a serious consideration of this proposal. If you agree please vote "yes."

The Board recommends a vote AGAINST Proposal 3.

The Board believes that this proposal is contrary to the business interests of the Company and urges the stockholders to vote against it.

The purpose of the Company's cigarette advertising and promotional activities is to persuade smokers to purchase our brands rather than those marketed by our competitors. These activities are not directed to minors; nor are they intended to induce anyone to smoke. The Company does not believe, as the proposal assumes, that its advertising for Marlboro cigarettes induces minors to smoke. There is no definitive evidence to support that proposition.

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The Board believes that the Committee called for by the proposal would serve no useful purpose, and would tend to usurp areas of business judgment properly reserved to the Board under applicable corporate law. Moreover, the proposed expenditure of Company profits for anti-smoking campaigns would be a waste of the stockholders' money.

Therefore, your Board urges that you vote **AGAINST** the proposal.

(Proposal 4)

WHEREAS In the U.S.A. cigarette smoking kills more people than heroin, cocaine, alcohol, AIDS, fires, homicide, suicide, and automobile accidents combined;

—Cigarette-smoking is an air pollutant more cancer-causing than many widely-banned toxic chemicals;

—Children of smokers more readily suffer bronchitis, pneumonia, and other respiratory problems than non-smokers' children;

—In the U.S.A. alone, health care costs attributed to smoking-caused disease has been estimated at \$22 billion, with loss of work-years and productivity estimated at \$43 billion;

—While the tobacco industry has proclaimed concern for the economic fate of small tobacco farmers, their economic interests have been consistently subverted when cheaper imported tobacco could be purchased;

—An estimated 2,500,000 tobacco-related deaths occur world-wide annually, with 250,000 of these attributable to our Company, due to its global market share;

—An increasing amount of Third World income pays for cigarettes. In the Philippines, where Marlboro is the second most popular brand, 12% of family income goes for cigarettes;

—The expropriation of tobacco profits by our Company and others in the global tobacco industry contributes to the deficit balance of payments of most developing nations;

—63% of the world's tobacco is grown in developing countries. WHO estimates 5% of all trees felled are used in tobacco curing. This contributes to global warming;

—The suffering and death-toll rising from tobacco use is expected to reach 4,000,000 people by 2000.

—The Director General of WHO called for a 21st century "free of tobacco-related diseases," while the U.S. Surgeon General proposed the U.S.A. become smoke-free by 2000;

—Our Company is diversifying from concentration on tobacco products into financial services and real estate, beverages and food (including its recent purchases of General Foods [\$5.7 billion] and Kraft [\$12.7 billion]);

THEREFORE BE IT RESOLVED that shareholders request the Board to initiate the process of amending Article II of the Company's Articles of Incorporation by adding the italicized words set forth below:

The purpose for which the Corporation is organized is to transact any lawful business not required to be specifically stated in the Articles of Incorporation, *except that, after December 31, 1999, the Corporation shall not conduct any business in tobacco or tobacco products.*

BE IT FURTHER RESOLVED that the Board take the necessary steps between now and then to implement this change.

Supporting Statement

Consistent data that cigarette-smoking causes serious health hazards hasn't been refuted by our Company and the tobacco industry despite their repeated efforts.

There is nothing unprecedented about regulating production of hazardous products. Cigarettes, if used as intended, cause addiction, illness, misery, and death. Cigarettes are unique because there is no way to prevent addiction and eliminate smoking risks except to stop cigarette production. It would be criminal for society to fail to protect non-smokers and prevent recruiting a new generation of smokers (American Cancer Society).

If you agree and want to make our world healthier for the next generation, please vote in favor of this resolution and make Philip Morris smoke-free by 2000.

The Board recommends a vote AGAINST Proposal 4.

The proposal would require the Company to withdraw from its domestic and international cigarette business within 10 years. The cigarette business is the Company's original core business. It has been and remains an important and lawful business. It is a major contributor to the Company's profitability. The Board believes that the proposal is ill-conceived and would be highly detrimental to the Company.

Decisions relating to the nature of the Company's businesses, including whether to continue its operations in the tobacco business, must be based on detailed and complex financial, economic, technical, proprietary and legal information. The determination whether to acquire, maintain, or divest a particular business should be made by the Board and management, which have the necessary capability and knowledge to evaluate all of the relevant information and data. The proposal ignores all of these important considerations.

Therefore, your Board urges that you vote **AGAINST** the proposal.

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OTHER MATTERS

Management knows of no other business which will be presented to the meeting, except that it has been advised that a stockholder proposal not included herein may be presented. If other matters properly come before the meeting, including the proposal omitted from this proxy statement and accompanying proxy pursuant to the rules of the Securities and Exchange Commission, the persons named as proxies will vote on them in accordance with their best judgment.

The cost of this solicitation of proxies will be borne by the Company. In addition to the use of the mails, some of the officers and regular employees of the Company may solicit proxies by telephone and telegraph, will request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of Common Stock held of record by such persons and may also verify the accuracy of marked proxies by contacting record and beneficial owners of Common Stock. The Company will reimburse such persons for expenses incurred in forwarding such soliciting material. It is contemplated that additional solicitation of proxies will be made in the same manner under the engagement and direction of D.F. King & Co., Inc., 77 Water Street, New York, N.Y. 10005, at an anticipated cost to the Company of \$20,000 plus reimbursement of out-of-pocket expenses.

1991 ANNUAL MEETING

Stockholders wishing to suggest candidates to the Nominating Committee for consideration as directors may submit names and biographical data to the Secretary of the Company.

Proposals of stockholders intended to be presented at the Annual Meeting scheduled to be held April 25, 1991 must be received on or before November 15, 1990 to be included in the Company's proxy statement and proxy for that meeting.

The Company's By-Laws prescribe the procedures a stockholder must follow to nominate directors or to bring other business before stockholders meetings. For a stockholder to nominate a candidate for director at the 1991 Annual Meeting, notice of the nomination must be given to the Company between October 16 and November 15, 1990. The notice must describe various matters regarding the nominee, including the name, address, occupation and shares held. For a stockholder to bring other business before the 1991 Annual Meeting, notice must be given to the Company within the time limits described above. The notice must include a description of the proposed business, the reasons therefor, and other specified matters. In each case the notice must be given to the Secretary of the Company, whose address is 120 Park Avenue, New York, New York 10017. Any stockholder desiring a copy of the Company's By-Laws will be furnished one without charge upon written request to the Secretary.

Donald Fried
Vice President and Secretary

March 15, 1990

IBM card that D.F. King uses

PROXY

PHILIP MORRIS COMPANIES INC.
Proxy Solicited on Behalf of the Board of Directors
Annual Meeting April 26, 1990

Hamish Maxwell, John A. Murphy and Murray H. Bring, and each of them, are appointed attorneys with power of substitution to vote, as indicated on the reverse side hereof on proposals 1, 2, 3 and 4 and in their discretion upon such other business as may properly come before the meeting, all shares of the undersigned in Philip Morris Companies Inc. (the "Company") at the annual meeting of stockholders to be held at the Philip Morris Manufacturing Center, Richmond, Virginia, April 26, 1990, at 9:30 A.M., and at all adjournments thereof.

Election of Directors. Nominees:

Elizabeth E. Bailey, Murray H. Bring, Alfred Brittain III, Harold Brown, J. A. Cordido-Freytes, William H. Donaldson, Paul W. Douglas, Jane Evans, Robert E. R. Huntley, Hamish Maxwell, Elizabeth J. McCormack, Michael A. Miles, T. Justin Moore, Jr., Rupert Murdoch, John A. Murphy, William Murray, Richard D. Parsons, John S. Reed, John M. Richman, Hans G. Storr and Margaret B. Young.

This card also serves to instruct the administrator of the Company's dividend reinvestment and voluntary cash payment plan and the trustee of any defined contribution plan sponsored by the Company or any of its subsidiaries how to vote shares held by it for a stockholder or employee participating in any such plan.

SEE REVERSE SIDE. If you wish to vote in accordance with the Board of Directors' recommendations, just sign on the reverse side. You need not mark any boxes.

SEE REVERSE SIDE

This proxy when properly executed will be voted in the manner directed herein. If no direction is made, this proxy will be voted **FOR** the election of directors, **FOR** the selection of auditors and **AGAINST** proposals 3 and 4.

The Board of Directors recommends a vote FOR Proposals 1 and 2.						
1. Election of Directors (see reverse)	FOR	WITHHELD	2. Selection of Auditors	FOR	AGAINST	ABSTAIN
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For, except vote withheld from the following nominees:						

The Board of Directors recommends a vote AGAINST Proposals 3 and 4.			
	FOR	AGAINST	ABSTAIN
3. Stockholder Proposal regarding advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Stockholder Proposal regarding cessation of tobacco business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The signer hereby revokes all proxies heretofore given by the signer to vote at said meeting or any adjournments thereof.

SIGNATURE(S) _____

DATE _____

NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

2048131050

PHILIP MORRIS COMPANIES INC
PO BOX 8000
LAKE SUCCESS, N.Y. 11042

Dear Client:

We have been requested to forward to you the enclosed proxy materials relative to shares carried by us in your account but not registered in your name. Such securities can be voted only by the holder of record.

We wish to inform you that under the rules of the New York Stock Exchange, we CANNOT vote your securities on one or more of the matters to be acted upon at the meeting without your specific instructions.

Accordingly, in order for your securities to be voted on all matters, please give your instructions above your signature on the attached proxy form and return it promptly in the enclosed business reply envelope. It is understood that, if you sign without otherwise marking the form, you wish to vote the securities as recommended by the Board of Directors on ALL matters to be acted upon at the meeting.

If we do not have your instruction by the tenth day before the meeting, we may vote your securities in our discretion to the extent permitted by the rules of the Exchange. If you are unable to communicate with us by such date, we will, nevertheless follow your voting instructions, even if the discretionary vote has already been given, provided your instructions are received prior to the stockholders' meeting.

Should you wish to have a proxy for your securities issued to yourself or others, we shall be pleased to issue the same. Please indicate by checking the box for this purpose in the lower part of the form. Use reverse of form if a legal proxy is to be issued and sent to other than yourself.

If your address as shown is incorrect, please contact your account representative.

Yours truly,
PHILIP MORRIS COMPANIES INC

PHILIP MORRIS COMPANIES INC
ATTN PATRICIA A MALZACHER
120 PARK AVE
NEW YORK NY 10017

1901818102

BEFORE MAILING, PLEASE DETACH THIS PORTION.

PROXY VOTE AUTHORIZATION FOR PHILIP MORRIS COMPANIES INC *** 193598
ANNUAL MEETING A 26, 1990 CUSIP 718154107 340,614,612 PHILIP MORRIS COMPANIES INC

DIRECTORS RECOMMEND: FOR THE ELECTION OF DIRECTORS, FOR THE SELECTION OF AUDITORS AND AGAINST PROPOSALS 3 AND 4

1) ELECTION OF DIRECTORS FOR all nominees listed below (except as marked to the contrary below) WITHHOLD AUTHORITY To vote for all nominees listed below

E E BAILEY, MURRAY H BRING, A BRITTAIN III, HAROLD BROWN, J CORDIDO-FREYTES, W H DONALDSON, PAUL W DOUGLAS, JANE EVANS, R E R HUNTLEY, HAMISH MAXWELL, E J McCORMACK, MICHAEL A MILES, T JUSTIN MOORE JR, RUPERT MURDOCH, JOHN A MURPHY, WILLIAM MURRAY, RICHARD D PARSONS, JOHN S REED, JOHN M RICHMAN, HANS G STORR, MARGARET B YOUNG

** To withhold authority to vote for any individual nominee, write that name on the line below. **

FOR AGNST ABSTN MARK AN 'X' IN THE APPROPRIATE BOX.

2) SELECTION OF AUDITORS

3) STOCKHOLDER PROPOSAL REGARDING ADVERTISING

4) STOCKHOLDER PROPOSAL REGARDING CESSATION OF TOBACCO BUSINESS

NOTE SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF

WISH TO ATTEND AND VOTE SHARES AT MEETING

82E544

ISSUER COPY 91*****

PHILIP MORRIS COMPANIES INC
ATTN PATRICIA A MALZACHER
120 PARK AVE
NEW YORK NY 10017

CLIENTS / POSITIONS

BANK	313	11,496
BROKER	193	55,117

FOLD ON ARROWS
TOP AND BOTTOM

DATE

SIGNATURE

Please date, sign and return this form in the enclosed envelope.

— FOLD HERE —

DID YOU REMEMBER TO: — SIGN THE FRONT OF THIS FORM?
— DATE THE FRONT OF THIS FORM?
— REMOVE THE STUB WHERE INDICATED?

PLEASE FOLD AS INDICATED AND RETURN IN THE ENCLOSED ENVELOPE

2048181052



ADP - PROXY SERVICES
42 BROADWAY - 12TH FLOOR
NEW YORK, NY 10004
(212) 908-8300

PHILIP MORRIS COMPANIES INC.
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 26, 1990
*** ISSUER CONFIRMATION COPY ***
CUSIP 718154107
20727 ITEMS 17861794 SHARES

60372 W

PROXY VOTING INSTRUCTIONS

To our Clients:

We have been requested to forward to you the enclosed proxy material relative to securities carried by us in your account but not registered in your name. Such securities can be voted only by the holder of record.

We wish to call your attention to the fact that, under the rules of the New York Stock Exchange, we cannot vote your securities on one or more of the matters to be acted upon at the meeting without your specific voting instructions.

Accordingly, in order for your securities to be voted on all matters, please give your instructions over your signature on the form and return it to us promptly in the business reply envelope, also enclosed. It is understood that, if you sign without otherwise marking the form, you wish us to vote the securities as recommended by The Board of Directors on all matters to be acted upon at the meeting. If we do not hear from you by the tenth day before the meeting, we may vote your securities in our discretion to the extent permitted by the rules of the Exchange.* If you are unable to communicate with us by such date, we will, nevertheless follow your voting instructions, even if our discretionary vote has already been given, provided your instructions are received prior to the meeting date.

Should you wish to attend the meeting and vote in person, please check this box, . A legal proxy covering your securities will be issued to you for this purpose.

Very truly yours,

*On the tenth day, if proxy material was mailed at least 15 days prior to meeting date; on the fifteenth day if proxy material was mailed 25 days or more prior to meeting date.

PFXXZ

DIRECTORS RECOMMEND: A VOTE FOR ELECTION OF DIRECTORS AND A VOTE FOR PROPOSAL(S) 2, AND AGAINST PROPOSAL(S) 3,4		
ELECTION OF DIRECTORS	1-	1-ELIZABETH E. BAILEY,2-MURRAY H. BRING,3-ALFRED BRITTAIN III,4-HAROLD BROWN,5-J.A. CORDIDO-FREYTES,6-WILLIAM H. DONALDSON,7-PAUL W. DOUGLAS,8-JANE EVANS,9-ROBERT E.R. HUNTLEY,10-HAMISH MAXWELL,11-ELIZABETH J. MCCORMACK,12-MICHAEL A. MILES,13-T. JUSTIN MOORE, JR.,14-RUPERT MURDOCH,15-JOHN A. MURPHY,16-WILLIAM MURRAY,17-RICHARD D. PARSONS,18-JOHN S. REED,19-JOHN M. RICHMAN,20-HANS G. STORR,21-MARGARET B. YOUNG
<input type="checkbox"/>	FOR ALL NOMINEES	
<input type="checkbox"/>	WITHHOLD ALL NOMINEES	
INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME LISTED ABOVE.		
FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		2 - SELECTION OF AUDITORS
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		3 - STOCKHOLDER PROPOSAL REGARDING ADVERTISING
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		4 - STOCKHOLDER PROPOSAL REGARDING CESSATION OF TOBACCO BUSINESS
NOTE SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF		

PHILIP MORRIS COMPANIES INC.
120 PARK AVENUE
NEW YORK, NY 10017

CONTROL NO.

ACCOUNT NO.

SIGNATURE

DATE

SIGNATURE IF HELD JOINTLY

DATE

2048181058