

PRESS RELEASE – CIET – THE REAL REASONS PHILIP MORRIS LEFT URUGUAY

PRESS RELEAST - CIET

WHAT ARE THE REAL REASONS PM LEFT URUGUAY?

PM has launched a press offensive, saying that the reasons for its departure from Uruguay are a result of the Uruguayan government's health policies implementation, with workers set up as the final victims of such policies.

We regret that the industry is callously using the job sources that sustain our families simply to extort and pressure public opinion, when the real reasons were to maximize PM's profits, and they were already outlined in their 2010 international strategy.

The real reason for the Abal/Philip Morris production plant closure in Uruguay is, in fact, a strategic decision by Philip Morris International to reduce operating costs and increase its profits, which is in keeping with the statements of that company's labor union representatives through Uruguayan media.

Although the company spokesman declares that the reasons for this are “**the excessive tax and regulatory measures and expanded smuggled cigarette market that have damaged profitability**”, company data belie this. PM has lost no market share in our country (they acknowledge having 21.7% of the market, a percentage that nearly doubles the share of previous years), so its profits certainly did not drop.

In its 2010 report, PM International in the **Productivity, Cost Savings and Working Capital Improvement Programs** sector, states that the company is embarked on a strategy of productivity improvement and cost reduction by developing a three-year plan to save 1.5 billion dollars in order for it to achieve the proposed plan, among other things.

- The internationalization of cigarette manufacturing which was formerly produced by PM U.S.
- The restructuring and streamlining of the Operations Centers in Europe and the regional offices in Asia, Latin America and Canada, including the implementation of shared service centers in Krakow **and Buenos Aires**.

This report adds that PMI's 2011 goal is an increase in gross productivity and 2011 cost savings of approximately \$250 million to be achieved through additional changes in product specifications, **improving manufacturing output**, and several acquisitions-related initiatives.

Regarding PM's statement that the health measures applied in Uruguay are "excessive", it should be asked: What steps should Uruguay have taken to confront a consumption that determined Uruguay to be the Latin American country with the highest lung cancer deaths in men (90% of those cancers due to tobacco), that Uruguay has the highest prevalence of Chronic Obstructive Pulmonary Disorder (COPD) with 80% of that sickness smoking related, and which is the cause of the death of over 5,000 Uruguayans each year?

Uruguay used "best international practices" and the international legal support provided it by the first public health world treaty, the Framework Convention for Tobacco Control. This treaty was ratified by the Uruguayan Parliament in the President Batlle era and its implementation applied during the administration of Dr. T. Vázquez. As a result of these steps, Uruguay has been internationally recognized a number of times and is considered as a model to follow.

PM's statements to the media also involve other inaccuracies.

They show that Uruguay is in fourth place worldwide for cigarette smuggling, and this is absolutely false. Uruguay's smuggling problem is not an isolated event. It is tied to the illegal trade of other products and must be confronted as a State problem. Lowering tobacco taxes and stepping back from tobacco control measures will not solve the problem.

Illegal tobacco trade is a serious problem that affects the public health of the most unprotected socioeconomic classes and reduces tax income. To solve this problem our country must support approval of the Illicit Tobacco Trade Protocol (Framework Convention attachment), which will be negotiated in March, 2012, in Geneva, and begin applying the principal measures this Protocol suggests.

At this point in the international arbitration between PM and Uruguay, at no time has a compensation figure ever been dealt with. So the two billion dollars quoted are part of a well orchestrated strategy to manipulate the press.

What is PM seeking with this strategy?

Obviously, to use a very sensitive subject for the Federal government, “the loss of jobs”, in order to pressure it in the arbitration process. In this respect, we must recognize, congratulate and support the statements of Chancellor Almagro on the matter.

The other hidden intention behind the strategy might be to use Uruguay again to “teach a lesson” to other undeveloped countries where there are PM factories that certainly must depend on more workers so that they dare not apply the measures used by Uruguay lest they suffer the same consequences.

We believe it is important for journalists, the media and the public to be aware of this information so that they can really have the elements to draw their own conclusions about this PM maneuver.

We give thanks in advance for the distribution of this information.

CIET = Centro de Investigación para la Epidemia del Tabaquismo [Smoking Epidemic Research Center]

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Information sources used in this report:

- 2009 World Tobacco Atlas
- PLATINO Regional Study on COPD Diseases
- World Health Organization Framework Convention on Tobacco Control.
- WHO Reports on the FCTC Illicit Tobacco Trade Protocol.

- Research Studies carried out by CIET.
 - PM 2010 International Report.
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