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PHILIP MORRIS COMPANIES INC. INTER-OFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: All Employees

DATE: February 11, 1999

FROM: Geoffrey C. Bible

SUBJECT: Punitive Damages in the Henley Case

First, let me make very clear that I am absolute in my belief that the jury verdict in San Francisco was wrong.

Second, the punitive damage award of \$50 million is outrageous. Right-minded people inside and outside our company will find it apparent that this jury could not separate fact and logic from prejudice and emotion.

We will mount a vigorous appeal and both the punitive damages award and the compensatory damage award should be reversed.

I regret that our employees must once again cope with a difficult situation. You have shown your mettle in the past and I have no doubt you will do so this time as well.

But make no mistake about it. We will do everything in our power to reverse the verdict and the punitive damage award. Our day-to-day work will go forward without interruption or pause. Let me assure you we are already marshaling our forces in preparation for the appeal.