



R.J. Reynolds Tobacco Holdings, Inc. Announces Initial Settlement of Tender Offer for its 7¾% Notes due 2006

Winston-Salem, N.C. – July 5, 2005 – Reynolds American Inc. (NYSE: RAI), announced today that its direct wholly owned subsidiary, R.J. Reynolds Tobacco Holdings, Inc. (RJR), has accepted for payment, and intends to promptly pay for, approximately \$309.5 million in principal amount, or approximately 62%, of its outstanding \$500 million aggregate principal amount of 7¾% Notes due 2006 (CUSIP Nos. 76182KAK1, 74960LBK1 and 74960LBL9) (the Notes) tendered pursuant to RJR's previously announced tender offer for those Notes. The Notes accepted for payment were all tendered on or prior to 5:00 p.m., New York City time, today (the Consent Date). The tender offer and the related consent solicitation to amend the indenture governing the Notes are described in the Offer to Purchase and Consent Solicitation Statement dated June 21, 2005 (the Offer to Purchase).

Pursuant to the Offer to Purchase, the total consideration for each \$1,000 principal amount of Notes validly tendered and not validly withdrawn on or prior to the Consent Date is \$1,029.90, plus accrued and unpaid interest up to, but not including, the initial settlement date, which is expected to be tomorrow, July 6, 2005. The total consideration was determined by reference to a fixed spread of 50 basis points over the yield to maturity of the 2.00% U.S. Treasury Note due May 15, 2006, based on the bid price for such security as of 2:00 p.m., New York City time, today.

Included in the total consideration is a consent payment of \$30 for each \$1,000 in principal amount of the Notes validly tendered, and consents delivered, on or prior to the Consent Date. Holders who tender Notes after the Consent Date are not eligible to receive the consent payment. Holders may not tender their Notes without delivering consents or deliver consents without tendering their Notes.

The consents are being solicited to eliminate substantially all of the restrictive covenants and one of the events of default contained in the indenture governing the Notes. As of the Consent Date, the requisite number of consents to amend the indenture had been received, and RJR currently intends to promptly execute, with the other parties to the indenture, a supplemental indenture to effect the amendments.

RJR intends to finance the payment for Notes tendered pursuant to the tender offer primarily with the proceeds from its private offering of \$300 million in aggregate principal amount of 6.500% Secured Notes due 2010 and \$200 million aggregate principal amount of 7.300% Secured Notes due 2015, which closed on June 29, 2005.

The Offer to Purchase will expire at 12:00 midnight, New York City time, on July 19, 2005, unless such date is extended or earlier terminated by RJR (the Expiration Date), and RJR intends, subject to the Offer to Purchase, to accept for payment and promptly pay for all remaining Notes validly tendered before the Expiration Date promptly following the Expiration Date.

Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as the dealer managers and solicitation agents for the tender offer and consent solicitation. Holders of the Notes can obtain copies of the Offer to Purchase and related materials from Global Bondholder Services Corporation, the information agent, at (212) 430-3774 or toll free at (866) 540-1500. Questions regarding the solicitation can be directed to either dealer manager, Citigroup Global Markets Inc. at (212) 723-6106 or toll free at (800) 558-3745, or J.P. Morgan Securities Inc. at (212) 834-3424 or toll free at (866) 834-4666.

Neither RJR or RAI, nor either dealer manager or the information agent, makes any recommendations as to whether holders should tender their Notes pursuant to the tender offer or consent to the proposed amendments to the indenture governing the Notes, and no one has been authorized by any of them to make such recommendations. Holders must make their own decisions as to whether to consent to the proposed amendments to the indenture and to tender Notes and, if so, the principal amount of Notes to tender.

This announcement is not an offer to purchase, a solicitation of an offer to

purchase, or a solicitation of consents with respect to the Notes nor is this announcement an offer to sell or solicitation of an offer to buy new securities of RJR.

Cautionary Information Regarding Forward-Looking Statements

Statements included in this news release that are not historical in nature are forward-looking statements. These statements regarding RAI's future performance and financial results inherently are subject to a variety of risks and uncertainties, described in the forward-looking statements. These risks and uncertainties include: the substantial and increasing regulation and taxation of the cigarette industry; various legal actions, proceedings and claims relating to the sale, distribution, manufacture, development, advertising, marketing and claimed health effects of cigarettes that are pending or may be instituted against RAI or its subsidiaries; the substantial payment obligations and limitations on the advertising and marketing of cigarettes under various litigation settlement agreements; the continuing decline in volume in the domestic cigarette industry; competition from other cigarette manufacturers, including increased promotional activities and the growth of deep-discount brands; the success or failure of new product innovations and acquisitions; the responsiveness of both the trade and consumers to new products and marketing and promotional programs; the ability to realize the benefits and synergies arising from the combination of R. J. Reynolds Tobacco Company and the U.S. cigarette and tobacco business of Brown & Williamson Tobacco Corporation; any potential costs or savings associated with realigning the cost structure of RAI and its subsidiaries; the ability to achieve efficiencies in manufacturing and distribution operations without negatively affecting sales; the cost of tobacco leaf and other raw materials and other commodities used in products; the effect of market conditions on the performance of pension assets, foreign currency exchange rate risk, interest rate risk and the return on corporate cash; the rating of RJR's securities; any adverse impacts from the transition of the packaging operations formerly conducted by RJR Packaging, LLC, an indirect wholly owned subsidiary of RJR, to the buyers of RJR Packaging, LLC's businesses; and the potential existence of significant deficiencies or material weaknesses in internal controls over financial reporting that may be identified during the performance of testing required under Section 404 of the Sarbanes-Oxley Act of 2002. Due to these uncertainties and risks, you are cautioned not to place undue reliance on these forward-looking

statements, which speak only as of the date of this news release. Except as provided by federal securities laws, RAI is not required to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.