



R.J. Reynolds Announces Price Adjustments

Winston-Salem, N.C. – Dec. 13, 2004 – R.J. Reynolds Tobacco Company (R.J. Reynolds), a subsidiary of Reynolds American Inc. (NYSE: RAI), announced today that it was increasing the list price on certain brands and would reduce retail discounts on certain other brands. The company said these pricing actions were related to higher costs due to the recent enactment of federal tobacco buyout legislation and increasing rates from master settlement agreement obligations.

The company projects total expenses associated with the master settlement agreement and the federal tobacco buyout legislation to exceed \$2.8 billion in 2005.

Cautionary Information Regarding Forward-Looking Statements

Statements included in this news release that are not historical in nature are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements regarding future performance and financial results of RAI and its subsidiaries include risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks 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 and the U.S. cigarette and tobacco business of B&W; 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 commodities used in products; the effect of market conditions on the performance of pension assets and the return on corporate cash; the ratings of RAI securities; 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, undue reliance should not be placed on these forward-looking statements, which speak only as of the date of

this news release. Except as provided by federal securities laws, neither RAI nor its subsidiaries is required to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

[R.J. Reynolds Tobacco Company](#) (R.J. Reynolds) is an indirect wholly owned subsidiary of [Reynolds American Inc.](#) (NYSE: RAI). R.J. Reynolds is the second-largest tobacco company in the United States, manufacturing about one of every three cigarettes sold in the United States. R.J. Reynolds' product line includes five of the nation's 10 best-selling cigarette brands: Camel, Winston, Kool, Salem and Doral. For more information about R.J. Reynolds, visit the company's Web site at www.RJRT.com.

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