



P.O. Box 2959
Winston-Salem, NC 27102

Contact: Seth Moskowitz Ellen Matthews
(336) 741-7698 (336) 741-6694

RJRT 2004-02

Court affirms dismissal of European Community and Member States cigarette smuggling case

WINSTON-SALEM, N.C. – Jan. 14, 2004 – In another affirmation of the legal principle that foreign governments may not enforce their revenue laws, either directly or indirectly, in U.S. courts, the 2nd Circuit Court of Appeals has affirmed the dismissal of a suit filed by the European Community and certain of its member states. The case, which sought to recover taxes and revenues allegedly lost as a result of cigarette smuggling, was brought against R.J. Reynolds Tobacco Holdings, Inc., R.J. Reynolds Tobacco Company, several of their affiliates and others.

Earlier this week, the U.S. Supreme Court announced that it declined to review a decision of the 11th Circuit Court of Appeals affirming the dismissal of similar claims brought by Belize, Ecuador and Honduras.

In reaching its decision today, the 2nd Circuit relied on its previous decision in a case brought by Canada in which the court held that the Revenue Rule bars civil RICO (Racketeer Influenced and Corrupt Organizations) suits filed in U.S. courts by foreign sovereigns seeking to enforce their revenue laws. In November 2002, the Supreme Court declined to review the Canadian smuggling case.

"Today's decision, coupled with the Supreme Court's refusal to review similar decisions twice in the past year or so, should hopefully put an end to all claims of this nature in the future," said Martin L. Holton III, vice president and assistant general counsel for RJR Tobacco.

R.J. Reynolds Tobacco Company (RJRT) is a wholly owned subsidiary of R.J. Reynolds Tobacco Holdings, Inc. (NYSE: RJR). R.J. Reynolds Tobacco Company is the second-largest tobacco company in the United States, manufacturing about one of every four cigarettes sold in the United States. Reynolds Tobacco's product line includes four of the nation's 10 best-selling cigarette brands: Camel, Winston, Salem and Doral. For more information about RJRT, visit the company's web site at www.RJRT.com.

###