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RJR Tobacco to Buy Same Amount of Domestic Flue-Cured Leaf in 2004 as in 2003

WINSTON-SALEM, N.C. – March 16, 2004 – R.J. Reynolds Tobacco Company today clarified that it will purchase the same level of domestic flue-cured leaf in 2004 as it purchased in 2003.

“Statements in recent press stories have left the impression that RJR Tobacco is reducing its purchases of domestic flue-cured tobacco by as much as 48 percent,” said Tommy J. Payne, executive vice president of external relations. “That is incorrect. In fact, we purchased 36 million pounds, green weight, in 2003 and will purchase the same level in 2004, despite significant reductions in our cigarette volumes over the last several years,” Payne said.

Payne added, “In addition to submitting 2004 purchase intentions above our required volume needs, RJR Tobacco purchased the equivalent of 16 million pounds, green weight, of Flue-Cured Stabilization’s excess inventories in December 2003. This was key to reducing the projected quota cut in 2004 from 22 percent to 10 percent. Furthermore, we will purchase 20 million pounds in 2004 through our 300 contract growers, bringing the total to 36 million pounds, green weight.”

Reynolds Tobacco’s cigarette volume declined by 12 percent in 2003 alone and has decreased nearly 28 percent since 1998. The volume declines are largely due to consumers shifting to lower-priced brands manufactured by companies making little or no payments to the states through the Master Settlement Agreement (MSA) and Phase II payments to growers. In addition, sharp increases in excise taxes in the last several years have decreased industry volume and exacerbated the shift to low-price brands.

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.

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