

Treasury

52997 9387

RJ Reynolds Tobacco Holdings, Inc.														
Rating Agency History														
From June 15, 1999 to Present														

Watch is indicative of potential charge
Outlook is more of a L/T trend

Negative watch is
worse than negative outlook

R.J. Reynolds Tobacco Holdings, Inc.
Average Cost of Debt
Ending Balances as of September 30, 2003

Issue (1)	Issue Rating			Maturity Date	Interest Rate	Face Balance	Percent of Total	
	Fitch	Moody's	S&P				Debt	Rate
<u>PRE-SPIN-OFF DEBT</u>								
<u>Public - Unguaranteed Debt (2)(3)</u>								
7.625% MTN's	BB+	Ba2	BB	15-Sep-03	7.625%		0.00%	0.000%
8.75% Notes (4)	BB+	Ba2	BB	15-Apr-04	8.750%	53,055,000	3.23%	0.282%
8.25% Notes	BB+	Ba2	BB	01-Jul-04	8.250%	2,688,000	0.16%	0.013%
8.75% Notes	BB+	Ba2	BB	15-Aug-05	8.750%	50,037,000	3.04%	0.266%
8.50% Notes	BB+	Ba2	BB	01-Jul-07	8.500%	7,093,000	0.43%	0.037%
8.75% Notes	BB+	Ba2	BB	15-Jul-07	8.750%	21,814,000	1.33%	0.116%
9.25% Notes	BB+	Ba2	BB	15-Aug-13	9.250%	60,077,000	3.65%	0.338%
Sub-Total Pre-Spin-Off Debt					8.888%	194,764,000	11.84%	1.052%
<u>POST SPIN-OFF DEBT</u>								
<u>Public - Guaranteed Debt (5)</u>								
7.75% Notes (LIBOR (1.18%) + 2.47%)	BBB-	Ba1	BB+	15-May-06	3.651%	500,000,000	30.40%	1.110%
7.875% Notes	BBB-	Ba1	BB+	15-May-09	7.875%	200,000,000	12.16%	0.958%
6.50% Notes (LIBOR (1.18%) + 1.31%)	BBB-	Ba1	BB+	01-Jun-07	2.493%	300,000,000	18.24%	0.455%
7.25% Notes (LIBOR (1.18%) + 1.41%)	BBB-	Ba1	BB+	01-Jun-12	2.590%	450,000,000	27.36%	0.709%
Sub-Total Public Debt					3.665%	1,450,000,000	88.16%	3.231%
<u>RJR Acquisition Debt - TOPRS (6)</u>					9.500%		0.00%	0.000%
Sub-Total Post Spin-off Debt						1,450,000,000		
Sub-Total Face Amount Outstanding						1,644,764,000	100.00%	4.283%
<u>Adjustments</u>							Weighted Average Interest Rate	
Unamortized Premium/(Discount)						(6,450,869)		
Interest Rate Swaps' Market Value						110,195,014		
						103,744,145		
Grand Total Balance Sheet Debt						1,748,508,145		

(1) RJR Spin-off date was 6/14/99.

(2) Not supported by guarantees.

(3) Outstanding untendered debt of pre-spin-off issuances.

(4) Only certificated issue; DTC holds all other issues.

(5) Supported by guarantees of Material Subs (RJRTC, RJR Acq., GMB Inc., SFNTC, RJR Packaging, RJRTC (DE))

(6) Defeased with Treasuries at Trustee

R.J. Reynolds Tobacco Holdings, Inc.
Average Cost of Debt
Forecasted Balances as of December 31, 2003

Issue (1)	Issue Rating			Maturity Date	Interest Rate	Face Balance	Percent of Total	
	Fitch	Moody's	S&P				Debt	Rate
<u>PRE-SPIN-OFF DEBT</u>								
<u>Public - Unguaranteed Debt (2)(3)</u>								
8.75% Notes (4)	BB+	Ba2	BB	15-Apr-04	8.750%	53,055,000	3.23%	0.282%
8.25% Notes	BB+	Ba2	BB	01-Jul-04	8.250%	2,688,000	0.16%	0.013%
8.75% Notes	BB+	Ba2	BB	15-Aug-05	8.750%	50,037,000	3.04%	0.266%
8.50% Notes	BB+	Ba2	BB	01-Jul-07	8.500%	7,093,000	0.43%	0.037%
8.75% Notes	BB+	Ba2	BB	15-Jul-07	8.750%	21,814,000	1.33%	0.116%
9.25% Notes	BB+	Ba2	BB	15-Aug-13	9.250%	60,077,000	3.65%	0.338%
Sub-Total Pre-Spin-Off Debt					8.888%	194,764,000	11.84%	1.052%

POST SPIN-OFF DEBT**Public - Guaranteed Debt (5)**

7.75% Notes (LIBOR (1.335%) + 2.47%)	BBB-	Ba1	BB+	15-May-06	3.806%	500,000,000	30.40%	1.157%
6.50% Notes (LIBOR (1.335%) + 1.31%)	BBB-	Ba1	BB+	01-Jun-07	2.648%	300,000,000	18.24%	0.483%
7.875% Notes	BBB-	Ba1	BB+	15-May-09	7.875%	200,000,000	12.16%	0.958%
5% Notes (LIBOR (1.335%) + 1.41%)	BBB-	Ba1	BB+	01-Jun-12	2.745%	450,000,000	27.36%	0.751%
Sub-Total Public Debt					3.798%	1,450,000,000	88.16%	3.349%

Sub-Total Post Spin-off Debt

1,450,000,000

Sub-Total Face Amount Outstanding

1,644,764,000

100.00%

4.401%**Adjustments**Weighted Average
Interest Rate

Unamortized Premium/(Discount)
 Interest Rate Swaps' Market Value

(6,450,869)

110,195,014

103,744,145

Grand Total Balance Sheet Debt

1,748,508,145

(1) RJR Spin-off date was 6/14/99.

(2) Not supported by guarantees.

(3) Outstanding untendered debt of pre-spin-off issuances.

(4) Only certificated issue; DTC holds all other issues.

(5) Supported by guarantees of Material Subs (RJRTC, RJR Acq., GMB Inc., SFNTC, RJR Packaging, RJRTC (DE))

Using 12/17/03 forward rates

R.J. Reynolds Tobacco Holdings, Inc.
Selected Quarterly Statistics
As of September 30, 2003
Dollars in 000's

*do not include
sweep or
premium/discount
on work.*

	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>	<u>9/30/03</u>	<u>12/31/03</u>	<u>3/31/04</u>	<u>6/30/04</u>	<u>9/30/04</u>
1 Total L.T. Debt Balance	\$2,496,117.1	\$2,497,338.5	\$1,970,963.2	\$1,638,313.1	\$1,638,595.1	\$1,638,877.0	\$1,586,103.8	\$1,583,697.2
2 Debt retired (by quarter)	\$42,765.0	\$0.0	\$550,000.0	\$190,738.3	\$0.0	\$0.0	\$53,055.0	\$2,688.0
3 Total Debt retirements since June 1999	\$482,981.9	\$482,981.9	\$1,032,981.9	\$1,223,720.2	\$1,223,720.2	\$1,223,720.2	\$1,276,775.2	\$1,279,463.2

4 Interest & Debt Expense

Cash & Non-Cash Interest Expense

Miscellaneous Outside Expense

Treasury's Other Financial (Income)/Expense (01&06)

Co. 01 Holdings - Equity

International Equity

Santa Fe Equity

Acquisitions

Foreign Exchange

Bank Charges (04,17,60,62)

FHS/Realty

Sale of Security

Interest Accrual - Jadco Hughes

Broin settlements

AAIP & LTIP

Sub-Total Other Financial (Income)/Expense

Total P&L Interest & Debt Expense

	<u>Total 2002</u>	<u>1st Qtr. '03</u>	<u>2nd Qtr. '03</u>	<u>3rd Qtr. '03</u>
Cash & Non-Cash Interest Expense	\$ 146,206.4	\$ 35,536.1	\$ 29,727.1	\$ 24,134.2
Miscellaneous Outside Expense	\$ (235.6)	\$ (72.9)	\$ (21.6)	\$ (36.0)
Treasury's Other Financial (Income)/Expense (01&06)	\$ 7,510.0	\$ 1,645.2	\$ 1,807.5	\$ 2,199.6
Co. 01 Holdings - Equity	\$ 2,558.4	\$ 32.3	\$ (88.2)	\$ (60.6)
International Equity	\$ 2,502.9	\$ 2,186.5	\$ 1,541.1	\$ 335.4
Santa Fe Equity	\$ (1,164.3)	\$ (363.7)	\$ 103.4	\$ (585.2)
Acquisitions	\$	\$ 0.5	\$ 19.7	\$ (16.0)
Foreign Exchange	\$ (978.4)	\$ (784.0)	\$ (2,491.7)	\$ (384.8)
Bank Charges (04,17,60,62)	\$ 484.6	\$ 10.3	\$ 9.7	\$ 9.4
FHS/Realty	\$ 97.9	\$ (9,791.0)	\$ 207.5	\$ 170.8
Sale of Security	\$ (269.2)	\$ (56.0)	\$ 10.5	\$ 33.8
Interest Accrual - Jadco Hughes	\$ (0.2)	\$ 27.9	\$ -	\$ -
Broin settlements	\$ -	\$ -	\$ -	\$ -
AAIP & LTIP	\$ 290.0	\$ 45.0	\$ 21.6	\$ 36.0
Sub-Total Other Financial (Income)/Expense	\$ 10,796.1	\$ (7,119.9)	\$ 1,119.5	\$ 1,702.4
Total P&L Interest & Debt Expense	\$ 157,002.6	\$ 28,416.2	\$ 30,846.6	\$ 25,836.6

RJ REYNOLDS HOLDINGS**3rd Qtr 2003 vs 3rd Qtr 2002****As of October 14, 2003**

	3rd QTR 2003	3rd QTR 2002	Difference
INTEREST ACCRUAL	5.6	16.5	(10.9)
MONTH END. CASH BAL.	1,720	3,150	(1,430)
AVERAGE CASH BAL.	1,522	2,893	(1,371)
AVG. INT. RATE	1.45%	2.26%	-0.81%
PORTFOLIO INTEREST	4.2	13.4	(9.2)
PORT. AVG. INT. RATE	1.10%	1.84%	-0.74%

EXPLANATION OF VARIANCE	
DUE TO AVG BAL.	(7.8)
DUE TO INT. RATE	(3.1)
Total	(10.9)

RJ REYNOLDS HOLDINGS

INTEREST STATISTICS

3RD QUARTER 2003 - AS OF OCTOBER 14, 2003

	JAN	FEB	MARCH	1ST QTR	APRIL	MAY	JUNE	2ND QTR	JULY	AUGUST	SEPTEMBER	3RD QTR	YTD
INTEREST ACCRUAL	3.66	3.18	3.57	10.41	2.48	2.25	2.03	6.76	1.99	1.93	1.64	5.56	22.73
MONTH END. CASH BAL.	2,225	2,417	1,999	1,999	1,422	1,031	1,264	1,264	1,440	1,585	1,720	1,720	1,720
AVERAGE CASH BAL.	2,216	2,370	2,514	2,367	1,667	1,227	1,164	1,353	1,354	1,541	1,670	1,522	1,747
AVG. INT. RATE	1.94%	1.75%	1.67%	1.78%	1.81%	2.16%	2.12%	2.01%	1.73%	1.48%	1.19%	1.45%	1.74%
PORTFOLIO INTEREST	2.74	2.45	2.83	8.03	1.76	1.29	1.24	4.29	1.28	1.43	1.50	4.20	16.52
PORT. AVG. INT. RATE	1.46%	1.35%	1.33%	1.38%	1.29%	1.24%	1.29%	1.27%	1.11%	1.09%	1.05%	1.10%	1.26%

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THIRD QTR 2003 INTEREST STATS.xls10/14/2003

R.J. Reynolds Tobacco Company
Litigation Related Court Bonds and Escrow Accounts

Bonds

Obligee	Description	Amount	Effective/Expiration Date	Premium	Trustee*	Amount in Escrow	Funding Date	Banking Fees (Annual)
P. Morris, Inc.	Injunction	983,000	4-18-02/03	3,096				
State of Florida	Engles Case - Punitive	100,000,000	11-07-02/03	450,000	Salomon Smith Barney	100,000,000	07-Nov-00	
State of Florida	Engles Case - Compensatory	3,811,200	11-08-02/03	19,056	Salomon Smith Barney	3,811,200	07-Nov-00	
State of AZ	Atty Gen- Supersedeas Bond	47,000	6-07-02/03	200				
US Dist Court of KS	Burton - Supersedeas Bond	16,218,000	8-02-02/03	81,090	JP Morgan Chase	16,218,000	20-Aug-02	7,500
State of Florida	French - Supersedeas Bond	145,730	10-02/03	619				
TOTAL		\$ 121,204,930		\$ 554,061		\$ 120,029,200		\$ 7,500

Escrow Accounts - In Place of Litigation Bond

Trustee	Description	Original Amount	Funding Date	Current Balance	as of	Banking Fees (Annual)
JP Morgan Chase	Whitely Case	13,000,000	30-May-00	14,319,970.19	31-Mar-03	7,500
JP Morgan Chase	California "Free Samples"	16,308,820	4-Sep-02	16,393,390.34	31-Mar-03	7,500
JP Morgan Chase	California "Print Ads"	22,000,000	4-Sep-02	22,114,082.12	31-Mar-03	7,500
TOTAL		\$ 51,308,820		\$ 52,827,442.65		\$ 22,500

Totals

Held by the courts	\$	174,032,372.65
In escrow	\$	172,856,642.65
Costs		
Banking Fees	\$	30,000
Premiums	\$	554,061
	\$	584,061

* Certain Bonds are collateralized with cash. In these cases, the surety would not issue a bond without collateral. Escrow accounts are the most cost effective manner to collateralize the bonds.

Cash + S/T investments 1.7
if guidance 650 cash = 1.5 to 1.6
if 700, higher?

Debt inc Q3 \$6
YTD \$23
FY \$30 up slightly from Q2 feat.
29-30 - wait + see earnings guidance
?
avg cash bal = 1.6
int rate slightly higher

Debt exp. Q3 \$25
YTD \$90
FY \$110-112 mil

'04 - 5/6 going down to \$85

Debt 9/30 1.748 w/d 110 for swaps

Other inc / (exp.)
Q3 (2)
YTD 4
FY (4)

TV cost YTD (4) mil (0.5) Q3)
amortization of bank fees (2.2) Q3
= \$80,000 misc YTD

Debt maturities
Repaid TDPs \$97.5m
Stk debt 93.2 7.625% MTN's
190.7

April '04 \$53 mil
July = 3

Debt to equity 33% after goodwill w/o

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meeting for
conf call prep.
4/4/03

person up still \$90m for '03
may be lower for next yr?

no Δ expected rate of return
discount rate will be 6.5 vs. 6.47.

person contrib for future - historically we've contributions

no impact on our debt - remains @ Holdings

redo revolver? yes we'll need bank approv. Don't believe
it's a problem. Would be reorg. at this time ⁽⁰⁴⁾ anyway

Pledge agree says any acq assets get pulled into collateral
pool

- bondholders will have more assets
wouldn't get B-W +/m

- SF will move up to newco - would prob still be guaranteed

bondholders will need to know what they get vs what
they had

INTEREST RATE SWAPS

<u>Contract Amt.</u>	<u>Rate we receive</u>	<u>Rate we pay</u>	<u>Maturity</u>	<u>Notes</u>
\$500 MM	7.75%	LIBOR+2.47%	5/16/06	Hedges \$500MM maturing in 2006
\$300MM	6.5%	LIBOR+1.31%	6/1/07	Hedges \$300MM maturing in 2007 (new 2002 debt)
\$450MM	7.25%	LIBOR+1.41%	6/1/12	Hedges \$450MM maturing in 2012 (new 2002 debt)

- These swaps were entered into in the spring of 2002. Total \$1.25 bn notional value.
- LIBOR assumption: 1.12% (current run rate)

Share repurchase

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Shares Outstanding

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		Basic	Per Share
As Reported	-3154	83.564	-37.74
Impairment	3144	83.564	37.62
Restruct	188	83.564	2.25
Tax	<u>-35</u>	83.564	-0.42
Ongoing	143	83.564	1.71

		Diluted	Per Share
As Reported	-3154	84.116	-37.50
Impairment	3144	84.116	37.38
Restruct	188	84.116	2.24
Tax	<u>-35</u>	84.116	-0.42
Ongoing	143	84.116	1.70