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Press Release

Star Scientific, Inc. Reports 2001 Financials Underscoring Shift in Emphasis to Smokeless Tobacco Products; Three New Independent Directors Elected to Board

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Business Editors/Health & Medical Writers

CHESTER, Va.--(BUSINESS WIRE)--March 29, 2002--Consistent with a shift in focus during the past year from smoked to low-TSNA smokeless tobacco products (Stonewall (TM) and Ariva(TM)), Star Scientific (NASDAQ:STSI) disclosed that, as a result of having invested heavily in the development and introduction of those products during the past six months, its pretax and net earnings for 2001 were \$5.0 million and \$3.0 million, compared to pre-tax and net earnings of \$17.1 million and \$10.0 million for 2000.

Net revenues for 2001 were \$174.8 million, compared with \$223.1 million for 2000. During 2001 the Company's net revenues were derived from sales of StarCured(TM) leaf tobacco to Brown & Williamson Tobacco Corporation ("B&W"); \$1.5 million in royalty payments paid by B&W on its purchase of low-TSNA tobacco under its licensing agreement with Star; sales of discount cigarettes (which contain 24% StarCured(TM) tobacco) by its wholly owned subsidiary, Star Tobacco; and limited sales of its new smokeless tobacco products, Stonewall(TM) moist and dry snuffs (introduced on September 28), and ARIVA(TM), compressed powdered tobacco cigarette(TM) pieces (introduced on November 14) that were developed for adult smokers who find themselves in situations where they cannot or choose not to smoke.

Christopher G. Miller, Star Scientific's Chief Financial Officer, said that the company was profitable for the year despite significantly increased research, development and product introduction costs associated with the launch of Ariva(TM) and Stonewall(TM). During 2001, the company allocated more than \$4.1 million to R&D, compared with a total of \$1.7 million during 2000, an increase of approximately 140%. Star also incurred \$3.6 million in costs related to the further integration of StarCured(TM) very low-TSNA tobacco into Star Tobacco's four discount cigarette brands. Basic and diluted income per share in 2001 were \$0.05 compared with basic and diluted per share income of \$0.17 in 2000. The diluted weighted average shares outstanding were 60,392,426 and 60,645,061 for 2001 and 2000, respectively. Mr. Miller commented: "Our significant investment during 2001 in research, development and test-marketing has allowed the company to prepare a solid base for Ariva (TM) manufacturing and sales during 2002. The results of operations also reflect the continued repositioning of our discount cigarette sales in Florida, Minnesota, Mississippi, and Texas, states that are not parties to the tobacco Master Settlement Agreement (MSA)." Paul L. Perito, Esquire, Star's Chairman, President and COO noted: "We are pleased that we have been able to introduce three innovative, very low-TSNA smokeless tobacco products during the third and fourth quarters of 2001. This is a significant milestone for a relatively young, technology-oriented tobacco company with a toxin-reduction mission. During that time we undertook a critical shift in focus for our company, from smoked to

smokeless tobacco products that use only 100% Virginia, StarCured(TM) very low-nitrosamine tobacco."

David Dean, Star's Vice President of Sales and Marketing, noted: "On January 23 we announced the broader distribution of Ariva(TM) and our expectation to be in at least 10,000 stores by the end of April 2002 - a goal we reached by early March. We are pleased that Ariva(TM) now is available in more than 12,000 stores, and that initial, limited test market surveillance indicates that the mean age of Ariva(TM) purchasers is 46, and that 90% of those surveyed would recommend Ariva(TM) to a fellow tobacco user." Mr. Dean added: "We anticipate that through expanded distribution agreements, our smokeless tobacco products will be available to consumers in more than 25,000 retail stores by the end of the second quarter."

Mr. Miller commented, "We also restructured our agreements with B&W during 2001 to focus on a long-term revenue stream from royalty payments, and on the conversion of short-term debt to long-term, non-interest bearing debt. Since April 2001, Star has paid down \$6.1 million of our long-term debt to B&W. Under the restructured agreements, the debt will be further reduced by, among other things, the royalty payments that Star Scientific receives on the sale of B&W's Advance(R) cigarette that currently is being test-marketed in approximately 1,500 retail stores in Indianapolis, Indiana. Furthermore, we anticipate an additional \$1.5 million in royalty payments during 2002 for B&W's purchase of low-TSNA tobacco other than StarCured(TM) tobacco."

Mr. Perito further noted: "As we indicated when we began test marketing Ariva(TM) in November, our efforts to bring our innovative, very low-TSNA smokeless tobacco products to market, and to reposition our company in the smokeless tobacco marketplace, would mean lower net income for the remainder of last year. We anticipate our profits in the first and second quarters of 2002 may be near or slightly above break-even as we pursue these goals and continue to invest heavily in a multi-state distribution program. We are confident, however, that in the long run the higher margins we expect to achieve with Ariva(TM) sales, which are not subject to escrow payments under the MSA, and the increasing market of adult smokers who want alternatives to traditional cigarette products, will continue to position Star Scientific as a disruptive and profitable force in the tobacco industry. We believe Star is the leader of the emerging 'when you can't smoke' market."

During the last quarter of 2001 and in January 2002, Star elected three new members of its Board of Directors: John R. Bartels, Jr., Esq., Lloyd A. Jones and Patrick M. McSweeney, Esq. Mr. Perito said: "Star Scientific is honored to have these three distinguished individuals join the company's Board as Independent Directors. They bring extensive experience in both business and government that are critical to Star's efforts to expand its base of operations in Virginia, as well as its product initiatives, on a nationwide basis."

John Bartels was the first Administrator of the Drug Enforcement Administration. Prior to that appointment, Mr. Bartels served as Deputy Assistant Attorney General in the Criminal Division of the US Department of Justice. Previously he had been an Assistant US Attorney for the Southern District of New York, Chief of the Organized Crime Strike Force in New Jersey, and counsel to the late former Governor Nelson Rockefeller where he served as Chief Investigator on the Hoover Commission. Mr. Bartels, who is a graduate of Harvard College and Harvard Law School, has been a senior partner at Bartels and Feurelsen LLP for the past two decades.

Lloyd Jones served as an official in the U.S. Department of Agriculture for over twenty-five years. In his final senior position at USDA, Mr. Jones was responsible for managing a loan and grant portfolio in excess of \$2.5 billion, and he directed the annual processing of approximately \$175 million in Federal funds as the lead USDA official in the Commonwealth of Virginia. Mr. Jones is a native of the Commonwealth and is a graduate of Virginia State College with a BS in Agricultural Business.

Patrick McSweeney is a senior partner at McSweeney & Crump, P.C., a Richmond, VA law firm. From 1971 to 1973 Mr. McSweeney served in various positions in the U.S. Department of Justice, including Acting Assistant Attorney General in charge of the Office of Legislative Affairs. He also served in the Virginia state government as Executive Director of the Commission on State Governmental Management and counsel to the Governor's Management Study (1971-72). Mr. McSweeney also served as Chair of the Virginia Republican Party from 1992 to 1996. He is a graduate of the University of Virginia and the University of Richmond Law School.

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company has tried, whenever possible, to identify these forward-looking statements using words such as "anticipates", "believes", "estimates", "expects", "plans", "intends" and similar expressions. These statements reflect the Company's current beliefs and are based upon information currently available to it. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements. These risks, uncertainties and contingencies include, without limitation, the challenges inherent in new product development initiatives particularly in the smokeless tobacco area, changes in government regulation, the uncertainties inherent in the progress of scientific research, the Company's ability to raise the capital necessary to grow its business, potential disputes concerning the Company's intellectual property, risks with litigation regarding such intellectual property, potential delays in obtaining any necessary government approvals of the Company's low-TSNA tobacco products, market acceptance of the Company's proposed new smokeless tobacco products, competition from companies with greater resources than the Company, the Company's decision not to join the Master Settlement Agreement ("MSA") and its decision to challenge the constitutionality of the MSA, the effect of state statutes adopted under the MSA and any subsequent modification of the MSA, the Company's dependence on key employees and on its strategic relationships with Brown & Williamson Tobacco Corporation. The impact of potential litigation, if initiated against or by individual states that have adopted the MSA, could be materially adverse to the Company.

See additional discussion under "Factors That May Affect Future Results" in the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and other factors detailed from time to time in the Company's other filings with the Securities and Exchange Commission, available online at www.sec.gov. The Company undertakes no obligation to update or advise upon any such forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

About Star Scientific

Star Scientific is a technology-oriented tobacco company with a toxicity reduction mission. It is engaged in the development of tobacco products that deliver less carcinogenic toxins (principally tobacco specific nitrosamines (TSNAs)), through the utilization of the innovative StarCured(TM) tobacco-curing technology, and in sublicensing that technology to others. Star Scientific has a Corporate and Sales office in Chester, Virginia, an Executive, Scientific and Regulatory Affairs office in Bethesda, MD, and manufacturing and processing facilities in Petersburg and Chase City, VA.

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