
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 7, 2018

VECTOR GROUP LTD.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

1-5759

(Commission File Number)

65-0949535

(I.R.S. Employer Identification No.)

4400 Biscayne Boulevard, Miami, Florida

(Address of Principal Executive Offices)

33137

(Zip Code)

(305) 579-8000

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On November 7, 2018, Vector Group Ltd. announced its financial results for the three and nine months ended September 30, 2018. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Current Report on Form 8-K and the Exhibit attached hereto is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibit

(c) Exhibit.

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	Press Release issued on November 7, 2018

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VECTOR GROUP LTD.

By: /s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President, Treasurer and Chief Financial Officer

Date: November 7, 2018



FOR IMMEDIATE RELEASE

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VECTOR GROUP REPORTS THIRD QUARTER 2018 FINANCIAL RESULTS

MIAMI, FL, November 7, 2018 - Vector Group Ltd. (NYSE:VGR) today announced financial results for the three and nine months ended September 30, 2018.

GAAP Financial Results

Third quarter 2018 revenues were \$513.9 million, compared to revenues of \$484.6 million in the third quarter of 2017. The Company recorded operating income of \$66.0 million in the third quarter of 2018, compared to operating income of \$59.7 million in the third quarter of 2017. Net income attributed to Vector Group Ltd. for the third quarter of 2018 was \$12.0 million, or \$0.07 per diluted common share, compared to net income of \$19.3 million, or \$0.13 per diluted common share, in the third quarter of 2017.

For the nine months ended September 30, 2018 revenues were \$1.424 billion, compared to revenues of \$1.372 billion for the nine months ended September 30, 2017. The Company recorded operating income of \$176.0 million for the nine months ended September 30, 2018, compared to operating income of \$187.4 million for the nine months ended September 30, 2017. Net income attributed to Vector Group Ltd. for the nine months ended September 30, 2018 was \$37.0 million, or \$0.23 per diluted common share, compared to a net income of \$41.8 million, or \$0.27 per diluted common share, for the nine months ended September 30, 2017.

Adoption of accounting standards. Effective January 1, 2018, the Company has adopted several new accounting standards that impact financial reporting for the three and nine months ended September 30, 2018. The new standards were Accounting Standards Updates ("ASU") 2014-09 (Topic 606), and 2016-08, which relate to revenue recognition; ASU 2016-01 and ASU 2018-03, which relate to the Company's investments in equity securities; and 2017-07, which relates to accounting for the Company's defined benefit pension plans. The adoption of ASU 2017-07 was retrospective and certain categories in the Company's Statement of Operations were revised, including operating, selling, administrative and general expenses, operating income and other income; therefore these financial metrics, as well as non-GAAP financial measures, Adjusted EBITDA, Adjusted Operating Income, and Adjusted Operating Income for the Tobacco Segment, for the last twelve months ended September 30, 2018 and the three and nine months ended September 30, 2017 contained in this press release do not agree with the Company's previously issued earnings press releases (November 7, 2017 and March 1, 2018). The impact of the adoption of ASU 2017-07 on selling, general, and administrative expense, operating income, other income and Adjusted EBITDA, Adjusted Operating Income and Tobacco Adjusted Operating Income was reported in the Company's Forms 8-K dated June 14, 2018 and September 28, 2018. In addition, ASU 2014-09 (Topic 606), ASU 2016-08, ASU 2016-01 and ASU 2018-03 were applied using the modified retrospective method and resulted in a cumulative adjustment to beginning stockholder's deficiency at January 1, 2018. The Company's Statement of

Operations for the periods ending prior to January 1, 2018, including the three months ended March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017 have not been adjusted to reflect the adoption of these standards, which results in limited comparability between 2018 and 2017 operating results.

Segment changes. As a result of a significant reduction in the Company's E-Cigarette business, results from the E-Cigarette segment are now included in the Corporate and Other segment and 2017 information has been recast to conform to the 2018 presentation.

Non-GAAP Financial Measures

Non-GAAP financial measures also include adjustments for purchase accounting associated with the Company's 2013 acquisition of an additional 20.59% interest in Douglas Elliman Realty, LLC, litigation settlements and judgments, settlements of long-standing disputes related to the Master Settlement Agreement in the Tobacco segment, restructuring and pension settlement expense in the Tobacco segment, net interest expense capitalized to real estate ventures, stock-based compensation expense (for purposes of Adjusted EBITDA only) and non-cash interest expense associated with the Company's convertible debt. Reconciliations of non-GAAP financial results to the comparable GAAP financial results for the three and nine months ended September 30, 2018 and 2017 are included in Tables 2 through 7.

Three months ended September 30, 2018 compared to the three months ended September 30, 2017

Third quarter of 2018 Adjusted EBITDA attributed to Vector Group (as described in Table 2 attached hereto) were \$69.9 million compared to \$65.4 million for the third quarter of 2017.

Adjusted Net Income (as described in Table 3 attached hereto) was \$21.0 million or \$0.14 per diluted share for the third quarter of 2018 and \$22.1 million or \$0.15 per diluted share for the third quarter of 2017.

Adjusted Operating Income (as described in Table 4 attached hereto) was \$66.4 million for the third quarter of 2018 compared to \$59.9 million for the third quarter of 2017.

Nine months ended September 30, 2018 compared to the nine months ended September 30, 2017

Adjusted EBITDA attributed to Vector Group Ltd. (as described in Table 2 attached hereto) were \$187.9 million for the nine months ended September 30, 2018 compared to \$204.0 million for the nine months ended September 30, 2017.

Adjusted Net Income (as described in Table 3 attached hereto) was \$55.3 million or \$0.36 per diluted share for the nine months ended September 30, 2018 and \$73.3 million or \$0.49 per diluted share for the nine months ended September 30, 2017.

Adjusted Operating Income (as described in Table 4 attached hereto) was \$168.9 million for the nine months ended September 30, 2018 compared to \$189.2 million for the nine months ended September 30, 2017.

Tobacco Segment Financial Results

For the third quarter of 2018, the Tobacco segment had revenues of \$302.0 million, compared to \$294.2 million for the third quarter of 2017. The increase in revenues was primarily due to a 2.7% increase in unit sales volume.

For the nine months ended September 30, 2018, the Tobacco segment had revenues of \$844.0 million, compared to \$823.9 million for the nine months ended September 30, 2017. The increase in revenues was primarily due to a 2.1% increase in unit sales volume.

Operating Income from the Tobacco segment was \$63.3 million and \$189.2 million for the three and nine months ended September 30, 2018 compared to \$61.6 million and \$185.5 million for the three and nine months ended September 30, 2017, respectively.

Non-GAAP Financial Measures

Tobacco Adjusted Operating Income (as described in Table 5 attached hereto) for the third quarter of 2018 and 2017 was \$63.3 million and \$63.9 million, respectively. Tobacco Adjusted Operating Income for the nine months ended September 30, 2018 and 2017 was \$183.4 million and \$188.6 million, respectively.

For the third quarter of 2018, the Tobacco segment had conventional cigarette (wholesale) shipments of approximately 2.59 billion units compared to 2.52 billion units for the third quarter of 2017. For the nine months ended September 30, 2018, the Tobacco segment had conventional cigarette (wholesale) shipments of approximately 7.13 billion units compared to 6.98 billion units for the nine months ended September 30, 2017.

Liggett's retail market share increased to 4.2% for the third quarter of 2018 and 4.1% for the nine months ended September 30, 2018 compared to 3.9% for third quarter of 2017 and 3.8% for the nine months ended September 30, 2017. Compared to the

third quarter of 2017, Liggett's retail shipments increased 0.9% while the overall industry's retail shipments declined by 4.8%. Compared to the nine months ended September 30, 2017, Liggett's retail shipments increased 1.9% while the overall industry's retail shipments declined by 4.7%, according to data from Management Science Associates, Inc.

Real Estate Segment Financial Results

For the third quarter of 2018, the Real Estate segment had revenues of \$211.9 million, compared to \$190.9 million for the third quarter of 2017. For the nine months ended September 30, 2018, the Real Estate segment had revenues of \$580.4 million, compared to \$548.4 million for the nine months ended September 30, 2017. For the third quarter of 2018, the Real Estate segment reported net income of \$4.7 million, compared to a net income of \$1.6 million for the third quarter of 2017. For the nine months ended September 30, 2018, the Real Estate segment reported a net loss of \$0.9 million, compared to net income of \$24.7 million for the nine months ended September 30, 2017.

Douglas Elliman's results are included in Vector Group Ltd.'s Real Estate segment. For the third quarter of 2018, Douglas Elliman had revenues of \$211.5 million, compared to \$190.4 million for the third quarter of 2017. For the nine months ended September 30, 2018, Douglas Elliman had revenues of \$576.5 million, compared to \$544.6 million for the nine months ended September 30, 2017. For the third quarter of 2018, Douglas Elliman reported net income of \$10.0 million, compared to a net income of \$4.2 million for the third quarter of 2017. For the nine months ended September 30, 2018, Douglas Elliman reported a net income of \$7.8 million, compared to net income of \$20.5 million for the nine months ended September 30, 2017.

Non-GAAP Financial Measures

For the third quarter of 2018, Real Estate Adjusted EBITDA attributed to the Company (as described in Table 6 attached hereto) were \$8.0 million, compared to \$2.6 million for the third quarter of 2017.

For the nine months ended September 30, 2018, Real Estate Adjusted EBITDA attributed to the Company were \$8.7 million, compared to \$18.4 million for the nine months ended September 30, 2017.

Douglas Elliman's results are included in Vector Group Ltd.'s Real Estate segment. For the third quarter of 2018, Douglas Elliman's Adjusted EBITDA (as described in Table 7 attached hereto) were \$12.0 million (\$8.5 million attributed to the Company), compared to \$3.8 million (\$2.7 million attributed to the Company) for the third quarter of 2017.

For the nine months ended September 30, 2018, Douglas Elliman's Adjusted EBITDA were \$11.8 million (\$8.3 million attributed to the Company), compared to \$23.8 million (\$16.8 million attributed to the Company) for the nine months ended September 30, 2017.

For the three and nine months ended September 30, 2018, Douglas Elliman achieved closed sales of approximately \$7.8 billion and \$21.4 billion, compared to \$7.0 billion and \$19.8 billion for the three and nine months ended September 30, 2017.

Non-GAAP Financial Measures

Adjusted EBITDA, Adjusted Net Income, Adjusted Operating Income, Tobacco Adjusted Operating Income, Tobacco Adjusted EBITDA, New Valley LLC Adjusted EBITDA and Douglas Elliman Realty, LLC Adjusted EBITDA ("the Non-GAAP Financial Measures") are financial measures not prepared in accordance with generally accepted accounting principles ("GAAP"). The Company believes that the Non-GAAP Financial Measures are important measures that supplement discussions and analysis of its results of operations and enhances an understanding of its operating performance. The Company believes the Non-GAAP Financial Measures provide investors and analysts with a useful measure of operating results unaffected by differences in capital structures and ages of related assets among otherwise comparable companies.

Management uses the Non-GAAP Financial Measures as measures to review and assess operating performance of the Company's business, and management and investors should review both the overall performance (GAAP net income) and the operating performance (the Non-GAAP Financial Measures) of the Company's business. While management considers the Non-GAAP Financial Measures to be important, they should be considered in addition to, but not as substitutes for or superior to, other measures of financial performance prepared in accordance with GAAP, such as operating income, net income and cash flows from operations. In addition, the Non-GAAP Financial Measures are susceptible to varying calculations and the Company's measurement of the Non-GAAP Financial Measures may not be comparable to those of other companies. Attached hereto as Tables 2 through 7 is information relating to the Company's Non-GAAP Financial Measures for the three and nine months ended September 30, 2018 and 2017.

Conference Call to Discuss Third Quarter 2018 Results

As previously announced, the Company will host a conference call and webcast on Wednesday, November 7, 2018 at 8:30 AM (ET) to discuss third quarter 2018 results. Investors can access the call by dialing 800-859-8150 and entering 68647573 as the

conference ID number. The call will also be available via live webcast at www.investorcalendar.com. Webcast participants should allot extra time to register before the webcast begins.

A replay of the call will be available shortly after the call ends on November 7, 2018 through November 21, 2018. To access the replay, dial 877-656-8905 and enter 68647573 as the conference ID number. The archived webcast will also be available at www.investorcalendar.com for one year.

Vector Group is a holding company that indirectly owns Liggett Group LLC and Vector Tobacco Inc. and directly owns New Valley LLC, which owns a controlling interest in Douglas Elliman Realty, LLC. Additional information concerning the company is available on the Company's website, www.VectorGroupLtd.com.

[Financial Tables Follow]

TABLE 1
VECTOR GROUP LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Revenues:				
Tobacco*	\$ 302,009	\$ 294,245	\$ 843,958	\$ 823,876
Real estate	211,860	190,860	580,365	548,426
Corporate and Other	—	(480)	—	(480)
Total revenues	<u>513,869</u>	<u>484,625</u>	<u>1,424,323</u>	<u>1,371,822</u>
Expenses:				
Cost of sales:				
Tobacco*	219,769	207,800	597,492	570,461
Real estate	140,533	130,316	389,851	358,472
Total cost of sales	<u>360,302</u>	<u>338,116</u>	<u>987,343</u>	<u>928,933</u>
Operating, selling, administrative and general expenses	87,549	82,682	262,961	249,654
Litigation settlement and judgment expense (income)	—	4,104	(1,944)	5,791
Operating income	<u>66,018</u>	<u>59,723</u>	<u>175,963</u>	<u>187,444</u>
Other income (expenses):				
Interest expense	(51,084)	(43,234)	(145,452)	(136,146)
Loss on extinguishment of debt	—	—	—	(34,110)
Change in fair value of derivatives embedded within convertible debt	10,005	9,437	31,289	26,142
Equity in earnings (losses) from real estate ventures	294	(47)	(8,378)	26,357
Equity in earnings (losses) from investments	3,230	(303)	9,205	(2,823)
Net loss recognized on equity securities	(797)	—	(306)	—
Other, net	2,048	1,374	4,761	3,452
Income before provision for income taxes	<u>29,714</u>	<u>26,950</u>	<u>67,082</u>	<u>70,316</u>
Income tax expense	14,686	6,472	29,394	22,517
Net income	<u>15,028</u>	<u>20,478</u>	<u>37,688</u>	<u>47,799</u>
Net income attributed to non-controlling interest	<u>(3,026)</u>	<u>(1,214)</u>	<u>(657)</u>	<u>(5,951)</u>
Net income attributed to Vector Group Ltd.	<u>\$ 12,002</u>	<u>\$ 19,264</u>	<u>\$ 37,031</u>	<u>\$ 41,848</u>
Per basic common share:				
Net income applicable to common share attributed to Vector Group Ltd.	<u>\$ 0.07</u>	<u>\$ 0.13</u>	<u>\$ 0.23</u>	<u>\$ 0.27</u>
Per diluted common share:				
Net income applicable to common share attributed to Vector Group Ltd.	<u>\$ 0.07</u>	<u>\$ 0.13</u>	<u>\$ 0.23</u>	<u>\$ 0.27</u>
Dividends declared per share	<u>\$ 0.38</u>	<u>\$ 0.36</u>	<u>\$ 1.14</u>	<u>\$ 1.09</u>

* Revenues and cost of sales include federal excise taxes of \$130,428, \$126,912, \$359,199 and \$351,474, respectively.

TABLE 2
VECTOR GROUP LTD. AND SUBSIDIARIES
RECONCILIATION OF ADJUSTED EBITDA
(Unaudited)
(Dollars in Thousands)

	LTM		Three Months Ended		Nine Months Ended					
	September 30, 2018		September 30, 2018	2017	September 30, 2018	2017				
Net income attributed to Vector Group Ltd.	\$	79,755	\$	12,002	\$	19,264	\$	37,031	\$	41,848
Interest expense		182,991		51,084		43,234		145,452		136,146
Income tax expense		5,295		14,686		6,472		29,394		22,517
Net income attributed to non-controlling interest		884		3,026		1,214		657		5,951
Depreciation and amortization		18,629		4,707		4,386		14,043		14,028
EBITDA	\$	287,554	\$	85,505	\$	74,570	\$	226,577	\$	220,490
Change in fair value of derivatives embedded within convertible debt (a)		(41,066)		(10,005)		(9,437)		(31,289)		(26,142)
Equity in (earnings) losses from investments (b)		(11,263)		(3,230)		303		(9,205)		2,823
Net loss recognized on equity securities		306		797		—		306		—
Equity in losses (earnings) from real estate ventures (c)		13,340		(294)		47		8,378		(26,357)
Loss on extinguishment of debt		—		—		—		—		34,110
Stock-based compensation expense (d)		9,855		2,584		2,430		7,424		8,456
Litigation settlement and judgment (income) expense (e)		(1,144)		—		4,104		(1,944)		5,791
Impact of MSA settlement (f)		(6,298)		—		(1,826)		(6,298)		(2,721)
Purchase accounting adjustments (g)		531		184		(2,345)		545		(2,088)
Other, net		(6,075)		(2,048)		(1,374)		(4,761)		(3,452)
Adjusted EBITDA	\$	245,740	\$	73,493	\$	66,472	\$	189,733	\$	210,910
Adjusted EBITDA attributed to non-controlling interest		(2,501)		(3,638)		(1,091)		(1,848)		(6,923)
Adjusted EBITDA attributed to Vector Group Ltd.	\$	243,239	\$	69,855	\$	65,381	\$	187,885	\$	203,987
Adjusted EBITDA by Segment										
Tobacco	\$	247,365	\$	65,339	\$	65,950	\$	189,646	\$	195,462
Real Estate (h)		13,934		11,697		3,719		11,403		25,317
Corporate and Other		(15,559)		(3,543)		(3,197)		(11,316)		(9,869)
Total	\$	245,740	\$	73,493	\$	66,472	\$	189,733	\$	210,910
Adjusted EBITDA Attributed to Vector Group Ltd. by Segment										
Tobacco	\$	247,365	\$	65,339	\$	65,950	\$	189,646	\$	195,462
Real Estate (i)		11,433		8,059		2,628		9,555		18,394
Corporate and Other		(15,559)		(3,543)		(3,197)		(11,316)		(9,869)
Total	\$	243,239	\$	69,855	\$	65,381	\$	187,885	\$	203,987

- a. Represents income recognized from changes in the fair value of the derivatives embedded in the Company's convertible debt.
- b. Represents equity in (earnings) losses recognized from investments that the Company accounts for under the equity method.
- c. Represents equity in losses (earnings) recognized from the Company's investment in certain real estate businesses that are not consolidated in its financial results.
- d. Represents amortization of stock-based compensation.
- e. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation and proceeds received from a litigation award at Douglas Elliman Realty, LLC.
- f. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- g. Represents purchase accounting adjustments recorded in the periods presented in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- h. Includes Adjusted EBITDA for Douglas Elliman Realty, LLC of \$14,181 for the last twelve months ended September 30, 2018 and \$12,048, \$3,772, \$11,824 and \$23,753 for the three and nine months ended September 30, 2018 and 2017, respectively. Amounts reported in this footnote reflect 100% of Douglas Elliman Realty, LLC's entire Adjusted EBITDA.
- i. Includes Adjusted EBITDA for Douglas Elliman Realty, LLC less non-controlling interest of \$10,011 for the last twelve months ended September 30, 2018 and \$8,505, \$2,663, \$8,347 and \$16,767 for the three and nine months ended September 30, 2018 and 2017, respectively. Amounts reported in this footnote have adjusted Douglas Elliman Realty, LLC's Adjusted EBITDA for non-controlling interest.

TABLE 3
VECTOR GROUP LTD. AND SUBSIDIARIES
RECONCILIATION OF ADJUSTED NET INCOME
(Unaudited)
(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income attributed to Vector Group Ltd.	\$ 12,002	\$ 19,264	\$ 37,031	\$ 41,848
Change in fair value of derivatives embedded within convertible debt	(10,005)	(9,437)	(31,289)	(26,142)
Non-cash amortization of debt discount on convertible debt	22,871	14,978	61,450	40,457
Loss on extinguishment of debt	—	—	—	34,110
Litigation settlement and judgment expense (income) (a)	—	4,104	(1,218)	5,791
Impact of MSA settlement (b)	—	(1,826)	(6,298)	(2,721)
Impact of net interest expense capitalized to real estate ventures	(596)	(1,108)	1,775	2,659
Douglas Elliman Realty, LLC purchase accounting adjustments (c)	272	(1,508)	805	(936)
Total adjustments	<u>12,542</u>	<u>5,203</u>	<u>25,225</u>	<u>53,218</u>
Tax expense related to adjustments	(3,588)	(2,357)	(6,927)	(21,793)
Adjusted Net Income attributed to Vector Group Ltd.	<u>\$ 20,956</u>	<u>\$ 22,110</u>	<u>\$ 55,329</u>	<u>\$ 73,273</u>
Per diluted common share:				
Adjusted Net Income applicable to common shares attributed to Vector Group Ltd.	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.36</u>	<u>\$ 0.49</u>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation and proceeds received from a litigation award at Douglas Elliman Realty, LLC, net of non-controlling interest.
- b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- c. Represents 70.59% of purchase accounting adjustments in the periods presented for assets acquired in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.

TABLE 4
VECTOR GROUP LTD. AND SUBSIDIARIES
RECONCILIATION OF ADJUSTED OPERATING INCOME
(Unaudited)
(Dollars in Thousands)

	LTM	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Operating income	\$ 224,167	\$ 66,018	\$ 59,723	\$ 175,963	\$ 187,444
Litigation settlement and judgment expense (income) (a)	(1,144)	—	4,104	(1,944)	5,791
Impact of MSA settlement (b)	(6,298)	—	(1,826)	(6,298)	(2,721)
Douglas Elliman Realty, LLC purchase accounting adjustments (c)	1,334	386	(2,136)	1,141	(1,326)
Total adjustments	(6,108)	386	142	(7,101)	1,744
Adjusted Operating Income (d)	<u>\$ 218,059</u>	<u>\$ 66,404</u>	<u>\$ 59,865</u>	<u>\$ 168,862</u>	<u>\$ 189,188</u>

-
- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation and proceeds received from a litigation award at Douglas Elliman Realty, LLC.
- b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- c. Amounts represent purchase accounting adjustments recorded in the periods presented in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- d. Does not include a reduction for 29.41% non-controlling interest in Douglas Elliman Realty, LLC.
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TABLE 5
VECTOR GROUP LTD. AND SUBSIDIARIES
RECONCILIATION OF TOBACCO ADJUSTED OPERATING INCOME
AND TOBACCO ADJUSTED EBITDA
(Unaudited)
(Dollars in Thousands)

	LTM September 30, 2018	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Tobacco Adjusted Operating Income:					
Operating income from tobacco segment	\$ 244,059	\$ 63,259	\$ 61,601	\$ 189,185	\$ 185,526
Litigation settlement and judgment expense (a)	1,325	—	4,104	525	5,791
Impact of MSA settlement (b)	(6,298)	—	(1,826)	(6,298)	(2,721)
Total adjustments	(4,973)	—	2,278	(5,773)	3,070
Tobacco Adjusted Operating Income	<u>\$ 239,086</u>	<u>\$ 63,259</u>	<u>\$ 63,879</u>	<u>\$ 183,412</u>	<u>\$ 188,596</u>
Tobacco Adjusted EBITDA:					
Operating income from tobacco segment	\$ 244,059	\$ 63,259	\$ 61,601	\$ 189,185	\$ 185,526
Litigation settlement and judgment expense (a)	1,325	—	4,104	525	5,791
Impact of MSA settlement (b)	(6,298)	—	(1,826)	(6,298)	(2,721)
Total adjustments	(4,973)	—	2,278	(5,773)	3,070
Tobacco Adjusted Operating Income	239,086	63,259	63,879	183,412	188,596
Depreciation and amortization	8,194	2,059	2,050	6,171	6,803
Stock-based compensation expense	85	21	21	63	63
Total adjustments	8,279	2,080	2,071	6,234	6,866
Tobacco Adjusted EBITDA	<u>\$ 247,365</u>	<u>\$ 65,339</u>	<u>\$ 65,950</u>	<u>\$ 189,646</u>	<u>\$ 195,462</u>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation.
b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.

TABLE 6
VECTOR GROUP LTD. AND SUBSIDIARIES
RECONCILIATION OF REAL ESTATE SEGMENT (NEW VALLEY LLC) ADJUSTED EBITDA
(Unaudited)
(Dollars in Thousands)

	LTM September 30, 2018	Three Months Ended September 30, 2018 2017		Nine Months Ended September 30, 2018 2017	
Net income (loss) attributed to Vector Group Ltd. from subsidiary non-guarantors (a)	\$ 11,958	\$ 4,703	\$ 1,602	\$ (915)	\$ 24,737
Interest expense (a)	76	7	10	63	22
Income tax (benefit) expense (a)	(19,317)	1,971	1,381	(1,826)	17,701
Net income attributed to non-controlling interest (a)	884	3,026	1,214	657	5,951
Depreciation and amortization	9,406	2,398	2,075	7,105	6,210
EBITDA	\$ 3,007	\$ 12,105	\$ 6,282	\$ 5,084	\$ 54,621
Loss from non-guarantors other than New Valley LLC	55	18	36	71	119
Equity in losses (earnings) from real estate ventures (b)	13,340	(294)	47	8,378	(26,357)
Purchase accounting adjustments (c)	531	184	(2,345)	545	(2,088)
Litigation settlement and judgment income (d)	(2,469)	—	—	(2,469)	—
Other, net	(1,346)	(342)	(317)	(1,020)	(998)
Adjusted EBITDA	\$ 13,118	\$ 11,671	\$ 3,703	\$ 10,589	\$ 25,297
Adjusted EBITDA attributed to non-controlling interest	(2,501)	(3,638)	(1,090)	(1,848)	(6,923)
Adjusted EBITDA attributed to New Valley LLC	\$ 10,617	\$ 8,033	\$ 2,613	\$ 8,741	\$ 18,374
Adjusted EBITDA by Segment					
Real Estate (e)	\$ 13,934	\$ 11,697	\$ 3,719	\$ 11,403	\$ 25,317
Corporate and Other	(816)	(26)	(16)	(814)	(20)
Total (g)	\$ 13,118	\$ 11,671	\$ 3,703	\$ 10,589	\$ 25,297
Adjusted EBITDA Attributed to New Valley LLC by Segment					
Real Estate (f)	\$ 11,433	\$ 8,059	\$ 2,629	\$ 9,555	\$ 18,394
Corporate and Other	(816)	(26)	(16)	(814)	(20)
Total (g)	\$ 10,617	\$ 8,033	\$ 2,613	\$ 8,741	\$ 18,374

- a. Amounts are derived from Vector Group Ltd.'s Condensed Consolidated Financial Statements. See Note entitled "Condensed Consolidating Financial Information" contained in Vector Group Ltd.'s Form 10-Q for the three and nine months ended September 30, 2018.
- b. Represents equity in losses (earnings) recognized from the Company's investment in certain real estate businesses that are not consolidated in its financial results.
- c. Represents purchase accounting adjustments recorded in the periods presented in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- d. Represents proceeds received from a litigation award at Douglas Elliman Realty, LLC.
- e. Includes Adjusted EBITDA for Douglas Elliman Realty, LLC of \$14,181 for the last twelve months ended September 30, 2018 and \$12,048, \$3,772, \$11,824 and \$23,753 for the three and nine months ended September 30, 2018 and 2017, respectively. Amounts reported in this footnote reflect 100% of Douglas Elliman Realty, LLC's entire Adjusted EBITDA.
- f. Includes Adjusted EBITDA for Douglas Elliman Realty, LLC less non-controlling interest of \$10,011 for the last twelve months ended September 30, 2018 and \$8,505, \$2,663, \$8,347 and \$16,767 for the three and nine months ended September 30, 2018 and 2017, respectively. Amounts reported in this footnote have adjusted Douglas Elliman Realty, LLC's Adjusted EBITDA for non-controlling interest.
- g. New Valley's Adjusted EBITDA does not include an allocation of Vector Group Ltd.'s "Corporate and Other" segment expenses (for purposes of computing Adjusted EBITDA contained in Table 2 of this press release) of \$15,559 for the last twelve months ended September 30, 2018 and \$3,543, \$3,197, \$11,316 and \$9,869 for the three and nine months ended September 30, 2018 and 2017, respectively.

TABLE 7
VECTOR GROUP LTD. AND SUBSIDIARIES
RECONCILIATION OF DOUGLAS ELLIMAN REALTY, LLC ADJUSTED EBITDA
AND DOUGLAS ELLIMAN REALTY, LLC ADJUSTED EBITDA ATTRIBUTED TO REAL ESTATE SEGMENT
(Unaudited)
(Dollars in Thousands)

	LTM September 30, 2018	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Net income attributed to Douglas Elliman Realty, LLC	\$ 8,680	\$ 9,965	\$ 4,197	\$ 7,773	\$ 20,451
Interest expense	59	3	5	51	5
Income tax (benefit) expense	(294)	(85)	248	401	648
Depreciation and amortization	8,998	2,295	1,974	6,797	5,907
Douglas Elliman Realty, LLC EBITDA	\$ 17,443	\$ 12,178	\$ 6,424	\$ 15,022	\$ 27,011
Equity in earnings from real estate ventures (a)	(1,173)	(274)	(271)	(1,151)	(1,116)
Purchase accounting adjustments (b)	531	184	(2,345)	545	(2,088)
Litigation settlement and judgment income (c)	(2,469)	—	—	(2,469)	—
Other, net	(151)	(40)	(36)	(123)	(54)
Douglas Elliman Realty, LLC Adjusted EBITDA	\$ 14,181	\$ 12,048	\$ 3,772	\$ 11,824	\$ 23,753
Douglas Elliman Realty, LLC Adjusted EBITDA attributed to non-controlling interest	(4,170)	(3,543)	(1,109)	(3,477)	(6,986)
Douglas Elliman Realty, LLC Adjusted EBITDA attributed to Real Estate Segment	\$ 10,011	\$ 8,505	\$ 2,663	\$ 8,347	\$ 16,767

- a. Represents equity in earnings recognized from the Company's investment in certain real estate businesses that are not consolidated in its financial results.
- b. Represents purchase accounting adjustments recorded in the periods presented in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- c. Represents proceeds received from a litigation award at Douglas Elliman Realty, LLC.