

## Vector Group Reports Third Quarter 2012 Financial Results

October 31, 2012

**MIAMI, FL, October 31, 2012** - Vector Group Ltd. (NYSE: VGR) today announced financial results for the three and nine months ended September 30, 2012.

Third quarter 2012 revenues were \$272.8 million, compared to revenues of \$289.0 million in the third quarter 2011. The decline in revenues in 2012 was primarily due to decreased unit sales of approximately 10.7% in the 2012 period compared to the 2011 period, which was partially offset by higher pricing. The Company recorded operating income of \$43.2 million in the third quarter of 2012, compared to operating income of \$37.9 million in the third quarter of 2011. Net income for the 2012 third quarter was \$17.9 million, or \$0.21 per diluted common share, compared to \$17.5 million, or \$0.20 per diluted common share, in the 2011 third quarter. The results for the three months ended September 30, 2012 included a pretax loss from the acceleration of interest expense of \$7.1 million related to the conversion of the Company's convertible debt and pre-tax gains related changes in the fair value of derivatives embedded within convertible debt of \$6.0 million. Adjusting for these items, third quarter 2012 net income was \$18.6 million or \$0.21 per diluted share. The results for the three months ended September 30, 2011 included pre-tax gains from changes in the fair value of derivatives embedded within convertible debt of \$4.4 million and the liquidation of long-term investments of \$2.2 million. Adjusting for the pre-tax gains, third quarter 2011 net income was \$13.6 million or \$0.16 per diluted share.

For the nine months ended September 30, 2012, revenues were \$807.0 million, compared to \$840.6 million for the first nine months of 2011. The decline in revenues in 2012 was primarily due to decreased unit sales of approximately 7.9% in the 2012 nine-month period compared to the 2011 period, which was partially offset by higher pricing. The Company recorded operating income of \$117.6 million for the 2012 nine-month period, compared to operating income of \$107.3 million for the 2011 period. Net income for the 2012 nine-month period was \$14.1 million, or \$0.16 per diluted common share, compared to net income of \$67.2 million, or \$0.78 per diluted common share, for the 2011 period. The results for the nine months ended September 30, 2012 included pre-tax losses from changes in the fair value of derivatives embedded within convertible debt of \$21.0 million and the acceleration of interest expense of \$15.0 million related to the conversion of the Company's convertible debt. Adjusting for these items, net income for the nine months ended September 30, 2012 was \$35.6 million or \$0.42 per diluted share. The results for the nine months ended September 30, 2011 included pre-tax gains from the liquidation of long-term investments of \$25.8 million, changes in the fair value of derivatives embedded within convertible debt of \$13.2 million and the sales of townhomes of \$3.7 million offset by a pretax loss from the acceleration of interest expense of \$1.2 million related to the conversion of the Company's convertible debt. Adjusting for these items, net income for the nine months ended September 30, 2011 was \$42.6 million or \$0.50 per diluted share.

For the three and nine months ended September 30, 2012, the Company's tobacco business had revenues of \$272.8 million and \$807.0 million, respectively, compared to \$289.0 million and \$840.6 million for the three and nine months ended September 30, 2011, respectively. Operating income was \$48.1 million for the third quarter of 2012 and \$130.2 million for the first nine months of 2012, compared to \$42.9 million and \$121.5 million for the three and nine months ended September 30, 2011, respectively.

### Conference Call to Discuss Third Quarter 2012 Results

As previously announced, the Company will host a conference call and webcast on Thursday, November 1, 2012 at 11:00 A.M. (ET) to discuss third quarter 2012 results. Investors can access the call by dialing **800-859-8150** and entering **88977771** as the conference ID number. The call will also be available via live webcast at [www.investorcalendar.com](http://www.investorcalendar.com). Webcast participants should allot extra time before the webcast begins to register.

A replay of the call will be available shortly after the call ends on November 1, 2012 through November 15, 2012. To access the replay, dial 877-656-8905 and enter 88977771 as the conference ID number. The archived webcast will also be available at [www.investorcalendar.com](http://www.investorcalendar.com) for 30 days.

Vector Group is a holding company that indirectly owns Liggett Group LLC and Vector Tobacco Inc. and directly owns New Valley LLC. Additional information concerning the company is available on the company's website, [www.VectorGroupLtd.com](http://www.VectorGroupLtd.com).

[Financial Table Follows]

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