
**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): October 6, 2014

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)

(Not Applicable)

(Former Name or Former Address, if Changed Since Last Report)

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

Vector Group Ltd. (the "Company") is filing this Current Report on Form 8-K to revise previously reported non-GAAP financial measures to reflect the impact of its recent 5% stock dividend, which was paid on September 26, 2014 to stockholders of record on September 15, 2014, in calculating its non-GAAP financial measure of Adjusted Pro-forma Net Income (related to Earnings Per Share), to include Pro-Forma Adjusted Revenues and Pro-forma Adjusted EBITDA for the twelve months ended June 30, 2014, to include the non-GAAP financial measures of New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA for its New Valley LLC subsidiary, and to revise the previously reported non-GAAP financial measure of Adjusted Pro-forma EBITDA for certain periods detailed below. All non-GAAP financial measures and their reconciliations to GAAP measures have been presented as part of Exhibit 99.2.

New Valley LLC ("New Valley"), the real estate subsidiary of the Company, owns real estate and 70.59% of Douglas Elliman, the largest residential real estate brokerage firm in the New York metropolitan area, as well as a minority stake in numerous real estate investments. The non-GAAP financial measures of New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are defined as the portion of the Company's Pro-forma Adjusted Revenues and Pro-forma Adjusted EBITDA that relate to New Valley. New Valley's Pro-forma Adjusted EBITDA does not include an allocation of expenses from the "Corporate and Other" segment of Vector Group Ltd.

The following non-GAAP financial measures included in Exhibit 99.2 were previously reported in the Company's press releases for the quarterly periods ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013 as well as the annual periods ended December 31, 2013, 2012, 2011 and 2010: Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA and Pro-forma Adjusted Net Income. These measures are presented in Exhibit 99.2 along with two additional non-GAAP financial measures: New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA.

The Company has made adjustments in this Form 8-K, which are discussed below, to previously reported Pro-forma Adjusted EBITDA, for the three and six months ended June 30, 2014, three months ended March 31, 2014 and three and twelve months ended December 31, 2014.

- For the three and six months ended June 30, 2014, the Company corrected a classification error related to segment information of Pro-forma Adjusted EBITDA which is summarized in the table below.

Pro-forma Adjusted EBITDA Attributed to Vector by Segment	(Dollars in thousands)					
	For the Three Months Ended			For the Six Months Ended		
	June 30, 2014			June 30, 2014		
	As Previously Reported	Revision	As Revised	As Previously Reported	Revision	As Revised
Tobacco	\$ 53,273	\$ —	\$ 53,273	\$ 100,188	\$ —	\$ 100,188
Real estate	12,639	280	12,919	19,558	280	19,838
Corporate and other	(6,701)	(280)	(6,981)	(10,870)	(280)	(11,150)
Total	\$ 59,211	\$ —	\$ 59,211	\$ 108,876	\$ —	\$ 108,876

- For the three months ended March 31, 2014, the Company corrected Pro-forma Adjusted EBITDA attributed to Vector Group Ltd. to \$49.665 million (from previously reported \$50.888 million) as a result of an error in the computation of Pro-forma EBITDA attributed to non-controlling interest.
- For the three and twelve months ended December 31, 2014, the Company corrected Pro-forma Adjusted EBITDA attributed to Vector Group Ltd. to \$76.274 million (from previously reported \$76.837 million) and \$236.392 million (from previously reported \$238.172 million) as a result of an error in the computation of the inclusion of Douglas Elliman's EBITDA for the three and twelve months ended December 31, 2013.

The Company assessed the materiality of the reclassification and errors and concluded that they were immaterial to all previously reported periods of Pro-forma Adjusted EBITDA.

For all periods presented ending on September 30, 2013 and earlier, the non-GAAP financial measures originally reported have been revised to give effect to the Company's acquisition of the additional 20.59% interest in Douglas Elliman as if it had occurred at the beginning of each period.

Non-GAAP Financial Measures

Pro-forma Adjusted Revenues is defined as Revenues plus the additional revenues as a result of the consolidation of Douglas Elliman plus one-time purchase accounting adjustments to fair value for deferred revenues recorded in connection with the increase of the Company's ownership of Douglas Elliman. EBITDA is defined as Net Income before Interest, Taxes, Depreciation and Amortization. Pro-forma Adjusted EBITDA is EBITDA, as defined above and as adjusted for changes in fair value of derivatives embedded with convertible debt, equity gains (losses) on long-term investments, gains (losses) on sale of investment securities available for sale, equity income from non-consolidated real estate businesses, loss on extinguishment of debt, acceleration of interest expense related to debt conversion, stock-based compensation expense, litigation settlement and judgment expense, impact of the settlement of a dispute related to the Master Settlement Agreement ("MSA"), gains on acquisition of Douglas Elliman, changes to EBITDA as a result of the consolidation of Douglas Elliman and other charges. Pro-forma Adjusted Net Income is defined as Net Income adjusted for acceleration of interest expense related to debt conversion, changes in fair value of derivatives embedded with convertible debt, non-cash amortization of debt discount on convertible debt, loss on extinguishment of 11% senior secured notes due 2015, litigation settlement and judgment expenses, impact of the MSA settlement, interest income from MSA settlement, gain on acquisition of Douglas Elliman, adjustment to reflect 20.59% of net income from Douglas Elliman, out of period adjustments related to Douglas Elliman and Douglas Elliman purchase accounting adjustments. Pro-forma Adjusted Operating Income is defined as Operating Income adjusted for litigation settlement and judgment expenses, impact of the MSA settlement, reclassification of operating income as a result of the consolidation of Douglas Elliman and Douglas Elliman purchase accounting adjustments. The Pro-forma non-GAAP financial measures are presented assuming Vector Group Ltd.'s acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC, and the related purchase accounting adjustments, occurred prior to beginning of each period presented.

New Valley LLC ("New Valley"), the real estate subsidiary of the Company, owns real estate and 70% of Douglas Elliman, the largest residential brokerage firm in the New York metropolitan area, as well as a minority stake in numerous real estate investments. New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are defined as the portion of Pro-forma Adjusted Revenues and Pro-forma Adjusted EBITDA that relate to New Valley. New Valley's Pro-forma Adjusted EBITDA does not include an allocation of expenses from the Corporate and Other segment of Vector Group Ltd.

Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are financial measures not prepared in accordance with generally accepted accounting principles ("GAAP"). The Company believes that Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley Pro-forma Adjusted EBITDA are important measures that supplement discussions and analysis of its results of operations and enhances an understanding of its operating performance. The Company believes Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA provide investors and analysts with a useful measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. Management uses Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA 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 (Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA) of the Company's business. While management considers Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA 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, Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are susceptible to varying calculations and the Company's measurement of Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA may not be comparable to those of other companies. Included in Exhibit 99.2 attached hereto as Tables 1, 2, 3, 4 and 5 is information for the years ended December 31, 2013, 2012, 2011 and 2010 and the LTM ended June 30, 2014 and the three months ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013 relating to the Company's Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA, respectively. Reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures for the periods above are included in Tables 1, 2, 3, 4 and 5 of Exhibit 99.2.

Item 7.01 Regulation FD Disclosure.

Vector Group Ltd. (the "Company") has prepared materials for presentations to investors. A copy of these materials are furnished (not filed) as Exhibits 99.3, 99.4 and 99.5 to this Current Report on Form 8-K pursuant to Regulation FD.

Non-GAAP Financial Measures

Exhibits 99.3, 99.4 and 99.5 contain the Non-GAAP Financial Measures discussed below. The Pro-forma non-GAAP financial measures are presented assuming Vector Group Ltd.'s acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC, and the related purchase accounting adjustments, occurred prior to beginning of each period presented.

Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are financial measures not prepared in accordance with generally accepted accounting principles ("GAAP"). Pro-forma Adjusted Revenues is defined as Revenues plus the additional revenues as a result of the consolidation of Douglas Elliman plus one-time purchase accounting adjustments to fair value for deferred revenues recorded in connection with the increase of the Company's ownership of Douglas Elliman. EBITDA is defined as Net Income before Interest, Taxes, Depreciation and Amortization. Pro-forma Adjusted EBITDA is EBITDA, as defined above, and as adjusted for changes in fair value of derivatives embedded with convertible debt, equity gains (losses) on long-term investments, gains (losses) on sale of investment securities available for sale, equity income from non-consolidated real estate businesses, loss on extinguishment of debt, acceleration of interest expense related to debt conversion, stock-based compensation expense, litigation settlement and judgment expense, impact of the settlement of a dispute related to the Master Settlement Agreement ("MSA"), gains on acquisition of Douglas Elliman, changes to EBITDA as a result of the consolidation of Douglas Elliman and other charges. Pro-Forma Capital Expenditures is defined as Capital Expenditures adjusted for Vector Group Ltd.'s acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC and reduced by Vector's non-controlling interest in Douglas Elliman Realty LLC. Pro-forma Free Cash Flow is defined as Pro-forma Adjusted EBITDA reduced by Pro-forma Capital Expenditures.

New Valley LLC ("New Valley"), the real estate subsidiary of the Company, owns real estate and 70% of Douglas Elliman, the largest residential brokerage firm in the New York metropolitan area, as well as a minority stake in numerous real estate investments. New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are defined as the portion of Pro-forma Adjusted Revenues and Pro-forma Adjusted EBITDA that relate to New Valley. New Valley's Pro-forma Adjusted EBITDA does not include an allocation of expenses from the Corporate and Other segment of Vector Group Ltd.

The Company believes that Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are important measures that supplement discussions and analysis of its results of operations and enhances an understanding of its operating performance. The Company believes Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA provide investors and analysts with a useful measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. Management uses Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA 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 (Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA) of the Company's business. While management considers Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA 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, Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are susceptible to varying calculations and the Company's measurement of Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA may not be comparable to those of other companies

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements, which involve risk and uncertainties. The words "could", "believe," "expect," "estimate," "may," "will," "could," "plan," or "continue" and similar expressions are intended to identify forward-looking statements. The Company's actual results could differ significantly from the results discussed in such forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Current Report on Form 8-K. The Company undertakes no obligation to (and expressly disclaims any obligation to) revise or update any forward-looking statement, whether as a result of new information, subsequent events, or otherwise (except as may be required by law), in order to reflect any event or circumstance which may arise after the date of this Current Report on Form 8-K.

Item 8.01. Other Events

On September 2, 2014, our Board of Directors declared a 5% stock dividend to stockholders of record as of September 15, 2014. The stock dividend was paid on September 26, 2014. We are filing updated Selected Financial Data to reflect the stock dividend as Exhibit 99.1.

Item 9.01. Condensed Consolidated Financial Statements and Exhibit

(c) Exhibit.

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	Selected Financial Data adjusted to reflect 5% stock dividend paid September 26, 2014 to stockholders of record on September 15, 2014.
99.2	Non-GAAP Financial Measures (furnished pursuant to Regulation FD).
99.3	Investor Presentation of Vector Group Ltd. dated October 2014 (furnished pursuant to Regulation FD).
99.4	Fact Sheet of Vector Group Ltd. dated October 1, 2014 (furnished pursuant to Regulation FD).
99.5	Fact Sheet of New Valley LLC dated October 1, 2014 (furnished pursuant to Regulation FD).

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

Vice President, Treasurer and Chief Financial Officer

Date: October 6, 2014

Selected Financial Data

The following table sets forth our summary condensed consolidated financial data for the periods presented below and our earnings per share as adjusted for the stock dividends described below. The summary condensed consolidated financial data as of June 30, 2014 have been derived from our unaudited condensed consolidated financial statements. Our unaudited condensed consolidated financial statements include only normal and recurring adjustments, necessary to state fairly the data included therein.

The per share amounts shown below have been retroactively adjusted to reflect the 5% stock dividend which was paid on September 26, 2014 to stockholders of record on September 15, 2014 (see note (3) below).

Our historical results are not necessarily indicative of the results of operations for future periods, and our results of operations for the six-month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2014. You should read the following summary condensed consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes included in our Current Report on Form 8-K filed on July 30, 2014 and in our Quarterly Report on Form 10-Q for the period ended June 30, 2014.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Statement of Operations Data:					
Revenues:					
Tobacco (1)	\$ 1,014,341	\$ 1,084,546	\$ 1,133,380	\$ 1,063,289	\$ 801,494
Real estate	65,580	10,987	4,266	3,257	—
E-cigarettes	—	—	—	—	—
Total revenues	1,079,921	1,095,533	1,137,646	1,066,546	801,494
Net income attributed to Vector Group Ltd.	38,944	30,622	75,020	54,084	24,806
Per basic common share (3)					
Net income attributed to Vector Group Ltd. applicable to common shares	\$ 0.39	\$ 0.32	\$ 0.81	\$ 0.59	\$ 0.27
Per diluted common share (3)					
Net income attributed to Vector Group Ltd. applicable to common shares	\$ 0.39	\$ 0.32	\$ 0.80	\$ 0.58	\$ 0.27
Cash distributions declared per common share (3)	\$ 1.47	\$ 1.40	\$ 1.33	\$ 1.27	\$ 1.21

	June 30, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Balance Sheet Data:						
Current assets	\$ 940,320	\$ 588,311	\$ 639,056	\$ 509,741	\$ 526,763	\$ 389,208
Total assets	1,642,662	1,260,264	1,086,731	927,768	949,595	735,542
Current liabilities	380,312	405,110	195,159	315,198	226,872	149,008
Notes payable, embedded derivatives, long-term debt and other obligations, less current portion	1,037,455	633,700	759,074	542,371	647,064	487,936
Noncurrent employee benefits, deferred income taxes and other long-term liabilities	256,008	243,063	211,750	159,229	121,893	103,280
Total stockholders' deficiency	(31,113)	(21,609)	(79,252)	(89,030)	(46,234)	(4,682)

For the Three Months Ended

For the Six Months Ended

	For the Three Months Ended						For the Six Months Ended	
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	June 30, 2014	June 30, 2013
Statement of Operations Data:								
Revenues:								
Tobacco (2)	\$ 250,556	\$ 233,392	\$ 253,303	\$ 271,516	\$ 249,120	\$ 240,402	\$ 483,948	\$ 489,522
Real estate	153,488	108,044	46,282	6,425	7,106	5,767	261,532	12,873
E-cigarettes	2,569	5,800	—	—	—	—	8,369	—
Total revenues	406,613	347,236	299,585	277,941	256,226	246,169	753,849	502,395
Net income (loss) attributed to Vector Group Ltd.	7,925	2,580	64,005	(36,891)	13,511	(1,681)	10,505	11,830
Per basic common share (3)								
Net income (loss) attributed to Vector Group Ltd. applicable to common shares	\$ 0.08	\$ 0.03	\$ 0.64	\$ (0.39)	\$ 0.14	\$ (0.02)	\$ 0.10	\$ 0.12
Per diluted common share (3)								
Net income (loss) attributed to Vector Group Ltd. applicable to common shares	\$ 0.08	\$ 0.03	\$ 0.59	\$ (0.39)	\$ 0.14	\$ (0.02)	\$ 0.10	\$ 0.12
Cash distributions declared per common share (3)	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.76	\$ 0.72

(1) Revenues include excise taxes of \$456,703, \$508,027, \$552,965, \$538,328, and \$377,771, respectively.

(2) Revenues include excise taxes of \$109,695, \$102,413, \$113,409, \$121,787, \$112,596, \$108,911, \$212,108, and \$221,507 respectively.

(3) Per share computations include the impact of 5% stock dividends on September 26, 2014, September 27, 2013, September 28, 2012, September 29, 2011, September 29, 2010, and September 29, 2009.

TABLE 1
VECTOR GROUP LTD. AND SUBSIDIARIES
RECONCILIATION OF PRO-FORMA ADJUSTED REVENUES
(Unaudited)
(Dollars in Thousands)

	LTM June 30, 2014	Year Ended December 31,			
		2013	2012	2011	2010
Revenues, as revised	\$ 1,331,375	\$ 1,079,921	\$ 1,095,533	\$ 1,137,646	\$ 1,066,546
Reclassification of revenues as a result of the consolidation of Douglas Elliman (a)	228,269	416,453	378,175	346,309	348,136
Purchase accounting adjustments (b)	3,040	1,357	—	—	—
Total adjustments	231,309	417,810	378,175	346,309	348,136
Pro-forma Adjusted Revenues, as revised	<u>\$ 1,562,684</u>	<u>\$ 1,497,731</u>	<u>\$ 1,473,708</u>	<u>\$ 1,483,955</u>	<u>\$ 1,414,682</u>
Pro-forma Adjusted Revenues by Segment					
Tobacco	\$ 1,008,767	\$ 1,014,341	\$ 1,084,546	\$ 1,133,380	\$ 1,063,289
Real Estate (c)	545,548	483,390	389,162	350,575	351,393
Corporate and Other	8,369	—	—	—	—
Total	<u>\$ 1,562,684</u>	<u>\$ 1,497,731</u>	<u>\$ 1,473,708</u>	<u>\$ 1,483,955</u>	<u>\$ 1,414,682</u>

- a. Represents revenues of Douglas Elliman Realty, LLC for the respective annual periods. For the last twelve months ended June 30, 2014, represents revenues from Douglas Elliman Realty, LLC from July 1, 2013 to December 13, 2013. For the year ended December 31, 2013, represents revenues from Douglas Elliman Realty, LLC for the period from January 1, 2013 to December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company consolidates the operations and financial position of Douglas Elliman Realty, LLC in its financial statements. The Company had previously accounted for its interest in Douglas Elliman Realty, LLC under the equity method and revenues from Douglas Elliman Realty, LLC was not included in the Company's revenues.
- b. Amounts represent one-time purchase accounting adjustments to fair value for deferred revenues recorded in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC on December 13, 2013.
- c. Includes Pro-forma Adjusted Revenues from Douglas Elliman Realty, LLC of \$503,310 for the last twelve months ended June 30, 2014 and \$455,552, \$384,267, \$346,309, and \$348,136 for the years ended December 31, 2013, 2012, 2011, and 2010, respectively.

TABLE 2
VECTOR GROUP LTD. AND SUBSIDIARIES
COMPUTATION OF PRO-FORMA ADJUSTED EBITDA
(Unaudited)
(Dollars in Thousands)

	Three Months Ended					
	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
	2014	2014	2013	2013	2013	2013
Net income (loss) attributed to Vector Group Ltd.	\$ 7,925	\$ 2,580	\$ 64,005	\$ (36,891)	\$ 13,511	\$ (1,681)
Interest expense	44,183	35,453	33,102	33,583	32,086	33,376
Income tax expense (benefit)	6,101	2,942	34,082	(18,969)	10,017	(335)
Net income attributed to non-controlling interest	5,106	949	(252)	—	—	—
Depreciation and amortization	5,462	7,092	4,626	2,772	2,637	2,596
EBITDA	\$ 68,777	\$ 49,016	\$ 135,563	\$ (19,505)	\$ 58,251	\$ 33,956
Change in fair value of derivatives embedded within convertible debt (a)	(1,970)	1,650	(10,636)	(2,800)	(2,450)	(3,049)
Equity (gain) loss on long-term investments (b)	273	(906)	(1,296)	53	(846)	23
Loss (gain) on sale of investment securities available for sale	18	53	(42)	99	197	(5,406)
Equity income from non-consolidated real estate businesses (c)	1,808	(1,552)	(6,151)	(9,489)	(6,804)	(481)
Loss on extinguishment of debt	—	—	—	—	—	21,458
Acceleration of interest expense related to debt conversion	439	3,679	12,414	—	—	—
Stock-based compensation expense (d)	464	523	586	678	686	569
Litigation settlement and judgment expense (e)	—	1,500	193	87,913	—	—
Impact of MSA Settlement (f)	(1,419)	—	(860)	(4,016)	(1,345)	(5,602)
Gain on acquisition of Douglas Elliman	—	—	(60,842)	—	—	—
Reclassification of EBITDA as a result of the consolidation of Douglas Elliman (g)	—	—	13,804	18,359	13,554	923
Other, net	(3,575)	(2,126)	(2,399)	(2,871)	(1,471)	(809)
Pro-forma Adjusted EBITDA	\$ 64,815	\$ 51,837	\$ 80,334	\$ 68,421	\$ 59,772	\$ 41,582
Pro-forma Adjusted EBITDA attributed to non-controlling interest	(5,604)	(2,172)	(4,060)	(5,399)	(3,986)	(271)
Pro-forma Adjusted EBITDA attributed to Vector Group Ltd.	\$ 59,211	\$ 49,665	\$ 76,274	\$ 63,022	\$ 55,786	\$ 41,311
Pro-forma Adjusted EBITDA by Segment						
Tobacco	\$ 53,273	\$ 46,915	\$ 51,746	\$ 53,849	\$ 49,323	\$ 43,948
Real Estate (h)	18,523	9,091	32,983	17,447	13,299	1,137
Corporate and Other	(6,981)	(4,169)	(4,395)	(2,875)	(2,850)	(3,503)
Total	\$ 64,815	\$ 51,837	\$ 80,334	\$ 68,421	\$ 59,772	\$ 41,582
Pro-forma Adjusted EBITDA Attributed to Vector Group by Segment						
Tobacco	\$ 53,273	\$ 46,915	\$ 51,746	\$ 53,849	\$ 49,323	\$ 43,948
Real Estate (i)	12,919	6,919	28,923	12,048	9,313	866
Corporate and Other	(6,981)	(4,169)	(4,395)	(2,875)	(2,850)	(3,503)
Total	\$ 59,211	\$ 49,665	\$ 76,274	\$ 63,022	\$ 55,786	\$ 41,311

- a. Represents income or losses recognized from changes in the fair value of the derivatives embedded in the Company's convertible debt.
- b. Represents income or losses recognized on long-term investments that the Company accounts for under the equity method.
- c. Represents equity income 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 accrual for a settlement of an *Engle* progeny judgment.
- f. Represents the Company's tobacco business's settlement of a long-standing dispute related to the Master Settlement Agreement.
- g. Represents EBITDA of Douglas Elliman Realty, LLC for all periods before December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013,

the Company consolidates the operations and financial position of Douglas Elliman Realty, LLC in its financial statements. The Company had previously accounted for its interest in Douglas Elliman Realty, LLC under the equity method, and operating income as well as depreciation and amortization expense from Douglas Elliman Realty, LLC, were not included in the Company's Adjusted EBITDA.

- h. Includes \$15,789, \$7,386, \$13,169, \$18,395, \$13,465, and \$681 of Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC for the three months ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively. Amounts reported in this footnote reflect 100% of Douglas Elliman Realty, LLC's entire Pro-forma Adjusted EBITDA.
- i. Includes \$11,145, \$5,214, \$9,109, \$12,996, \$9,479, and \$410 of Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC less non-controlling interest for the three months ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively. Amounts reported in this footnote have adjusted Douglas Elliman Realty, LLC's Pro-forma Adjusted EBITDA for non-controlling interest.

TABLE 2
VECTOR GROUP LTD. AND SUBSIDIARIES
COMPUTATION OF PRO-FORMA ADJUSTED EBITDA
(Unaudited)
(Dollars in Thousands)
Continued

	LTM		Year Ended December 31,		
	June 30, 2014	2013	2012	2011	2010
Net income attributed to Vector Group Ltd.	\$ 37,619	\$ 38,944	\$ 30,622	\$ 75,020	\$ 54,084
Interest expense	146,321	132,147	110,102	100,706	84,096
Income tax expense	24,156	24,795	23,095	48,137	31,486
Net income (loss) attributed to non-controlling interest	5,803	(252)	—	—	—
Depreciation and amortization	19,952	12,631	10,608	10,607	10,790
EBITDA	\$ 233,851	\$ 208,265	\$ 174,427	\$ 234,470	\$ 180,456
Change in fair value of derivatives embedded within convertible debt (a)	(13,756)	(18,935)	7,476	(7,984)	(11,524)
Gain on liquidation of long-term investments	—	—	—	(25,832)	—
Equity (gain) loss on long-term investments (b)	(1,876)	(2,066)	1,261	859	(1,489)
Gain on sale of investment securities available for sale	128	(5,152)	(1,640)	(23,257)	(19,869)
Equity income from non-consolidated real estate businesses (c)	(15,384)	(22,925)	(29,764)	(19,966)	(23,963)
Gain on sale of townhomes	—	—	—	(3,843)	—
Loss on extinguishment of debt	—	21,458	—	1,217	—
Acceleration of interest expense related to debt conversion	16,532	12,414	14,960	—	—
Stock-based compensation expense (d)	2,251	2,519	5,563	3,183	2,704
Litigation settlement and judgment expense (e)	89,606	88,106	—	—	19,161
Impact of MSA Settlement (f)	(6,295)	(11,823)	—	—	—
Gain on acquisition of Douglas Elliman	(60,842)	(60,842)	—	—	—
Reclassification of EBITDA as a result of the consolidation of Douglas Elliman (g)	32,163	46,640	31,558	30,991	44,778
Other, net	(10,971)	(7,550)	(1,179)	(1,736)	(1,508)
Pro-forma Adjusted EBITDA	\$ 265,407	\$ 250,109	\$ 202,662	\$ 188,102	\$ 188,746
Pro-forma Adjusted EBITDA attributed to non-controlling interest	(17,236)	(13,717)	(9,281)	(9,114)	(13,169)
Pro-forma Adjusted EBITDA attributed to Vector Group Ltd.	\$ 248,171	\$ 236,392	\$ 193,381	\$ 178,988	\$ 175,577
Pro-forma Adjusted EBITDA by Segment					
Tobacco	\$ 205,783	\$ 198,866	\$ 185,798	\$ 173,721	\$ 157,528
Real Estate (h)	78,044	64,866	29,959	29,388	44,445
Corporate and Other	(18,420)	(13,623)	(13,095)	(15,007)	(13,227)
Total	\$ 265,407	\$ 250,109	\$ 202,662	\$ 188,102	\$ 188,746
Pro-forma Adjusted EBITDA Attributed to Vector Group by Segment					
Tobacco	\$ 205,783	\$ 198,866	\$ 185,798	\$ 173,721	\$ 157,528
Real Estate (i)	60,808	51,149	20,678	20,274	31,276
Corporate and Other	(18,420)	(13,623)	(13,095)	(15,007)	(13,227)
Total	\$ 248,171	\$ 236,392	\$ 193,381	\$ 178,988	\$ 175,577

- a. Represents income or losses recognized from changes in the fair value of the derivatives embedded in the Company's convertible debt.
b. Represents income or losses recognized on long-term investments that the Company accounts for under the equity method.
c. Represents equity income 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 accrual for a settlement of an *Engle* progeny judgment.
f. Represents the Company's tobacco business's settlement of a long-standing dispute related to the Master Settlement Agreement.

- g. Represents EBITDA of Douglas Elliman Realty, LLC for all periods prior to December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company consolidates the operations and financial position of Douglas Elliman Realty, LLC in its financial statements. The Company had previously accounted for its interest in Douglas Elliman Realty, LLC under the equity method, and operating income as well as depreciation and amortization expense from Douglas Elliman Realty, LLC, were not included in the Company's Adjusted EBITDA.
- h. Includes Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC of \$54,739 for the last twelve months ended June 30, 2014 and \$45,710, \$30,910, \$30,991 and \$44,778 for the years ended December 31 2013, 2012, 2011, and 2010, respectively. Amounts reported in this footnote reflect 100% of Douglas Elliman Realty, LLC's entire Pro-forma Adjusted EBITDA.
- i. Includes Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC less non-controlling interest of \$38,463 for the last twelve months ended June 30, 2014 and \$31,993, \$21,629, \$21,877 and \$31,609 for the years ended December 31 2013, 2012, 2011, and 2010, respectively. Amounts reported in this footnote have adjusted Douglas Elliman Realty, LLC's Pro-forma Adjusted EBITDA for non-controlling interest.

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

	Three Months Ended					
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Net income (loss) attributed to Vector Group Ltd.	\$ 7,925	\$ 2,580	\$ 64,005	\$ (36,891)	\$ 13,511	\$ (1,681)
Acceleration of interest expense related to debt conversion	439	3,679	12,414	—	—	—
Change in fair value of derivatives embedded within convertible debt	(1,970)	1,650	(10,636)	(2,800)	(2,450)	(3,049)
Non-cash amortization of debt discount on convertible debt	14,691	12,456	10,946	9,620	8,464	7,348
Loss on extinguishment of 11% Senior Secured Notes due 2015	—	—	—	—	—	21,458
Litigation settlement and judgment expense (a)	—	1,500	193	87,913	—	—
Impact of MSA Settlement (b)	(1,419)	—	(860)	(4,016)	(1,345)	(5,602)
Interest income from MSA Settlement (b)	—	—	—	(1,971)	—	—
Gain on acquisition of Douglas Elliman Realty, LLC (c)	—	—	(60,842)	—	—	—
Adjustment to reflect additional 20.59% of net income from Douglas Elliman Realty, LLC (c)	—	—	2,467	3,500	2,571	19
Out-of-period adjustment related to Douglas Elliman acquisition in 2013 (d)	—	(1,231)	—	—	—	—
Douglas Elliman Realty, LLC purchase accounting adjustments (e)	1,223	2,356	1,165	—	—	—
Total adjustments	12,964	20,410	(45,153)	92,246	7,240	20,174
Tax (expense) benefit related to adjustments	(5,360)	(8,440)	18,332	(37,445)	(2,947)	(7,407)
Pro-forma Adjusted Net Income attributed to Vector Group Ltd.	<u>\$ 15,529</u>	<u>\$ 14,550</u>	<u>\$ 37,184</u>	<u>\$ 17,910</u>	<u>\$ 17,804</u>	<u>\$ 11,086</u>
Per diluted common share:						
Pro-forma Adjusted Net Income applicable to common shares attributed to Vector Group Ltd.	<u>\$ 0.15</u>	<u>\$ 0.14</u>	<u>\$ 0.36</u>	<u>\$ 0.18</u>	<u>\$ 0.18</u>	<u>\$ 0.11</u>

a. Represents accrual for a settlement of an *Engle* progeny judgment.

b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.

c. Represents 20.59% of Douglas Elliman Realty, LLC's net income from January 1, 2013 to December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company includes an additional 20.59% of Adjusted Net Income from Douglas Elliman Realty, LLC in the Company's Adjusted Net Income.

d. Represents an out-of-period adjustment related to a non-accrual of a receivable from Douglas Elliman in the fourth quarter of 2013 which would have increased the Company's gain on acquisition of Douglas Elliman in 2013.

e. Amounts represent 70.59% of one-time purchase accounting adjustments to fair value for assets acquired in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC on December 13, 2013.

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

	Year Ended December 31,			
	2013	2012	2011	2010
Net income attributed to Vector Group Ltd.	\$ 38,944	\$ 30,622	\$ 75,020	\$ 54,084
Acceleration of interest expense related to debt conversion	12,414	14,960	1,217	—
Change in fair value of derivatives embedded within convertible debt	(18,935)	7,476	(7,984)	(11,524)
Non-cash amortization of debt discount on convertible debt	36,378	18,016	10,441	6,967
Loss on extinguishment of 11% Senior Secured Notes due 2015	21,458	—	—	—
Litigation settlement and judgment expense (a)	88,106	—	—	19,161
Impact of MSA Settlement (b)	(11,823)	—	—	—
Interest income from MSA Settlement (c)	(1,971)	—	—	—
Gain on acquisition of Douglas Elliman Realty, LLC (d)	(60,842)	—	—	—
Adjustment to reflect additional 20.59% of net income from Douglas Elliman Realty, LLC (e)	8,557	5,947	5,811	8,509
Douglas Elliman Realty, LLC purchase accounting adjustments (f)	1,165	—	—	—
Gain on liquidation of long-term investments	—	—	(25,832)	—
Gain on townhomes	—	—	(3,843)	—
Total adjustments	74,507	46,399	(20,190)	23,113
Tax (expense) benefit related to adjustments	(29,467)	(19,332)	8,197	(9,384)
Pro-forma Adjusted Net Income attributed to Vector Group Ltd.	<u>\$ 83,984</u>	<u>\$ 57,689</u>	<u>\$ 63,027</u>	<u>\$ 67,813</u>
Per diluted common share:				
Pro-forma Adjusted Net Income applicable to common shares attributed to Vector Group Ltd.	<u>\$ 0.85</u>	<u>\$ 0.61</u>	<u>\$ 0.68</u>	<u>\$ 0.73</u>

a. Represents accrual for a settlement of an *Engle* progeny judgment.

b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.

c. Represents interest income from the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.

d. Represents gain associated with the increase of ownership of Douglas Elliman Realty, LLC.

e. Represents 20.59% of Douglas Elliman Realty LLC's net income from January 1, 2013 to December 13, 2013 and the years ended December 31, 2012, 2011, and 2010. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company includes an additional 20.59% of Adjusted Net Income from Douglas Elliman Realty, LLC in the Company's Adjusted Net Income.

f. Amounts represents 70.59% of one-time purchase accounting adjustments to fair value for assets acquired in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC on December 13, 2013.

TABLE 4
VECTOR GROUP LTD. AND SUBSIDIARIES
ANALYSIS OF NEW VALLEY LLC PRO-FORMA ADJUSTED REVENUES
(Unaudited)
(Dollars in Thousands)

	Year Ended December 31,				
	LTM June 30, 2014	2013	2012	2011	2010
Revenues	\$ 314,239	\$ 65,580	\$ 10,987	\$ 4,266	\$ 3,257
Reclassification of revenues as a result of the consolidation of Douglas Elliman (a)	228,269	416,453	378,175	346,309	348,136
Purchase accounting adjustments (b)	3,040	1,357	—	—	—
Total adjustments	231,309	417,810	378,175	346,309	348,136
Pro-forma Adjusted Revenues (c)	<u>\$ 545,548</u>	<u>\$ 483,390</u>	<u>\$ 389,162</u>	<u>\$ 350,575</u>	<u>\$ 351,393</u>

- a. Represents revenues of Douglas Elliman Realty, LLC for the respective three month periods. For the last twelve months ended June 30, 2014, represents revenues of Douglas Elliman Realty, LLC from July 1, 2013 to December 13, 2013. For the year ended December 31, 2013, represents revenues of Douglas Elliman Realty, LLC for the period from January 1, 2013 to December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company consolidates the operations and financial position of Douglas Elliman Realty, LLC in its financial statements. The Company had previously accounted for its interest in Douglas Elliman Realty, LLC under the equity method and revenues from Douglas Elliman Realty, LLC were not included in the Company's revenues.
- b. Amounts represent one-time purchase accounting adjustments to fair value for deferred revenues recorded in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC on December 13, 2013.
- c. Includes Pro-forma Adjusted Revenues from Douglas Elliman Realty, LLC of \$503,310 for the last twelve months ended June 30, 2014 and \$455,552, \$384,267, \$346,309, and \$348,136 for the years ended December 31, 2013, 2012, 2011, and 2010, respectively.

TABLE 5
VECTOR GROUP LTD. AND SUBSIDIARIES
COMPUTATION OF NEW VALLEY LLC PRO-FORMA ADJUSTED EBITDA
(Unaudited)
(Dollars in Thousands)

	Three Months Ended					
	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
	2014	2014	2013	2013	2013	2013
Net income attributed to Vector Group Ltd. from subsidiary non-guarantors (a)	\$ 6,234	\$ 3,225	\$ 50,286	\$ 5,052	\$ 3,763	\$ 321
Interest expense (a)	3	34	4	3	3	4
Income tax expense (a)	5,249	3,541	34,394	3,493	2,625	228
Net income (loss) attributed to non-controlling interest (a)	5,106	949	(252)	—	—	—
Depreciation and amortization	2,622	4,347	1,981	160	152	128
EBITDA	\$ 19,214	\$ 12,096	\$ 86,413	\$ 8,708	\$ 6,543	\$ 681
Income from non-guarantors other than New Valley	47	18	36	36	43	16
Equity income from non-consolidated real estate businesses (b)	1,808	(1,552)	(6,151)	(9,489)	(6,804)	(481)
Gain on sale of townhomes	—	—	—	—	—	—
Gain on acquisition of Douglas Elliman	—	—	(60,842)	—	—	—
Reclassification of EBITDA as a result of the consolidation of Douglas Elliman (c)	—	—	13,804	18,359	13,554	923
Other, net	(2,577)	(1,486)	(222)	2	(76)	(52)
Pro-forma Adjusted EBITDA	\$ 18,492	\$ 9,076	\$ 33,038	\$ 17,616	\$ 13,260	\$ 1,087
Pro-forma Adjusted EBITDA attributed to non-controlling interest	(5,604)	(2,172)	(4,060)	(5,399)	(3,986)	(271)
Pro-forma Adjusted EBITDA attributed to New Valley LLC	\$ 12,888	\$ 6,904	\$ 28,978	\$ 12,217	\$ 9,274	\$ 816
Pro-forma Adjusted EBITDA by Segment						
Real Estate (d)	\$ 18,523	\$ 9,091	\$ 32,983	\$ 17,447	\$ 13,299	\$ 1,137
Corporate and Other	(31)	(15)	55	169	(39)	(50)
Total (f)	\$ 18,492	\$ 9,076	\$ 33,038	\$ 17,616	\$ 13,260	\$ 1,087
Pro-forma Adjusted EBITDA Attributed to New Valley LLC by Segment						
Real Estate (e)	\$ 12,919	\$ 6,919	\$ 28,923	\$ 12,048	\$ 9,313	\$ 866
Corporate and Other	(31)	(15)	55	169	(39)	(50)
Total (f)	\$ 12,888	\$ 6,904	\$ 28,978	\$ 12,217	\$ 9,274	\$ 816

- a. Amounts are derived from Vector Group Ltd.'s Consolidated Financial Statements. See Note entitled "Vector Group Ltd.'s Condensed Consolidating Financial Information" contained in Vector Group Ltd.'s Form 10-Q and 10-K for each respective period.
- b. Represents equity income recognized from the Company's investment in certain real estate businesses that are not consolidated in its financial results.
- c. Represents EBITDA of Douglas Elliman Realty, LLC for all periods prior to December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company consolidates the operations and financial position of Douglas Elliman Realty, LLC in its financial statements. The Company had previously accounted for its interest in Douglas Elliman Realty, LLC under the equity method, and operating income as well as depreciation and amortization expense from Douglas Elliman Realty, LLC, were not included in the Company's Adjusted EBITDA.
- d. Includes \$15,789, \$7,386, \$13,169, \$18,395, \$13,465, and \$681 of Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC for the three months ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively. Amounts reported in this footnote reflect 100% of Douglas Elliman Realty, LLC's entire Pro-forma Adjusted EBITDA.
- e. Includes \$11,145, \$5,214, \$9,109, \$12,996, \$9,479, and \$410 of Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC less non-controlling interest for the three months ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively. Amounts reported in this footnote have adjusted Douglas Elliman Realty, LLC's Pro-forma Adjusted EBITDA for non-controlling interest.
- f. New Valley's Pro-forma Adjusted EBITDA does not include an allocation of Vector Group Ltd.'s "Corporate and Other" segment's expenses of \$6,981, \$4,169, \$4,395, \$2,875, \$2,850 and \$3,503 for the three months ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013, respectively.

TABLE 5
VECTOR GROUP LTD. AND SUBSIDIARIES
COMPUTATION OF NEW VALLEY LLC PRO-FORMA ADJUSTED EBITDA
(Unaudited)
(Dollars in Thousands)
Continued

	LTM		Year Ended December 31,		
	June 30, 2014	2013	2012	2011	2010
Net income attributed to Vector Group Ltd. from subsidiary non-guarantors (a)	\$ 64,797	\$ 59,422	\$ 16,406	\$ 12,917	\$ 13,797
Interest expense (a)	44	14	23	32	41
Income tax expense (a)	46,677	40,740	11,403	8,829	9,197
Net income (loss) attributed to non-controlling interest (a)	5,803	(252)	—	—	—
Depreciation and amortization	9,110	2,421	414	326	298
EBITDA	\$ 126,431	\$ 102,345	\$ 28,246	\$ 22,104	\$ 23,333
Income from non-guarantors other than New Valley	137	131	—	—	—
Equity income from non-consolidated real estate businesses (b)	(15,384)	(22,925)	(29,764)	(19,966)	(23,963)
Gain on sale of townhomes	—	—	—	(3,843)	—
Gain on acquisition of Douglas Elliman	(60,842)	(60,842)	—	—	—
Reclassification of EBITDA as a result of the consolidation of Douglas Elliman (c)	32,163	46,640	31,558	30,991	44,778
Other, net	(4,283)	(348)	(136)	—	—
Pro-forma Adjusted EBITDA	<u>\$ 78,222</u>	<u>\$ 65,001</u>	<u>\$ 29,904</u>	<u>\$ 29,286</u>	<u>\$ 44,148</u>
Pro-forma Adjusted EBITDA attributed to non-controlling interest	(17,236)	(13,717)	(9,281)	(9,114)	(13,169)
Pro-forma Adjusted EBITDA attributed to New Valley LLC	<u>\$ 60,986</u>	<u>\$ 51,284</u>	<u>\$ 20,623</u>	<u>\$ 20,172</u>	<u>\$ 30,979</u>
Pro-forma Adjusted EBITDA by Segment					
Real Estate (d)	\$ 78,044	\$ 64,866	\$ 29,959	\$ 29,388	\$ 44,445
Corporate and Other	178	135	(55)	(102)	(297)
Total (f)	<u>\$ 78,222</u>	<u>\$ 65,001</u>	<u>\$ 29,904</u>	<u>\$ 29,286</u>	<u>\$ 44,148</u>
Pro-forma Adjusted EBITDA Attributed to New Valley LLC by Segment					
Real Estate (e)	\$ 60,808	\$ 51,149	\$ 20,678	\$ 20,274	\$ 31,276
Corporate and Other	178	135	(55)	(102)	(297)
Total (f)	<u>\$ 60,986</u>	<u>\$ 51,284</u>	<u>\$ 20,623</u>	<u>\$ 20,172</u>	<u>\$ 30,979</u>

- a. Amounts are derived from Vector Group Ltd.'s Consolidated Financial Statements. See Note entitled "Vector Group Ltd.'s Condensed Consolidating Financial Information" contained in Vector Group Ltd.'s Form 10-Q and 10-K for each respective period.
- b. Represents equity income recognized from the Company's investment in certain real estate businesses that are not consolidated in its financial results.
- c. Represents EBITDA of Douglas Elliman Realty, LLC for all periods prior to December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company consolidates the operations and financial position of Douglas Elliman Realty, LLC in its financial statements. The Company had previously accounted for its interest in Douglas Elliman Realty, LLC under the equity method, and operating income as well as depreciation and amortization expense from Douglas Elliman Realty, LLC, were not included in the Company's Adjusted EBITDA.
- d. Includes Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC of \$54,739 for the last twelve months ended June 30, 2014 and \$45,710, \$30,910, \$30,991 and \$44,778 for the years ended December 31 2013, 2012, 2011, and 2010, respectively. Amounts reported in this footnote reflect 100% of Douglas Elliman Realty, LLC's entire Pro-forma Adjusted EBITDA.
- e. Includes Pro-forma Adjusted EBITDA for Douglas Elliman Realty, LLC less non-controlling interest of \$38,463 for the last twelve months ended June 30, 2014 and \$31,993, \$21,629, \$21,877 and \$31,609 for the years ended December 31 2013, 2012, 2011, and 2010, respectively. Amounts reported in this footnote have adjusted Douglas Elliman Realty, LLC's Pro-forma Adjusted EBITDA for minority interest.
- f. New Valley's Pro-forma Adjusted EBITDA does not include an allocation of Vector Group Ltd.'s "Corporate and Other" segment's expenses of \$18,420 for the twelve months ended June 30, 2014 and \$13,623, \$13,095, \$15,007 and \$13,227 for the years ended December 31 2013, 2012, 2011, and 2010, respectively.

Vector Group Ltd.

Investor Presentation



October 2014

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The following presentation may contain "forward-looking statements," including any statements that may be contained in the presentation that reflect our expectations or beliefs with respect to future events and financial performance, such as the expectation that the tobacco transition payment program could yield substantial incremental free cash flow. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company, including the risk that changes in our capital expenditures impact our expected free cash flow and the other risk factors described in our annual report on Form 10-K for the year ended December 31, 2013 and our quarterly report on Form 10-Q for the quarter ended June 30, 2014 as filed with the SEC.

Results actually achieved may differ materially from expected results included in these forward-looking statements as a result of these or other factors. Due to such uncertainties and risks, potential investors are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on which such statements are made. The Company disclaims any obligation to, and does not undertake to, update or revise and forward-looking statements in this presentation.

Key Management

Name	Position	Years at Company
Howard M. Lorber	President and Chief Executive Officer	20
Richard J. Lampen	Executive Vice President	19
J. Bryant Kirkland III	Vice President, Chief Financial Officer and Treasurer	22
Marc N. Bell	Vice President, General Counsel and Secretary	20
Ronald J. Bernstein	President and Chief Executive Officer of Liggett Group LLC and Liggett Vector Brands LLC	23

Introduction

2013 was a transformational year for Vector

- Increased ownership stake in Douglas Elliman Realty, LLC (“Douglas Elliman”), the fourth-largest residential real estate brokerage firm in the United States and the largest residential brokerage firm in the New York metropolitan area, from 50% to 70.59% for a \$60 million purchase price
- Reached a settlement with approximately 4,900 *Engle* progeny plaintiffs, which represented the overwhelming majority of Liggett’s pending litigation
- Introduced *Eagle 20’s*, a deep discount cigarette brand positioned for long-term growth
- Invested approximately \$75 million in non-consolidated real estate investments through New Valley LLC (“New Valley”), Vector’s wholly-owned real estate subsidiary
- Completed a \$450 million Senior Secured Notes offering which refinanced existing Senior Secured Notes and extended maturities until 2021
- Paid cash dividend to stockholders for the 19th consecutive year and 5% stock dividend to stockholders for the 15th consecutive year

Vector has continued to show strong results thus far in 2014

- Vector’s Pro-Forma Adjusted EBITDA of \$248.2 million for the LTM period ended June 30, 2014⁽¹⁾
- Adjusted EBITDA for the Company’s tobacco segment (“Tobacco Adjusted EBITDA”) was \$205.8 million for the LTM period ended June 30, 2014⁽²⁾
- In March 2014, Vector completed a \$258.75 million Convertible Senior Notes offering and, in April 2014, Vector executed a \$150 million tack-on to its existing Senior Secured Notes
 - Net proceeds of both offerings will be used for general corporate purposes including additional investments in real estate through Vector’s New Valley subsidiary

⁽¹⁾ Pro-Forma Adjusted EBITDA is presented assuming Vector’s acquisition of its additional 20.59% interest in Douglas Elliman, and the related purchase accounting adjustments, occurred prior to January 1, 2013. Please refer to the Appendix for additional detail including a reconciliation to net income as calculated under U.S. GAAP.

⁽²⁾ All “Liggett” and “Tobacco” financial information in this presentation includes the operations of Liggett Group LLC, Vector Tobacco Inc., and Liggett Vector Brands LLC unless otherwise noted. Tobacco Adjusted EBITDA is defined as Operating Income plus D&A excluding one-time restructuring, litigation charges and other one-time gains from litigation settlements.

Key Investment Highlights

✔ Historically strong financial performance

- Vector's Pro-Forma Adjusted EBITDA of \$248.2 million and Tobacco Adjusted EBITDA of \$205.8 million for the LTM period ended June 30, 2014⁽¹⁾

✔ Key cost advantage resulting from Master Settlement Agreement ("MSA")⁽²⁾

- Current cost advantage of 62 cents per pack compared to the three largest U.S. tobacco companies and quality advantage compared to smaller firms⁽³⁾
- MSA exemption worth approximately \$160 million annually

✔ 2014 expiration of the Tobacco Transition Payment Program (TTPP) could yield substantial incremental free cash flow

- Approximately \$28.7 million based on Liggett's 2013 TTPP payments

✔ Diversified New Valley assets

- Pro-Forma Adjusted Revenues and Pro-Forma Adjusted EBITDA from Douglas Elliman Realty, LLC of \$503.3 million and \$54.7 million for the LTM period ended June 30, 2014⁽⁴⁾
- Broad portfolio of consolidated and non-consolidated domestic and international real estate investments

✔ Substantial liquidity with cash, marketable securities and long-term investments of \$795.8 million as of June 30, 2014⁽⁵⁾

✔ Proven management team with substantial equity ownership

- Executive management and directors beneficially own 17% of the Company⁽⁶⁾

(1) Refer to the Appendix hereto for a reconciliation to net income as calculated under U.S. GAAP.

(2) In 1998, various tobacco companies, including Liggett and the four largest U.S. cigarette manufacturers, Philip Morris, Brown & Williamson, R.J. Reynolds and Lorillard, entered into the Master Settlement Agreement ("MSA") with 46 states, the District of Columbia, Puerto Rico and various other territories to settle their asserted and unasserted health care cost recovery and certain other claims caused by cigarette smoking (Brown & Williamson and R.J. Reynolds merged in 2004 to form Reynolds American). Pursuant to the MSA, Liggett has no payment obligations unless its market share exceeds a market share exemption of approximately 1.65% of total cigarettes sold in the United States, and Vector Tobacco has no payment obligations unless its market share exceeds a market share exemption of approximately 0.28% of total cigarettes sold in the United States.

(3) Cost advantage applies only to cigarettes sold below applicable market share exemption.

(4) Pro-Forma Adjusted Revenues and Adjusted EBITDA are presented assuming Vector's acquisition of its additional 20.59% interest in Douglas Elliman, and the related purchase accounting adjustments, occurred prior to January 1, 2013.

(5) Excludes real estate investments.

(6) Excludes 3,209,850 shares lent under the Share Lending Agreement between the Company and Jefferies LLC.

Tobacco Operations

Liggett Overview

- ❖ Fourth-largest U.S. tobacco company; founded in 1873
 - Core Discount Brands – *Pyramid*, *Grand Prix*, *Liggett Select*, *Eve* and *Eagle 20's*
 - Partner Brands – *USA*, *Bronson* and *Tourney*
- ❖ Consistent and strong cash flow
 - Tobacco Adjusted EBITDA of \$205.8 million for the LTM period ended June 30, 2014
 - Low capital requirements with capital expenditures of \$13 million related to tobacco operations for the LTM period ended June 30, 2014
 - 2014 expiration of the TTPP could yield substantial incremental free cash flow
 - Approximately \$28.7 million based on Liggett's 2013 TTPP payments
- ❖ Current cost advantage of 62 cents per pack compared to the three largest U.S. tobacco companies expected to maintain volume and drive profit in core brands
 - Pursuant to the MSA, Liggett has no payment obligations unless its market share exceeds a market share exemption of approximately 1.65% of total cigarettes sold in the United States, and Vector Tobacco has no payment obligations unless its market share exceeds a market share exemption of approximately 0.28% of total cigarettes sold in the United States
 - MSA exemption worth approximately \$160 million annually for Liggett and Vector Tobacco



Liggett History

- 1998** ✓ Signed the MSA, as a Subsequent Participating Manufacturer, which established ongoing cost advantage versus the three largest U.S. tobacco companies
- 1999** ✓ Introduced the deep discount brand *Liggett Select* taking advantage of the Company's cost advantage versus the three largest U.S. tobacco companies
- 2000** ✓ Relocated to a state-of-the-art manufacturing facility in Mebane, North Carolina to enhance quality and efficiency
- 2002** ✓ Purchased the Medallion Company, Inc. with approximately 0.28% market share exemption. Acquired the *USA* brand as part of this transaction and subsequently entered into a partner brand agreement with Wawa
- 2005** ✓ Launched the deep discount brand *Grand Prix*, which quickly experienced widespread adoption
- 2009** ✓ In response to a large Federal Excise Tax increase, Liggett repositioned *Pyramid* as a low-price, box-only brand
- 2013** ✓ Introduced *Eagle 20's*, a brand positioned in the deep discount segment for long-term growth
- Today** ✓ Liggett focuses on margin enhancement resulting in continued earnings growth with Tobacco Adjusted EBITDA reaching a high of \$198.9 million for the fiscal year ended December 31, 2013 and \$205.8 million for the LTM period ended June 30, 2014

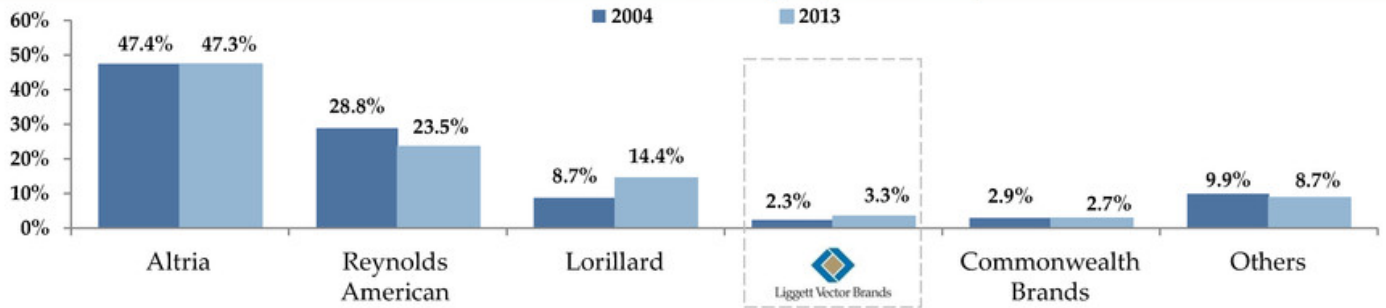


(1) Adjusted for restructuring, factory relocation and litigation charges, as well as one-time gains.
 Note: The Liggett and Vector Tobacco businesses have been combined into a single segment for all periods since 2007.

Liggett Performance Relative to Other Tobacco Players

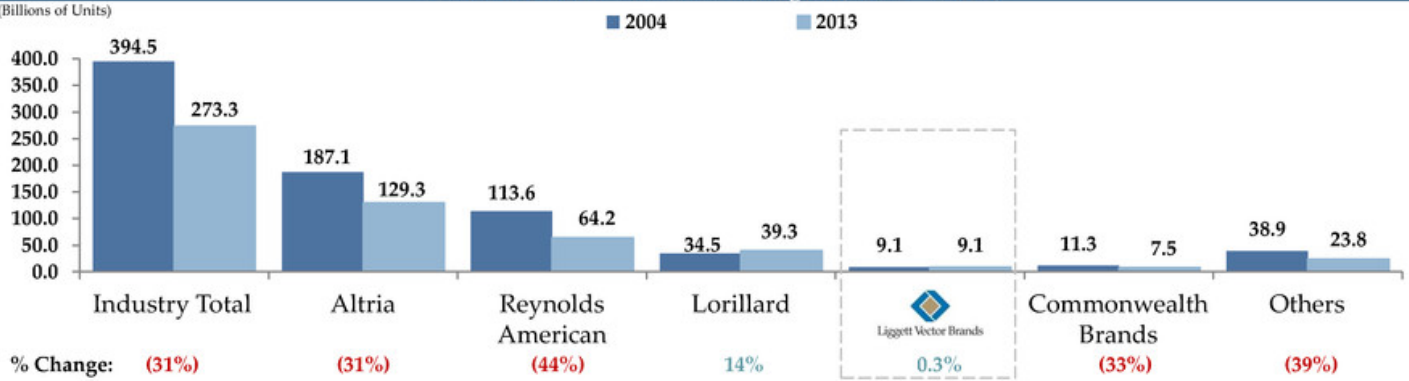
▼ Liggett Vector Brands is one of the few tobacco manufacturers to increase market share and volume over the past 10 years

Manufacturer Share Changes (2004 – 2013)



Manufacturer Volume Changes (2004 – 2013)

(Billions of Units)



Source: MSA CRA wholesale shipment database.

Litigation and Regulatory Update

Litigation Update

- ❖ Liggett has historically led the industry in acknowledging the addictive properties of nicotine while seeking a legislated settlement of litigation
- ❖ On October 23, 2013, Liggett reached a settlement with approximately 4,900 *Engle* progeny plaintiffs, which represented substantially all of Liggett's pending litigation
 - Liggett has agreed to pay \$110 million over 15 years; this includes \$2.1 million, which was paid in December 2013, \$59.5 million, which was paid in February 2014, and the balance will be paid in installments over the next 14 years
 - Approximately 330 *Engle* plaintiffs have not participated in the settlement
 - Of these cases, 150 are represented by one law firm, 88 cases formally opted out of the settlement and the remaining 92 cases are represented "Pro Se" or are unlocated
 - There are presently another seven cases under appeal, and the range of loss in these cases is up to \$18.5 million
- ❖ Liggett continues to aggressively fight all remaining individual and third-party payor actions
 - Liggett has secured approximately \$5.1 million in outstanding bonds related to adverse verdicts which were on appeal as of June 30, 2014

Regulatory Update

- ❖ Since 1998, the MSA has restricted the advertising and marketing of tobacco products
- ❖ In 2009, Family Smoking Prevention and Tobacco Control Act granted the FDA power to regulate the manufacture, sale, marketing and packaging of tobacco products
 - FDA is prohibited from issuing regulations which ban cigarettes
- ❖ Current Federal Excise Tax of \$1.01/pack (since April 1, 2009)
- ❖ Additional state and municipal excise taxes
- ❖ The TTPP, also known as the tobacco quota buyout, was established in 2004 and is scheduled to expire at the end of 2014
 - In 2013, Liggett was required to pay approximately \$28.7 million under the TTPP

Real Estate Operations

New Valley Consolidated Real Estate Investments

➤ Consolidated Real Estate Investments (as of June 30, 2014)

- Douglas Elliman (70.59% owned by New Valley):
 - Largest residential brokerage firm in the New York metropolitan area and ranked as the fourth-largest residential brokerage firm in the U.S. in 2013 based on closed sales volume
 - Offers title and settlement services, relocation services, and residential property management services through various subsidiaries
 - Pro-Forma Adjusted Revenues and Pro-Forma Adjusted EBITDA for Douglas Elliman Realty, LLC of \$503.3 million and \$54.7 million for the LTM period ended June 30, 2014⁽¹⁾

	New York City	Long Island & Westchester County	South Florida	California
Agents	2,577	2,112	440	18
Offices	21	43	8	1
LTM 6/30/14 Real Estate Sales	\$10.9 Billion	\$4.8 Billion	\$0.8 Billion	\$0.1 Billion

- Additional consolidated real estate investments include:
 - *Escena*, a master planned community in Palm Springs, which presently has 667 residential lots
 - In October 2013, New Valley sold 200 lots for \$22.7 million and reported income of \$20.2 million

(1) Pro-Forma Adjusted Revenues and Adjusted EBITDA are presented assuming Vector's acquisition of its additional 20.59% interest in Douglas Elliman, and the related purchase accounting adjustments, occurred prior to January 1, 2013.

New Valley Non-consolidated Real Estate Investments

➤ Condominiums and Mixed Use Developments (as of June 30, 2014)

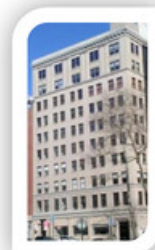
- **The Marquand** – New Valley owns a 18% interest in a Manhattan luxury residential condominium conversion project located on 68th Street between Fifth Avenue and Madison Avenue
- **10 Madison Square Park West** – New Valley owns a 5% interest in a luxury residential condominium in the Flatiron District
- **The Whitman** – New Valley owns a 12% interest in a joint venture which developed a luxury condominium in the Flatiron District / NoMad neighborhood of Manhattan
- **11 Beach Street** – New Valley owns a 49.5% interest in a TriBeCa luxury residential condominium conversion project
- **20 Times Square (f/k/a. 701 Seventh Avenue)** – New Valley owns a 11.5% interest in a joint venture that is developing a multi-use project in Times Square
- **101 Murray Street** – New Valley owns a 25% interest (and a related note receivable) in a joint venture that is developing a mixed-used property that includes both commercial space and a 139-unit luxury residential condominium in TriBeCa
- **160 Leroy Street (f/k/a. Leroy Street)** – New Valley owns a 5% interest in a development site in the West Greenwich Village
- **PUBLIC Chrystie House** – New Valley owns a 18% interest in a joint venture that plans to develop a 29-story mixed use property with an Ian Schrager-branded boutique hotel in lower Manhattan
- **25-19 43rd Avenue** – New Valley owns a 10% interest in a site where a nine-story, 87,000 square foot condominium will be developed in Long Island City, NY
- **Queens Plaza (f/k/a. 23-10 Queens Plaza South)** – New Valley owns a 45.4% interest in a joint venture that plans to develop a new apartment tower with 287,000 square feet of residential space and 10,000 square feet of retail space in Queens, New York
- **Sesto Holdings** – New Valley owns a 7.2% interest in entity that owns a 322-acre land plot in Milan, Italy
- **8701 Collins Avenue** – New Valley owns a 15% interest in the Howard Johnson's Dezerland Beach hotel in Miami Beach, which is being redeveloped into a modern hotel and residential condominium



The Whitman – Flatiron / NoMad



20 Times Square



11 Beach St - TriBeCa



8701 Collins Ave – Miami Beach

New Valley Non-consolidated Real Estate Investments (cont'd)

➤ Apartment Buildings and Hotels (as of June 30, 2014)

- **Park Lane Hotel** – New Valley owns a 5% interest in a joint venture that has agreed to acquire the Park Lane Hotel from the Helmsley Family Trust and Estate and to redevelop the property as a hotel and luxury residential condominiums
- **Maryland Portfolio** – New Valley owns a 7.5% indirect interest in joint venture that owns a portfolio of approximately 5,500 apartment units primarily located in Baltimore County, Maryland
- **ST Portfolio** – New Valley owns a 16.4% interest in four Class A multi-family rental assets with Winthrop Realty Trust. The properties are located in Texas, Arizona, California and Connecticut and include 761 apartment units and additional retail space
- **Hotel Taiwana** – New Valley owns a 17% interest in Hill Street Partners LLP which owns a recently renovated hotel in St. Barts, French West Indies
- **Coral Beach** – New Valley owns a 49% interest in a joint venture that has acquired and plans to redevelop the Coral Beach and Tennis Club in Bermuda



Park Lane Hotel – Midtown Manhattan



Hotel Taiwana - St. Barth, French West Indies



Coral Beach and Tennis Club - Bermuda

Vector Group Ltd. Financial Summary

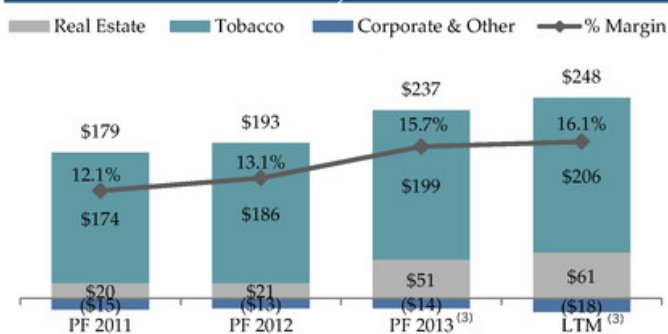
Pro-Forma Historical Financial Data

(\$ Millions)

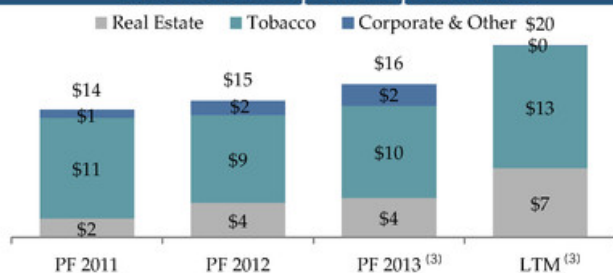
Pro-Forma Adjusted Revenues ⁽¹⁾



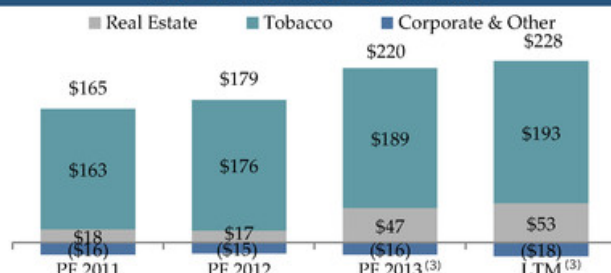
Pro-Forma Adjusted EBITDA ⁽²⁾



Pro-Forma Capital Expenditures



Pro-Forma Free Cash Flow ⁽⁴⁾



Note: Pro-Forma financials are presented assuming Vector's acquisition of its additional 20.59% interest in Douglas Elliman, and the related purchase accounting adjustments, occurred at the beginning of each period presented.

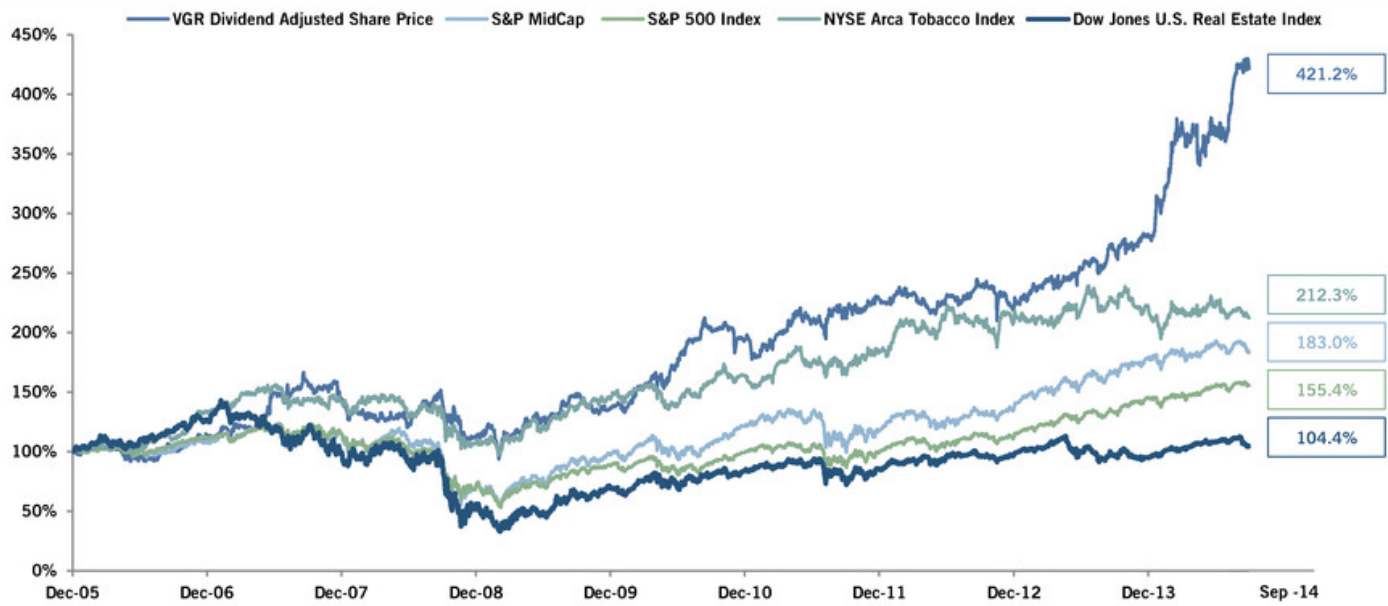
(1) Amounts include one-time purchase accounting adjustments to fair value for deferred revenues recorded in connection with the increase of the Company's ownership of Douglas Elliman on December 13, 2013.

(2) Pro-Forma Adjusted EBITDA defined as Net Income before Interest, Taxes, Depreciation & Amortization, adjusted as described in the Appendix. Percentages reflect Pro-Forma Adjusted EBITDA as a percentage of Pro-Forma Adjusted Revenues.

(3) 2013 and LTM results include the sale of 200 lots at Escena.

(4) Pro-Forma Free Cash Flow defined as Pro-Forma Adjusted EBITDA less Pro-Forma Capital Expenditures as described in the Appendix.

Historical Stock Price Performance



	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Sep -14
Vector Group Ltd.	1.00	1.13	1.44	1.13	1.36	1.94	2.28	2.20	2.80	4.21
S&P 500	1.00	1.12	1.16	0.71	0.88	0.99	0.99	1.12	1.46	1.55
S&P MidCap	1.00	1.07	1.15	0.72	0.97	1.21	1.17	1.36	1.79	1.83
NYSE Arca Tobacco	1.00	1.34	1.42	1.08	1.44	1.63	1.83	2.09	2.22	2.12
Dow Jones Real Estate	1.00	1.27	0.99	0.56	0.69	0.84	0.85	0.97	0.95	1.04

Note: The graph above compares the total annual return of Vector's Common Stock, the S&P 500 Index, the S&P MidCap 400 Index, the NYSE Arca Tobacco Index, formerly known as the AMEX Tobacco Index, and the Dow Jones Real Estate Index for the period from December 31, 2005 through September 30, 2014. The graph assumes that all dividends and distributions were reinvested.
Source: S&P Capital IQ.

Appendix

Vector Pro-Forma Adjusted Revenues Reconciliation

(\$ Millions)

	FYE Dec. 31,			6 Months Ended June 30,	
	2011	2012	2013	2014	2013
Revenues	\$1,137.6	\$1,095.5	\$1,079.9	\$753.8	\$502.4
Reclassification of Revenues as a Result of Consolidation of Douglas Elliman ⁽¹⁾	346.3	378.2	416.5	0.0	188.2
Purchase Accounting Adjustments ⁽²⁾	-	-	1.4	1.7	0.0
Total Adjustments	\$346.3	\$378.2	\$417.8	\$1,683	\$188.2
<i>Pro-Forma Adjusted Revenues</i>	<i>\$1,484.0</i>	<i>\$1,473.7</i>	<i>\$1,497.8</i>	<i>\$755.5</i>	<i>\$690.6</i>

Source: Company filings.

Note: Separate components may not foot due to rounding.

- (1) Represents revenues of Douglas Elliman Realty, LLC for the year ended December 31, 2011, the year ended December 31, 2012 and for the period from January 1, 2013 to December 13, 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company consolidates the operations and financial position of Douglas Elliman Realty, LLC in its financial statements. The Company had previously accounted for its interest in Douglas Elliman Realty, LLC under the equity method and revenues from Douglas Elliman Realty, LLC was not included in the Company's revenues prior to December 13, 2013.
- (2) Amounts represent one-time purchase accounting adjustments to fair value for deferred revenues recorded in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC on December 13, 2013.

Vector Adjusted EBITDA and Free Cash Flow Reconciliation

(\$ Millions)

	FYE Dec. 31,			6 Months Ended June 30,	
	2011	2012	2013	2014	2013
Net Income (loss) attributed to Vector Group Ltd.	\$75.0	\$30.6	\$38.9	\$10.5	\$11.8
Interest Expense	100.7	110.1	132.1	79.6	65.5
Income Tax Expense (income)	48.1	23.1	24.8	9.0	9.7
Net Income attributed to non-controlling interest	-	-	-	6.1	-
Depreciation and Amortization	10.6	10.6	12.6	12.6	5.2
EBITDA	\$234.5	\$174.4	\$208.5	\$117.8	\$92.2
Change in Fair Value of Derivatives Embedded Within Convertible Debt	(8.0)	7.5	(18.9)	(0.3)	(5.5)
Gain on Liquidation of Long-Term Investments	(25.8)	-	-	-	-
Equity Loss (Gain) on Long-Term Investments	0.9	1.3	(2.1)	(0.6)	(0.8)
Loss (Gain) on Sale of Investment Securities Available for Sale	(23.3)	(1.6)	(5.2)	0.1	(5.2)
Equity Income From Non-Consolidated Real Estate Businesses	(20.0)	(29.8)	(22.9)	0.3	(7.3)
Gain on Townhomes	(3.8)	-	-	-	-
Loss on Extinguishment of Debt	1.2	-	21.5	-	21.5
Acceleration of Interest Expense Related to Debt Conversion	-	15.0	12.4	4.1	-
Stock-Based Compensation Expense	3.2	5.6	2.5	1.0	1.3
Litigation Settlement and Judgment Expense	-	-	88.1	1.5	-
Impact of MSA Settlement	-	-	(11.8)	(1.4)	(6.9)
Gain on Acquisition of Douglas Elliman	-	-	(60.8)	-	-
Reclassification of EBITDA as a Result of the Consolidation of Douglas Elliman	31.0	31.6	46.6	-	14.5
Other, Net	(1.7)	(1.2)	(7.6)	(5.7)	(2.3)
Pro-Forma Adjusted EBITDA	\$188.1	\$202.7	\$250.3	\$116.7	\$101.4
Pro-Forma Adjusted EBITDA Attributed to Non-Controlling Interest	(9.1)	(9.3)	(13.7)	(7.8)	(4.3)
Pro-Forma Adjusted EBITDA Attributed to Vector Group Ltd.	\$179.0	\$193.4	\$236.6	\$108.9	\$97.1
Vector Group Ltd. Capital Expenditures	11.8	11.3	13.3	6.6	5.6
Douglas Elliman Capital Expenditures	2.5	4.6	4.3	3.6	0.4
Pro-Forma Capital Expenditures	14.3	15.9	17.6	\$10.1	\$6.0
Pro-Forma Capital Expenditures Attributed to Non-Controlling Interest	(0.7)	(1.4)	(1.3)	(1.0)	(0.1)
Pro-Forma Capital Expenditures Attributed to Vector Group Ltd.	13.6	14.6	16.3	\$9.1	\$5.9
Pro-Forma Free Cash Flow Attributed to Vector Group Ltd.	\$165.4	\$178.8	\$220.3	\$99.8	\$91.2

Source: Company filings.

Note: Free Cash Flow defined as Pro-Forma Adjusted EBITDA minus Pro-Forma Capital Expenditures Attributed to Vector Group Ltd. Separate components may not foot due to rounding.

Note: Pro-Forma Adjusted EBITDA defined as Net Income before Interest, Taxes, Depreciation & Amortization.

Vector Group Ltd. is a holding company that owns Liggett Group LLC, Vector Tobacco Inc., Zoom E-Cigs LLC, and New Valley LLC. New Valley owns a 70.59% interest in Douglas Elliman Realty, LLC.

TOBACCO

- Fourth-largest cigarette manufacturer in the U.S. with a strong family of brands — *Pyramid*, *Grand Prix*, *Liggett Select*, *Eve* and *Eagle 20's* — representing 12% share of the discount market.
- Focused on brand strength and long-term profit growth, while continuing to evaluate opportunities to pursue incremental volume and margin growth.
- Annual cost advantage of approximately \$160 million due to favorable treatment under the Master Settlement Agreement.
- The only cigarette company to have reached a comprehensive settlement resolving substantially all of the individual *Engle* progeny product liability cases pending in Florida. The *Engle* progeny cases have represented the most significant litigation against the U.S. cigarette industry in recent years.
- 2014 expiration of the Tobacco Transition Payment Program could yield substantial incremental free cash flow. TTPP payments were approximately \$28.7 million in 2013.



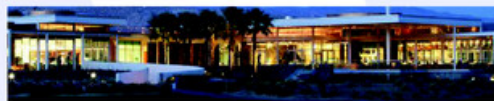
E-CIGARETTES

- In 2014, entered e-cigarette category with national rollout of *Zoom*, a superior disposable product featuring Tobacco and Menthol flavors.



REAL ESTATE

- New Valley, which owns 70.59% of Douglas Elliman Realty, LLC, is a diversified real estate company that is seeking to acquire additional operating companies and real estate properties.
- New Valley has invested approximately \$150 million, as of June 30, 2014, in a broad portfolio of 18 domestic and international real estate investments.
- Douglas Elliman is the largest residential real estate brokerage firm in the New York metropolitan area and the fourth-largest in the U.S.
- Douglas Elliman's closings totaled \$16.6 billion for the twelve months ended June 30, 2014 and it has more than 5,000 agents and 70 offices throughout the New York metropolitan area, South Florida and Los Angeles.



EXECUTIVE MANAGEMENT

Howard M. Lorber
President and Chief Executive Officer

Richard J. Lampen
Executive Vice President

J. Bryant Kirkland III
Vice President, Chief Financial Officer and Treasurer

Marc N. Bell
Vice President, General Counsel and Secretary

Ronald J. Bernstein
President and Chief Executive Officer of Liggett Group LLC and Liggett Vector Brands LLC

COMPANY HIGHLIGHTS

- Headquartered in Miami with an executive office in Manhattan and tobacco operations in North Carolina
- Employs approximately 1,000 people
- Executive management and directors beneficially own 17% of the Company
- Reported cash of \$506 million and investments with fair value of \$289 million at June 30, 2014
- Recognized as one of America's Most Trustworthy Companies by *Forbes* in 2013



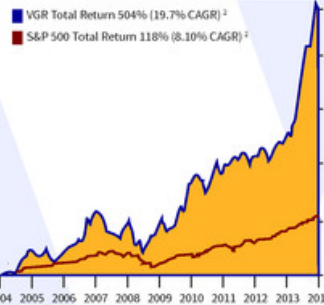
“Vector is a largely underfollowed company with a highly competent management team and numerous ways to unlock value”

Oppenheimer analyst Ian Zaffino
Barron's Online, August 14, 2014

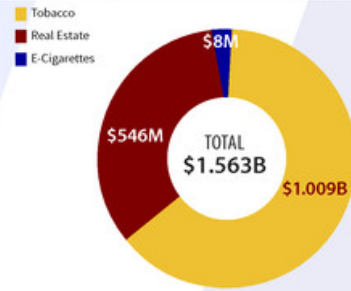
Pro-Forma Adjusted EBITDA¹



10-Year Stockholder Return



Pro-Forma Adjusted Revenues LTM 6/30/14



¹ The Company's net income for the periods presented was \$75M, \$31M, \$39M and \$38M, respectively. The Company's revenues for LTM June 30, 2014 were \$1.331B. Pro-Forma Adjusted EBITDA and Pro-Forma Adjusted Revenues are non-GAAP financial measures that are presented assuming the Company's acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC, and the related purchase accounting adjustments, occurred prior to beginning of each period presented. For a reconciliation of Pro-Forma Adjusted EBITDA to net income and Pro-Forma Adjusted Revenues to revenues, please see Vector Group Ltd.'s Current Report on Form S-1K, filed on October 6, 2014 (Commission File Number 333-197559).

² 10-Year Stockholder Return from September 30, 2004 to September 30, 2014. Assumes reinvestment of dividends received.

This summary contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have identified these forward-looking statements using words such as "could" and similar expressions. These statements reflect our current beliefs. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements.



New Valley LLC, the real estate subsidiary of Vector Group Ltd. (NYSE: VGR), owns real estate and 70% of Douglas Elliman, the largest residential brokerage firm in the New York metropolitan area, as well as a minority stake¹ in numerous real estate investments.

NEW VALLEY REAL ESTATE INVESTMENTS¹

New Valley has invested approximately \$150 million, as of June 30, 2014, in a broad portfolio of domestic and international real estate projects in the United States, the Caribbean and Europe.

New Valley Investment & Development Portfolio¹



New Valley's New York Real Estate Investments¹

1. **The Marquand** Upper East Side
2. **10 Madison Square Park West** Flatiron District/NoMad
3. **The Whitman** Flatiron District/NoMad
4. **11 Beach Street** TriBeCa
5. **20 Times Square** Times Square
6. **101 Murray Street** TriBeCa
7. **160 Leroy Street** Greenwich Village
8. **PUBLIC Chrystie House** Lower East Side
9. **25-19 43rd Avenue** Long Island City
10. **Queens Plaza** Long Island City
11. **Park Lane Hotel** Central Park South

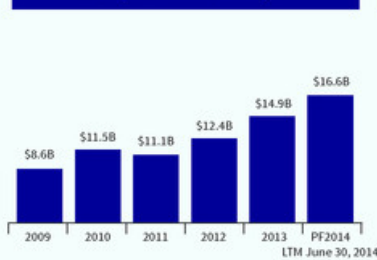
International Investments¹

- Milanesesto Holdings**
Milan, Italy
- Hotel Taiwana**
St. Barthélemy
- Coral Beach and Tennis Club**
Bermuda

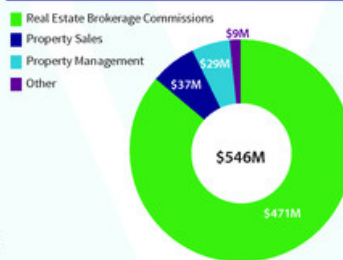
DOUGLAS ELLIMAN

- Largest residential real estate brokerage firm in New York metropolitan area and fourth-largest in United States.
- Closings of \$16.6 billion for the twelve months ended June 30, 2014; Douglas Elliman has more than 5,000 agents and 70 offices throughout the New York metropolitan area, South Florida and Beverly Hills.
- Strategic Marketing Partnership with Yahoo!/Zillow® Real Estate Network that provides advertising exclusivity for Douglas Elliman's listings.
- Recently announced an alliance with Knight Frank—the largest independent residential brokerage in the United Kingdom—to jointly market high-end properties, providing a network with 400 offices across 52 countries with 20,000 agents.
- Pro-Forma Adjusted Revenues and Pro-Forma Adjusted EBITDA of Douglas Elliman of \$503.3 million² and \$54.7 million², respectively, for the LTM period ended June 30, 2014.

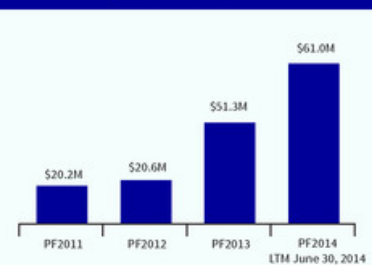
Douglas Elliman Closings



New Valley Pro-Forma Adjusted Revenues LTM June 30, 2014²



New Valley Pro-Forma Adjusted EBITDA²



¹ For the percentage of each real estate project owned, please refer to the "Summary of Real Estate Investments" section of Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations - located on page 54 of Vector Group Ltd.'s Form 10-Q for the quarterly period ended June 30, 2014 (Commission File Number 1-5759).

² Douglas Elliman's Revenues were \$493M and Douglas Elliman's net income was \$51M for the twelve months ended June 30, 2014. New Valley's net income for the periods presented was approximately \$13M, \$16M, \$56M and \$65M, for the periods presented, respectively. New Valley's revenues for LTM June 30, 2014 were \$314.2M. Pro-Forma Adjusted EBITDA and Pro-Forma Adjusted Revenues are non-GAAP financial measures that are presented assuming the Company's acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC, and the related purchase accounting adjustments, occurred prior to beginning of each period presented. For a reconciliation of Pro-Forma Adjusted EBITDA to net income and Pro-Forma Adjusted Revenues to revenues, please see Vector Group Ltd.'s Form 9-K filed on October 6, 2014 (Commission File Number 1-5759). New Valley's Pro-Forma Adjusted EBITDA does not include an allocation of Vector Group Ltd.'s Corporate and Other Expenses of \$15M, \$13.1M, \$13.6M and \$19.4M, for the periods presented, respectively.

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www.newvalley.com

