



July 24, 2006

VECTOR GROUP ENTERS INTO SETTLEMENT WITH IRS REGARDING BRAND TRANSACTION DATING FROM 1998;

Company "Pleased" With Outcome; Anticipates Recording Approximately \$11.5 Million Benefit In Third Quarter 2006

MIAMI, FL, July 24, 2006-- -- Vector Group Ltd. (NYSE: VGR) announced today that it has entered into a settlement with the Internal Revenue Service ("IRS") with respect to the 1998 and 1999 Philip Morris Incorporated brand transaction, under which a subsidiary of Vector Group contributed three of its cigarette brands to Trademarks LLC and recognized a 1999 pre-tax gain of \$294.1 million in Vector Group's consolidated financial statements.

As part of the settlement, Vector Group agreed that \$87 million of its gain on the transaction would be recognized by the Company as income for tax purposes in 1999 and that the balance of the remaining gain (\$192 million) will be recognized by Vector Group as income in 2008 or 2009 upon exercise of the options. The Company anticipates paying approximately \$42 million, including interest, with respect to the gain recognized in 1999. As a result of the settlement, the Company will reduce during the third quarter of 2006 the excess portion of a previously established reserve in its consolidated financial statements for income taxes payable. Vector Group currently estimates the amount of such reduction to be approximately \$11.5 million.

J. Bryant Kirkland III, Vector Group's Chief Financial Officer, said, "We are pleased with this outcome, which substantially reflects Vector Group's long-standing position on the amount and timing of tax payments related to the transaction. The Company is more than sufficiently reserved for this scenario and, accordingly, will realize a benefit in the third quarter of this year."

In connection with the 1998 and 1999 transaction Vector Group recognized in 1999 a pre-tax gain of \$294.1 million in its consolidated financial statements and established a deferred tax liability of \$103.1 million relating to the gain. In such transaction, Philip Morris acquired an option to purchase the remaining interest in Trademarks for a 90-day period commencing in December 2008, and Vector Group has an option to require Philip Morris to purchase the remaining interest for a 90-day period commencing in March 2010. It has been Vector Group's position that, upon exercise of the options during either of the 90-day periods commencing in December 2008 or in March 2010, the Company would be required to pay tax in the amount of the deferred tax liability, which would be offset by the benefit of any net operating losses available to the Company at that time. In connection with an examination of its 1998 and 1999 federal income tax returns, the IRS issued to the Company in September 2003 a notice of proposed adjustment. The notice asserted that, for tax reporting purposes, the entire gain should have been recognized in 1998 and 1999 in the additional amounts of \$150 million and \$129.9 million, respectively, rather than upon the exercise of the options during either of the 90-day periods commencing in December 2008 or in March 2010.

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company has tried, whenever possible, to identify these forward-looking statements using words such as "anticipates", "believes", "estimates", "expects", "plans", "intends" and similar expressions. These statements reflect the Company's current beliefs and are based upon information currently available to it. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements.

Vector Group is a holding company that indirectly owns Liggett Group LLC, Vector Tobacco Inc. and New Valley LLC. Additional information concerning the Company is available on the Company's website, www.VectorGroupLtd.com.

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