



August 14, 2014

22nd Century Group Reports Second Quarter 2014 Financial Results

CLARENCE, N.Y.--(BUSINESS WIRE)-- 22nd Century Group, Inc. (NYSE MKT:[XXII](#)) today announced that the Company filed its second quarter 2014 report on Form 10-Q today with the U.S. Securities and Exchange Commission.

For the three and six months ended June 30, 2014, revenue was \$16,000 and \$464,000 compared to no revenue for the three and six months ended June 30, 2013. The second quarter 2014 revenue was generated from the manufacture of filtered cigars and the revenue for the first quarter 2014 was generated from the sale of *SPECTRUM* research cigarettes.

For the three and six months ended June 30, 2014, 22nd Century Group reported operating losses of \$2.04 million and \$3.23 million, respectively, compared to operating losses of \$1.62 million and \$3.01 million, respectively, for the three and six months ended June 30, 2013.

The Company's net loss for the three months ended June 30, 2014 was \$1.97 million or (\$0.03) per share and \$7.28 million or (\$0.13) per share for the six months ended June 30, 2014, compared to a net loss of \$0.45 million or (\$0.01) per share for the three months ended June 30, 2013 and \$2.96 million or (\$0.08) per share for the six months ended June 30, 2013. The results for the six months ended June 30, 2014 included non-operating expenses from (i) a non-cash change in the fair value of derivatives (warrant liability) of \$3.99 million, (ii) a non-cash inducement expense of \$145,000 from the amendment of certain warrants, and (iii) other non-operating income of \$82,000.

Adjusted EBITDA (as described in the paragraph and tables below) for the three months ended June 30, 2014 was a negative \$1.28 million or \$0.02 per share and a negative \$2.04 million or \$0.04 per share for the six months ended June 30, 2014, compared to Adjusted EBITDA of negative \$0.59 million or \$0.01 per share for the three months ended June 30, 2013 and \$0.97 million or \$0.03 per share for the six months ended June 30, 2013.

Below are tables containing information relating to the Company's Adjusted EBITDA for the three and six months ended June 30, 2014 and 2013, including a reconciliation of net loss to Adjusted EBITDA for such periods.

Three Months Ended June 30,

	2014	2013	% Change	
Net loss	\$(1,965,815)	\$(445,955)	341	%
Add back:				
Warrant liability gain - net	(74,117)	(1,258,502)	-94	%
Depreciation and amortization	124,344	56,976	118	%
Interest expense and amortization of debt discount	1,769	81,879	-98	%
Stock based compensation	637,365	973,253	-35	%
Adjusted EBITDA	\$(1,276,454)	\$(592,349)	115	%

Six Months Ended June 30,

	2014	2013	% Change	
Net loss	\$ (7,280,943)	\$ (2,959,158)	146	%
Add back:				
Warrant liability loss (gain) - net	3,993,153	(242,327)	1748	%
Warrant amendment inducement expense	144,548	-	100	%
Depreciation and amortization	195,613	109,600	78	%
Interest expense and amortization of debt discount	3,518	187,403	-98	%
Stock based compensation	994,049	1,936,931	-49	%
Gain on the sale of machinery and equipment	(85,621)	-	100	%
Adjusted EBITDA	\$ (2,035,683)	\$ (967,551)	110	%

Adjusted EBITDA is a financial measure not prepared in accordance with generally accepted accounting principles ("GAAP"). In order to calculate Adjusted EBITDA, the Company added back to net loss the non-operating expenses listed in the table above in order to measure the Company's operating performance. The Company believes that Adjusted EBITDA is an important measure that supplements discussions and analysis of its operations and enhances an understanding of its operating performance. While management considers Adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute 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. Adjusted EBITDA is susceptible to varying calculations and the Company's measurement of Adjusted EBITDA may not be comparable to those of other companies.

For additional information, please visit: www.xxiicentury.com

About 22nd Century Group, Inc.

22nd Century is a plant biotechnology company whose proprietary technology allows for the levels of nicotine and other nicotinic alkaloids (e.g., normicotine, anatabine and anabasine) in the tobacco plant to be decreased or increased through genetic engineering and plant breeding. 22nd Century owns or is the exclusive licensee of 129 issued patents in 78 countries plus an additional 44 pending patent applications. Goodrich Tobacco Company, LLC and Hercules Pharmaceuticals, LLC are wholly-owned subsidiaries of 22nd Century. Goodrich Tobacco is focused on commercial tobacco products and potential less harmful cigarettes. Hercules Pharmaceuticals is focused on X-22, a prescription smoking cessation aid in development.

Cautionary Note Regarding Forward-Looking Statements: This press release contains forward-looking information, including all statements that are not statements of historical fact regarding the intent, belief or current expectations of 22nd Century Group, Inc., its directors or its officers with respect to the contents of this press release. The words "may," "would," "will," "expect," "estimate," "anticipate," "believe," "intend" and similar expressions and variations thereof are intended to identify forward-looking statements. We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances, or to reflect the occurrence of unanticipated events. You should carefully review and consider the various disclosures made by us in our annual report on Form 10-K for the fiscal year ended December 31, 2013, filed on January 30, 2014, including the section entitled "Risk Factors," and our other reports filed with the U.S. Securities and Exchange Commission which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

Redington, Inc.
Tom Redington, 203-222-7399

Source: 22nd Century Group, Inc.