May 10, 2016

22nd Century Group Files 2016 First Quarter Report and Announces Conference Call to Provide Business Update

Company Eliminates $2.8 Million Derivative Liability

CLARENCE, N.Y.--(BUSINESS WIRE)-- 22nd Century Group, Inc. (NYSE MKT**: XXII**), a plant biotechnology company that is a leader in tobacco harm reduction, announced today the Company's first quarter 2016 financial results and will provide a business update for investors on a conference call to be held on Wednesday, May 11th, at 4:00 PM (Eastern Time).

Henry Sicignano, III, President and Chief Executive Officer of 22nd Century Group, together with John T. Brodfuehrer, Chief Financial Officer, will conduct the call. Interested parties are invited to participate in the call by dialing: 913-312-0652 and using Conference ID 4615167.

The conference call will consist of an overview of the financials presented in the Company's first quarter 2016 Form 10-Q and a discussion of business highlights and updates. Immediately thereafter, there will be a question and answer segment open to all callers.

Elimination of $2.8 Million Derivative Liability

As reported in the Company's recently filed Form 10-Q, in March 2016 the Company notified the holder of a Tranche 1A warrant that such holder had repeatedly breached the activity restrictions contained in such warrant agreement. Since the warrant agreement contained an exchange rights provision that was subject to compliance with such activity restrictions by the warrant holder, the breach by the warrant holder of such activity restrictions resulted in the exchange rights provision being void and no longer available. However, the remaining shares underlying the Tranche 1A warrant remain exercisable (without the above-referenced exchange rights that are now void) until September 29, 2016 at the exercise price of $3.36 per share. Accordingly, the Company has now reclassified this $2,810,000 derivative warrant liability to Capital in Excess of Par on its Consolidated Balance Sheets at March 31, 2016.

Also, as previously disclosed by the Company, the outstanding Tranche 2 and Tranche 3 warrants held by the same holder of the Tranche 1A warrant referenced above were not exercisable unless and until certain revenue milestones associated with a joint venture in China were obtained. Because the Company terminated the joint venture agreement on June 22, 2015, these revenue milestones can never be satisfied. Accordingly, the Tranche 2 and Tranche 3 warrants will never be exercisable, thereby effectively decreasing the total number of shares issuable under such warrants by an additional 2,000,000 shares.

Recent Business Highlights

- The Company met with administrators and scientific reviewers at the FDA to review the Company's Modified Risk Tobacco Product (MRTP) application for *BRAND A* Very Low Nicotine (VLN) cigarettes. The FDA contacted 22nd Century upon receiving the Company's MRTP application and facilitated – fewer than 14 days after the Company's MRTP submission – a meeting at FDA headquarters to discuss the application and the review process. Not long after, FDA formally acknowledged receipt of the Company's MRTP application for *BRAND A* Very Low Nicotine tobacco cigarettes and assigned two Submission Tracking Numbers (STN) to 22nd Century's historic MRTP application: MR0000047 and MR0000048.
- Independent scientific researchers at the 22nd Annual Meeting of the *Society for Research on Nicotine & Tobacco* (SRNT) presented more than fifteen (15) independent scientific studies involving the Company's *SPECTRUM*® research cigarettes. The annual event was highly attended by participants from around the world, including acclaimed university scientists, FDA and other regulators, and industry professionals. The initial results of the independent scientific studies involving the Company's proprietary reduced nicotine tobacco cigarettes once again demonstrates that the Company's VLN cigarettes reduce cigarette

consumption and assist in smoking cessation.

- The Company shipped the remaining 2.85 million of a 4.95 million *SPECTRUM*® research cigarette order for the National Institute on Drug Abuse (NIDA), a department of the National Institutes of Health (NIH). The main *SPECTRUM*® product line consists of a series of cigarette styles that have a fixed "tar" yield but varying nicotine yields over a 50-fold range – from very low to high. Altogether, *SPECTRUM*® features 24 styles, 11 regular and 13 menthol versions, with 8 different levels of nicotine content. *SPECTRUM*® is strictly for research purposes and is not sold as a commercial cigarette. However, the Company has begun outreach efforts to independent scientific researchers who are interested in working with the Company to develop research cigarettes with varying levels of nicotine as desired by researchers for their own clinical studies.

First Quarter 2016 Financial Summary

The first quarter of 2016 saw the Company continue to increase its quarterly net revenues. For the three months ended March 31, 2016, net revenues were approximately $3,019,000 compared to net revenues of approximately $616,000 for the three months ended March 31, 2015, an increase of approximately $2.4 million. Revenues for the three months ended March 31, 2016 included sales of SPECTRUM research cigarettes in the amount of $329,000. The remaining revenues were generated primarily from contracted manufactured cigarettes and filtered cigars and the sales of the Company's proprietary cigarette brands.

For the three months ended March 31, 2016, the Company reported an operating loss of approximately $3,228,000 as compared to an operating loss of approximately $4,127,000 for the three months ended March 31, 2015, a decrease in the operating loss of approximately $899,000. The decrease in the operating loss is primarily due to an increase in gross profit in the amount of approximately $140,000 and a decrease in operating expenses of approximately $759,000. The decrease in operating expenses is primarily the result of a decrease in equity based compensation of approximately $2,158,000, partially offset by an increase in other operating expenses in the approximate amount of $1,399,000.

The Company's net loss for the three months ended March 31, 2016 was approximately $3,252,000, or ($0.04) per share, as compared to a net loss of approximately $4,117,000, or ($0.06) per share, for the three months ended March 31, 2015. The results for the three months ended March 31, 2016 included non-cash expenses consisting of (i) equity based compensation totaling $283,000 and (ii) depreciation and amortization in the amount of $205,000.

Adjusted EBITDA (as described in the paragraph and table below) for the three months ended March 31, 2016 was approximately a negative $2,740,000, or ($0.04) per share, and approximately a negative $1,501,000, or ($0.02) per share, for the three months ended March 31, 2015.

Below is a table containing information relating to the Company's Adjusted EBITDA for the three months ended March 31, 2016 and 2015, including a reconciliation of net loss to Adjusted EBITDA for such periods.

	Three Months Ended March 31,		
	2016	**2015**	**% Change**
Net loss	$(3,252,452)	$(4,116,739)	-21%
Adjustments:			
Warrant liability gain - net	(71,065)	(59,213)	20%
Depreciation and amortization	205,438	185,397	11%
Loss on equity investment	87,232	50,981	71%
Interest expense	10,374	5,508	88%
Interest income	(2,493)	(7,795)	-68%
Equity based compensation -			
Crede consulting agreement	-	1,978,785	-100%
Third-party service providers	22,873	108,333	-79%
Officers, directors and employees	259,994	354,087	-27%
Adjusted EBITDA	**$(2,740,099)**	**$(1,500,656)**	**83%**

Adjusted EBITDA is a financial measure not prepared in accordance with generally accepted accounting principles ("GAAP"). In order to calculate Adjusted EBITDA, the Company adjusts the net loss for certain non-cash and non-operating income and expenses items 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 (loss) income, net loss 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.

Recent Notable Accomplishments and Summary of Anticipated Events for the Remainder of 2016

- The Company received an initial purchase order from Australian tobacco distributor, Quay Tobacco Trading PTY, LTD, for both Very Low Nicotine *MAGIC* brand cigarettes and "Extreme Nicotine" *RED SUN* cigarettes. This purchase order represents 22nd Century's first substantial sale of product to the Asia-Pacific region. Starting this summer, Quay Tobacco will introduce 22nd Century's unique cigarette brands to Australian smokers.
- The Company entered into a supply arrangement with Celanese Corporation. Through this arrangement, 22nd Century will combine many of its proprietary tobaccos with Celanese's revolutionary CelFX® carbon filter in new cigarette designs for select markets around the world. The Celanese CelFX® filter is a highly efficient cigarette filter that delivers an extraordinary taste experience while significantly reducing many toxic compounds in smoke. The execution of the Celanese contract will result in the recommencement by 22nd Century of the roll-out of its MAGIC cigarettes in Europe and other parts of the world.

About 22nd Century Group, Inc.

22nd Century is a plant biotechnology company focused on technology which allows it to increase or decrease the level of nicotine in tobacco plants and the level of cannabinoids in cannabis plants through genetic engineering and plant breeding. The Company's primary mission is to reduce the harm caused by smoking. 22nd Century currently owns or exclusively controls more than 200 issued patents and more than 50 pending patent applications around the world. Visit www.xxiicentury.com for more information.

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, including but not limited to our future revenue expectations. 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, 2015, filed on February 18, 2016, 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.

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