

Vornado Announces its Share of Toys “R” Us’ Second Quarter Financial Results

Company Release - 9/28/2012

PARAMUS, N.J.--(BUSINESS WIRE)-- Vornado Realty Trust (NYSE:VNO) announced today that it will record its 32.5% share of Toys “R” Us’ second quarter financial results in its third quarter ending September 30, 2012. Vornado’s results will include a net loss of \$8,585,000, or \$0.04 per diluted share, compared to a net loss of \$9,304,000, or \$0.05 per diluted share recorded in the quarter ended September 30, 2011.

Vornado’s share of negative Funds From Operations (“FFO”) before income taxes for the quarter ending September 30, 2012 will be \$2,799,000, or \$0.01 per diluted share, compared to negative FFO before income taxes of \$6,492,000, or \$0.03 per diluted share in the prior year’s quarter. Vornado’s share of FFO after income taxes for the quarter ending September 30, 2012 will be \$2,403,000, or \$0.01 per diluted share, compared to FFO after income taxes of \$2,363,000, or \$0.01 per diluted share in the prior year’s quarter.

The business of Toys is highly seasonal; historically, Toys’ fourth quarter net income accounts for more than 80% of its fiscal year net income.

Attached is a summary of Toys’ financial results and Vornado’s 32.5% share of its equity in Toys’ net loss, as well as reconciliations of net loss to earnings before interest, taxes, depreciation and amortization (“EBITDA”) and FFO.

Vornado Realty Trust is a fully-integrated equity real estate investment trust.

Certain statements contained herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

Toys "R" Us, Inc.
Condensed Consolidated Statements of Operations – Unaudited

	For the Quarter Ended		
	July 28, 2012	July 30, 2011	
	Results on a Historical Basis	Results on Vornado's Purchase Price Accounting Basis	Results on Vornado's Purchase Price Accounting Basis
(Amounts in thousands)			
Net sales	\$ 2,552,000	\$ 2,552,000	\$ 2,648,000
Cost of sales	1,534,000	1,534,000	1,623,000
Gross margin	<u>1,018,000</u>	<u>1,018,000</u>	<u>1,025,000</u>
Selling, general and administrative expenses	887,000	892,900	891,700
Depreciation and amortization	100,000	102,900	104,900
Other income, net	(12,000)	(12,100)	(4,000)
Total operating expenses	<u>975,000</u>	<u>983,700</u>	<u>992,600</u>
Operating earnings	43,000	34,300	32,400
Interest expense	(103,000)	(106,200)	(116,300)
Interest income	4,000	4,000	2,000
Loss before income taxes	(56,000)	(67,900)	(81,900)
Income tax benefit	20,000	34,200	46,300
Net loss	<u>\$ (36,000)</u>	<u>\$ (33,700)</u>	<u>\$ (35,600)</u>
Vornado's share of equity in Toys' net loss		\$ (10,956)	\$ (11,638)
Management fee from Toys		2,371	2,334
Total Vornado net loss from its investment in Toys		<u>\$ (8,585)</u>	<u>\$ (9,304)</u>
See page 3 for a reconciliation of net loss to FFO.			
Reconciliation of Vornado's net loss from its investment in Toys to EBITDA (1):			
Net loss		\$ (8,585)	\$ (9,304)
Interest and debt expense		34,526	38,018
Depreciation and amortization		33,160	34,293
Income tax benefit		(11,118)	(15,135)
Vornado's share of Toys' EBITDA (1)		<u>\$ 47,983</u>	<u>\$ 47,872</u>

(1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." Management considers EBITDA a supplemental measure for making decisions and assessing the unlevered performance of its segments as it relates to the total return on assets as opposed to the levered return on equity. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

Toys "R" Us, Inc.
Funds From Operations - Unaudited

	For the Quarter Ended	
	July 28, 2012	July 30, 2011
(Amounts in thousands)		
Reconciliation of Vornado's net loss from its investment in Toys to FFO:		
Net loss	\$ (8,585)	\$ (9,304)
Depreciation and amortization of real property	16,905	17,947
Income tax effect of above adjustment	(5,917)	(6,280)
Vornado's share of Toys' FFO (1)	<u>\$ 2,403</u>	<u>\$ 2,363</u>

(1) FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude net gains from sales of depreciated real estate assets, real estate impairment losses, depreciation and amortization expense from real estate assets, extraordinary items and other specified non-cash items, including the pro rata share of such adjustments of unconsolidated subsidiaries. FFO and FFO per diluted share are used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income as a performance measure or cash flows as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies.

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Source: Vornado Realty Trust