

Vornado Announces Fourth Quarter 2010 FFO of \$1.76 Per Share

Company Release - 2/23/2011

PARAMUS, N.J.--(BUSINESS WIRE)-- VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Fourth Quarter 2010 Results

NET INCOME attributable to common shareholders for the quarter ended December 31, 2010 was \$243.4 million, or \$1.31 per diluted share, compared to a net loss of \$151.2 million, or \$0.84 per diluted share, for the quarter ended December 31, 2009. Net income for the quarter ended December 31, 2010 and net loss for the quarter ended December 31, 2009 include \$62.7 million and \$2.6 million, respectively, of net gains on sale of real estate. In addition, the quarters ended December 31, 2010 and 2009 include certain items that affect comparability which are listed in the table below. The aggregate of the net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the quarter ended December 31, 2010 by \$169.6 million, or \$0.89 per diluted share and increased net loss attributable to common shareholders for the quarter ended December 31, 2009 by \$184.3 million, or \$1.02 per diluted share.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended December 31, 2010 was \$335.8 million, or \$1.76 per diluted share, compared to \$20 thousand, or \$0.00 per diluted share, for the prior year's quarter. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the quarters ended December 31, 2010 and 2009 was \$224.2 million and \$186.1 million, or \$1.17 and \$1.02 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

FFO (1)

For the Quarters Ended December 31,	
2010	2009
\$ 335,759	\$ 20

Per Share	\$ <u>1.76</u>	\$ <u>-</u>
Items that affect comparability (income) expense:		
(Income) from the mark-to-market of derivative positions in marketable equity securities	\$ (97,904)	\$ -
Net (gain) loss on early extinguishment of debt	(93,946)	52,911
Non-cash asset write-downs:		
Real estate - development related	94,513	80,834
Other real estate assets	28,000	6,989
Partially owned entities	11,481	17,820
Marketable equity securities	-	3,361
Non-cash mezzanine loans receivable loss accrual (reversal)	(60,000)	68,000
Net (gain) resulting from Lexington's stock issuance	(7,712)	-
Acquisition costs	4,094	-
Income from terminated sale of land	-	(27,089)
FFO attributable to discontinued operations	(1,124)	(3,625)
Other, net	3,174	2,204
Noncontrolling interests' share of above adjustments	(119,424)	201,405
Items that affect comparability, net (income) expense	<u>7,835</u>	<u>(15,300)</u>
Per Share	<u>\$ (0.59)</u>	<u>\$ 1.02</u>
FFO as adjusted for comparability	<u>\$ 224,170</u>	<u>\$ 186,125</u>
Per Share	<u>\$ 1.17</u>	<u>\$ 1.02</u>

(1) See page 4 for a reconciliation of our net income (loss) to FFO for the quarters ended December 31, 2010 and 2009.

Year Ended 2010 Results

NET INCOME attributable to common shareholders for the year ended December 31, 2010 was \$596.7 million, or \$3.24 per diluted share, compared to \$49.1 million, or \$0.28 per diluted share, for the year ended December 31, 2009. Net income for the years ended December 31, 2010 and 2009 include \$63.0 million and \$46.6 million, respectively, of net gains on sale of real estate. In addition, the years ended December 31, 2010 and 2009 include certain items that affect comparability which are listed in the table below. The aggregate of the net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders for the year ended December 31, 2010 by \$175.8 million, or \$0.95 per diluted share and decreased net income attributable to common shareholders for the year ended December 31, 2009 by \$236.0 million, or \$1.36 per diluted share.

FFO for the year ended December 31, 2010 was \$1,149.8 million, or \$6.05 per diluted share, compared to \$583.6 million, or \$3.36 per diluted share, for the prior year. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the year ended December 31, 2010 and 2009 was \$1,022.1 million and \$848.6 million, or \$5.38 and \$4.89 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Years Ended December 31,	
	2010	2009
FFO (1)	\$ 1,149,781	\$ 583,596
Per Share	<u>\$ 6.05</u>	<u>\$ 3.36</u>

Items that affect comparability (income) expense:

(Income) from the mark-to-market of derivative positions in marketable equity securities	\$	(130,153)	\$	-
Net (gain) loss on early extinguishment of debt		(92,150)		25,915
Non-cash asset write-downs:				
Real estate - development related		94,513		80,834
Other real estate assets		33,000		6,989
Partially owned entities		11,481		36,941
Marketable equity securities		-		3,361
Non-cash mezzanine loans receivable loss accrual (reversal)		(53,100)		190,738
Litigation loss accrual and acquisitions costs		17,001		-
Default interest and fees accrued on three loans in special servicing		15,079		-
Net (gain) resulting from Lexington's stock issuance		(13,710)		-
Discount on redemption of preferred units and shares		(11,354)		-
Real Estate Fund organization costs		6,482		-
Our share of partially owned entities:				
Toys - purchase accounting adjustments and litigation settlement income		-		(24,146)
Alexander's - income tax benefit and stock appreciation rights		(641)		(24,773)
Income from terminated sale of land		-		(27,089)
Write-off of unamortized costs from the voluntary surrender of equity awards		-		32,588
FFO attributable to discontinued operations		(11,086)		(21,240)
Other, net		(2,492)		8,063
		(137,130)		288,181
Noncontrolling interests' share of above adjustments		9,408		(23,174)
Items that affect comparability, net (income) expense	\$	(127,722)	\$	265,007
Per Share	\$	(0.67)	\$	1.53
FFO as adjusted for comparability	\$	1,022,059	\$	848,603
Per Share	\$	5.38	\$	4.89

(1) See page 4 for a reconciliation of our net income to FFO for the years ended December 31, 2010 and 2009.

Supplemental Financial Information

Further details regarding the Company's results of operations, properties and tenants can be accessed at the Company's website www.vno.com. 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. For a discussion of factors that could materially affect the outcome of our forward-looking statements and our future results and financial condition, see “Risk Factors” in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2010. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

VORNADO REALTY TRUST OPERATING RESULTS FOR THE QUARTERS AND YEARS ENDED DECEMBER 31, 2010 AND 2009

(Amounts in thousands, except per share amounts)	For The Quarters		For The Years	
	Ended December 31, 2010	2009	Ended December 31, 2010	2009
Revenues	\$ 712,957	\$ 706,552	\$ 2,779,727	\$ 2,696,692

Income (loss) from continuing operations	281,745	(134,747)	728,411	87,983
Income (loss) from discontinued operations	399	(8,703)	(20,380)	40,467
Net income (loss)	282,144	(143,450)	708,031	128,450
Net (income) loss attributable to noncontrolling interests in consolidated subsidiaries	(3,430)	(603)	(4,920)	2,839
Net (income) loss attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(21,741)	7,130	(55,228)	(25,120)
Net income (loss) attributable to Vornado	256,973	(136,923)	647,883	106,169
Preferred share dividends	(13,559)	(14,269)	(55,534)	(57,076)
Discount on preferred share redemptions	-	-	4,382	-
Net income (loss) attributable to common shareholders	\$ 243,414	\$ (151,192)	\$ 596,731	\$ 49,093
Net income (loss) per common share:				
Basic	\$ 1.33	\$ (0.84)	\$ 3.27	\$ 0.28
Diluted	\$ 1.31	\$ (0.84)	\$ 3.24	\$ 0.28
Weighted average shares:				
Basic	183,308	179,832	182,340	171,595
Diluted	190,849	179,832	184,159	173,503
FFO attributable to common shareholders plus assumed conversions	\$ 335,759	\$ 20	\$ 1,149,781	\$ 583,596
FFO per diluted share	\$ 1.76	\$ -	\$ 6.05	\$ 3.36
Weighted average shares used in determining FFO per diluted share	190,849	182,459	189,894	173,578

The following table reconciles our net income (loss) to FFO:

(Amounts in thousands, except per share amounts)

	For The Quarters		For The Years	
	Ended December 31, 2010	2009	Ended December 31, 2010	2009
Reconciliation of our net income (loss) to FFO:				
Net income (loss) attributable to Vornado	\$ 256,973	\$ (136,923)	\$ 647,883	\$ 106,169
Depreciation and amortization of real property	124,024	133,023	505,806	508,572
Net gain on sales of real estate	(57,248)	(2,629)	(57,248)	(45,282)
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	16,878	15,527	70,174	65,358
Net gain on sales of real estate	-	-	-	(164)
Income tax effect of above adjustments	(5,907)	(5,435)	(24,561)	(22,819)
Proportionate share of adjustments to equity in net income of partially owned entities, excluding Toys, to arrive at FFO:				
Depreciation and amortization of real property	19,596	22,692	78,151	75,200
Net gain on sales of real estate	(5,470)	(3)	(5,784)	(1,188)
Noncontrolling interests' share of above adjustments	(6,080)	(11,963)	(39,565)	(45,344)
FFO	342,766	14,289	1,174,856	640,502
Preferred share dividends	(13,559)	(14,269)	(55,534)	(57,076)
Discount on preferred share redemptions	-	-	4,382	-
FFO attributable to common shareholders	329,207	20	1,123,704	583,426
Interest on 3.875% exchangeable senior debentures	6,512	-	25,917	-
Convertible preferred share dividends	40	-	160	170
FFO attributable to common shareholders plus assumed conversions	\$ 335,759	\$ 20	\$ 1,149,781	\$ 583,596

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, 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 flow as a liquidity measure. FFO may not be comparable to similarly titled measures employed by other companies. A reconciliation of our net income (loss) to FFO is provided above. In addition to FFO, we also disclose FFO before certain items that affect comparability. Although this non-GAAP measure clearly differs from NAREIT's definition of FFO, we believe it provides a meaningful presentation of operating performance. A reconciliation of FFO to FFO as adjusted for comparability is provided on page 1 of this press release.

Source: Vornado Realty Trust

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