

Vornado Announces Second Quarter 2010 FFO of \$1.11 Per Share

Company Release - 8/3/2010

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

Second Quarter 2010 Results

NET INCOME attributable to common shareholders for the quarter ended June 30, 2010 was \$57.8 million, or \$0.31 per diluted share, compared to a net loss of \$51.9 million, or \$0.30 per diluted share, for the quarter ended June 30, 2009. Net loss for the quarter ended June 30, 2009, includes \$0.5 million for our share of net gains on sale of real estate. In addition, the quarters ended June 30, 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, decreased net income attributable to common shareholders for the quarter ended June 30, 2010 by \$12.6 million, or \$0.07 per diluted share and increased net loss attributable to common shareholders for the quarter ended June 30, 2009 by \$91.5 million, or \$0.53 per diluted share.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended June 30, 2010 was \$204.8 million, or \$1.11 per diluted share, compared to \$93.5 million, or \$0.54 per diluted share, for the quarter ended June 30, 2009. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the quarters ended June 30, 2010 and 2009 was \$217.4 million and \$186.2 million, or \$1.18 and \$1.08 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

FFO(1)
Per Share

		For the Three Months Ended June 30,	
		2010	2009
\$	204,772	\$	93,515
\$	1.11	\$	0.54

Items that affect comparability (income) expense:		
Mezzanine loans receivable loss accrual	\$ 6,900	\$ 122,738
Default interest and fees accrued on three loans in special servicing	6,558	-
Net gain on redemption of perpetual preferred units	(4,818)	-
Real estate Fund organization costs	2,656	-
Costs of acquisitions not consummated	1,930	-
Net loss (gain) on early extinguishment of debt	1,072	(17,684)
Other, net	(722)	(4,209)
	<u>13,576</u>	<u>100,845</u>
Noncontrolling interests' share of above adjustments	(980)	(8,145)
Items that affect comparability, net	<u>\$ 12,596</u>	<u>\$ 92,700</u>
Per Share	<u>\$ 0.07</u>	<u>\$ 0.54</u>
FFO as adjusted for comparability	<u>\$ 217,368</u>	<u>\$ 186,215</u>
Per Share	<u>\$ 1.18</u>	<u>\$ 1.08</u>

(1) See page 4 for a reconciliation of our net income (loss) to FFO for the three months ended June 30, 2010 and 2009.

First Half 2010 Results

NET INCOME attributable to common shareholders for the six months ended June 30, 2010 was \$258.1 million, or \$1.41 per diluted share, compared to \$73.9 million, or \$0.45 per diluted share, for the six months ended June 30, 2009. Net income for the six months ended June 30, 2010 and 2009 include \$0.3 million and \$0.7 million, respectively, for our share of net gains on sale of real estate. In addition, the six months ended June 30, 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, decreased net income attributable to common shareholders for the six months ended June 30, 2010 by \$10.6 million, or \$0.06 per diluted share and decreased net income attributable to common shareholders for the six months ended June 30, 2009 by \$107.5 million, or \$0.65 per diluted share.

FFO for the six months ended June 30, 2010 was \$565.1 million, or \$2.98 per diluted share, compared to \$355.8 million, or \$2.15 per diluted share, for the six months ended June 30, 2009. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the six months ended June 30, 2010 and 2009 was \$575.9 million and \$464.0 million, or \$3.04 and \$2.81 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Six Months Ended June 30,	
	2010	2009
FFO(1)	\$ 565,066	\$ 355,777
Per Share	<u>\$ 2.98</u>	<u>\$ 2.15</u>
Items that affect comparability (income) expense:		
Litigation loss accrual and costs of acquisitions not consummated	\$ 11,986	\$ -
Net gain on redemption of perpetual preferred units	(6,972)	-
Mezzanine loans receivable loss accrual	6,900	122,738
Default interest and fees accrued on three loans in special servicing	6,558	-
Net gain resulting from Lexington's March 2010 stock issuance	(5,998)	-
Net gain on sale of condominiums	(3,149)	-
Real estate Fund organization costs	2,730	-
Net loss (gain) on early extinguishment of debt	1,072	(23,589)

Write-off of unamortized costs from the voluntary surrender of equity awards	-	32,588
Alexander's stock appreciation rights	-	(11,105)
Other, net	(1,447)	(2,335)
	11,680	118,297
Noncontrolling interests' share of above adjustments	(819)	(10,103)
Items that affect comparability, net	\$ 10,861	\$ 108,194
Per Share	\$ 0.06	\$ 0.66
FFO as adjusted for comparability	\$ 575,927	\$ 463,971
Per Share	\$ 3.04	\$ 2.81

(1) See page 4 for a reconciliation of our net income to FFO for the six months ended June 30, 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, 2009. 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 THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(Amounts in thousands, except per share amounts)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues	\$ 696,105	\$ 673,790	\$ 1,392,436	\$ 1,352,356
Income (loss) from continuing operations	\$ 77,211	\$ (43,738)	\$ 309,755	\$ 110,101
Income from discontinued operations	-	3,363	-	5,955
Net income (loss)	77,211	(40,375)	309,755	116,056
Net (income) loss attributable to noncontrolling interests including unit distributions	(5,105)	2,740	(23,097)	(13,581)
Net income (loss) attributable to Vornado	72,106	(37,635)	286,658	102,475
Preferred share dividends	(14,266)	(14,269)	(28,533)	(28,538)
Net income (loss) attributable to common shareholders	\$ 57,840	\$ (51,904)	\$ 258,125	\$ 73,937
Net income (loss) per common share:				
Basic	\$ 0.32	\$ (0.30)	\$ 1.42	\$ 0.45
Diluted	\$ 0.31	\$ (0.30)	\$ 1.41	\$ 0.45
Weighted average number of common shares and share equivalent outstanding:				
Basic	182,027	171,530	181,786	164,009

Diluted	<u>183,644</u>	<u>171,530</u>	<u>183,598</u>	<u>165,183</u>
FFO attributable to common shareholders plus assumed conversions	\$ <u>204,772</u>	\$ <u>93,515</u>	\$ <u>565,066</u>	\$ <u>355,777</u>
FFO per diluted share	\$ <u>1.11</u>	\$ <u>0.54</u>	\$ <u>2.98</u>	\$ <u>2.15</u>
Weighted average number of common shares and share equivalents outstanding used in determining FFO per diluted share	<u>183,715</u>	<u>172,901</u>	<u>189,334</u>	<u>165,257</u>

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

(Amounts in thousands, except per share amounts) Reconciliation of our net income (loss) to FFO:	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2010	2009	2010	2009
Net income (loss) attributable to Vornado	\$ 72,106	\$ (37,635)	\$ 286,658	\$ 102,475
Depreciation and amortization of real property	127,181	128,662	254,795	252,789
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	17,663	15,566	35,164	32,146
Income tax effect of Toys' adjustments included above	(6,182)	(5,448)	(12,307)	(11,251)
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	19,533	19,348	39,074	33,956
Net gains on sale of real estate	-	(500)	(307)	(673)
Noncontrolling interests' share of above adjustments	<u>(11,303)</u>	<u>(12,209)</u>	<u>(22,474)</u>	<u>(25,212)</u>
FFO	218,998	107,784	580,603	384,230
Preferred share dividends	<u>(14,266)</u>	<u>(14,269)</u>	<u>(28,533)</u>	<u>(28,538)</u>
FFO attributable to common shareholders	204,732	93,515	552,070	355,692
Interest on 3.875% exchangeable senior debentures	-	-	12,915	-
Convertible preferred dividends	40	-	81	85
FFO attributable to common shareholders plus assumed conversions	\$ <u>204,772</u>	\$ <u>93,515</u>	\$ <u>565,066</u>	\$ <u>355,777</u>

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 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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