

Vornado Announces an Increase in Its Share of Toys "R" Us' Third Quarter Loss From a Non-Cash Tax Adjustment

Company Release - 2/24/2007

PARAMUS, N.J.--(BUSINESS WIRE)--

Toys "R" Us ("Toys") maintains its financial statements on the Historical Cost ("Recap") basis; Vornado Realty Trust (NYSE: VNO) accounts for its investment in Toys on the Purchase Accounting basis.

Based on information supplied by Toys, Vornado issued a press release on December 13, 2006 announcing its 32.9% share of Toys' third quarter results, which Vornado would be reporting in its fourth quarter. In the December press release, Vornado included in income \$36,000,000 of tax benefits primarily relating to the recoverability of deferred tax items applicable to certain of Toys' foreign operations. Toys' management deemed these deferred tax items recoverable because Toys' operations in certain foreign countries which were previously unprofitable, have become profitable.

On February 23, 2007, it was determined that paragraph 30 and Appendix B, paragraph 268, of Statement of Financial Accounting Standards 109 require that under Purchase Accounting Vornado record the \$36,000,000 of tax benefits as a reduction of Goodwill. Toys' previously reported financial results for its third quarter are unchanged because under the Historical Cost ("Recap") basis of accounting, these income tax benefits are appropriately recorded as a component of net income.

Based on the \$36,000,000 adjustment discussed above and other revised information supplied by Toys, fourth quarter results to be reported in Vornado's Form 10-K for the year ended December 31, 2006, which will be filed on February 27, 2007, will include a Toys net loss of \$51,697,000 or \$0.30 per diluted share and negative Funds From Operations ("FFO") of \$39,827,000 or \$0.23, per diluted share. This compares to a Toys net loss of \$8,486,000 and FFO of \$211,000 previously disclosed in the December 13, 2006 press release. See the accompanying reconciliation of net loss to FFO.

None of the adjustments discussed above affect any previously published financial statements of either Vornado or Toys and they are all non-cash.

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.
Funds From Operations - Unaudited
For the Quarter Ended October 28, 2006

Amounts
from
December 13, Amounts
2006 from this
Press Release Press Release

(Amounts in thousands)

Reconciliation of Vornado's net loss from its investment in Toys to FFO (1):			
Net loss	\$	(8,486)	\$ (51,697)
Depreciation and amortization of other real property		15,440	19,054
Net gain on sale of real estate		(2,177)	(2,177)
Income tax effect of above adjustments		(4,271)	(5,007)
Minority interest share of above items		(295)	--

Vornado's share of FFO (1)	\$	211	\$ (39,827)
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(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 net income or loss determined in accordance with Generally Accepted Accounting Principles ("GAAP"), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified

non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO is helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company's Consolidated Statements of Cash Flows. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as a measure of liquidity.

Source: Vornado Realty Trust

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