

Vornado Announces Fourth Quarter 2012 Financial Results

Company Release - 2/26/2013

PARAMUS, N.J.--(BUSINESS WIRE)-- VORNADO REALTY TRUST (New York Stock Exchange: VNO) filed its Form 10-K for the year ended December 31, 2012 today and reported:

Fourth Quarter 2012 Results

NET INCOME attributable to common shareholders for the quarter ended December 31, 2012 was \$62.6 million, or \$0.33 per diluted share, compared to \$69.5 million, or \$0.37 per diluted share for the quarter ended December 31, 2011. Net income for the quarters ended December 31, 2012 and 2011 includes \$281.5 million and \$1.9 million, respectively, of net gains on sale of real estate, and \$117.9 million and \$28.8 million, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2012 and 2011 include certain other items that affect comparability which are listed in the table below. Adjusting net income attributable to common shareholders for net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, net income attributable to common shareholders for the quarters ended December 31, 2012 and 2011 was \$81.3 million and \$20.9 million, or \$0.43 and \$0.11 per diluted share, respectively.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended December 31, 2012 was \$55.9 million, or \$0.30 per diluted share, compared to \$280.4 million, or \$1.46 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, 2012 and 2011 was \$228.6 million and \$197.9 million, or \$1.22 and \$1.03 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

For the Quarters Ended December 31,
2012 2011

FFO (1)	\$	55,890	\$	280,369
Per Share	\$	0.30	\$	1.46
Items that affect comparability income (expense):				
Non-cash impairment loss on J.C. Penney owned shares	\$	(224,937)	\$	-
(Loss) income from the mark-to-market of J.C. Penney derivative position		(22,472)		40,120
Non-cash impairment loss on investment in Toys		(40,000)		-
Accelerated amortization of discount on investment in subordinated debt of Independence Plaza		60,396		-
1290 Avenue of the Americas and 555 California Street priority return and income tax benefit		25,260		-
Net gain resulting from Lexington Realty Trust's stock issuance		14,116		-
FFO attributable to discontinued operations, including our share of discontinued operations of Alexander's		12,736		25,398
Recognition of disputed receivable from Stop & Shop		-		23,521
Other, net		(8,825)		(1,014)
		(183,726)		88,025
Noncontrolling interests' share of above adjustments		11,056		(5,532)
Items that affect comparability, net	\$	(172,670)	\$	82,493
FFO as adjusted for comparability	\$	228,560	\$	197,876
Per Share	\$	1.22	\$	1.03

(1) See page 4 for a reconciliation of our net income to FFO for the quarters ended December 31, 2012 and 2011.

Year Ended 2012 Results

NET INCOME attributable to common shareholders for the year ended December 31, 2012 was \$549.3 million, or \$2.94 per diluted share, compared to \$601.8 million, or \$3.23 per diluted share for the year ended December 31, 2011. Net income for the years ended December 31, 2012 and 2011 includes \$487.4 million and \$61.4 million, respectively, of net gains on sale of real estate, and \$141.6 million and \$28.8 million, respectively, of real estate impairment losses. In addition, the years ended December 31, 2012 and 2011 include certain other items that affect comparability which are listed in the table below. Adjusting net income attributable to common shareholders for net gains on sale of real estate, real estate impairment losses and the items in the table below, net of amounts attributable to noncontrolling interests, net income attributable to common shareholders for the years ended December 31, 2012 and 2011 was \$384.4 million and \$314.1 million, or \$2.06 and \$1.68 per diluted share, respectively.

FFO for the year ended December 31, 2012 was \$818.6 million, or \$4.39 per diluted share, compared to \$1,231.0 million, or \$6.42 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 years ended December 31, 2012 and 2011 was \$964.1 million and \$939.3 million, or \$5.17 and \$4.90 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Years Ended December 31,	
	2012	2011
FFO (1)	\$ 818,565	\$ 1,230,973
Per Share	\$ 4.39	\$ 6.42
Items that affect comparability income (expense):		
Non-cash impairment loss on J.C. Penney owned shares	\$ (224,937)	\$ -
(Loss) income from the mark-to-market of J.C. Penney derivative position	(75,815)	12,984
Non-cash impairment loss on investment in Toys	(40,000)	-
FFO attributable to discontinued operations, including our share of discontinued operations of Alexander's	68,501	91,938
Accelerated amortization of discount on investment in subordinated debt of Independence Plaza 1290 Avenue of the Americas and 555 California Street priority return and income tax benefit	60,396	-
After-tax net gain on sale of Canadian Trade Shows	25,260	-
Net gain resulting from Lexington Realty Trust's stock issuance	19,657	-
Net gain on extinguishment of debt	14,116	9,760
Mezzanine loan loss reversal and gain on disposition	-	83,907
Recognition of disputed receivable from Stop & Shop	-	82,744
Other, net	-	23,521
	(2,339)	6,440
	(155,161)	311,294
Noncontrolling interests' share of above adjustments	9,601	(19,594)
Items that affect comparability, net	\$ (145,560)	\$ 291,700
FFO as adjusted for comparability	\$ 964,125	\$ 939,273
Per Share	\$ 5.17	\$ 4.90

(1) See page 4 for a reconciliation of our net income to FFO for the years ended December 31, 2012 and 2011.

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, 2012. Such factors include, among others, risks associated with the timing of and costs associated with property improvements, financing commitments and general competitive factors.

DECEMBER 31, 2012 AND 2011

(Amounts in thousands, except per share amounts)	For The Quarters Ended December 31,		For The Years Ended December 31,	
	2012	2011	2012	2011
Revenues	\$ 697,654	\$ 689,959	\$ 2,766,457	\$ 2,732,836
Income from continuing operations	50,432	105,275	408,599	578,885
Income (loss) from discontinued operations	41,461	(8,288)	285,942	161,115
Net income	91,893	96,987	694,541	740,000
Less net income attributable to noncontrolling interests in:				
Consolidated Subsidiaries	(1,090)	(1,143)	(32,018)	(21,786)
Operating Partnership	(3,882)	(4,674)	(35,327)	(41,059)
Preferred unit distributions of the Operating Partnership	(786)	(3,874)	(9,936)	(14,853)
Net income attributable to Vornado	86,135	87,296	617,260	662,302
Preferred share dividends	(20,750)	(17,788)	(76,937)	(65,531)
Discount on preferred share and unit redemptions	(2,752)	-	8,948	5,000
Net income attributable to common shareholders	\$ 62,633	\$ 69,508	\$ 549,271	\$ 601,771
Net income per common share:				
Basic	\$ 0.34	\$ 0.38	\$ 2.95	\$ 3.26
Diluted	\$ 0.33	\$ 0.37	\$ 2.94	\$ 3.23
Weighted average shares:				
Basic	186,267	184,571	185,810	184,308
Diluted	186,866	185,963	186,530	186,021
FFO attributable to common shareholders plus assumed conversions	\$ 55,890	\$ 280,369	\$ 818,565	\$ 1,230,973
Per diluted share	\$ 0.30	\$ 1.46	\$ 4.39	\$ 6.42
FFO as adjusted for comparability	\$ 228,560	\$ 197,876	\$ 964,125	\$ 939,273
Per diluted share	\$ 1.22	\$ 1.03	\$ 5.17	\$ 4.90
Weighted average shares used in determining FFO per diluted share	186,866	191,751	186,530	191,757

The following table reconciles our net income to FFO:

(Amounts in thousands)	For The Quarters Ended December 31,		For The Years Ended December 31,	
	2012	2011	2012	2011
Reconciliation of our net income to FFO:				
Net income attributable to Vornado	\$ 86,135	\$ 87,296	\$ 617,260	\$ 662,302
Depreciation and amortization of real property	125,069	152,655	504,407	530,113
Net gains on sale of real estate	(41,998)	-	(245,799)	(51,623)
Real estate impairment losses	116,453	28,799	129,964	28,799
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	17,777	18,039	68,483	70,883
Net gains on sale of real estate	-	-	-	(491)
Real estate impairment losses	1,430	-	9,824	-
Income tax effect of above adjustments	(6,728)	(6,314)	(27,493)	(24,634)
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	20,387	26,699	86,197	99,992
Net gains on sale of real estate	(239,551)	(1,916)	(241,602)	(9,276)
Real estate impairment losses	-	-	1,849	-
Noncontrolling interests' share of above adjustments	418	(13,733)	(16,649)	(40,957)
FFO	79,392	291,525	886,441	1,265,108
Preferred share dividends	(20,750)	(17,788)	(76,937)	(65,531)
Discount on preferred share and unit redemptions	(2,752)	-	8,948	5,000
FFO attributable to common shareholders	55,890	273,737	818,452	1,204,577
Interest on 3.88% exchangeable senior debentures	-	6,602	-	26,272
Convertible preferred share dividends	-	30	113	124

FFO attributable to common shareholders plus assumed conversions

\$ 55,890 \$ 280,369 \$ 818,565 \$ 1,230,973

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 gain 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. 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 and page 2 of this press release.

Conference Call and Audio Webcast

As previously announced, the Company will host a quarterly earnings conference call and audio webcast on February 27, 2013 at 10:00 a.m. Eastern Time (ET). The conference call can be accessed by dialing 800-446-2782 (domestic) or 847-413-3235 (international) and indicating to the operator the passcode 34178055. A telephonic replay of the conference call will be available from 12:30 p.m. ET on February 27, 2013 through March 29, 2013. To access the replay, please dial 888-843-7419 and enter the passcode 34178055#. A live webcast of the conference call will be available on the Company's website at www.vno.com and an online playback of the webcast will be available on the website for 90 days following the conference call.

Vornado Realty Trust
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