

Vornado Announces Third Quarter 2010 FFO of \$1.31 Per Share

Company Release - 11/2/2010

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

Third Quarter 2010 Results

NET INCOME attributable to common shareholders for the quarter ended September 30, 2010 was \$95.2 million, or \$0.52 per diluted share, compared to \$126.3 million, or \$0.70 per diluted share, for the quarter ended September 30, 2009. Net income for the quarter ended September 30, 2009 includes \$43.3 million of net gains on sale of real estate. In addition, the quarters ended September 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, increased net income attributable to common shareholders by \$18.0 million, or \$0.10 per diluted share for the quarter ended September 30, 2010 and \$52.8 million, or \$0.29 per diluted share for the quarter ended September 30, 2009.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended September 30, 2010 was \$249.0 million, or \$1.31 per diluted share, compared to \$234.2 million, or \$1.25 per diluted share, for the quarter ended September 30, 2009. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the quarters ended September 30, 2010 and 2009 was \$230.9 million and \$221.4 million, or \$1.22 and \$1.18 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

FFO (1)
Per Share

		For the Quarter Ended September 30,	
		2010	2009
\$	248,964	\$	234,246
\$	1.31	\$	1.25

Items that affect comparability (income) expense:

(Income) from the mark-to-market of derivative positions in marketable equity securities	\$ (32,249)	\$ -
Impairment losses and costs of acquisitions not consummated	5,921	-
Default interest and fees accrued on three loans in special servicing	5,887	-
Discount on redemption of preferred shares	(4,382)	-
Real Estate Fund organization costs	3,752	-
Net loss (gain) on early extinguishment of debt	724	(3,407)
Our share of partially owned entities:		
Alexander's – income tax benefit	(641)	(13,668)
Lexington Realty Trust - impairment losses	-	14,541
Toys "R" Us – litigation settlement income	-	(10,200)
Other, net	1,564	(1,172)
	(19,424)	(13,906)
Noncontrolling interests' share of above adjustments	1,381	1,036
Items that affect comparability, net	\$ (18,043)	\$ (12,870)
Per Share	\$ (0.09)	\$ (0.07)
FFO as adjusted for comparability	\$ 230,921	\$ 221,376
Per Share	\$ 1.22	\$ 1.18

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

Nine Months 2010 Results

NET INCOME attributable to common shareholders for the nine months ended September 30, 2010 was \$353.3 million, or \$1.92 per diluted share, compared to \$200.3 million, or \$1.17 per diluted share, for the nine months ended September 30, 2009. Net income for the nine months ended September 30, 2010 and 2009 includes \$0.3 million and \$44.0 million, respectively, of net gains on sale of real estate. In addition, the nine months ended September 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, increased net income attributable to common shareholders for the nine months ended September 30, 2010 by \$7.5 million, or \$0.04 per diluted share and decreased net income attributable to common shareholders for the nine months ended September 30, 2009 by \$55.4 million, or \$0.33 per diluted share.

FFO for the nine months ended September 30, 2010 was \$814.0 million, or \$4.29 per diluted share, compared to \$602.8 million, or \$3.42 per diluted share, for the nine months ended September 30, 2009. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the nine months ended September 30, 2010 and 2009 was \$806.8 million and \$698.9 million, or \$4.25 and \$3.97 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Nine Months Ended September 30,	
	2010	2009
FFO (1)	\$ 814,030	\$ 602,825
Per Share	\$ 4.29	\$ 3.42
Items that affect comparability (income) expense:		
(Income) from the mark-to-market of derivative positions in marketable equity securities	\$ (32,249)	\$ -
Litigation loss accrual, impairment losses and costs of acquisitions not consummated	17,907	-
Default interest and fees accrued on three loans in special servicing	12,445	-

Discount on redemption of preferred units and shares	(11,354)	-
Mezzanine loans receivable loss accrual	6,900	122,738
Real Estate Fund organization costs	6,482	-
Net gain resulting from Lexington's March 2010 stock issuance	(5,998)	-
Net loss (gain) on early extinguishment of debt	1,796	(26,996)
Write-off of unamortized costs from the voluntary surrender of equity awards	-	32,588
Our share of partially owned entities:		
Alexander's - income tax benefit and stock appreciation rights	(641)	(24,773)
Toys - purchase accounting adjustments and litigation settlement income	-	(24,146)
Lexington - impairment losses	-	19,121
Filene's, Boston - lease termination payment	-	7,650
Other, net	<u>(3,032)</u>	<u>(1,791)</u>
	(7,744)	104,391
Noncontrolling interests' share of above adjustments	538	(8,314)
Items that affect comparability, net	<u>\$ (7,206)</u>	<u>\$ 96,077</u>
Per Share	<u>\$ (0.04)</u>	<u>\$ 0.55</u>
FFO as adjusted for comparability	<u>\$ 806,824</u>	<u>\$ 698,902</u>
Per Share	<u>\$ 4.25</u>	<u>\$ 3.97</u>

(1) See page 4 for a reconciliation of our net income to FFO for the nine months ended September 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 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(Amounts in thousands, except per share amounts)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	\$ 707,032	\$ 671,219	\$ 2,099,468	\$ 2,023,575
Income from continuing operations	116,132	112,523	425,887	222,624
Income from discontinued operations	-	43,321	-	49,276

Net income	116,132	155,844	425,887	271,900
Net income attributable to noncontrolling interests, including unit distributions	(11,880)	(15,227)	(34,977)	(28,808)
Net income attributable to Vornado	104,252	140,617	390,910	243,092
Preferred share dividends	(13,442)	(14,269)	(41,975)	(42,807)
Discount on preferred share redemptions	4,382	-	4,382	-
Net income attributable to common shareholders	<u>\$ 95,192</u>	<u>\$ 126,348</u>	<u>\$ 353,317</u>	<u>\$ 200,285</u>
Net income per common share:				
Basic	<u>\$ 0.52</u>	<u>\$ 0.71</u>	<u>\$ 1.94</u>	<u>\$ 1.18</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.70</u>	<u>\$ 1.92</u>	<u>\$ 1.17</u>
Weighted average number of common shares and share equivalent outstanding:				
Basic	<u>182,462</u>	<u>178,689</u>	<u>182,014</u>	<u>168,820</u>
Diluted	<u>184,168</u>	<u>180,977</u>	<u>183,826</u>	<u>170,378</u>
FFO attributable to common shareholders plus assumed conversions	<u>\$ 248,964</u>	<u>\$ 234,246</u>	<u>\$ 814,030</u>	<u>\$ 602,825</u>
FFO per diluted share	<u>\$ 1.31</u>	<u>\$ 1.25</u>	<u>\$ 4.29</u>	<u>\$ 3.42</u>
Weighted average number of common shares and share equivalents outstanding used in determining FFO per diluted share	<u>189,974</u>	<u>186,741</u>	<u>189,562</u>	<u>176,218</u>

The following table reconciles our net income to FFO:

(Amounts in thousands, except per share amounts)	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2010	2009	2010	2009
Reconciliation of our net income to FFO:				
Net income attributable to Vornado	\$ 104,252	\$ 140,617	\$ 390,910	\$ 243,092
Depreciation and amortization of real property	126,987	122,760	381,782	375,549
Net gains on sale of real estate	-	(42,653)	-	(42,653)
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	18,132	17,685	53,296	49,831
Net gains on sale of real estate	-	(164)	-	(164)
Income tax effect of Toys' adjustments included above	(6,347)	(6,133)	(18,654)	(17,384)
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	19,481	18,552	58,555	52,508
Net gains on sale of real estate	-	(512)	(307)	(1,185)
Noncontrolling interests' share of above adjustments	(11,011)	(8,146)	(33,485)	(33,358)
FFO	<u>251,494</u>	<u>242,006</u>	<u>832,097</u>	<u>626,236</u>
Preferred share dividends	(13,442)	(14,269)	(41,975)	(42,807)
Discount on preferred share redemptions	4,382	-	4,382	-
FFO attributable to common shareholders	<u>242,434</u>	<u>227,737</u>	<u>794,504</u>	<u>583,429</u>
Interest on 3.875% exchangeable senior debentures	6,490	6,466	19,405	19,268
Convertible preferred dividends	40	43	121	128
FFO attributable to common shareholders plus assumed conversions	<u>\$ 248,964</u>	<u>\$ 234,246</u>	<u>\$ 814,030</u>	<u>\$ 602,825</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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