

Vornado Announces Fourth Quarter 2011 FFO of \$1.46 Per Share

Company Release - 2/27/2012

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

Fourth Quarter 2011 Results

NET INCOME attributable to common shareholders for the quarter ended December 31, 2011 was \$69.5 million, or \$0.37 per diluted share, compared to \$243.4 million, or \$1.31 per diluted share, for the quarter ended December 31, 2010. Net income for the quarters ended December 31, 2011 and 2010 includes \$1.9 million and \$62.7 million, respectively, of net gains on sale of real estate, and \$28.8 million and \$104.0 million, respectively, of real estate impairment losses. In addition, the quarters ended December 31, 2011 and 2010 include certain 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, 2011 and 2010 was \$34.5 million and \$69.9 million, or \$0.18 and \$0.40 per diluted share, respectively.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended December 31, 2011 was \$280.4 million, or \$1.46 per diluted share, compared to \$432.9 million, or \$2.27 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, 2011 and 2010 was \$220.1 million and \$218.3 million, or \$1.15 and \$1.15 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Quarters Ended December 31,	
	2011	2010
FFO (1)	\$ 280,369	\$ 432,860

Per Share	\$ <u>1.46</u>	\$ <u>2.27</u>
Items that affect comparability income (expense):		
Income from the mark-to-market of J.C. Penney derivative position	\$ 40,120	\$ 97,904
Recognition of disputed receivable from Stop & Shop	23,521	-
Net gain from Suffolk Downs' sale of a partial interest	12,525	-
Our share of LNR's income tax benefit	12,380	-
Net gain on extinguishment of debt	-	93,946
Mezzanine loan loss reversal	-	60,000
Net gain resulting from Lexington Realty Trust's stock issuance	-	7,712
Non-cash asset write-downs:		
Real estate - development related	-	(30,013)
Partially owned entities	(13,794)	-
Tenant buy-outs and acquisition costs	(10,656)	(4,094)
FFO attributable to discontinued operations	5,039	7,373
Other, net	(4,833)	(3,174)
	<u>64,302</u>	<u>229,654</u>
Noncontrolling interests' share of above adjustments	(4,041)	(15,089)
Items that affect comparability, net	\$ <u>60,261</u>	\$ <u>214,565</u>
Per Share	\$ <u>0.31</u>	\$ <u>1.12</u>
FFO as adjusted for comparability	\$ <u>220,108</u>	\$ <u>218,295</u>
Per Share	\$ <u>1.15</u>	\$ <u>1.15</u>

(1) See page 4 for a reconciliation of our net income to FFO for the quarters ended December 31, 2011 and 2010.

Year Ended 2011 Results

NET INCOME attributable to common shareholders for the year ended December 31, 2011 was \$601.8 million, or \$3.23 per diluted share, compared to \$596.7 million, or \$3.24 per diluted share, for the year ended December 31, 2010. Net income for the years ended December 31, 2011 and 2010 includes \$61.4 million and \$63.0 million, respectively, of net gains on sale of real estate, and \$28.8 million and \$109.0 million, respectively, of real estate impairment losses. In addition, the years ended December 31, 2011 and 2010 include certain 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, 2011 and 2010 was \$358.2 million and \$407.9 million, or \$1.92 and \$2.21 per diluted share, respectively.

FFO for the year ended December 31, 2011 was \$1,231.0 million, or \$6.42 per diluted share, compared to \$1,251.5 million, or \$6.59 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, 2011 and 2010 was \$1,011.4 million and \$1,001.2 million, or \$5.27 and \$5.27 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	<u>For the Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
FFO (1)	\$ <u>1,230,973</u>	\$ <u>1,251,533</u>

Per Share	\$ <u>6.42</u>	\$ <u>6.59</u>
Items that affect comparability income (expense):		
Net gain on extinguishment of debt	\$ 83,907	\$ 92,150
Mezzanine loan loss reversals and net gain on disposition	82,744	53,100
Our share of LNR's income tax benefit, asset sales and tax settlement gains	27,377	-
Recognition of disputed receivable from Stop & Shop	23,521	-
Income from the mark-to-market of J.C. Penney derivative position	12,984	130,153
Net gain from Suffolk Downs' sale of a partial interest	12,525	-
Net gain resulting from Lexington Realty Trust's stock issuance	9,760	13,710
Discount on preferred share and unit redemptions	7,000	11,354
Net gain on sale of condominiums	5,884	3,149
Tenant buy-outs and acquisition costs	(30,071)	(6,945)
Non-cash asset write-downs:		
Real estate - development related	-	(30,013)
Partially owned entities	(13,794)	-
Merchandise Mart restructuring costs	(4,226)	-
Real Estate Fund placement fees	(3,451)	(6,482)
Default interest and fees accrued on loans in special servicing	-	(15,079)
FFO attributable to discontinued operations	22,227	33,679
Other, net	(2,077)	(10,072)
	<u>234,310</u>	<u>268,704</u>
Noncontrolling interests' share of above adjustments	(14,748)	(18,344)
Items that affect comparability, net	\$ <u>219,562</u>	\$ <u>250,360</u>
Per Share	\$ <u>1.15</u>	\$ <u>1.32</u>
FFO as adjusted for comparability	\$ <u>1,011,411</u>	\$ <u>1,001,173</u>
Per Share	\$ <u>5.27</u>	\$ <u>5.27</u>

(1) See page 4 for a reconciliation of our net income to FFO for the years ended December 31, 2011 and 2010.

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, 2011. 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, 2011 AND 2010

(Amounts in thousands, except per share amounts)	For The Quarters Ended December 31,		For The Years Ended December 31,	
	2011	2010	2011	2010
Revenues	\$ 741,815	\$ 702,836	\$ 2,915,665	\$ 2,740,681
Income from continuing operations	97,747	277,607	594,467	715,175
(Loss) income from discontinued operations	(760)	4,537	145,533	(7,144)
Net income	96,987	282,144	740,000	708,031
Net (income) attributable to noncontrolling interests in consolidated subsidiaries	(1,143)	(3,430)	(21,786)	(4,920)
Net (income) attributable to noncontrolling interests in the Operating Partnership, including unit distributions	(8,548)	(21,741)	(55,912)	(55,228)
Net income attributable to Vornado	87,296	256,973	662,302	647,883
Preferred share dividends	(17,788)	(13,559)	(65,531)	(55,534)
Discount on preferred share and unit redemptions	-	-	5,000	4,382
Net income attributable to common shareholders	\$ 69,508	\$ 243,414	\$ 601,771	\$ 596,731
Net income per common share:				
Basic	\$ 0.38	\$ 1.33	\$ 3.26	\$ 3.27
Diluted	\$ 0.37	\$ 1.31	\$ 3.23	\$ 3.24
Weighted average shares:				
Basic	184,571	183,308	184,308	182,340
Diluted	185,963	190,849	186,021	184,159
FFO attributable to common shareholders plus assumed conversions	\$ 280,369	\$ 432,860	\$ 1,230,973	\$ 1,251,533
FFO per diluted share	\$ 1.46	\$ 2.27	\$ 6.42	\$ 6.59
Weighted average shares used in determining FFO per diluted share	191,751	190,849	191,757	189,894

The following table reconciles our net income to FFO:

(Amounts in thousands, except per share amounts)	For The Quarters Ended December 31,		For The Years Ended December 31,	
	2011	2010	2011	2010
Reconciliation of our net income to FFO:				
Net income attributable to Vornado	\$ 87,296	\$ 256,973	\$ 662,302	\$ 647,883
Depreciation and amortization of real property	152,655	124,024	530,113	505,806
Net gain on sales of real estate	-	(57,248)	(51,623)	(57,248)
Real estate impairment losses	28,799	92,500	28,799	97,500
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	18,039	16,878	70,883	70,174
Net gain on sales of real estate	-	-	(491)	-
Income tax effect of above adjustments	(6,314)	(5,907)	(24,634)	(24,561)
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	26,699	19,596	99,992	78,151
Net gain on sales of real estate	(1,916)	(5,470)	(9,276)	(5,784)
Real estate impairment losses	-	11,481	-	11,481
Noncontrolling interests' share of above adjustments	(13,733)	(12,960)	(40,957)	(46,794)
FFO	291,525	439,867	1,265,108	1,276,608
Preferred share dividends	(17,788)	(13,559)	(65,531)	(55,534)
Discount on preferred share and unit redemptions	-	-	5,000	4,382
FFO attributable to common shareholders	273,737	426,308	1,204,577	1,225,456
Interest on 3.88% exchangeable senior debentures	6,602	6,512	26,272	25,917
Convertible preferred share dividends	30	40	124	160
FFO attributable to common shareholders plus assumed conversions	\$ 280,369	\$ 432,860	\$ 1,230,973	\$ 1,251,533

FFO is computed in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). In the fourth quarter of 2011 and the first quarter of 2012, NAREIT

issued updated guidance on FFO and modified its definition to specifically exclude real estate impairment losses, including the prorata share of such losses of unconsolidated subsidiaries. To the extent applicable, NAREIT requested companies to restate prior period FFO to conform to the new definition. Accordingly, we have restated our quarter and year ended December 31, 2010 to exclude real estate impairment losses aggregating \$103,981 and \$108,981, respectively. 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.

Vornado Realty Trust
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Source: Vornado Realty Trust