

# Vornado Announces Third Quarter 2012 FFO of \$1.34 per share

Company Release - 11/1/2012

PARAMUS, N.J.--(BUSINESS WIRE)-- VORNADO REALTY TRUST (NYSE: VNO) filed its Form 10-Q for the quarter ended September 30, 2012 today and reported:

## Third Quarter 2012 Results

NET INCOME attributable to common shareholders for the quarter ended September 30, 2012 was \$232.4 million, or \$1.24 per diluted share, compared to \$41.1 million, or \$0.22 per diluted share for the quarter ended September 30, 2011. Net income for the quarters ended September 30, 2012 and 2011 include \$132.2 million and \$3.6 million, respectively, of net gains on sale of real estate. In addition, the quarters ended September 30, 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 and the items in the table below, net of amounts attributable to noncontrolling interests, net income attributable to common shareholders for the quarters ended September 30, 2012 and 2011 was \$73.3 million and \$61.4 million, or \$0.39 and \$0.33 per diluted share, respectively.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended September 30, 2012 was \$251.0 million, or \$1.34 per diluted share, compared to \$195.1 million, or \$1.05 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 September 30, 2012 and 2011 was \$212.2 million and \$209.7 million, or \$1.14 and \$1.13 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	<u>For the Three Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
FFO (1)	\$ 251,019	\$ 195,125
Per Share	<u>\$ 1.34</u>	<u>\$ 1.05</u>

Items that affect comparability income (expense):		
After-tax net gain on sale of Canadian Trade Shows	\$ 19,657	\$ -
FFO attributable to discontinued operations, including discontinued operations of a partially owned entity	12,649	19,825
Discount on preferred unit redemptions	11,700	5,000
Income (loss) from the mark-to-market of J.C. Penney derivative position	4,344	(37,537)
Net gain on sale of residential condominiums	-	1,298
Verde Realty impairment loss	(4,936)	-
Buy-out of a below-market lease	-	(1,593)
Other, net	(2,084)	(2,626)
	41,330	(15,633)
Noncontrolling interests' share of above adjustments	(2,549)	1,013
Items that affect comparability, net	\$ 38,781	\$ (14,620)
FFO as adjusted for comparability	\$ 212,238	\$ 209,745
Per Share	\$ 1.14	\$ 1.13

(1) See page 4 for a reconciliation of our net income to FFO for the three months ended September 30, 2012 and 2011.

## Nine Months 2012 Results

NET INCOME attributable to common shareholders for the nine months ended September 30, 2012 was \$486.6 million, or \$2.61 per diluted share, compared to \$532.3 million, or \$2.86 per diluted share for the nine months ended September 30, 2011. Net income for the nine months ended September 30, 2012 and 2011 include \$205.9 million and \$59.5 million, respectively, of net gains on sale of real estate, and \$23.8 million of real estate impairment losses in the nine months ended September 30, 2012. In addition, the nine months ended September 30, 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 nine months ended September 30, 2012 and 2011 was \$307.5 million and \$298.3 million, or \$1.65 and \$1.60 per diluted share, respectively.

FFO for the nine months ended September 30, 2012 was \$767.3 million, or \$4.07 per diluted share, compared to \$951.1 million, or \$4.96 per diluted share for the prior year's nine months. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the nine months ended September 30, 2012 and 2011 was \$744.4 million and \$746.1 million, or \$3.95 and \$3.89 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Nine Months Ended September 30,	
	2012	2011
FFO (1)	\$ 767,347	\$ 951,054
Per Share	\$ 4.07	\$ 4.96

### Items that affect comparability income (expense):

FFO attributable to discontinued operations, including discontinued operations of a partially owned entity	\$ 52,768	\$ 63,785
After-tax net gain on sale of Canadian Trade Shows	19,657	-
Discount on preferred unit redemptions	11,700	7,000
Net gain on sale of residential condominiums	1,274	5,884
Net gain on extinguishment of debt	-	83,907
Mezzanine loans loss reversal and net gain on disposition	-	82,744

Our share of LNR's asset sales and tax settlement gains	-	14,997
Net gain resulting from Lexington's stock issuances	-	9,760
Loss from the mark-to-market of J.C. Penney derivative position	(53,343)	(27,136)
Verde Realty impairment loss	(4,936)	-
Buy-out of below-market leases	-	(16,593)
Other, net	(2,704)	(5,604)
	24,416	218,744
Noncontrolling interests' share of above adjustments	(1,507)	(13,773)
Items that affect comparability, net	\$ 22,909	\$ 204,971
FFO as adjusted for comparability	\$ 744,438	\$ 746,083
Per Share	\$ 3.95	\$ 3.89

(1) See page 4 for a reconciliation of our net income to FFO for the nine months ended September 30, 2012 and 2011.

### Supplemental Financial Information

Further details regarding results of operations, properties and tenants can be accessed at the Company's website [www.vno.com](http://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, as amended, 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.

(tables to follow)

### VORNADO REALTY TRUST OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(Amounts in thousands, except per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues	\$ 710,977	\$ 687,860	\$ 2,078,487	\$ 2,050,828
Income from continuing operations	\$ 106,842	\$ 57,779	\$ 361,624	\$ 477,307
Income from discontinued operations	157,314	8,444	241,024	165,706
Net income	264,156	66,223	602,648	643,013
Less net income attributable to noncontrolling interests in:				
Consolidated subsidiaries	(6,610)	(5,636)	(30,928)	(20,643)
Operating Partnership, including unit distributions	(16,240)	(6,825)	(40,595)	(47,364)
Net income attributable to Vornado	241,306	53,762	531,125	575,006
Preferred share dividends	(20,613)	(17,627)	(56,187)	(47,743)
Discount on preferred unit redemptions	11,700	5,000	11,700	5,000

Net income attributable to common shareholders	\$	<u>232,393</u>	\$	<u>41,135</u>	\$	<u>486,638</u>	\$	<u>532,263</u>
Net income per common share:								
Basic	\$	<u>1.25</u>	\$	<u>0.22</u>	\$	<u>2.62</u>	\$	<u>2.89</u>
Diluted	\$	<u>1.24</u>	\$	<u>0.22</u>	\$	<u>2.61</u>	\$	<u>2.86</u>
Weighted average shares:								
Basic		<u>185,924</u>		<u>184,398</u>		<u>185,656</u>		<u>184,220</u>
Diluted		<u>186,655</u>		<u>186,065</u>		<u>186,399</u>		<u>186,039</u>
FFO attributable to common shareholders plus assumed conversions	\$	<u>251,019</u>	\$	<u>195,125</u>	\$	<u>767,347</u>	\$	<u>951,054</u>
Per diluted share	\$	<u>1.34</u>	\$	<u>1.05</u>	\$	<u>4.07</u>	\$	<u>4.96</u>
FFO as adjusted for comparability	\$	<u>212,238</u>	\$	<u>209,745</u>	\$	<u>744,438</u>	\$	<u>746,083</u>
Per diluted share	\$	<u>1.14</u>	\$	<u>1.13</u>	\$	<u>3.95</u>	\$	<u>3.89</u>
Weighted average shares used in determining FFO per diluted share		<u>186,655</u>		<u>186,119</u>		<u>188,678</u>		<u>191,775</u>

The following table reconciles our net income to FFO:

(Amounts in thousands)

Reconciliation of our net income to FFO:	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income attributable to Vornado	\$ 241,306	\$ 53,762	\$ 531,125	\$ 575,006
Depreciation and amortization of real property	118,717	128,811	377,338	377,458
Net gains on sale of real estate	(131,088)	-	(203,801)	(51,623)
Real estate impairment losses	-	-	13,511	-
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	16,905	17,947	50,706	52,844
Net gains on sale of real estate	-	-	-	(491)
Real estate impairment losses	-	-	8,394	-
Income tax effect of above adjustments	(5,917)	(6,280)	(20,765)	(18,320)
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	22,750	27,541	65,810	73,743
Net gains on sale of real estate	(1,156)	(3,591)	(2,051)	(7,360)
Real estate impairment losses	-	-	1,849	-
Noncontrolling interests' share of above adjustments	(1,613)	(10,468)	(18,197)	(27,224)
FFO	259,904	207,722	803,919	974,033
Preferred share dividends	(20,613)	(17,627)	(56,187)	(47,743)
Discount on preferred unit redemptions	11,700	5,000	11,700	5,000
FFO attributable to common shareholders	250,991	195,095	759,432	931,290
Interest on 3.88% exchangeable senior debentures	-	-	7,830	19,670
Convertible preferred share dividends	28	30	85	94
FFO attributable to common shareholders plus assumed conversions	\$ <u>251,019</u>	\$ <u>195,125</u>	\$ <u>767,347</u>	\$ <u>951,054</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 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 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. Reconciliations of FFO to FFO as adjusted for comparability are 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 November 2, 2012 at 10:00 a.m. Eastern Daylight Time (EDT). The conference call can be accessed by dialing 800-446-2782 (domestic) or 847-413-3235 (international) and indicating to the operator the passcode 33524628. A telephonic replay of the conference call will be available from 12:30 p.m. EDT on November 2, 2012 through November 16, 2012. To access the replay, please dial 888-843-7419 and enter the passcode 33524628#. A live webcast of the conference call will be available on the Company's website [www.vno.com](http://www.vno.com) and an online playback of the webcast will be available on the website for 90 days following the conference call.

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