

Vornado Announces its Share of Toys "R" Us Third Quarter Financial Results

Company Release - 12/13/2006

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

Vornado Realty Trust (NYSE:VNO) announced today that it will record its 32.9% share of Toys' third quarter results in its fourth quarter ending December 31, 2006. Vornado's results will include a net loss of \$8,486,000 or \$.05 per diluted share from Toys and Funds From Operations ("FFO") of \$211,000, a zero effect per diluted share. The business of Toys is highly seasonal; historically, Toys' fourth quarter net income accounts for more than 80% of its fiscal year net income.

Attached is a summary of Toys' financial results and Vornado's 32.9% share of its equity in Toys' net loss, as well as reconciliations of net loss to earnings before interest, taxes, depreciation and amortization ("EBITDA") and FFO.

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.
Condensed Consolidated Statements of Operations - Unaudited
For the Quarter Ended October 28, 2006

Toys "R" Us, Inc.

Results on a Basis		
Results on a Basis of Vornado's		
(Amounts in thousands)	Historical	Purchase Price
	Basis	Accounting

Net sales	\$ 2,517,000	\$ 2,517,000
Cost of sales	1,673,000	1,673,000

Gross margin	844,000	844,000

Selling, general and administrative expenses	785,000	797,000
Depreciation and amortization	92,000	109,000
Net gains on sales of properties	(109,000)	(55,000)
Restructuring reversals and other	(1,000)	--

Total operating expenses	767,000	851,000

Operating income (loss)	77,000	(7,000)
Interest expense	(141,000)	(145,000)
Interest income	4,000	4,000

Loss before income tax benefit	(60,000)	(148,000)
Income tax benefit	82,000	141,000
Minority interest	7,000	7,000

Net income	\$ 29,000	\$ --
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Vornado's 32.9% equity in Toys' net income	\$ --	
Adjustment to eliminate Vornado's share of the after-tax net gain recognized by Toys on the sale of 37 stores to Vornado on October 16, 2006, which Vornado will reflect as an adjustment to the basis of its investment	(9,641)	
Management fee from Toys, net		1,155

Total Vornado net loss from its investment in Toys	\$ (8,486)	
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See page 3 for a reconciliation of net loss to FFO.

Reconciliation of Vornado's net loss from its investment in Toys to EBITDA (1):	
Net loss	\$ (8,486)
Interest and debt expense	47,633
Depreciation and amortization	35,807
Income tax benefit	(52,613)
Minority interest of above items	(1,369)

Vornado's 32.9% share of Toys' EBITDA (1)	\$ 20,972
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(1) EBITDA represents "Earnings Before Interest, Taxes, Depreciation and Amortization." Management considers EBITDA a supplemental measure for making decisions and assessing the un-levered performance of its segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, management utilizes this measure to make investment decisions as well as to compare the performance of its assets to that of its peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

Toys "R" Us, Inc.
Funds From Operations - Unaudited
For the Quarter Ended October 28, 2006

(Amounts in thousands)

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

Vornado's share of FFO (1)	\$ 211
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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

Contact: For Vornado Realty Trust Joseph Macnow, 201-587-1000