

Vornado Announces Second Quarter 2013 Financial Results

Company Release - 8/5/2013

PARAMUS, N.J.--(BUSINESS WIRE)-- VORNADO REALTY TRUST (New York Stock Exchange: VNO) filed its Form 10-Q for the quarter ended June 30, 2013 today and reported:

Second Quarter 2013 Results

NET INCOME attributable to common shareholders for the quarter ended June 30, 2013 was \$145.9 million, or \$0.78 per diluted share, compared to \$20.5 million, or \$0.11 per diluted share for the quarter ended June 30, 2012. Net income for the quarters ended June 30, 2013 and 2012 include \$65.7 million and \$17.1 million, respectively, of net gains on sale of real estate, and \$3.1 million and \$14.9 million, respectively, of real estate impairment losses. In addition, the quarters ended June 30, 2013 and 2012 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 June 30, 2013 and 2012 was \$107.9 million and \$69.4 million, or \$0.58 and \$0.37 per diluted share, respectively.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended June 30, 2013 was \$235.3 million, or \$1.25 per diluted share, compared to \$166.7 million, or \$0.89 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 June 30, 2013 and 2012 was \$245.0 million and \$198.5 million, or \$1.30 and \$1.06 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Three Months Ended June 30,	
	2013	2012
FFO (1)	\$ 235,348	\$ 166,672

Per Share	\$ <u>1.25</u>	\$ <u>0.89</u>
Items that affect comparability income (expense):		
Toys "R" Us FFO	\$ (25,088)	\$ (7,660)
Income (loss) from the mark-to-market of J.C. Penney derivative position	9,065	(58,732)
Preferred unit redemptions	8,100	-
FFO from discontinued operations, including LNR and discontinued operations of Alexander's	985	31,885
Acquisition related costs	(3,350)	(2,559)
Other, net	(484)	2,646
	<u>(10,772)</u>	<u>(34,420)</u>
Noncontrolling interests' share of above adjustments	1,127	2,604
Items that affect comparability, net	\$ <u>(9,645)</u>	\$ <u>(31,816)</u>
FFO as adjusted for comparability	\$ <u>244,993</u>	\$ <u>198,488</u>
Per Share	\$ <u>1.30</u>	\$ <u>1.06</u>

(1) See page 4 for a reconciliation of our net income to FFO for the three months ended June 30, 2013 and 2012.

First Half 2013 Results

NET INCOME attributable to common shareholders for the six months ended June 30, 2013 was \$377.9 million, or \$2.01 per diluted share, compared to \$254.2 million, or \$1.36 per diluted share for the six months ended June 30, 2012. Net income for the six months ended June 30, 2013 and 2012 include \$268.5 million and \$73.6 million, respectively, of net gains on sale of real estate, and \$8.3 million and \$23.8 million, respectively, of real estate impairment losses. In addition, the six months ended June 30, 2013 and 2012 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 six months ended June 30, 2013 and 2012 was \$180.4 million and \$116.4 million, or \$0.96 and \$0.62 per diluted share, respectively.

FFO for the six months ended June 30, 2013 was \$437.2 million, or \$2.33 per diluted share, compared to \$516.3 million, or \$2.72 per diluted share for the prior year's six months. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the six months ended June 30, 2013 and 2012 was \$458.0 million and \$386.9 million, or \$2.44 and \$2.04 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	<u>For the Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
FFO (1)	\$ <u>437,168</u>	\$ <u>516,328</u>
Per Share	\$ <u>2.33</u>	\$ <u>2.72</u>

Items that affect comparability income (expense):

Stop & Shop litigation settlement income	\$ 59,599	\$ -
FFO from discontinued operations, including LNR and discontinued operations of Alexander's	27,379	71,205
Non-cash impairment loss on J.C. Penney common shares	(39,487)	-
Loss on sale of J.C. Penney common shares	(36,800)	-
Loss from the mark-to-market of J.C. Penney derivative position	(13,475)	(57,687)
Toys "R" Us FFO (after a \$78,542 impairment loss in 2013)	(8,404)	124,628
Acquisition related costs	(3,951)	(3,244)
Preferred unit and share redemptions	(1,130)	-
Other, net	(6,268)	3,015
	(22,537)	137,917
Noncontrolling interests' share of above adjustments	1,664	(8,530)
Items that affect comparability, net	\$ (20,873)	\$ 129,387
FFO as adjusted for comparability	\$ 458,041	\$ 386,941
Per Share	\$ 2.44	\$ 2.04

(1) See page 4 for a reconciliation of our net income to FFO for the six months ended June 30, 2013 and 2012.

Supplemental Financial Information

Further details regarding 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.

(tables to follow)

VORNADO REALTY TRUST OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(Amounts in thousands, except per share amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012

Revenues	\$ <u>685,858</u>	\$ <u>677,983</u>	\$ <u>1,405,837</u>	\$ <u>1,346,310</u>
Income from continuing operations	\$ 118,331	\$ 40,359	\$ 200,126	\$ 249,252
Income from discontinued operations	<u>63,990</u>	<u>17,869</u>	<u>271,122</u>	<u>89,240</u>
Net income	182,321	58,228	471,248	338,492
Less net income attributable to noncontrolling interests in:				
Consolidated subsidiaries	(14,930)	(14,721)	(26,216)	(24,318)
Operating Partnership	(8,849)	(1,337)	(22,782)	(16,608)
Preferred unit distributions of the Operating Partnership	<u>(348)</u>	<u>(3,873)</u>	<u>(1,134)</u>	<u>(7,747)</u>
Net income attributable to Vornado	158,194	38,297	421,116	289,819
Preferred share dividends	(20,368)	(17,787)	(42,070)	(35,574)
Preferred unit and share redemptions	8,100	-	(1,130)	-
Net income attributable to common shareholders	\$ <u>145,926</u>	\$ <u>20,510</u>	\$ <u>377,916</u>	\$ <u>254,245</u>
Income per common share - Basic:				
Income from continuing operations, net	\$ 0.46	\$ 0.02	\$ 0.65	\$ 0.91
Income from discontinued operations, net	<u>0.32</u>	<u>0.09</u>	<u>1.37</u>	<u>0.46</u>
Net income per common share	\$ <u>0.78</u>	\$ <u>0.11</u>	\$ <u>2.02</u>	\$ <u>1.37</u>
Weighted average shares outstanding	<u>186,931</u>	<u>185,673</u>	<u>186,842</u>	<u>185,521</u>
Income per common share - Diluted:				
Income from continuing operations, net	\$ 0.46	\$ 0.02	\$ 0.65	\$ 0.91
Income from discontinued operations, net	<u>0.32</u>	<u>0.09</u>	<u>1.36</u>	<u>0.45</u>
Net income per common share	\$ <u>0.78</u>	\$ <u>0.11</u>	\$ <u>2.01</u>	\$ <u>1.36</u>
Weighted average shares outstanding	<u>187,720</u>	<u>186,342</u>	<u>187,627</u>	<u>186,271</u>
FFO attributable to common shareholders plus assumed conversions	\$ <u>235,348</u>	\$ <u>166,672</u>	\$ <u>437,168</u>	\$ <u>516,328</u>
Per diluted share	\$ <u>1.25</u>	\$ <u>0.89</u>	\$ <u>2.33</u>	\$ <u>2.72</u>
FFO as adjusted for comparability	\$ <u>244,993</u>	\$ <u>198,488</u>	\$ <u>458,041</u>	\$ <u>386,941</u>
Per diluted share	\$ <u>1.30</u>	\$ <u>1.06</u>	\$ <u>2.44</u>	\$ <u>2.04</u>
Weighted average shares used in determining FFO per diluted share	<u>187,720</u>	<u>186,391</u>	<u>187,627</u>	<u>189,701</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 June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Net income attributable to Vornado	\$ 158,194	\$ 38,297	\$ 421,116	\$ 289,819
Depreciation and amortization of real property	126,728	126,063	259,241	258,621
Net gains on sale of real estate	(65,665)	(16,896)	(267,994)	(72,713)
Real estate impairment losses	2,493	13,511	4,007	13,511
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	17,480	16,513	36,805	33,801
Real estate impairment losses	620	1,368	4,270	8,394
Income tax effect of above adjustments	(6,326)	(6,351)	(14,376)	(14,848)
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	19,486	21,684	41,316	43,060
Net gains on sale of real estate	-	(234)	(465)	(895)
Real estate impairment losses	-	-	-	1,849
Noncontrolling interests' share of above adjustments	<u>(5,421)</u>	<u>(9,524)</u>	<u>(3,607)</u>	<u>(16,584)</u>
FFO	247,589	184,431	480,313	544,015
Preferred share dividends	(20,368)	(17,787)	(42,070)	(35,574)
Preferred unit and share redemptions	8,100	-	(1,130)	-
FFO attributable to common shareholders	235,321	166,644	437,113	508,441
Convertible preferred share dividends	27	28	55	57
Interest on 3.88% exchangeable senior debentures	-	-	-	7,830
FFO attributable to common shareholders plus assumed conversions	\$ <u>235,348</u>	\$ <u>166,672</u>	\$ <u>437,168</u>	\$ <u>516,328</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 August 6, 2013 at 10:00 a.m. Eastern Time (ET). The conference call can be accessed by dialing 888-895-5479 (domestic) or 847-619-6250 (international) and indicating to the operator the passcode 35272789. A telephonic replay of the conference call will be available from 12:30 p.m. ET on August 6, 2013 through September 5, 2013. To access the replay, please dial 888-843-7419 and enter the passcode 35272789#. 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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