

Vornado Announces Third Quarter 2013 Financial Results

Company Release - 11/4/2013

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

Third Quarter 2013 Results

NET INCOME attributable to common shareholders for the quarter ended September 30, 2013 was \$83.0 million, or \$0.44 per diluted share, compared to \$232.4 million, or \$1.24 per diluted share for the quarter ended September 30, 2012. Net income for the quarters ended September 30, 2013 and 2012 include \$16.1 million and \$132.2 million, respectively, of net gains on sale of real estate, and \$2.5 million of real estate impairment losses in the quarter ended September 30, 2013. In addition, the quarters ended September 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 September 30, 2013 and 2012 was \$107.6 million and \$69.1 million, or \$0.57 and \$0.37 per diluted share, respectively.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended September 30, 2013 was \$210.6 million, or \$1.12 per diluted share, compared to \$251.0 million, or \$1.34 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, 2013 and 2012 was \$238.2 million and \$192.2 million, or \$1.27 and \$1.03 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

For the Three Months Ended September 30,
2013 2012

FFO (1)	\$	210,627	\$	251,019
Per Share	\$	1.12	\$	1.34
Items that affect comparability income (expense):				
Net gain on sale of marketable securities	\$	31,741	\$	-
FFO from discontinued operations, including LNR and discontinued operations of Alexander's		699		32,454
Toys "R" Us FFO		(22,343)		2,403
(Loss) income from the mark-to-market of J.C. Penney derivative position		(20,012)		4,344
Loss on sale of J.C. Penney common shares		(18,114)		-
Acquisition related costs		(2,818)		(1,070)
After-tax net gain on sale of Canadian Trade Shows		-		19,657
Other, net		1,511		5,013
		(29,336)		62,801
Noncontrolling interests' share of above adjustments		1,714		(4,022)
Items that affect comparability, net	\$	(27,622)	\$	58,779
FFO as adjusted for comparability	\$	238,249	\$	192,240
Per Share	\$	1.27	\$	1.03

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

Nine Months 2013 Results

NET INCOME attributable to common shareholders for the nine months ended September 30, 2013 was \$460.9 million, or \$2.46 per diluted share, compared to \$486.6 million, or \$2.61 per diluted share for the nine months ended September 30, 2012. Net income for the nine months ended September 30, 2013 and 2012 include \$284.5 million and \$205.9 million, respectively, of net gains on sale of real estate, and \$10.8 million and \$23.8 million, respectively, of real estate impairment losses. In addition, the nine months ended September 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 nine months ended September 30, 2013 and 2012 was \$288.1 million and \$185.8 million, or \$1.54 and \$1.00 per diluted share, respectively.

FFO for the nine months ended September 30, 2013 was \$647.8 million, or \$3.45 per diluted share, compared to \$767.3 million, or \$4.07 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, 2013 and 2012 was \$695.8 million and \$578.8 million, or \$3.71 and \$3.07 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	<u>For the Nine Months Ended September 30,</u>			
	<u>2013</u>	<u>2012</u>		
FFO (1)	\$	647,767	\$	767,347
Per Share	\$	3.45	\$	4.07
Items that affect comparability income (expense):				
Stop & Shop litigation settlement income	\$	59,599	\$	-

Net gain on sale of marketable securities	31,741	3,582
FFO from discontinued operations, including LNR and discontinued operations of Alexander's	28,903	103,921
After-tax net gain on sale of Canadian Trade Shows	-	19,657
Loss on sale of J.C. Penney common shares	(54,914)	-
Non-cash impairment loss on J.C. Penney common shares	(39,487)	-
Loss from the mark-to-market of J.C. Penney derivative position	(33,487)	(53,343)
Toys "R" Us FFO (after a \$78,542 impairment loss in 2013)	(30,747)	127,031
Acquisition related costs	(6,769)	(4,314)
Preferred unit and share redemptions	(1,130)	11,700
Other, net	(4,757)	(7,254)
	<u>(51,048)</u>	<u>200,980</u>
Noncontrolling interests' share of above adjustments	2,971	(12,404)
Items that affect comparability, net	<u>\$ (48,077)</u>	<u>\$ 188,576</u>
FFO as adjusted for comparability	<u>\$ 695,844</u>	<u>\$ 578,771</u>
Per Share	<u>\$ 3.71</u>	<u>\$ 3.07</u>

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

VORNADO REALTY TRUST OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(Amounts in thousands, except per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	<u>\$ 683,380</u>	<u>\$ 703,052</u>	<u>\$ 2,086,378</u>	<u>\$ 2,046,798</u>
Income from continuing operations	\$ 113,500	\$ 105,712	\$ 313,220	\$ 355,351
Income from discontinued operations	<u>18,751</u>	<u>158,444</u>	<u>290,279</u>	<u>247,297</u>
Net income	132,251	264,156	603,499	602,648
Less net income attributable to noncontrolling interests in:				
Consolidated subsidiaries	(23,833)	(6,610)	(50,049)	(30,928)
Operating Partnership	(5,032)	(14,837)	(27,814)	(31,445)

Preferred unit distributions of the Operating Partnership	(12)	(1,403)	(1,146)	(9,150)
Net income attributable to Vornado	103,374	241,306	524,490	531,125
Preferred share dividends	(20,369)	(20,613)	(62,439)	(56,187)
Preferred unit and share redemptions	-	11,700	(1,130)	11,700
Net income attributable to common shareholders	<u>\$ 83,005</u>	<u>\$ 232,393</u>	<u>\$ 460,921</u>	<u>\$ 486,638</u>
Income per common share - Basic:				
Income from continuing operations, net	\$ 0.36	\$ 0.45	\$ 1.02	\$ 1.36
Income from discontinued operations, net	0.08	0.80	1.45	1.26
Net income per common share	<u>\$ 0.44</u>	<u>\$ 1.25</u>	<u>\$ 2.47</u>	<u>\$ 2.62</u>
Weighted average shares outstanding	<u>186,969</u>	<u>185,924</u>	<u>186,885</u>	<u>185,656</u>
Income per common share - Diluted:				
Income from continuing operations, net	\$ 0.36	\$ 0.44	\$ 1.01	\$ 1.36
Income from discontinued operations, net	0.08	0.80	1.45	1.25
Net income per common share	<u>\$ 0.44</u>	<u>\$ 1.24</u>	<u>\$ 2.46</u>	<u>\$ 2.61</u>
Weighted average shares outstanding	<u>187,724</u>	<u>186,655</u>	<u>187,679</u>	<u>186,399</u>
FFO attributable to common shareholders plus assumed conversions	<u>\$ 210,627</u>	<u>\$ 251,019</u>	<u>\$ 647,767</u>	<u>\$ 767,347</u>
Per diluted share	<u>\$ 1.12</u>	<u>\$ 1.34</u>	<u>\$ 3.45</u>	<u>\$ 4.07</u>
FFO as adjusted for comparability	<u>\$ 238,249</u>	<u>\$ 192,240</u>	<u>\$ 695,844</u>	<u>\$ 578,771</u>
Per diluted share	<u>\$ 1.27</u>	<u>\$ 1.03</u>	<u>\$ 3.71</u>	<u>\$ 3.07</u>
Weighted average shares used in determining FFO per diluted share	<u>187,771</u>	<u>186,655</u>	<u>187,679</u>	<u>188,678</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,	
	2013	2012	2013	2012
Net income attributable to Vornado	\$ 103,374	\$ 241,306	\$ 524,490	\$ 531,125
Depreciation and amortization of real property	117,901	118,717	377,142	377,338
Net gains on sale of real estate	(16,087)	(131,088)	(284,081)	(203,801)
Real estate impairment losses	720	-	4,727	13,511
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	16,430	16,905	53,235	50,706
Real estate impairment losses	1,826	-	6,096	8,394
Income tax effect of above adjustments	(6,390)	(5,917)	(20,766)	(20,765)
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	20,931	22,750	62,247	65,810
Net gains on sale of real estate	-	(1,156)	(465)	(2,051)
Real estate impairment losses	-	-	-	1,849
Noncontrolling interests' share of above adjustments	<u>(7,736)</u>	<u>(1,613)</u>	<u>(11,343)</u>	<u>(18,197)</u>
FFO	230,969	259,904	711,282	803,919
Preferred share dividends	(20,369)	(20,613)	(62,439)	(56,187)
Preferred unit and share redemptions	-	11,700	(1,130)	11,700
FFO attributable to common shareholders	<u>210,600</u>	<u>250,991</u>	<u>647,713</u>	<u>759,432</u>
Convertible preferred share dividends	27	28	54	85
Interest on 3.88% exchangeable senior debentures	-	-	-	7,830
FFO attributable to common shareholders plus assumed conversions	<u>\$ 210,627</u>	<u>\$ 251,019</u>	<u>\$ 647,767</u>	<u>\$ 767,347</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 5, 2013 at 10:00 a.m. Eastern Time (ET). The conference call can be accessed by dialing 800-708-4539 (domestic) or 847-619-6396 (international) and indicating to the operator the passcode 35967597. A telephonic replay of the conference call will be available from 1:00 p.m. ET on November 5, 2013 through December 5, 2013. To access the replay, please dial 888-843-7419 and enter the passcode 35967597#. 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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