

Vornado Announces Third Quarter 2011 FFO of \$1.05 per share

Company Release - 11/3/2011

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

Third Quarter 2011 Results

NET INCOME attributable to common shareholders for the quarter ended September 30, 2011 was \$41.1 million, or \$0.22 per diluted share, compared to \$95.2 million, or \$0.52 per diluted share, for the quarter ended September 30, 2010. Net income for the quarter ended September 30, 2011 includes \$3.6 million of net gains on sale of real estate. In addition, the quarters ended September 30, 2011 and 2010 include certain other items that affect comparability, which are listed in the table below. The aggregate of the net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, decreased net income attributable to common shareholders by \$26.4 million, or \$0.14 per diluted share for the quarter ended September 30, 2011 and increased net income attributable to common shareholders for the quarter ended September 30, 2010 by \$22.3 million, or \$0.12 per diluted share.

FUNDS FROM OPERATIONS attributable to common shareholders plus assumed conversions ("FFO") for the quarter ended September 30, 2011 was \$195.1 million, or \$1.05 per diluted share, compared to \$249.0 million, or \$1.31 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, 2011 and 2010 was \$222.9 million and \$221.5 million, or \$1.20 and \$1.17 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

FFO (1)
Per Share

		For the Three Months Ended September 30,	
		2011	2010
\$		195,125	\$ 248,964
\$		1.05	\$ 1.31

Items that affect comparability income (expense):			
(Loss) income from the mark-to-market of J.C. Penney derivative position	\$	(37,537)	\$ 32,249
Merchandise Mart restructuring costs		(3,722)	-
Buy-out of a below market lease		(1,593)	-
Acquisitions costs and impairment losses		(684)	(5,921)
Discount on preferred share and unit redemptions		5,000	4,382
Net gain on sale of condominiums		1,298	-
Real Estate Fund placement fees		-	(3,752)
Default interest and fees accrued on loans in special servicing		-	(5,887)
FFO attributable to discontinued operations		5,777	10,117
Other, net		1,780	(1,647)
		<u>(29,681)</u>	<u>29,541</u>
Noncontrolling interests' share of above adjustments		1,922	(2,077)
Items that affect comparability, net	\$	<u>(27,759)</u>	<u>27,464</u>
FFO as adjusted for comparability	\$	<u>222,884</u>	<u>221,500</u>
Per Share	\$	<u>1.20</u>	<u>1.17</u>

(1) See page 4 for a reconciliation of our net income to FFO for the three months ended September 30, 2011 and 2010.

Nine Months 2011 Results

NET INCOME attributable to common shareholders for the nine months ended September 30, 2011 was \$532.3 million, or \$2.86 per diluted share, compared to \$353.3 million, or \$1.92 per diluted share, for the nine months ended September 30, 2010. Net income for the nine months ended September 30, 2011 and 2010 include \$59.5 million and \$0.3 million, respectively, of net gains on sale of real estate. In addition, the nine months ended September 30, 2011 and 2010 include certain items that affect comparability, which are listed in the table below. The aggregate of the net gains on sale of real estate and the items in the table below, net of amounts attributable to noncontrolling interests, increased net income attributable to common shareholders by \$208.6 million, or \$1.12 per diluted share for the nine months ended September 30, 2011 and \$16.2 million, or \$0.09 per diluted share for the nine months ended September 30, 2010.

FFO for the nine months ended September 30, 2011 was \$951.1 million, or \$4.96 per diluted share, compared to \$814.0 million, or \$4.29 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, 2011 and 2010 was \$791.8 million and \$782.3 million, or \$4.13 and \$4.12 per diluted share, respectively.

(Amounts in thousands, except per share amounts)

	For the Nine Months Ended September 30,	
	2011	2010
FFO (1)	\$ <u>951,054</u>	\$ <u>814,030</u>
Per Share	\$ <u>4.96</u>	\$ <u>4.29</u>
Items that affect comparability income (expense):		
Net gain (loss) on extinguishment of debt	\$ 83,907	\$ (1,796)
Mezzanine loans loss reversal (accrual) and net gain on disposition	82,744	(6,900)
Our share of LNR's asset sales and tax settlement gains	14,997	-
Net gain resulting from Lexington's stock issuances	9,760	5,998
Discount on preferred share and unit redemptions	7,000	11,354
Net gain on sale of condominiums	5,884	3,149
(Loss) income from the mark-to-market of J.C. Penney derivative position	(27,136)	32,249
Buy-out of below-market leases	(16,593)	-

Acquisition costs, litigation loss accrual and impairment losses	(4,398)	(17,907)
Merchandise Mart restructuring costs	(3,722)	-
Real Estate Fund placement fees	(3,451)	(6,482)
Default interest and fees accrued on loans in special servicing	-	(12,445)
FFO attributable to discontinued operations	17,188	26,308
Other, net	3,828	524
	<u>170,008</u>	<u>34,052</u>
Noncontrolling interests' share of above adjustments	(10,705)	(2,367)
Items that affect comparability, net	\$ <u>159,303</u>	\$ <u>31,685</u>
FFO as adjusted for comparability	<u>791,751</u>	<u>782,345</u>
Per Share	\$ <u>4.13</u>	\$ <u>4.12</u>

(1) See page 4 for a reconciliation of our net income to FFO for the nine months ended September 30, 2011 and 2010.

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, as amended, for the year ended December 31, 2010. 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, 2011 AND 2010

(Amounts in thousands, except per share amounts)	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues	\$ <u>727,343</u>	\$ <u>687,125</u>	\$ <u>2,173,850</u>	\$ <u>2,037,845</u>
Income from continuing operations	62,540	119,799	496,720	437,568
Income (loss) from discontinued operations	<u>3,683</u>	<u>(3,667)</u>	<u>146,293</u>	<u>(11,681)</u>
Net income	66,223	116,132	643,013	425,887
Less:				
Net income attributable to noncontrolling interests in consolidated subsidiaries	(5,636)	(296)	(20,643)	(1,490)
Net income attributable to noncontrolling interests in the Operating Partnership, including unit distributions	<u>(6,825)</u>	<u>(11,584)</u>	<u>(47,364)</u>	<u>(33,487)</u>

Net income attributable to Vornado	53,762	104,252	575,006	390,910
Preferred share dividends	(17,627)	(13,442)	(47,743)	(41,975)
Discount on preferred share and unit redemptions	5,000	4,382	5,000	4,382
Net income attributable to common shareholders	<u>\$ 41,135</u>	<u>\$ 95,192</u>	<u>\$ 532,263</u>	<u>\$ 353,317</u>
Net income per common share:				
Basic	<u>\$ 0.22</u>	<u>\$ 0.52</u>	<u>\$ 2.89</u>	<u>\$ 1.94</u>
Diluted	<u>\$ 0.22</u>	<u>\$ 0.52</u>	<u>\$ 2.86</u>	<u>\$ 1.92</u>
Weighted average shares:				
Basic	<u>184,398</u>	<u>182,462</u>	<u>184,220</u>	<u>182,014</u>
Diluted	<u>186,065</u>	<u>184,168</u>	<u>186,039</u>	<u>183,826</u>
FFO attributable to common shareholders plus assumed conversions	<u>\$ 195,125</u>	<u>\$ 248,964</u>	<u>\$ 951,054</u>	<u>\$ 814,030</u>
FFO per diluted share	<u>\$ 1.05</u>	<u>\$ 1.31</u>	<u>\$ 4.96</u>	<u>\$ 4.29</u>
Weighted average shares used in determining FFO per diluted share	<u>186,119</u>	<u>189,974</u>	<u>191,775</u>	<u>189,562</u>

The following table reconciles our net income to FFO:

(Amounts in thousands, except per share amounts) Reconciliation of our net income to FFO:	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income attributable to Vornado	\$ 53,762	\$ 104,252	\$ 575,006	\$ 390,910
Depreciation and amortization of real property	128,811	126,987	377,458	381,782
Net gain on sales of real estate	-	-	(51,623)	-
Proportionate share of adjustments to equity in net income of Toys, to arrive at FFO:				
Depreciation and amortization of real property	17,947	18,132	52,844	53,296
Net gain on sales of real estate	-	-	(491)	-
Income tax effect of above adjustments	(6,280)	(6,347)	(18,320)	(18,654)
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	27,541	19,481	73,743	58,555
Net gain on sales of real estate	(3,591)	-	(7,360)	(307)
Noncontrolling interests' share of above adjustments	<u>(10,468)</u>	<u>(11,011)</u>	<u>(27,224)</u>	<u>(33,485)</u>
FFO	207,722	251,494	974,033	832,097
Preferred share dividends	(17,627)	(13,442)	(47,743)	(41,975)
Discount on preferred share and unit redemptions	5,000	4,382	5,000	4,382
FFO attributable to common shareholders	195,095	242,434	931,290	794,504
Interest on 3.88% exchangeable senior debentures	-	6,490	19,670	19,405
Convertible preferred share dividends	30	40	94	121
FFO attributable to common shareholders plus assumed conversions	<u>\$ 195,125</u>	<u>\$ 248,964</u>	<u>\$ 951,054</u>	<u>\$ 814,030</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 gains from sales of depreciated real estate assets, 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 (loss) 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 pages 1 and 2 of this press release.

Vornado Realty Trust

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Source: Vornado Realty Trust