

Vornado Realty Trust Reports Second Quarter 2004 Results

Company Release - 8/6/2004

PARAMUS, N.J.--(BUSINESS WIRE)--Aug. 6, 2004--VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Second Quarter 2004 Results

NET INCOME applicable to common shares for the quarter ended June 30, 2004 was \$158.4 million, or \$1.21 per diluted share, versus \$82.3 million, or \$.71 per diluted share, for the quarter ended June 30, 2003.

Net income for the three months ended June 30, 2004 includes (i) a \$65.9 million gain on sale of the Palisades Residential Complex in Fort Lee, New Jersey, (ii) a \$7.5 million gain on sale of Newkirk Master Limited Partnership ("MLP") option units, partially offset by (iii) \$6.0 million for the Company's share of impairment charges of partially-owned entities, and (iv) a \$2.2 million charge for the Company's share of Alexander's accrued stock appreciation rights compensation expense. These items net of minority interest, increased net income by \$56.7 million or \$.43 per diluted share.

Net income for the three months ended June 30, 2003 includes (i) the Company's \$1.9 million share of Newkirk MLP's net gains on sale of real estate, (ii) a \$3.3 million charge for the Company's share of Alexander's accrued stock appreciation rights compensation expense and (iii) a \$1.4 million loss on settlement of the Primestone guarantees. These items, net of minority interest, reduced net income by \$2.2 million or \$.02 per diluted share.

FUNDS FROM OPERATIONS (FFO) for the quarter ended June 30, 2004 was \$159.7 million⁽¹⁾, or \$1.22 per diluted share, compared to \$133.4 million⁽¹⁾, or \$1.14 per diluted share, for the prior year's quarter. Adjusting FFO for certain items that affect comparability, second quarter 2004 FFO is 5.1% higher than second quarter 2003 on a per share basis, as detailed below:

FOR THE THREE MONTHS ENDED

(Amounts in thousands, except per share amounts) June 30, 2004 June 30, 2003

	Amount	Per	Amount	Per
	Share	Share	Share	Share
FFO as shown above (1)	\$159,674	\$1.22	\$133,410	\$1.14
	=====		=====	
Adjustments:				
Add:				
Impairment loss - Starwood Ceruzzi	3,833	--		
Impairment loss - Newkirk MLP	2,142	--		
Alexander's stock appreciation rights compensation expense	2,171	3,285		
Loss on Primestone settlement of guarantees and other	--	1,294		
Less:				
Gain on sale of Newkirk MLP option units	7,494	--		
Minority interest share of above adjustments	86	838		
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FFO, as adjusted for comparability	\$160,240	\$1.23	\$137,151	\$1.17
	=====	=====	=====	=====

(1) See page 4 for a reconciliation of net income applicable to common shares to FFO for the quarters ended June 30, 2004 and 2003.

First Half 2004 Results

Net income applicable to common shares for the six months ended June 30, 2004 was \$232.9 million, or \$1.81 per diluted share, versus \$168.6 million, or \$1.49 per diluted share, for the six months ended June 30, 2003.

Net income for the six months ended June 30, 2004 includes (i) a \$65.9 million gain on sale of the Palisades Residential Complex in Fort Lee, New Jersey, (ii) a \$7.5 million gain on sale of Newkirk MLP option units, (iii) the Company's \$2.8 million share of net gains on sale of real estate of partially-owned entities, partially offset by (iv) a \$12.1 million charge for the Company's share of Alexander's accrued stock appreciation rights compensation expense, (v) \$6.0 million for the Company's share of impairment charges of partially-owned entities, (vi) \$3.9 million for the write-off of unamortized issuance costs upon the redemption of certain of the Company's preferred shares and units, and (vii) \$1.4 million for the Company's share of losses on early extinguishment of debt of a partially

owned entity. These items, net of minority interest, increased net income by \$45.2 million, or \$.35 per diluted share.

Net income for the six months ended June 30, 2003 includes (i) the Company's \$9.9 million share of Newkirk's net gains on sale of real estate and early extinguishment of debt, (ii) a \$2.6 million net gain on sale of other real estate, partially offset by (iii) a \$3.3 million charge for the Company's share of Alexander's accrued stock appreciation rights compensation expense and (iv) a \$1.4 million loss on settlement of the Primestone guarantees. These items, net of minority interest, increased net income by \$6.4 million, or \$.06 per diluted share.

FFO for the six months ended June 30, 2004 was \$288.6 million, or \$2.24 per diluted share, compared to \$263.5 million(1), or \$2.29 per diluted share, for the prior year's six months. Adjusting FFO for certain items that affect comparability, first half 2004 FFO is 1.3% higher than first half 2003 on a per share basis, as detailed below:

FOR THE SIX MONTHS ENDED				
(Amounts in thousands, except per share amounts)	June 30, 2004		June 30, 2003	
	Amount Share	Per Share	Amount Share	Per Share
FFO as shown above (1)	\$288,649	\$2.24	\$263,515	\$2.29
	=====		=====	
Adjustments:				
Add:				
Alexander's stock appreciation rights compensation expense	12,084		3,285	
Write-off of perpetual preferred share and unit issuance costs	3,895		--	
Impairment loss - Starwood Ceruzzi	3,833		--	
Impairment loss - Newkirk MLP	2,142		--	
Loss on early extinguishment of debt of a partially-owned entity	1,434		--	
Loss on Primestone settlement of guarantees	--		1,388	
Less:				
Gain on sale of Newkirk MLP option units	7,494		--	
Gain on sales of land parcels and condominiums	776		282	
Gain on early extinguishment of debt of a partially-owned entity	--		1,600	
Minority interest share of above adjustments	2,176		533	

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FFO, as adjusted for comparability \$301,591 \$2.34 \$265,773 \$2.31

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(1) See page 4 for a reconciliation of net income applicable to common shares to FFO for the six months ended June 30, 2004 and 2003.

Supplemental Financial Information

Further details regarding the Company's 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. 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, 2004 AND 2003

FOR THE THREE MONTHS FOR THE SIX MONTHS
ENDED JUNE 30, ENDED JUNE 30,

(Amounts in thousands, except
per share amounts)

	2004	2003	2004	2003
Revenues	\$400,054	\$371,135	\$793,104	\$736,112
	=====	=====	=====	=====
Income from continuing operations	\$ 94,239	\$ 82,802	\$175,851	\$168,445
Income from discontinued operations	67,762	4,955	68,589	11,054
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Net income	162,001	87,757	244,440	179,499

Preferred stock dividends	(3,565)	(5,426)	(11,547)	(10,851)
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Net income applicable to common shares	\$158,436	\$ 82,331	\$232,893	\$168,648
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Net income per common share:

Basic	\$ 1.26	\$.74	\$ 1.89	\$ 1.53
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Diluted	\$ 1.21	\$.71	\$ 1.81	\$ 1.49
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Average number of common shares and share equivalents outstanding:

Basic	125,468	111,478	123,539	110,297
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Diluted	130,744	116,881	129,087	115,086
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FFO applicable to common

shares	\$159,674	\$133,410	\$288,649	\$263,515
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FFO per diluted share	\$ 1.22	\$ 1.14	\$ 2.24	\$ 2.29
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Average number of common shares and share equivalents outstanding used for determining funds from

operations per

diluted share	130,744	116,881	129,087	115,086
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The following table reconciles FFO and net income:

For the Three Months For the Six Months

Ended June 30, Ended June 30,

(Amounts in thousands)

2004	2003	2004	2003
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Net income applicable to common shares	\$158,436	\$ 82,331	\$232,893	\$168,648
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Depreciation and amortization of real property	54,492	51,066	108,132	100,573
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Net gains on sale of real estate	(65,905)	--	(65,905)	(2,644)
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Proportionate share of

adjustments to equity in net income of partially-owned entities to arrive at FFO:					
Depreciation and amortization of real property	13,442	13,537	26,546	26,785	
Net gains on sale of real estate	(862)	(1,417)	(2,779)	(6,924)	
Minority interest's share of above adjustments	(196)	(13,283)	(10,782)	(25,274)	
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	159,407	132,234	288,105	261,164	
Series A preferred dividends	267	1,176	544	2,351	
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FFO applicable to common shares(1)	\$159,674	\$133,410	\$288,649	\$263,515	
	=====	=====	=====	=====	

(1) FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and is not necessarily indicative of cash available to fund cash needs which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. FFO should not be considered as an alternative to net income as an indicator of the Company's operating performance. Management considers FFO a relevant supplemental measure of operating performance because it provides a basis for comparison among REITs. Funds from operations is computed in accordance with the National Association of Real Estate Investment Trust's ("NAREIT") definition, which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with NAREIT's definition. In addition to FFO, the Company also discloses FFO before certain items that affect comparability. Although this non-GAAP measure clearly differs from NAREIT's definition of FFO, the Company believes it provides a meaningful presentation of operating performance. A reconciliation of net income to FFO is provided above. In addition, a reconciliation of FFO to FFO before certain items that affect comparability is provided on pages 1 and 2 of this press release.

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SOURCE: Vornado Realty Trust