

## PRESS RELEASE

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### Vornado announces operating results for the quarter ended June 30, 2002

PARAMUS, NEW JERSEY.....VORNADO REALTY TRUST (NYSE:VNO) today reported:

#### Second Quarter 2002 Results

Funds from operations for the quarter ended June 30, 2002 was \$107.3 million, or \$.95 per diluted share, compared to \$83.9 million, or \$.86 per diluted share, for the quarter ended June 30, 2001. Adjusting funds from operations for certain items which affect comparability, second quarter 2002 funds from operations is 5.1% higher than second quarter 2001 on a per share basis, as detailed below:

(amounts in thousands, except per share amounts)	FOR THE THREE MONTHS ENDED			
	June 30, 2002		June 30, 2001	
	Amount	Per Share	Amount	Per Share
Funds from operations as shown above .....	\$ 107,327	\$ .95	\$ 83,930	\$ .86
Adjustments:				
Amortization of an officer's employment arrangement .....	6,875	.06	--	--
Loss on Primestone foreclosure .....	17,671	.16	--	--
Gain on sale of marketable securities .....	(12,346)	(.11)	--	--
Gain on sale of Chicago condominiums .....	(344)	(.01)	--	--
Write-off of equity investments in technology companies .....	--	--	13,561	.14
Minority interest .....	(2,420)	(.02)	(1,833)	(.02)
Funds from operations, as adjusted .....	<u>\$ 116,763</u>	<u>\$ 1.03</u>	<u>\$ 95,658</u>	<u>\$ .98</u>

Net income applicable to common shares for the quarter ended June 30, 2002 was \$62.8 million, or \$.57 per diluted share, versus \$56.9 million, or \$.64 per diluted share, for the quarter ended June 30, 2001.

Net income for the quarter ended June 30, 2002 includes (i) a charge of \$6.9 million from amortization of an officer's employment arrangement, (ii) a charge of \$17.7 million from the loss on Primestone foreclosure, (iii) a gain of \$12.3 million on the sale of marketable securities and (iv) a gain of \$.3 million on sale of Chicago condominium units. These items reduced net income by an aggregate of \$12.0 million or \$.11 per diluted share.

Net income for the quarter ended June 30, 2001 includes (i) a gain of \$12.4 million on the sale of the Company's 50% interest in a New York City office building, (ii) a gain of \$3.0 million from the settlement of a condemnation proceeding and (iii) a charge of \$13.6 million from the write-off of the Company's remaining equity investments in technology companies. These items increased net income by an aggregate of \$1.8 million or \$.02 per diluted share.

#### First Half 2002 Results

Funds from operations for the six months ended June 30, 2002 was \$216.6 million, or \$1.93 per diluted share, compared to \$165.8 million, or \$1.70 per diluted share, for the six months ended June 30, 2001. Adjusting funds from operations for certain items which affect comparability, first half 2002 funds from operations is 7.3% higher than first half 2001 on a per share basis, as detailed below:

(amounts in thousands, except per share amounts)	FOR THE SIX MONTHS ENDED			
	June 30, 2002		June 30, 2001	
	Amount	Per Share	Amount	Per Share
Funds from operations as shown above .....	\$ 216,573	\$ 1.93	\$ 165,837	\$ 1.70
Adjustments:				
Amortization of an officer's employment arrangement .....	13,750	.12	--	--
Loss on Primestone foreclosure .....	17,671	.16	--	--
Gain on sale of marketable securities .....	(12,346)	(.11)	--	--
Gain on sale of Chicago condominiums .....	(1,875)	(.02)	--	--
Costs of acquisitions not consummated .....	--	--	5,000	.05
Write-off of equity investments in				

write-off of equity investments in technology companies .....	--	--	18,284	.19
Minority interest .....	<u>(3,531)</u>	<u>(.03)</u>	<u>(3,151)</u>	<u>(.03)</u>
Funds from operations, as adjusted .....	<u>\$ 230,242</u>	<u>\$ 2.05</u>	<u>\$ 185,970</u>	<u>\$ 1.91</u>

Net income applicable to common shares for the six months ended June 30, 2002 was \$106.1 million, or \$.97 per diluted share, versus \$103.8 million, or \$1.16 per diluted share, for the six months ended June 30, 2001.

Net income for the six months ended June 30, 2002, includes (i) a charge of \$13.8 million from amortization of an officer's employment arrangement, (ii) a charge of \$17.7 million from the loss on Primestone foreclosure, (iii) a gain of \$12.3 million on the sale of marketable securities, (iv) a gain of \$1.9 million on sale of Chicago condominium units, and (v) a charge of \$30.1 million for the write-off of goodwill arising from the Company's investment in Temperature Controlled Logistics and the Hotel Pennsylvania resulting from the cumulative effect of the application of SFAS 142, "Goodwill and Other Intangible Assets." These items reduced net income by an aggregate of \$47.4 million or \$.44 per diluted share.

Net income for the six months ended June 30, 2001 includes (i) a gain of \$12.4 million on the sale of the Company's 50% interest in a New York City office building, (ii) a gain of \$3.0 million from the settlement of a condemnation proceeding, (iii) a charge of \$18.3 million from the write-off of the Company's remaining equity investments in technology companies, (iv) the Company's share of Alexander's net gain on sale of real estate of \$6.3 million, (v) the Company's share of Alexander's extraordinary gain on early extinguishment of debt of \$1.2 million and (vi) a charge of \$4.1 million resulting from the cumulative effect of the application of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." These items increased net income by an aggregate of \$.5 million or \$.01 per diluted share.

Below is a table of Operating Results:

(amounts in thousands, except share and per share amounts)	For the three months ended	
	June 30, 2002	June 30, 2001
Revenues .....	<u>\$ 353,247</u>	<u>\$ 246,075</u>
Net Income .....	<u>\$ 68,711</u>	<u>\$ 66,112</u>
Preferred share dividends .....	<u>(5,896)</u>	<u>(9,192)</u>
Net income applicable to common shares .....	<u>\$ 62,815</u>	<u>\$ 56,920</u>
Funds from operations .....	<u>\$ 107,327</u>	<u>\$ 83,930</u>
Per Common Share:		
Net income:		
Basic: .....	<u>\$ .59</u>	<u>\$ .65</u>
Diluted: .....	<u>\$ .57</u>	<u>\$ .64</u>
Average number of common shares and share equivalents outstanding .....	<u>110,714,195</u>	<u>89,601,723</u>
Funds from operations .....	<u>\$ .95</u>	<u>\$ .86</u>
Average number of common shares and share equivalents outstanding used for determining funds from operations per share .....	<u>113,562,580</u>	<u>97,619,519</u>
	For the six months ended	
(amounts in thousands, except share and per share amounts)	June 30, 2002	June 30, 2001
Revenues .....	<u>\$ 699,571</u>	<u>\$ 488,685</u>
Income before cumulative effect of change in accounting principle and extraordinary item .....	<u>\$ 148,243</u>	<u>\$ 125,561</u>
Cumulative effect of change in accounting principle .....	<u>(30,129)</u>	<u>(4,110)</u>
Extraordinary item .....	<u>--</u>	<u>1,170</u>
Net income .....	<u>118,114</u>	<u>122,621</u>
Preferred share dividends .....	<u>(12,027)</u>	<u>(18,865)</u>
Net income applicable to common shares .....	<u>\$ 106,087</u>	<u>\$ 103,756</u>
Funds from operations .....	<u>\$ 216,573</u>	<u>\$ 165,837</u>
Per Common Share:		
Net income:		
Basic: .....	<u>\$ 1.02</u>	<u>\$ 1.19</u>
Diluted: .....	<u>\$ .97</u>	<u>\$ 1.16</u>
Average number of common shares and share equivalents outstanding .....	<u>108,954,278</u>	<u>89,500,962</u>
Funds from operations .....	<u>\$ 1.93</u>	<u>\$ 1.70</u>
Average number of common shares and share equivalents outstanding used for determining funds from operations per share .....	<u>112,826,174</u>	<u>97,518,758</u>

The following table reconciles funds from operations and net income:

(amounts in thousands)	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Net income applicable to common shares .....	\$ 62,815	\$ 56,920	\$ 106,087	\$ 103,756
Cumulative effect of a change in accounting principle...	--	--	30,129	4,110
Extraordinary item .....	--	--	--	(1,170)
Depreciation and amortization of real property.....	47,992	29,041	93,479	60,081
Straight-lining of property rentals for rent escalations....	(8,864)	(5,819)	(17,541)	(13,074)
Leasing fees received in excess of income recognized....	432	(124)	750	(248)
Appreciation of securities held in officer's deferred compensation trust.....	--	2,952	--	669
Net gain on sale of real estate and partially-owned entities.....	--	(12,445)	--	(12,445)
Net gain from condemnation proceedings.....	--	(3,050)	--	(3,050)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at funds from operations:				
Depreciation and amortization of real property....	12,903	15,615	25,784	31,607
Net gain on sale of real estate (Alexander's Fordham Road Property) .....	--	--	--	(6,298)
Other .....	716	(323)	206	(751)
Minority interest in excess of preferential distributions....	(10,314)	(3,780)	(25,849)	(7,716)
	105,680	78,987	213,045	155,471
Series A preferred shares.....	1,647	4,943	3,528	10,366
Funds from operations – diluted .....	<u>\$107,327</u>	<u>\$ 83,930</u>	<u>\$ 216,573</u>	<u>\$165,837</u>
Shares used for determining diluted funds from operations per share .....	<u>113,563</u>	<u>97,620</u>	<u>112,526</u>	<u>97,519</u>

Funds from operations 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. There are no material legal or functional restrictions on the use of funds from operations. Funds from operations 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. Management considers funds from operations a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. Funds from operations may not be comparable to similarly titled measures reported by other REITs since a number of REITs, including the Company, calculate funds from operations in a manner different from that used by NAREIT. Funds from operations, as defined by NAREIT, represents net income applicable to common shares before depreciation and amortization, extraordinary items and gains or losses on sales of real estate. Funds from operations as disclosed above has been modified from this definition to adjust primarily for the effect of straight-lining of property rentals for rent escalations and leasing fee income.

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.