

Vornado Reports Results

Company Release - 8/1/2006

PARAMUS, N.J.--(BUSINESS WIRE)--Aug. 1, 2006--

VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Second Quarter 2006 Results

NET INCOME applicable to common shares for the quarter ended June 30, 2006 was \$148.8 million, or \$0.99 per diluted share, versus \$172.7 million, or \$1.25 per diluted share, for the quarter ended June 30, 2005. Net income for the three months ended June 30, 2006 includes a net loss of \$7.9 million from our investment in Toys "R" Us ("Toys") and a \$17.6 million net gain on sale of real estate. Net income for the three months ended June 30, 2005 includes a \$31.6 million net gain on sale of real estate. Net income for the three months ended June 30, 2006 and 2005 also include certain other items that affect comparability which are listed in the table below. The aggregate of these items and our share of Toys' net loss, net of minority interest, increased net income applicable to common shares for the quarter ended June 30, 2006 by \$55.8 million or \$0.36 per diluted share and increased net income applicable to common shares for the quarter ended June 30, 2005 by \$72.9 million or \$0.51 per diluted share.

FUNDS FROM OPERATIONS applicable to common shares plus assumed conversions ("FFO") for the quarter ended June 30, 2006 was \$230.4 million, or \$1.49 per diluted share, compared to \$215.8 million, or \$1.51 per diluted share, for the quarter ended June 30, 2005. Adjusting FFO for certain items that affect comparability which are listed in the table below, FFO for the quarters ended June 30, 2006 and 2005 were \$190.5 million and \$170.9 million, or \$1.23 and \$1.20 per share, respectively.

For the Three Months		Ended June 30,
(Amounts in thousands, except per share amounts)		
2006	2005	
-----	-----	
-----	-----	

FFO applicable to common shares plus assumed conversions (1) \$230,430 \$215,802

Per Share \$ 1.49 \$ 1.51

Items that affect comparability (income) expense:

Derivatives:

McDonalds shares \$ 14,515 \$ --
 GMH warrants (4,105) (12,741)
 Sears Holdings shares -- (37,860)

33% share of Alexander's:

Stock appreciation rights (4,836) 2,034
 Net gain on sale of 731 Lexington Avenue condominiums (2,722) (5,541)

Other:

Net gain on sale of Sears Canada common shares (55,438) --
 H Street litigation costs 2,093 --
 Prepayment penalties and write off of unamortized financing costs 4,933 --
 Senior unsecured notes consent solicitation advisory fees 1,415 --
 Impairment loss - Newkirk MLP -- 3,520

(44,145) (50,588)

32.9% share of Toys "R" Us FFO -- --

(44,145) (50,588)

Minority limited partners' share of above

adjustments 4,237 5,694

\$(39,908)\$(44,894)

Per share \$ (0.26)\$ (0.31)

FFO as adjusted for comparability \$190,522 \$170,908

Per Share \$ 1.23 \$ 1.20

(1) See page 4 for a reconciliation of net income to FFO for the three months ended June 30, 2006 and 2005.

Net income applicable to common shares for the six months ended June 30, 2006 was \$283.6 million, or \$1.90 per diluted share, versus \$360.1 million, or \$2.63 per diluted share, for the six months ended June 30, 2005. Net income for the six months ended June 30, 2006 includes \$44.9 million of earnings from our investment in Toys "R" Us ("Toys") and \$33.8 million of net gains on sales of real estate, as well as certain items that affect comparability which are listed in the table below. Net income for the six months ended June 30, 2005 includes a \$31.6 million net gain on sale of real estate as well as certain items that affect comparability which are listed in the table below. These items, net of minority interest, increased net income applicable to common shares for the six months ended June 30, 2006 by \$61.6 million, or \$0.40 per diluted share, and increased net income applicable to common shares for the six months ended June 30, 2005 by \$153.7 million, or \$1.11 per diluted share.

FFO(1) for the six months ended June 30, 2006 was \$442.3 million, or \$2.86 per diluted share, compared to \$465.0 million, or \$3.35 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, 2006 and 2005 were \$353.0 million and \$339.2 million, or \$2.28 and \$2.44 per share, respectively.

	For the Six Months	
(Amounts in thousands, except per share amounts)	Ended June 30,	
	2006	2005
FFO applicable to common shares plus assumed conversions (1)	\$442,346	\$ 465,011
Per Share	\$ 2.86	\$ 3.35

Items that affect comparability (income) expense:

Derivatives:

Sears Holdings shares	\$(18,611)	\$(131,853)
GMH warrants	16,370	(2,563)
McDonalds shares	8,215	--

33% share of Alexander's:

Stock appreciation rights compensation expense	7,559	9,467
Net gain on sale of 731 Lexington Avenue condominiums	(4,580)	(26,174)

Other:

Net gain on sale of Sears Canada common shares	(55,438)	--
Prepayment penalties and write off of unamortized financing costs	4,933	--
H Street litigation costs	3,561	--
Senior unsecured notes consent solicitation advisory fees	1,415	--

Write-off of perpetual preferred share and unit issuance costs upon their redemption	--	6,052	
Net gain on sale of land parcels	--	(1,469)	
Impairment loss - Newkirk MLP	--	4,016	

		(36,576)	(142,524)
32.9% share of Toys "R" Us FFO		(62,287)	--

		(98,863)	(142,524)
Minority limited partners' share of above adjustments		9,558	16,748

		\$(89,305)	\$(125,776)
		=====	=====
Per share		\$ (0.58)	\$ (0.91)
		=====	=====
FFO as adjusted for comparability		\$353,041	\$ 339,235
		=====	=====
Per Share		\$ 2.28	\$ 2.44
		=====	=====

(1) See page 4 for a reconciliation of net income to FFO for the six months ended June 30, 2006 and 2005.

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.

VORNADO REALTY TRUST
OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2006 AND 2005

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

(Amounts in thousands,
except per share amounts)

	2006	2005	2006	2005
Revenues	\$ 663,032	\$ 591,475	\$1,310,369	\$1,186,724
Income from continuing operations	\$ 169,105	\$ 187,279	\$ 322,429	\$ 431,148
Income from discontinued operations	16,762	32,930	33,497	34,616
Income before allocation to limited partners	185,867	220,209	355,926	465,764
Minority limited partners' interest in the Operating Partnership	(17,324)	(23,975)	(33,198)	(51,170)
Perpetual preferred unit distributions of the Operating Partnership	(5,374)	(15,152)	(10,347)	(33,693)
Net income	163,169	181,082	312,381	380,901
Preferred share dividends	(14,404)	(8,385)	(28,811)	(20,771)
Net income applicable to common shares	\$ 148,765	\$ 172,697	\$ 283,570	\$ 360,130
Net income per common share:				
Basic	\$ 1.05	\$ 1.33	\$ 2.01	\$ 2.79
Diluted	\$ 0.99	\$ 1.25	\$ 1.90	\$ 2.63
Average number of common shares and share equivalents outstanding:				
Basic	141,418	130,178	141,275	129,254
Diluted	154,893	142,813	154,650	139,003
FFO applicable to common shares plus assumed				

conversions	\$ 230,430	\$ 215,802	\$ 442,346	\$ 465,011
	=====	=====	=====	=====
FFO per diluted share	\$ 1.49	\$ 1.51	\$ 2.86	\$ 3.35
	=====	=====	=====	=====
Average number of common shares and share equivalents outstanding used for determining FFO per diluted share	154,893	142,813	154,650	139,003
	=====	=====	=====	=====

The following table reconciles net income to FFO:

(Amounts in thousands)	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2006	2005	2006	2005
Net income	\$163,169	\$181,082	\$312,381	\$380,901
Depreciation and amortization of real property	84,156	68,418	160,599	132,294
Net gains on sale of real estate	(17,609)	(31,614)	(33,769)	(31,614)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:				
Depreciation and amortization of real property	23,011	6,290	48,020	12,587
Net losses (gains) on sale of real estate	658	(79)	329	(214)
Income tax effect of Toys "R"				
Us adjustments included above	(4,928)	--	(10,841)	--
Minority limited partners' share of above adjustments	(8,896)	(5,244)	(16,120)	(14,245)
FFO	239,561	218,853	460,599	479,709
Preferred share dividends	(14,404)	(8,385)	(28,811)	(20,771)
FFO applicable to common shares	225,157	210,468	431,788	458,938
Interest on 3.875% exchangeable senior debentures	5,094	5,094	10,188	5,578
Series A convertible preferred				

share dividends	179	240	370	495

FFO applicable to common shares				
plus assumed conversions	\$230,430	\$215,802	\$442,346	\$465,011
	=====			

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 net income or loss determined in accordance with Generally Accepted Accounting Principles ("GAAP"), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO and FFO per diluted share are used by management, investors and industry analysts as supplemental measures of operating performance of equity REITs. FFO and FFO per diluted share should be evaluated along with GAAP net income and income per diluted share (the most directly comparable GAAP measures), as well as cash flow from operating activities, investing activities and financing activities, in evaluating the operating performance of equity REITs. Management believes that FFO and FFO per diluted share are helpful to investors as supplemental performance measures because these measures exclude the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs which implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, these non-GAAP measures can facilitate comparisons of operating performance between periods and among other equity REITs. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as disclosed in the Company's Consolidated Statements of Cash Flows. FFO 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. 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 page 1 and 2 of this press release.

Source: Vornado Realty Trust

Contact: Vornado Realty Trust Joseph Macnow, 201-587-1000