

# Vornado Realty Trust Announces Third Quarter 2004 Results

Company Release - 11/5/2004

PARAMUS, N.J.--(BUSINESS WIRE)--Nov. 5, 2004--Vornado Realty Trust (New York Stock Exchange: VNO) today reported:

## Third Quarter 2004 Results

NET INCOME applicable to common shares for the quarter ended September 30, 2004 was \$104.5 million, or \$.79 per diluted share, versus \$71.0 million, or \$.60 per diluted share, for the quarter ended September 30, 2003.

Net income for the three months ended September 30, 2004 includes (i) \$9.9 million for net gains on sale of real estate, (ii) \$1.3 million for the Company's share of a gain on sale of a land parcel, partially offset by charges of (iii) \$8.8 million for the Company's share of Alexander's accrued stock appreciation rights compensation expense and (iv) \$1.5 million for costs of acquisition not consummated. These items, net of minority interest, increased net income by \$0.7 million or \$.01 per diluted share.

Net income for the quarter ended September 30, 2003 includes (i) a charge of \$6.2 million for the Company's share of Alexander's accrued stock appreciation rights compensation expense and (ii) \$.9 million of net gains on disposition of wholly-owned and partially-owned assets. These items, net of minority interest, reduced net income by \$4.3 million, or \$.04 per diluted share.

FUNDS FROM OPERATIONS(1) (FFO) applicable to common shares plus assumed conversions for the quarter ended September 30, 2004 was \$156.7 million, or \$1.18 per diluted share, compared to \$123.9 million, or \$1.04 per diluted share, for the prior year's quarter. Adjusting for certain items that affect comparability, the third quarter 2004 is 14.8% higher than the third quarter 2003 on a per share basis, as detailed below:

FOR THE THREE MONTHS ENDED

(Amounts in thousands, except per share amounts)	September 30, 2004		September 30, 2003	
	Per Amount	Per Share	Per Amount	Per Share
FFO(1) applicable to common shares plus assumed conversions, as shown above	\$156,703	\$1.18	\$123,914	\$1.04
	=====	=====		
Adjustments:				
Add:				
Alexander's stock appreciation rights compensation expense	8,796		6,192	
Costs of acquisition not consummated	1,475		--	
Impairment loss - Newkirk MLP	759		--	
Less:				
Gain on sale of land parcel - Alexander's	1,274		--	
Minority interest share of above adjustments	1,250		1,135	
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FFO, applicable to common shares plus assumed conversions, as adjusted for comparability	\$165,209	\$1.24	\$128,971	\$1.08
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(1) See page 5 for a reconciliation of net income to FFO for the quarters ended September 30, 2004 and 2003.

## Investments in Sears and GMH

Vornado filed its third quarter Form 10-Q today which included a discussion of its recent investments in Sears, Roebuck & Co. (New York Stock Exchange: S) and GMH Communities LP, a subsidiary of GMH Communities Trust (New York Stock Exchange: GCT). For further information concerning Vornado's 4.3% interest in Sears - see page 14 of the Form 10-Q. For further information concerning Vornado's GMH investment - see page 8 of the Form 10-Q.

## Nine Months Ended September 30, 2004 Results

Net income applicable to common shares for the nine months ended September 30, 2004 was \$337.4 million, or \$2.59 per diluted share, versus \$239.6 million, or \$2.09 per diluted share, for the prior year's nine months.

Net income for the nine months ended September 30, 2004 includes (i) \$79.8 million for gains on sale of real estate (primarily the Palisades Residential Complex in Fort Lee, New Jersey) and (ii) \$7.5 million of gain on sale of Newkirk MLP option units, partially offset by charges of (iii) \$20.9 million for the Company's share of Alexander's accrued stock appreciation rights compensation expense, (iv) \$6.7 million for the Company's share of impairment charges of partially-owned entities, (v) \$3.9 million for the write-off of unamortized issuance costs upon the redemption of certain of the Company's preferred shares and units, (vi) \$1.5 million for costs of acquisition not consummated and (vii) \$1.4 million for the Company's share of Alexander's loss on early extinguishment of debt. These items, net of minority interest, increased net income by \$45.6 million, or \$.35 per diluted share.

Net income for the nine months ended September 30, 2003 includes (i) the Company's \$9.5 million share of Newkirk's net gains on sale of real estate and early extinguishment of debt and (ii) a \$2.6 million net gain on sale of other real estate, partially offset by, (iii) a \$9.5 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 \$2.0 million, or \$.02 per diluted share.

FFO(1) applicable to common shares plus assumed conversions for the nine months ended September 30, 2004 was \$446.9 million, or \$3.41 per diluted share, compared to \$387.4 million, or \$3.33 per diluted share, for the prior year's nine months. Adjusting for certain items that affect comparability, the nine months ended 2004 is 5.3% higher than the nine months ended 2003 on a per share basis, as detailed below:

FOR THE NINE MONTHS ENDED			
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(Amounts in thousands, except per share amounts)	September 30, 2004	September 30, 2003	
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	Per Amount Share	Per Amount Share	
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FFO(1) applicable to common shares plus assumed conversions, as shown above	\$446,925	\$3.41	\$387,430 \$3.33
	=====	=====	
Adjustments:			
Add:			
Alexander's stock appreciation rights compensation expense	20,880		9,477
Write-off of perpetual preferred share and unit issuance costs	3,895		--
Impairment losses of partially-owned entities	6,734		--

Costs of acquisition not consummated	1,475	--		
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	2,050	282		
Gain on early extinguishment of debt of a partially-owned entity	--	1,600		
Minority interest share of above adjustments	3,449	1,694		
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FFO, applicable to common shares plus assumed conversions, as adjusted for comparability	\$468,350	\$3.57	\$394,719	\$3.39
	=====	=====	=====	=====

(1) See page 5 for a reconciliation of net income applicable to common shares to FFO for the nine months ended September 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](http://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 NINE MONTHS ENDED

SEPTEMBER 30, 2004 AND 2003

	FOR THE THREE		FOR THE NINE	
	MONTHS ENDED		MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	

(Amounts in thousands, except  
per share amounts)

	2004	2003	2004	2003
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Revenues	\$416,850	\$380,168	\$1,209,954	\$1,116,280
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Income from continuing operations	\$ 98,728	\$ 70,526	\$ 274,579	\$ 238,971
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Income from discontinued operations	9,795	5,534	78,384	16,588
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Net income	108,523	76,060	352,963	255,559
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Preferred stock dividends	(4,022)	(5,079)	(15,569)	(15,930)
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Net income applicable to common shares	\$104,501	\$70,981	\$ 337,394	\$ 239,629
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Net income per common share:

Basic	\$ .83	\$ .63	\$ 2.71	\$ 2.15
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Diluted	\$ .79	\$ .60	\$ 2.59	\$ 2.09
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Average number of common shares and share equivalents outstanding:

Basic	126,397	113,028	124,624	111,217
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Diluted	132,477	117,622	131,043	116,327
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FFO applicable to common shares plus assumed conversions	\$156,703	\$123,914	\$ 446,925	\$ 387,430
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FFO per diluted share	\$ 1.18	\$ 1.04	\$ 3.41	\$ 3.33
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Average number of common shares and share equivalents outstanding

used for determining funds  
from operations per  
diluted share      132,477 119,193 131,043 116,327  
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The following table reconciles FFO(1)  
and net income:

	For the Three Months Ended		For the Nine Months Ended	
(Amounts in thousands)	September 30,		September 30,	
	2004	2003	2004	2003
Net income	\$108,523	\$ 76,060	\$352,963	\$255,559
Depreciation and amortization of real property	56,799	49,926	164,931	150,499
Net gains on sale of real estate	(9,850)	(767)	(75,755)	(3,411)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:				
Depreciation and amortization of real property	13,080	13,522	39,623	40,307
Net gains on sale of real estate	(43)	(28)	(2,822)	(6,952)
Minority interest's share of above adjustments	(8,050)	(10,549)	(18,832)	(35,822)
FFO(1)	160,459	128,164	460,108	400,180
Preferred dividends	(4,022)	(5,079)	(15,569)	(15,930)
FFO applicable to common shares	156,437	123,085	444,539	384,250
Series A convertible preferred dividends	266	829	805	3,180
Series E-1 convertible preferred distributions	--	--	1,581	--
FFO applicable to common shares plus assumed conversions	\$156,703	\$123,914	\$446,925	\$387,430

(1) 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 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 pages 1 and 2 of this press release.

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SOURCE: Vornado Realty Trust