

Vornado Reports Results

Company Release - 2/28/2006

PARAMUS, N.J.--(BUSINESS WIRE)--Feb. 28, 2006--VORNADO REALTY TRUST (New York Stock Exchange: VNO) today reported:

Year Ended December 31, 2005 Results

NET INCOME applicable to common shares for the year ended December 31, 2005 was \$493.1 million, or \$3.50 per diluted share, versus \$571.0 million, or \$4.35 per diluted share, for the year ended December 31, 2004. Net income for the year ended December 31, 2005 includes (i) \$40.5 million for the Company's share of Toys "R" Us net loss for the period from July 21, 2005 (date of acquisition) through October 29, 2005, offset by, (ii) \$34.5 million of net gains on sale of real estate and (iii) certain other items that affect comparability which are listed in the table on the following page. Net income for the year ended December 31, 2004 includes \$75.8 million of net gains on sale of real estate, as well as certain other items that affect comparability which are listed in the table on the following page. The aggregate of these items, net of minority interest, increased net income by \$98.6 million, or \$.68 per diluted share for the year ended December 31, 2005 and by \$180.2 million, or \$1.35 per diluted share for the year ended December 31, 2004.

FUNDS FROM OPERATIONS applicable to common shares plus assumed conversions (FFO) for the year ended December 31, 2005 was \$757.2 million, or \$5.21 per diluted share, compared to \$750.0 million, or \$5.63 per diluted share, for the prior year. Adjusting FFO for the Company's share of Toys "R" Us negative FFO of \$32.9 million and for certain other items that affect comparability which are listed in the table on the following page, FFO for the years ended December 31, 2005 and 2004 were \$689.4 million and \$639.1 million, or \$4.75 and \$4.80 per share, respectively.

Quarter Ended December 31, 2005 Results

Net income applicable to common shares for the quarter ended December 31, 2005 was \$105.7 million, or \$.71 per diluted share, versus \$233.6 million, or \$1.73 per diluted share, for the quarter ended December 31, 2004. Net

income for the quarter ended December 31, 2005 includes \$40.0 million for the Company's share of Toys "R" Us net loss, recorded on a one quarter lag basis, for their third quarter ended October 29, 2005 and certain other items that affect comparability which are listed in the table on the following page. Net income for the quarter ended December 31, 2004 includes certain items that affect comparability which are listed in the table on the following page. The aggregate of these items, net of minority interest, increased net income by \$3.1 million or \$.02 per diluted share for the quarter ended December 31, 2005 and increased net income by \$133.7 million or \$0.99 per diluted share for the quarter ended December 31, 2004.

FFO for the quarter ended December 31, 2005 was \$194.1 million, or \$1.26 per diluted share, compared to \$299.4 million, or \$2.22 per diluted share, for the prior year's quarter. Adjusting FFO for the Company's share of Toys "R" Us negative FFO of \$33.4 million and for certain other items that affect comparability which are listed in the table on the following page, FFO for the quarters ended December 31, 2005 and 2004 were \$190.6 million and \$165.7 million, or \$1.24 and \$1.23 per share, respectively.

(Amounts in thousands, except per share amounts)	For the Year Ended		For the Quarter	
	December 31,		Ended December 31,	
	2005	2004	2005	2004
FFO applicable to common shares plus assumed conversions (1)	\$ 757,219	\$ 750,043	\$ 194,101	\$ 299,441
Per Share	\$ 5.21	\$ 5.63	\$ 1.26	\$ 2.22
Items that affect comparability (income) expense:				
Sears and Sears Canada:				
Net gain on conversion of Sears common shares to Sears Holding common shares and subsequent sale (2)	\$ (26,514)	\$ --	\$ 1,137	\$ --
Net gain on conversion of Sears derivative to Sears Holdings derivative and mark-to-market adjustments (2)	(14,968)	(81,730)	22,607	(81,730)
Income from Sears Canada special dividend	(22,885)	--	(22,885)	--

McDonalds:

Income from mark-to-market
of McDonalds derivative at
December 31, 2005 (17,254) -- (7,395) --

GMH Communities L.P.:

Income from mark-to-market
of GMH warrants (14,080) (24,190) (6,267) (24,190)
Net gain on exercise of
warrants in 2004 -- (29,452) -- (29,452)
Excess distributions
received on loan -- (7,809) -- (7,809)

Alexander's:

Net gain on sale of 731
Lexington Avenue
condominiums (30,895) -- (2,761) --
Stock appreciation rights 9,104 25,340 (6,324) 4,460
Bonuses to four executive
Vice Presidents in
connection with
731 Lexington Avenue
development and leasing -- 6,500 -- 6,500

Newkirk:

Net gain on disposition of
T-2 assets (16,053) -- (16,053) --
Net losses on early
extinguishment of debt
and related write-off of
deferred financing costs 9,455 -- 1,463 --
Expense from payment of
promoted obligation to
partner 8,470 -- 8,470 --
Impairment losses 6,602 2,901 -- --
Net gain on sale of Newkirk
MLP option units -- (7,494) -- --

Other:

Write-off of perpetual
preferred share and unit
issuance costs upon their
redemption 22,869 3,895 750 --
Net gain on disposition of
preferred investment in
3700 Las Vegas boulevard (12,110) -- (12,110) --
Net gain on disposition of
Prime Group common shares (9,017) -- -- --
Net gain on sale of a
portion of investment in
Americold -- (18,789) -- (18,789)
Impairment loss - Starwood

Ceruzzi joint venture	--	3,833	--	--
Other, net	(1,508)	604	2,134	(255)

	(108,784)	(126,391)	(37,234)	(151,265)
The Company's share of Toys				
"R" Us negative FFO	32,918	--	33,376	--

	(75,866)	(126,391)	(3,858)	(151,265)
Minority limited partners'				
share of above adjustments	8,098	15,404	370	17,523

	\$ (67,768)	\$(110,987)	\$ (3,488)	\$(133,742)
	=====			
Per share	\$ (0.46)	\$ (0.83)	\$ (0.02)	\$ (0.99)
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FFO as adjusted	\$ 689,451	\$ 639,056	\$ 190,613	\$ 165,699
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Per Share	\$ 4.75	\$ 4.80	\$ 1.24	\$ 1.23
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(1) See page 4 for a reconciliation of net income applicable to common shares to FFO for the quarters and years ended December 31, 2005 and 2004.

(2) The aggregate net gain recognized from inception to December 31, 2005 on the Sears Holding derivative position and owned shares was \$124,266,000.

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 QUARTER AND YEAR ENDED
DECEMBER 31, 2005 AND 2004

FOR THE YEAR ENDED FOR THE QUARTER
DECEMBER 31, ENDED DECEMBER 31,

	2005	2004	2005	2004
(Amounts in thousands, except per share amounts)				
Revenues	\$2,547,628	\$1,712,713	\$ 697,219	\$ 505,977
Income from continuing operations	\$ 641,038	\$ 673,103	\$ 138,459	\$ 290,040
Income (loss) from discontinued operations	32,440	77,013	(44)	(51)
Income before allocation to limited partners	673,478	750,116	138,415	289,989
Minority limited partners' interest in the Operating Partnership	(66,755)	(88,091)	(12,243)	(32,647)
Perpetual preferred unit distributions of the Operating Partnership	(67,119)	(69,108)	(6,211)	(17,388)
Net income	539,604	592,917	119,961	239,954
Preferred share dividends	(46,501)	(21,920)	(14,211)	(6,351)
Net income applicable to common shares	\$ 493,103	\$ 570,997	\$ 105,750	\$ 233,603
Net income per common share:				
Basic	\$ 3.69	\$ 4.56	\$.75	\$ 1.84
Diluted	\$ 3.50	\$ 4.35	\$.71	\$ 1.73
Average number of common shares and share equivalents outstanding:				
Basic	133,768	125,241	140,695	127,071

Diluted	141,012	133,135	148,232	135,142
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FFO applicable to common shares plus assumed conversions	\$ 757,219	\$ 750,043	\$ 194,101	\$ 299,441
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FFO per diluted share	\$ 5.21	\$ 5.63	\$ 1.26	\$ 2.22
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Average number of common shares and share equivalents outstanding used for determining FFO per diluted share	145,210	133,135	153,763	135,142
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The following table reconciles FFO and net income:

(Amounts in thousands)	For The Year Ended December 31,		For The Quarter Ended December 31,	
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Reconciliation of Net Income to FFO:	2005	2004	2005	2004
Net income	\$ 539,604	\$ 592,917	\$ 119,961	\$ 239,954
Depreciation and amortization of real property	276,921	228,298	76,463	63,367
Net gains on sale of real estate	(31,614)	(75,755)	--	--
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:				
Depreciation and amortization of real property	42,052	49,440	20,474	9,817
Net losses (gains) on sale of real estate	(2,918)	(3,048)	476	(226)
Income tax effect of Toys "R" Us adjustments included above	(4,613)	--	(4,284)	--
Minority limited partners'				

share of above adjustments	(31,990)	(27,991)	(9,663)	(9,159)

FFO	787,442	763,861	203,427	303,753
Preferred share dividends	(46,501)	(21,920)	(14,211)	(6,351)

FFO applicable to common shares	740,941	741,941	189,216	297,402
Interest on 3.875% exchangeable senior debentures	15,335	--	4,663	--
Series A convertible preferred share dividends	943	1,068	222	263
Series B-1 and B-2 convertible preferred unit distributions	--	4,710	--	1,522
Series F-1 convertible preferred unit distributions	--	743	--	254
Series E-1 convertible preferred unit distributions	--	1,581	--	--

FFO applicable to common shares plus assumed conversions	\$ 757,219	\$ 750,043	\$ 194,101	\$ 299,441
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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 page 2 of this press release.

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SOURCE: Vornado Realty Trust