EnerSys
Form 4
March 31, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
KANE KERRY M

(Last) (First) (Middle)

2366 BERNVILLE ROAD

(Street)

READING, PA 19605

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
EnerSys [ENS]

3. Date of Earliest Transaction (Month/Day/Year)
03/27/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP, Corporate Controller & PAO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/27/2015		A		0.7595 (1)	A	$ 0	16,823.9414	D	
Common Stock	03/27/2015		A		2.7177 (2)	A	$ 0	16,826.6591	D	
Common Stock	03/27/2015		A		12.5913 (3)	A	$ 0	16,839.2504	D	
Common Stock	03/27/2015		A		2.8585 (4)	A	$ 0	16,842.1089	D	
Common Stock	03/27/2015		A		8.7606 (5)	A	$ 0	16,850.8695	D	

Common Stock	03/27/2015		A		2.7607 (6)	A	$ 0	16,853.6302	D
Common Stock	03/27/2015		A		8.2164 (7)	A	$ 0	16,861.8466	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KANE KERRY M 2366 BERNVILLE ROAD READING, PA 19605			VP, Corporate Controller & PAO	

Signatures

Karen J. Yodis, by Power of Attorney	03/31/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These shares were granted in the form of Restricted Stock Units ("RSUs"), in connection with the cash dividend paid on March 27, 2015 to stockholders of record as of March 13, 2015 (the "Dividend"), with respect to 275 unvested RSUs granted to the reporting person on May 16, 2011, and adjusted for previously declared and paid cash dividends. These RSUs will vest and are payable concurrent with the underlying RSUs.

(2) These shares were granted in the form of RSUs, in connection with the Dividend, with respect to 984 unvested RSUs granted to the reporting person on May 14, 2012, and adjusted for previously declared and paid cash dividends. These RSUs will vest and are payable concurrent with the underlying RSUs.

(3) These shares were granted in the form of Market Share Units ("MSUs"), in connection with the Dividend, with respect to 4,559 unvested MSUs granted to the reporting person on May 14, 2012, and adjusted for previously declared and paid cash dividends. These MSUs will vest and are payable concurrent with the underlying MSUs.

(4) These shares were granted in the form of RSUs, in connection with the Dividend, with respect to 1,035 unvested RSUs granted to the reporting person on May 31, 2013, and adjusted for previously declared and paid cash dividends. These RSUs will vest and are payable concurrent with the underlying RSUs.

(5) These shares were granted in the form of MSUs, in connection with the Dividend, with respect to 3,172 unvested MSUs granted to the reporting person on May 31, 2013, and adjusted for previously declared and paid cash dividends. These MSUs will vest and are payable concurrent with the underlying MSUs.

(6) These shares were granted in the form of RSUs, in connection with the Dividend, with respect to 1,008 unvested RSUs granted to the reporting person on May 12, 2014, and adjusted for previously declared and paid cash dividends. These RSUs will vest and are payable concurrent with the underlying RSUs.

(7) These shares were granted in the form of MSUs, in connection with the Dividend, with respect to 3,000 unvested MSUs granted to the reporting person on May 12, 2014, and adjusted for previously declared and paid cash dividends. These MSUs will vest and are payable concurrent with the underlying MSUs.

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241,263

66,549

54,567

39,392

23,067

39,835

17,853

General and administrative

112,439

9,448

14,362

13,331

14,485

22,217

Explanation of Responses:

38,596

Costs of acquisition not consummated

8,807

8,807

Explanation of Responses:

Total expenses

1,126,210

257,536

152,649

134,928

103,877

383,348

93,872

Operating income (loss)

404,303

166,953

112,911

103,599

38,275

23,219

(40,654

)

Income applicable to Alexander s

23,003

378

Explanation of Responses:

373

22,252

Income applicable to Toys R Us

38,632

38,632

Income from partially owned entities

17,698

2,398

7,435

3,388

787

808

2,882

Interest and other investment income

174,992

1,142

1,059

192

188

1,791

170,620

Interest and debt expense

(303,192

)

(61,581

)

(64,464

)

(39,783

)

(25,895

)

(32,779

)

(78,690

)

Net gain on disposition of wholly
owned and partially owned
assets other than depreciable
real estate

16,687

16,687

Minority interest of partially owned entities

8,232

(569

)

58

6,536

2,207

Income (loss) before income taxes

)

380,355

108,721

56,941

67,827

13,355

(425

)

38,632

95,304

Provision for income taxes

(3,767

)

Explanation of Responses:

(1,584

)

(182

)

(571

)

(1,170

)

(260

)

Income (loss) from continuing operations

376,588

108,721

55,357

67,645

12,784

(1,595

)

38,632

95,044

(Loss) income from discontinued
operations, net

(71

)

(78

)

7

Income (loss) before allocation to
minority limited partners

376,517

108,721

55,357

67,567

12,784

(1,595

)

38,632

95,051

Minority limited partners interest
in the Operating Partnership

(34,029

)

(34,029

)

Perpetual preferred unit distributions of the Operating Partnership

(9,637

)

(9,637

)

Net income (loss)

332,851

108,721

55,357

67,567

12,784

(1,595

)

38,632

51,385

Interest and debt expense [1]

401,614

61,969

68,003

45,275

26,328

15,596

87,618

96,825

Depreciation and amortization[1]

329,141

67,342

61,090

41,198

23,347

19,008

88,699

28,457

Income tax expense (1)

47,513

1,100

5,404

182

571

557

38,463

1,236

EBITDA

$

1,111,119

$

239,132

$

189,854

$

154,222

$

63,030

$

33,566

$

253,412

$

177,903

Other segment EBITDA includes an $81,451 net gain on mark-to-market of derivative instruments, a $16,687 net gain on sale of marketable equity securities, $8,807 of expense for costs of an acquisition not consummated and $1,677 of expense for our share of India Property Fund LP organization costs.

See notes on page 34.

VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

19. Segment Information continued

(Amounts in thousands)

	For the Six Months Ended June 30, 2006							
		Office				**Temperature**		
	Total	**New York**	**Washington, DC**	**Retail**	**Merchandise Mart**	**Controlled Logistics**	**Toys**	**Other (2)**
Property rentals	$ 722,926	$ 239,817	$ 202,873	$ 125,525	$ 115,845	$	$	$ 38,866
Straight-line rents:								
Contractual rent increases	13,251	2,154	3,869	4,085	3,192			(49)
Amortization of free rent	16,931	3,794	9,623	2,621	893			
Amortization of acquired below-market leases, net	8,471	(22)	2,130	4,547	22			1,794
Total rentals	761,579	245,743	218,495	136,778	119,952			40,611
Temperature Controlled Logistics	382,897					382,897		
Tenant expense reimbursements	122,647	48,352	14,356	48,610	9,869			1,460
Fee and other income:								
Tenant cleaning fees	15,653	19,830						(4,177)
Management and leasing fees	5,182	488	3,930	720	44			
Lease termination fees	10,389	9,159	66	371	793			
Other	12,022	4,846	3,045	951	3,179			1
Total revenues	1,310,369	328,418	239,892	187,430	133,837	382,897		37,895
Operating expenses	651,766	146,133	71,505	60,164	50,919	300,228		22,817
Depreciation and amortization	189,185	45,678	55,014	22,814	22,199	34,990		8,490
General and administrative	96,447	8,013	15,763	10,217	13,025	19,008		30,421
Total expenses	937,398	199,824	142,282	93,195	86,143	354,226		61,728
Operating income (loss)	372,971	128,594	97,610	94,235	47,694	28,671		(23,833)
Income applicable to Alexander s	11,155	399		358				10,398
Income applicable to Toys R Us	44,876						44,876	
Income from partially owned entities	20,686	1,810	5,724	2,230	779	764		9,379
Interest and other investment income	39,098	368	693	473	126	1,996		35,442
Interest and debt expense	(224,716)	(41,122)	(49,037)	(43,792)	(7,069)	(32,714)		(50,982)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	57,495							57,495
Minority interest of partially owned entities	2,844			29	4	2,379		432
Income before income taxes	324,409	90,049	54,990	53,533	41,534	1,096	44,876	38,331
Provision for income taxes	(1,980)		(835)		(119)	(1,026)		
Income from continuing operations	322,429	90,049	54,155	53,533	41,415	70	44,876	38,331
Income from discontinued operations, net	33,497		16,356	9,298	5,736	2,107		
Income before allocation to minority limited partners	355,926	90,049	70,511	62,831	47,151	2,177	44,876	38,331
Minority limited partners interest in the Operating Partnership	(33,198)							(33,198)
Perpetual preferred unit distributions of the Operating Partnership	(10,347)							(10,347)
Net income (loss)	312,381	90,049	70,511	62,831	47,151	2,177	44,876	(5,214)
Interest and debt expense (1)	342,239	42,434	54,399	49,456	7,511	15,565	105,449	67,425
Depreciation and amortization(1)	258,808	47,214	61,385	26,566	22,481	16,701	66,686	17,775
Income tax (benefit) expense (1)	(2,904)		3,853		119	489	(7,556)	191

EBITDA	$ 910,524	$ 179,697	$ 190,148	$ 138,853	$ 77,262	$ 34,932	$ 209,455	$ 80,177

EBITDA includes net gains on sale of real estate of $33,769, of which $17,609 is included in the Washington, DC segment $9,218 is included in the Retail segment, $4,835 is included in the Merchandise Mart segment and $2,107 is included in the Temperature Controlled Logistics segment. In addition, the Other Segment EBITDA includes a $55,438 net gain on sale of marketable equity securities and a $5,974 net loss on mark-to-market of derivative instruments.

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See notes on the following page.

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VORNADO REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

19. Segment Information continued
Notes to preceding tabular information

(1) EBITDA represents Earnings Before Interest, Taxes, Depreciation and Amortization. We consider EBITDA a supplemental measure for making decisions and assessing the un-levered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended June 30, 2007	2006	For the Six Months Ended June 30, 2007	2006
Alexander s	$ 17,166	$ 21,970	$ 37,499	$ 25,506
Hotel Pennsylvania	11,177	7,872	14,781	10,559
555 California Street	6,349		6,349	
Lexington MLP	5,984	8,467	5,984	16,737
GMH	4,177		8,345	
Industrial warehouses	823	1,509	2,196	3,021
Other investments	1,841	3,789	5,752	6,403
	47,517	43,607	80,906	62,226
Investment income and other	131,772	69,490	182,834	89,497
Corporate general and administrative expenses	(20,990)	(16,489)	(33,364)	(28,001)
Minority limited partners interest in the Operating Partnership	(16,852)	(17,324)	(34,029)	(33,198)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(5,374)	(9,637)	(10,347)
Costs of acquisition not consummated			(8,807)	
	$ 136,628	$ 73,910	$ 177,903	$ 80,177

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees

Vornado Realty Trust

New York, New York

We have reviewed the accompanying consolidated balance sheet of Vornado Realty Trust as of June 30, 2007, and the related consolidated statements of income for the three-month and six-month periods ended June 30, 2007 and 2006 and of cash flows for the six-month periods ended June 30, 2007 and 2006. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Vornado Realty Trust as of December 31, 2006, and the related consolidated statements of income, shareholders equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2007, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 11 that were applied to reclassify the December 31, 2006 consolidated balance sheet of Vornado Realty Trust (not presented herein) for discontinued operations. In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated balance sheet in deriving the accompanying retrospectively adjusted balance sheet as of December 31, 2006.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey

July 31, 2007

Item 2.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as approximates, believes, expects, anticipates, estimates, intends, plans, would, may or similar expressions in this quarterly report on Form 10-Q. Th forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K for the year ended December 31, 2006 under Forward Looking Statements and Item 1. Business Certain Factors That May Adversely Affect Our Business and Operations. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Management s Discussion and Analysis of Financial Condition and Results of Operations include a discussion of our consolidated financial statements for the three and six months ended June 30, 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2006 in Management s Discussion and Analysis of Financial Condition. There have been no significant changes to our policies during 2007.

Overview

Business Objective and Operating Strategy

Our business objective is to maximize shareholder value. We measure our success in meeting this objective by our total return to shareholders. Below is a table comparing our performance to the Morgan Stanley REIT Index (RMS) for the following periods ending June 30, 2007:

	Total Return [1]	
	Vornado	**RMS**
One-year	16.4%	12.1%
Three-years	116.8%	78.2%
Five-years	203.8%	134.0%
Ten-years	413.0%	240.0%

(1) Past performance is not necessarily indicative of how we will perform in the future.

We intend to achieve our business objective by continuing to pursue our investment philosophy and executing our operating strategies through:

- Maintaining a superior team of operating and investment professionals and an entrepreneurial spirit;
- Investing in properties in select markets, such as New York City and Washington, DC, where we believe there is a high likelihood of capital appreciation;
- Acquiring quality properties at a discount to replacement cost and where there is a significant potential for higher rents;
- Investing in retail properties in select under-stored locations such as the New York City metropolitan area;
- Investing in fully-integrated operating companies that have a significant real estate component;
- Developing and redeveloping our existing properties to increase returns and maximize value; and
- Providing specialty financing to real estate related companies.

Competition

We compete with a large number of real estate property owners and developers. Principal factors of competition are rent charged, attractiveness of location and quality and breadth of services provided. Our success depends upon, among other factors, trends of the national and local economies, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. Economic growth has been fostered, in part, by low interest rates, Federal tax cuts, and increases in government spending. To the extent economic growth stalls, we may experience lower occupancy rates, which may lead to lower initial rental rates, higher leasing costs and a corresponding decrease in our net income, funds from operations and cash flow. Alternatively, if economic growth is sustained, we may experience higher occupancy rates leading to higher initial rents and higher interest rates causing an increase in our weighted average cost of capital and a corresponding effect on our net income, funds from operations and cash flow. Our net income and funds from operations will also be affected by the seasonality of Toys business and competition from discount and mass merchandisers.

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Overview (continued)

Quarter Ended June 30, 2007 Financial Results Summary

Net income applicable to common shares for the quarter ended June 30, 2007 was $151,625,000, or $0.96 per diluted share, versus $148,765,000, or $0.99 per diluted share, for the quarter ended June 30, 2006. Net income for the quarters ended June 30, 2007 and 2006 includes certain items that affect comparability which are listed in the table on page 40. Net income for the quarter ended June 30, 2006 also includes $17,609,000 for our share of the net gain on sale of 1919 South Eads Street. The aggregate of these items, net of minority interest, increased net income applicable to common shares for the quarter ended June 30, 2007 by $63,589,000, or $0.39 per diluted share and increased net income for the quarter ended June 30, 2006 by $55,828,000, or $0.36 per diluted share.

Funds from operations applicable to common shares plus assumed conversions (FFO) for the quarter ended June 30, 2007 was $281,741,000, or $1.72 per diluted share, compared to $230,430,000, or $1.49 per diluted share, for the prior year s quarter. FFO for the quarters ended June 30, 2007 and 2006 includes certain items that affect comparability which are listed in the table on page 40. The aggregate of these items, net of minority interest, increased FFO for the quarter ended June 30, 2007 by $63,141,000, or $0.39 per diluted share and increased FFO for the quarter ended June 30, 2006 by $39,908,000, or $0.26 per diluted share.

Net income per diluted share and FFO per diluted share for the quarter ended June 30, 2007 were negatively impacted by an increase in weighted average common shares outstanding over the prior year s quarter of 9,348,000.

We did not recognize income on certain assets with an aggregate carrying amount of approximately $986,000,000 during the quarter ended June 30, 2007, because they were out of service for redevelopment. Assets under development include all or portions of the Bergen Town Center, 2101 L Street, Crystal Mall Two, Crystal Plaza Two, 1925 K Street, 220 Central Park South, 40 East 66th Street, and investments in joint ventures including our Beverly Connection and Wasserman ventures.

The percentage increase (decrease) in the same-store Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of our operating segments for the quarter ended June 30, 2007 over the quarter ended June 30, 2006 and the trailing quarter ended December 31, 2006 are summarized below.

Quarter Ended:	**Office** **New York**	**Washington, DC**	**Retail**	**Merchandise Mart**	**Temperature Controlled Logistics**
June 30, 2007 vs. June 30, 2006	9.0%	5.0%	2.0% (1)	(2.5%)	(0.7%)
June 30, 2007 vs. March 31, 2007	2.5%	3.7%	2.5%	2.5%	(1.4%)

(1) The same store increase would be 4.6% exclusive of the effect of tenants vacating 47,550 square feet of New York City retail space in December 2006, at an average rent of $61.00 per square foot. As of June 30, 2007, 10,600 of this square feet has been re-leased at an initial rent of $204.00 per square foot.

Calculations of same-store EBITDA, reconciliations of net income to EBITDA and FFO and the reasons we consider these financial measures useful are provided in the following pages of Management s Discussion and Analysis of the Financial Condition and Results of Operations.

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Overview (continued)

Six Months Ended June 30, 2007 Financial Results Summary

Net income applicable to common shares for the six months ended June 30, 2007 was $304,260,000, or $1.92 per diluted share, versus $283,570,000, or $1.90 per diluted share, for the six months ended June 30, 2006. Net income for the six months ended June 30, 2007 and 2006 includes certain items that affect comparability which are listed in the table on the following page. Net income for the six months ended June 30, 2006 also includes $33,769,000 for our share of net gains on sale of real estate. The aggregate of these items, net of minority interest, increased net income applicable to common shares for the six months ended June 30, 2007 by $61,299,000, or $0.37 per diluted share and increased net income for the six months ended June 30, 2006 by $62,547,000, or $0.40 per diluted share.

Funds from operations applicable to common shares plus assumed conversions (FFO) for the six months ended June 30, 2007 was $551,906,000, or $3.36 per diluted share, compared to $442,346,000, or $2.86 per diluted share, for the prior year s six months. FFO for the six months ended June 30, 2007 and 2006 include 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 FFO for the six months ended June 30, 2007 by $60,851,000, or $0.37 per diluted share and increased FFO for the six months ended June 30, 2006 by $33,040,000, or $0.21 per diluted share.

Net income per diluted share and FFO per diluted share for the six months ended June 30, 2007 were negatively impacted by an increase in weighted average common shares outstanding over the prior year s six months of 9,559,000.

The percentage increase (decrease) in the same-store EBITDA of our operating segments for the six months ended June 30, 2007 over the six months ended June 30, 2006 is summarized below.

Six months Ended:	**Office** **New York**	**Washington, DC**	**Retail**		**Merchandise Mart**	**Temperature Controlled Logistics**
June 30, 2007 vs. June 30, 2006	9.3%	5.6%	1.8%	(1)	(2.8%)	(0.7%)

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(1) The same store increase would be 4.2% exclusive of the effect of tenants vacating 47,550 square feet of New York City retail space in December 2006, at an average rent of $61.00 per square foot. As of June 30, 2007, 10,600 of this square feet has been re-leased at an initial rent of $204.00 per square foot.

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Overview (continued)

(Amounts in thousands)	For the Three Months Ended June 30, 2007	For the Three Months Ended June 30, 2006	For the Six Months Ended June 30, 2007	For the Six Months Ended June 30, 2006
Items that affect comparability (income)/expense:				
Derivatives:				
McDonalds common shares	$(71,390)	$ 14,515	$ (74,613)	$ 8,215
Sears Holdings common shares				(18,611)
GMH warrants		(4,105)		16,370
Other	(684)		(6,841)	
Alexander s:				
Stock appreciation rights	(1,222)	(4,836)	(5,916)	7,559
Net gain on sale of 731 Lexington Avenue condominiums		(2,722)		(4,580)
Other:				
India Property Fund LP organization costs	1,677		1,677	
Costs of acquisition not consummated			8,807	
Prepayment penalties and write-off of unamortized financing costs		4,933	5,861	4,933
H Street litigation costs		2,093	1,891	3,561
Net gain on sale of Sears Canada common shares		(55,438)		(55,438)
Other, net	2,131	1,415	2,131	1,415
	(69,488)	(44,145)	(67,003)	(36,576)
Minority limited partners share of above adjustments	6,347	4,237	6,152	3,536
Total items that affect comparability	$(63,141)	$ (39,908)	$ (60,851)	$ (33,040)

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Overview (continued)

2007 Acquisitions and Significant Investments

100 West 33rd Street, New York City (the Manhattan Mall)

On January 10, 2007, we acquired the Manhattan Mall for approximately $689,000,000 in cash. This mixed-use property is located on the entire Sixth Avenue block-front between 32nd and 33rd Streets in Manhattan and contains approximately 1,000,000 square feet, including 812,000 square feet of office space and 164,000 square feet of retail space. Included as part of the transaction are 250,000 square feet of additional air rights. The property is adjacent to our 1,400,000 square foot Hotel Pennsylvania. At closing, we completed a $232,000,000 financing secured by the property, which bears interest at LIBOR plus 0.55% (5.87% at June 30, 2007) and matures in two years with three one-year extension options. The operations of the office component of the property are included in the New York Office segment and the operations of the retail component are included in the Retail segment. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

Bruckner Plaza, Bronx, New York

On January 11, 2007, we acquired the Bruckner Plaza shopping center, and an adjacent parcel containing 114,000 square feet which is ground leased to a third party, for approximately $165,000,000 in cash. The property is located on Bruckner Boulevard in the Bronx, New York and contains 386,000 square feet of retail space. We consolidate the accounts of this property into our consolidated financial statements from the date of acquisition.

1290 Avenue of the Americas and 555 California Street

On May 24, 2007, we acquired a 70% controlling interest in 1290 Avenue of the Americas, a 2,000,000 square foot Manhattan office building, located on the block-front between 51st and 52nd Street on Avenue of the Americas, and the 3-building 555 California Street complex (555 California Street) containing 1,800,000 square feet, known as the Bank of America Center, located at California and Montgomery Streets in San Francisco s financial district. The purchase price for our 70% interest in the real estate was approximately $1.8 billion, consisting of $1.0 billion of cash and $797,000,000 of existing debt. Our share of the debt is comprised of $308,000,000 secured by 1290 Avenue of the Americas and $489,000,000 secured by 555 California Street. Our 70% interest was acquired through the purchase of all of the shares of a group of foreign companies that own, through U.S. entities, the 1% sole general partnership interest and a 69% limited partnership interest in the partnerships that own the two properties. The remaining 30% limited partnership interest is owned by Donald J. Trump. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition.

In August 2005, Mr. Trump brought a lawsuit in the New York State Supreme Court against, among others, the general partners of the partnerships referred to above. Mr. Trump s claims arose out of a dispute over the sale price of, and use of proceeds from, the sale of properties located on the former Penn Central rail yards between West 59th and 72nd Streets in Manhattan which were formerly owned by the partnerships. In decisions dated September 14, 2005 and July 24, 2006, the Court denied various of Mr. Trump s motions and ultimately dismissed all of Mr. Trump s claims, except for his claim seeking access to books and records, which remains pending. Mr. Trump has sought re-argument and renewal on, and filed a notice of appeal in connection with, his dismissed claims.

In connection with the acquisition, we agreed to indemnify the sellers for liabilities and expenses arising out of Mr. Trump s claim that the general partners of the partnerships we acquired did not sell the rail yards at a fair price or could have sold the rail yards for a greater price and any other claims asserted in the legal action; provided however, that if Mr. Trump prevails on certain claims involving partnership matters, other than claims relating to sale price, the sellers will be required to reimburse us for certain costs related to those claims. We believe that the claims relating to the sale price are without merit. All other allegations are not asserted as a basis for damages and regardless of merit would not be material to our consolidated financial statements.

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Overview (continued)

1290 Avenue of the Americas and 555 California Street - continued

The following summarizes our allocation of the purchase price to the assets and liabilities acquired.

(Amounts in thousands)	
Land	$ 652,144
Building	1,219,968
Acquired above-market leases	33,205
Other assets	223,083
Acquired in-place leases	173,922
Assets acquired	2,302,322
Mortgage debt	812,380
Acquired below-market leases	223,764
Other liabilities	40,784
Liabilities acquired	1,076,928
Net assets acquired ($1.0 billion excluding net working capital acquired and closing costs)	$ 1,225,394

Our initial valuation of the assets and liabilities acquired (70% interest) is preliminary and subject to change within the one-year period from the date of closing, as additional valuation information becomes available.

The following table presents our pro forma condensed consolidated statements of income for the three and six months ended June 30, 2007 and 2006 as if the above transaction occurred on January 1, 2006. The unaudited pro forma information is not necessarily indicative of what our actual results would have been had the transaction been consummated on January 1, 2006, nor does it represent the results of operations for any future periods. In our opinion all adjustments necessary to reflect this transaction have been made.

	Pro forma For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
Condensed Consolidated Statements of Income (Amounts in thousands, except per share amounts)	**2007**	**2006**	**2007**	**2006**
Revenues	$ 856,481	$ 754,571	$ 1,685,076	$ 1,493,447
Income before allocation to limited partners	$ 173,612	$ 174,936	$ 351,607	$ 334,065
Minority limited partners interest in the Operating Partnership	(16,547)	(17,324)	(33,724)	(33,198)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(5,374)	(9,637)	(10,347)
Net income	152,246	152,238	308,246	290,520
Preferred share dividends	(14,295)	(14,404)	(28,591)	(28,811)
Net income applicable to common shares	$ 137,951	$ 137,834	$ 279,655	$ 261,709

Net income per common share basic	$0.91	$0.97	$1.84	$1.85
Net income per common share - diluted	$0.87	$0.92	$1.77	$1.76

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Overview (continued)

H Street Building Corporation (H Street)

In July 2005, we acquired H Street, which owns a 50% interest in real estate assets located in Pentagon City, Virginia and Washington, DC. On April 30, 2007, we acquired the corporations that own the remaining 50% interest in these assets for approximately $383,000,000, consisting of $333,000,000 in cash and $50,000,000 of existing mortgages. These assets include twin office buildings located in Washington, DC, containing 577,000 square feet, and assets located in Pentagon City, Virginia comprised of 34 acres of land leased to three residential and retail operators, a 1,670 unit high-rise apartment complex and 10 acres of vacant land. In conjunction with this acquisition all existing litigation has been dismissed. Beginning on April 30, 2007, we consolidate the accounts of these entities into our consolidated financial statements and no longer account for them on the equity method.

Further, we have agreed to sell approximately 19.6 of the 34 acres of land to one of the existing ground lessees in two closings over a two-year period for approximately $220,000,000 in cash. The first closing was completed on May 11, 2007 for approximately $104,000,000. Our net gain on sale of $15,831,000 was deferred because the buyer s cash down payment was not sufficient for gain recognition pursuant to Statement of Financial Accounting Standards (SFAS) No. 66 *Accounting For Sales of Real Estate*, and will be recognized upon receipt of the remaining sale proceeds in the fourth quarter of 2007. In April 2007, we received letters from the two remaining ground lessees claiming a right of first offer on the sale of the land, one of which has since retracted its letter and reserved its rights under the lease. Discussions with both lessees are on-going.

Our total purchase price for 100% of the assets we will own, after the anticipated proceeds from the land sale, is $409,000,000, consisting of $286,000,000 in cash and $123,000,000 of existing mortgages.

Toys R Us Stores

On May 31, 2007, we acquired four properties from Toys R Us (Toys) for $12,242,000 in cash, which completed our September 2006 agreement to acquire 43 stores that were closed as part of Toys January 2006 store closing program. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition. Our $1,045,000 share of Toys net gain on this transaction was recorded as an adjustment to the basis of our investment in Toys and was not recorded as income.

India Property Fund LP

In 2005 and 2006, we invested $94,200,000 in two joint ventures established to acquire, manage and develop real estate in India. On June 14, 2007, we committed to contribute $95,000,000 to a third venture, the India Property Fund, LP (the Fund), also established to acquire, manage and develop real estate in India. We satisfied $77,000,000 of our commitment by contributing our interest in one of the above mentioned joint ventures to the Fund. The Fund will seek to raise additional equity; as of June 30, 2007, we own 95% of the Fund and therefore consolidate the accounts of the Fund into our consolidated financial statements, pursuant to the requirements of FIN 46 (R) - *Consolidation of Variable Interest Entities*.

Overview (continued)

Shopping Center Portfolio Acquisition

On June 26, 2007, we entered into an agreement to acquire a 15 shopping center portfolio aggregating approximately 1.9 million square feet. The properties are located primarily in Northern New Jersey and Long Island, New York. The purchase price is approximately $351,000,000, consisting of approximately $120,000,000 of cash, $89,000,000 of newly issued Vornado Realty L.P. redeemable preferred and common units and $142,000,000 of existing debt. On June 28, 2007, we completed the acquisition of five of the shopping centers for $116,561,000, consisting of $94,179,000 in cash, $15,993,000 in Vornado Realty L.P. preferred units and $6,389,000 of Vornado Realty L.P. common units. We consolidate the accounts of these properties into our consolidated financial statements from the date of acquisition. The closing of the remaining shopping centers is expected to occur in two additional tranches and be completed by the end of 2007, subject to customary closing conditions.

2007 Mezzanine Loan Activity:

Blackstone/Equity Office Properties Loan

On March 29, 2007, we acquired a 9.4% interest in a $772,600,000 mezzanine loan for $72,400,000 in cash. During April and May of 2007, we were repaid the $72,400,000 outstanding balance of the mezzanine loan in multiple principal payments, together with accrued interest of $506,000, which was recognized as interest and other investment income in the three months ended June 30, 2007.

Fortress Loan

In 2006, we acquired bonds for $99,500,000 in cash, representing a 7% interest in two margin loans aggregating $1.430 billion. On March 30, 2007, we were repaid $35,348,000, together with accrued interest of $2,205,000 and a prepayment premium of $177,000, which was recognized as interest and other investment income in the three months ended March 31, 2007. On July 10, 2007, an additional $13,221,000 was repaid, together with accrued interest of $27,000. The remaining balance of our investment in the bonds of $50,931,000, is due in December 2007.

MPH Mezzanine Loans

On June 5, 2007, we acquired a 42% interest in two mezzanine loans totaling $158,700,000, for $66,403,000 in cash. The loans bear interest at LIBOR plus 5.32% (10.64% at June 30, 2007) and mature in February 2008. The loans are subordinate to $2.9 billion of other debt and are secured by the equity interests in four New York City properties: Worldwide Plaza, 1540 Broadway office condominium, 527 Madison Avenue and Tower 56.

Other Investments:

The Lexington Master Limited Partnership (Lexington MLP)

On December 31, 2006, Newkirk Realty Trust (NYSE: NKT) was acquired in a merger by Lexington Corporate Properties Trust (Lexington) (NYSE: LXP), a real estate investment trust. We owned 10,186,991 limited partnership units (representing a 15.8% investment ownership interest) of Newkirk MLP, which was also acquired by Lexington as a subsidiary, and was renamed Lexington MLP. The units in Newkirk MLP, which we accounted for on the equity method, were converted on a 0.80 for 1 basis into limited partnership units of Lexington MLP, which we also account for on the equity method. The Lexington MLP units are exchangeable on a one-for-one basis into common shares of Lexington. We record our pro rata share of Lexington MLP s net income or loss on a one-quarter lag basis because we file our consolidated financial statements on Form 10-K and 10-Q prior to the time that Lexington files its financial statements.

Overview (continued)

Downtown Crossing Joint Venture

On January 26, 2007, a joint venture in which we have a 50% interest, acquired the Filene s property located in the Downtown Crossing district of Boston, Massachusetts for approximately $100,000,000 in cash, of which our share was $50,000,000. The venture plans to redevelop the property to include over 1,200,000 square feet, consisting of office, retail, condominium apartments and a hotel. The project is subject to governmental approvals. Our investment in the joint venture is accounted for under the equity method.

Investment in McDonald s Corporation (McDonalds) (NYSE: MCD)

As of June 30, 2007, we own 858,000 common shares of McDonalds which we acquired in July 2005 for $25,346,000, an average price of $29.54 per share. These shares are recorded as marketable equity securities on our consolidated balance sheets and are classified as available for sale. Appreciation or depreciation in the fair market value of these shares is recorded as an increase or decrease in accumulated other comprehensive income in the shareholders equity section of our consolidated balance sheets and not recognized in income. At June 30, 2007, based on McDonalds closing stock price of $50.76 per share, $18,207,000 of appreciation in the value of these shares was included in accumulated other comprehensive income on our consolidated balance sheet.

As of June 30, 2007, we own 13,696,000 McDonalds common shares (option shares) through a series of privately negotiated transactions with a financial institution pursuant to which we purchased a call option and simultaneously sold a put option at the same strike price on McDonalds common shares. The option shares have a weighted-average strike price of $32.70 per share, or an aggregate of $447,822,000, expire on various dates between July 30, 2007 and September 10, 2007 and provide for net cash settlement. Under these agreements, the strike price for each pair of options increases at an annual rate of LIBOR plus 45 basis points (up to 95 basis points under certain circumstances) and is credited for the dividends received on the shares. The options provide us with the same economic gain or loss as if we had purchased the underlying common shares and borrowed the aggregate purchase price at an annual rate of LIBOR plus 45 basis points. Because these options are derivatives and do not qualify for hedge accounting treatment, the gains or losses resulting from the mark-to-market of the options at the end of each reporting period are recognized as an increase or decrease in interest and other investment income on our consolidated statements of income.

For the three and six months ended June 30, 2007, we recognized net gains of $71,390,000, and $74,613,000, respectively, representing the mark-to-market of the option shares to $50.76 per share, net of the expense resulting from the LIBOR charges. For the three and six months ended June 30, 2006, we recognized a net loss of $14,515,000 and $8,215,000, respectively, representing the mark-to-market of the option shares to $33.60 per share, net of the expense resulting from the LIBOR charges.

Our aggregate net gain from inception of this investment in 2005 through June 30, 2007 is $248,687,000.

Explanation of Responses:

Overview (continued)

<u>2007 Financings:</u>

On January 26, 2007, we completed a $678,000,000 financing of our Skyline Complex in Fairfax Virginia, consisting of eight office buildings containing 2,560,000 square feet. This loan bears interest only at 5.74% and matures in February 2017. We retained net proceeds of approximately $515,000,000 after repaying existing loans and closing costs, including $5,771,000 for prepayment penalties and defeasance costs which is included in interest and debt expense in the quarter ended June 30, 2007.

On May 11, 2007, we redeemed our $500,000,000 5.625% senior unsecured notes at the face amount plus accrued interest.

On May 14, 2007, we completed a $45,000,000 financing of our 866 UN Plaza property. The loan bears interest at LIBOR plus 0.40% and matures in May 2009. The net proceeds were used to repay the existing loan and closing costs.

2.85% Convertible Senior Debentures due 2027

On March 21, 2007, Vornado Realty Trust sold $1.4 billion aggregate principal amount of 2.85% convertible senior debentures due 2027, pursuant to an effective registration statement. The aggregate net proceeds from this offering, after underwriters discounts and expenses, were approximately $1.37 billion. The debentures are redeemable at our option beginning in 2012 for the principal amount plus accrued and unpaid interest. Holders of the debentures have the right to require us to repurchase their debentures in 2012, 2017, and 2022 and in certain other limited circumstances. The debentures are convertible, under certain circumstances, for cash and Vornado common shares at an initial conversion rate of 6.1553 common shares per $1,000 of principal amount of debentures. The initial conversion price is $162.46, which represents a premium of 30% over the March 21, 2007 closing price of $124.97 for our common shares. The principal amount of debentures will be settled for cash and the amount in excess of the principal defined as the conversion value will be settled in cash or, at our election, Vornado common shares.

We are amortizing the underwriters discount on a straight-line basis (which approximates the interest method) over the period from the date of issuance to the date of earliest redemption of April 1, 2012. Because the conversion option associated with the debentures when analyzed as a freestanding instrument meets the criteria to be classified as equity specified by paragraphs 12 to 32 of EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s own Common Stock,* separate accounting for the conversion option under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* is not appropriate.

The net proceeds of the offering were contributed to the Operating Partnership in the form of an inter-company loan and the Operating Partnership guaranteed the payment of the debentures. The Operating Partnership used the net proceeds primarily for acquisitions and investments and for general corporate purposes.

On July 25, 2007, the FASB authorized a FASB Staff Position (the proposed FSP) that, if issued,would affect the accounting for our convertible and exchangeable senior debentures. If issued in the form expected, the proposed FSP would require that the initial debt proceeds from the sale of our convertible and exchangeable senior debentures be allocated between a liability component and an equity component. The resulting debt discount would be amortized over the period the debt is expected to be outstanding as additional interest expense. The proposed FSP is expected to be effective for fiscal years beginning after December 15, 2007, require retroactive application and result in approximately $47,000,000 ($42,000,000 net of minority interest) of additional interest expense per annum.

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Overview (continued)

The following table sets forth certain information for the properties we own directly or indirectly, including leasing activity. Tenant improvements and leasing commissions are presented below based on square feet leased during the period and on a per annum basis based on the weighted average term of the leases.

(Square feet and cubic feet in thousands)	**Office**			**Merchandise Mart**		**Temperature**
	New	**Washington,**				**Controlled**
As of June 30, 2007:	**York**	**DC**	**Retail**	**Office**	**Showroom**	**Logistics**
Square feet/ cubic feet	15,962	17,900	21,053	2,756	6,330	18,940/ 497,700
Number of properties	28	84	175	9	9	91
Occupancy rate	97.8%	93.2%	93.4%	96.3%	91.3%	70.4%
Leasing Activity:						
Quarter Ended June 30, 2007:						
Square feet	202	767	239	138	268	
Initial rent (1)	$75.10	$ 33.37	$ 30.24	$23.18	$ 26.27	
Weighted average lease terms (years)	6.4	5.4	9.7	13.0	5.0	
Rent per square foot relet space:						
Square feet	154	647	69	138	259	
Initial Rent (1)	$81.53	$ 33.29	$ 35.30	$23.18	$ 26.29	
Prior escalated rent	$48.77	$ 31.83	$ 29.06	$25.61	$ 25.28	
Percentage increase (decrease):						
Cash basis	67.2% (2)	4.6%	21.5%	(9.5%)	4.0%	
GAAP basis	63.8% (2)	4.8%	27.2%	20.0%	15.9%	
Rent per square foot vacant space:						
Square feet	48	120	170		9	
Initial rent (1)	$54.47	$ 33.82	$ 28.16	$	$ 25.83	
Tenant improvements and leasing commissions:						
Per square foot	$40.06	$ 10.73	$ 11.24	$67.97	$ 10.91	
Per square foot per annum	$6.23	$ 1.99	$ 1.15	$5.23	$ 2.18	
Percentage of initial rent	8.3%	6.0%	3.8%	22.6%	8.3%	
Six Months Ended June 30, 2007:						
Square feet	447	1,421	462	144	591	
Initial rent (1)	$66.91	$ 35.62	$ 35.02	$23.77	$ 25.44	
Weighted average lease terms (years)	7.0	6.2	8.9	12.8	4.8	
Rent per square foot relet space:						
Square feet	390	1,058	189	144	581	
Initial Rent (1)	$68.98	$ 33.68	$ 46.78	$23.77	$ 25.44	
Prior escalated rent	$46.84	$ 32.59	$ 28.19	$25.88	$ 24.97	
Percentage increase (decrease):						
Cash basis	47.3%	3.3%	65.9% (2)	(8.1%)	1.9%	
GAAP basis	55.1%	4.0%	41.6% (2)	20.2%	13.0%	
Rent per square foot vacant space:						
Square feet	57	364	273		9	
Initial rent (1)	$52.75	$ 41.25	$ 26.67	$	$ 25.83	
Tenant improvements and leasing commissions:						
Per square foot	$40.95	$ 12.38	$ 11.68	$66.00	$ 7.54	
Per square foot per annum	$5.85	$ 2.00	$ 1.32	$5.16	$ 1.57	
Percentage of initial rent	8.7%	5.6%	3.8%	21.7%	6.2%	
Retail space contained in office buildings of the New York Office segment:						
Square feet/cubic feet	9					
Initial Rent	$103					
Percentage increase over prior escalated rent for relet space	110.6%					

The information above does not include 555 California Street, in which we acquired a 70% interest on May 24, 2007, because its operations are included in the Other for segment reporting purposes. 555 California Street, located in San Francisco s financial district, aggregates 1.8 million square feet and is 94.6% occupied as of June 30, 2007.

See notes on following page.

Overview (continued)

(Square feet and cubic feet in thousands)	Office			Merchandise Mart		Temperature Controlled
	New York	Washington, DC	Retail	Office	Showroom	Logistics
As of March 31, 2007:						
Square feet/ cubic feet	14,553	17,032	20,158	2,731	6,366	18,940/ 497,700
Number of properties	27	81	163	9	9	91
Occupancy rate	97.9%	92.0%	93.5%	96.5%	92.4%	73.0%
As of December 31, 2006:						
Square feet/ cubic feet	13,692	17,017	19,264	2,714	6,370	18,941 /497,800
Number of properties	25	81	158	9	9	91
Occupancy rate	97.5%	92.2%	92.7%	97.4%	93.6%	77.4%
As of June 30, 2006:						
Square feet/ cubic feet	13,122	17,649	17,558	2,701	6,366	17,417 /442,200
Number of properties	24	85	119	9	9	85
Occupancy rate	96.5%	92.2%	95.1%	97.4%	91.9%	73.7%

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(1) Most leases include periodic step-ups in rent, which are not reflected in the initial rent per square foot leased.
(2) Because generally accepted accounting principles require tenant leases to be marked to fair value when they are acquired, the cash basis increase is greater than the GAAP basis rent increase when the acquired space is relet.

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Reconciliation of Net Income and EBITDA Three Months Ended June 30, 2007 and 2006

Below is a summary of net income and a reconciliation of net income to EBITDA[(1)] by segment for the three months ended June 30, 2007 and 2006.

(Amounts in thousands)	For the Three Months Ended June 30, 2007							
		Office				Temperature		
		New	Washington,		Merchandise	Controlled		
	Total	**York**	**DC**	**Retail**	**Mart**	**Logistics**	**Toys**	**Other [(2)]**
Property rentals	$ 442,793	$ 152,850	$ 113,054	$ 80,070	$ 60,701	$	$	$ 36,118
Straight-line rents:								
Contractual rent increases	11,156	4,526	2,915	2,911	619			185
Amortization of free rent	10,497	5,726	3,760	239	560			212
Amortization of acquired below-market leases, net	20,317	10,387	1,150	7,608	90			1,082
Total rentals	484,763	173,489	120,879	90,828	61,970			37,597
Temperature Controlled Logistics	206,474					206,474		
Tenant expense reimbursements	77,370	29,642	10,772	28,887	5,526			2,543
Fee and other income:								
Tenant cleaning fees	10,527	13,062						(2,535)
Management and leasing fees	2,804	974	1,972	580	(19)			(703)
Lease termination fees	1,294	100	130	902	162			
Other	10,225	4,242	3,911	301	2,441			(670)
Total revenues	793,457	221,509	137,664	121,498	70,080	206,474		36,232
Operating expenses	392,757	93,287	44,961	41,688	33,279	163,768		15,774
Depreciation and amortization	132,457	36,744	29,219	22,109	11,391	20,412		12,582
General and administrative	59,555	5,502	6,034	6,329	6,983	9,757		24,950
Costs of acquisition not consummated								
Total expenses	584,769	135,533	80,214	70,126	51,653	193,937		53,306
Operating income (loss)	208,688	85,976	57,450	51,372	18,427	12,537		(17,074)
Income applicable to Alexander s	9,484	190		164				9,130
Loss applicable to Toys R Us	(20,029)						(20,029)	
Income from partially owned entities	8,593	1,111	3,743	2,093	448	398		800
Interest and other investment income	120,513	469	742	117	93	820		118,272
Interest and debt expense	(156,179)	(32,113)	(30,149)	(19,775)	(13,048)	(16,257)		(44,837)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	15,778							15,778
Minority interest of partially owned entities	4,349	(569)		11		3,003		1,904
Income (loss) before income taxes	191,197	55,064	31,786	33,982	5,920	501	(20,029)	83,973
Provision for income taxes	(3,566)		(1,825)	(182)	(241)	(1,058)		(260)
Income (loss) from continuing operations	187,631	55,064	29,961	33,800	5,679	(557)	(20,029)	83,713
(Loss) income from discontinued operations, net	(40)			(44)				4
Income (loss) before allocation to minority limited partners	187,591	55,064	29,961	33,756	5,679	(557)	(20,029)	83,717
Minority limited partners interest in the Operating Partnership	(16,852)							(16,852)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)							(4,819)
Net income (loss)	165,920	55,064	29,961	33,756	5,679	(557)	(20,029)	62,046
Interest and debt expense [(1)]	202,843	31,831	32,095	22,478	13,264	7,735	40,984	54,456
Depreciation and amortization[(1)]	165,990	36,600	32,831	22,912	11,525	9,740	33,303	19,079
Income tax expense [(1)]	(8,071)	1,100	3,789	182	241	504	(14,934)	1,047

EBITDA	$ 526,682	$ 124,595	$ 98,676	$ 79,328	$ 30,709	$ 17,422	$ 39,324	$ 136,628

Other segment EBITDA includes a $72,074 net gain on mark-to-market of derivative instruments, a $15,778 net gain on sale of marketable equity securities and $1,677 of expense for our share of India Property Fund LP organization costs.

See notes on page 51.

Reconciliation of Net Income and EBITDA Three Months Ended June 30, 2007 and 2006 (continued)

(Amounts in thousands)	For the Three Months Ended June 30, 2006							
		Office				Temperature		
		New	Washington,		Merchandise	Controlled		
	Total	**York**	**DC**	**Retail**	**Mart**	**Logistics**	**Toys**	**Other** [2]
Property rentals	$ 372,192	$ 120,115	$ 103,010	$ 64,541	$ 61,885	$	$	$ 22,641
Straight-line rents:								
Contractual rent increases	7,991	1,994	2,320	2,101	1,597			(21)
Amortization of free rent	9,621	1,927	6,089	1,263	342			
Amortization of acquired below-market leases, net	3,672	(11)	946	2,338	(93)			492
Total rentals	393,476	124,025	112,365	70,243	63,731			23,112
Temperature Controlled Logistics	187,047					187,047		
Tenant expense reimbursements	60,920	23,805	6,511	25,059	4,915			630
Fee and other income:								
Tenant cleaning fees	7,511	9,819						(2,308)
Management and leasing fees	2,534	258	1,885	360	31			
Lease termination fees	5,907	5,388	5		514			
Other	5,637	2,296	1,920	80	1,341			
Total revenues	663,032	165,591	122,686	95,742	70,532	187,047		21,434
Operating expenses	319,851	72,046	36,494	31,688	22,514	145,896		11,213
Depreciation and amortization	98,880	22,917	29,902	12,407	11,104	17,921		4,629
General and administrative	51,715	4,140	7,846	5,294	7,045	9,606		17,784
Total expenses	470,446	99,103	74,242	49,389	40,663	173,423		33,626
Operating income (loss)	192,586	66,488	48,444	46,353	29,869	13,624		(12,192)
Income applicable to Alexander s	14,750	186		178				14,386
Loss applicable to Toys R Us	(7,884)						(7,884)	
Income from partially owned entities	14,635	1,166	5,058	2,188	445	369		5,409
Interest and other investment income	16,623	180	378	353	66	1,364		14,282
Interest and debt expense	(120,822)	(20,848)	(26,187)	(24,131)	(3,542)	(18,452)		(27,662)
Net gain on disposition of wholly owned and partially owned assets other than depreciable real estate	56,947							56,947
Minority interest of partially owned entities	3,118			29	1	2,847		241
Income (loss) before income taxes	169,953	47,172	27,693	24,970	26,839	(248)	(7,884)	51,411
Provision for income taxes	(848)		(602)		(78)	(168)		
Income (loss) from continuing operations	169,105	47,172	27,091	24,970	26,761	(416)	(7,884)	51,411
Income (loss) from discontinued operations, net	16,762		16,807	(42)	(3)			
Income (loss) before allocation to minority limited partners	185,867	47,172	43,898	24,928	26,758	(416)	(7,884)	51,411
Minority limited partners interest in the Operating Partnership	(17,324)							(17,324)
Perpetual preferred unit distributions of the Operating Partnership	(5,374)							(5,374)
Net income (loss)	163,169	47,172	43,898	24,928	26,758	(416)	(7,884)	28,713
Interest and debt expense [1]	171,778	21,523	30,315	27,118	3,762	8,779	44,348	35,933
Depreciation and amortization[1]	133,377	23,850	34,724	13,320	11,245	8,553	32,522	9,163
Income tax (benefit) expense [1]	(28,642)		3,620		78	81	(32,522)	101
EBITDA	$ 439,682	$ 92,545	$ 112,557	$ 65,366	$ 41,843	$ 16,997	$ 36,464	$ 73,910

Washington, DC office EBITDA includes a net gain on sale of real estate of $17,609. In addition, the Other segment EBITDA includes a $55,438 net gain on sale of marketable equity securities and a $10,410 net loss on mark-to-market of derivative instruments.

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See notes on following page.

Reconciliation of Net Income and EBITDA Three Months Ended June 30, 2007 and 2006 (continued)

Notes to preceding tabular information:

(1) EBITDA represents Earnings Before Interest, Taxes, Depreciation and Amortization. We consider EBITDA a supplemental measure for making decisions and assessing the un-levered performance of our segments as it relates to the total return on assets as opposed to the levered return on equity. As properties are bought and sold based on a multiple of EBITDA, we utilize this measure to make investment decisions as well as to compare the performance of our assets to that of our peers. EBITDA should not be considered a substitute for net income. EBITDA may not be comparable to similarly titled measures employed by other companies.

(2) Other EBITDA is comprised of:

(Amounts in thousands)	For the Three Months Ended June 30, 2007	2006
Alexander s (see page 55)	$ 17,166	$ 21,970
Hotel Pennsylvania	11,177	7,872
555 California Street	6,349	
Lexington MLP, formerly Newkirk MLP (see page 44)	5,984	8,467
GMH	4,177	(1)
Industrial warehouses	823	1,509
Other investments	1,841	3,789
	47,517	43,607
Investment income and other	131,772	69,490
Corporate general and administrative expenses	(20,990)	(16,489)
Minority limited partners interest in the Operating Partnership	(16,852)	(17,324)
Perpetual preferred unit distributions of the Operating Partnership	(4,819)	(5,374)
	$ 136,628	$ 73,910

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(1) Does not include any income or loss as GMH had delayed the filing of its Form 10-Q until after we filed our Form 10-Q for the quarter ended June 30, 2006. See page 55 for further details.

Results of Operations Three Months Ended June 30, 2007 and 2006

Revenues

Our revenues, which consist of property rentals, tenant expense reimbursements, Temperature Controlled Logistics revenues, hotel revenues, trade shows revenues, amortization of acquired below market leases, net of above market leases pursuant to SFAS No. 141 and 142, and fee income, were $793,457,000 for the three months ended June 30, 2007, compared to $663,032,000 for the prior year s three months, an increase of $130,425,000. Below are the details of the increase (decrease) by segment:

(Amounts in thousands)		Office				Temperature	
		New	Washington,		Merchandise	Controlled	
Property rentals:	**Total**	**York**	**DC**	**Retail**	**Mart**	**Logistics**	**Other**
Increase (decrease) due to:							
Acquisitions:							
Manhattan Mall	$ 13,094	$ 8,833	$	$ 4,261	$	$	$
555 California Street	10,519						10,519
1290 Avenue of the Americas	10,403	10,403					
H Street (consolidated from May 1, 2007, vs. equity method prior)	9,685		9,685				
350 Park Avenue	8,065	8,065					
Former Toys R Us stores	5,386			5,386			
Bruckner Plaza	1,854			1,854			
1540 Broadway	1,700	193		1,507			
Other	7,192		(10)	2,180	5,059		(37)
Development/Redevelopment:							
2101 L Street taken out of service	(2,208)		(2,208)				
Crystal Mall 2 taken out of service	(2,054)		(2,054)				
Bergen Town Center partially taken out of service	(187)			(187)			
Springfield Mall partially taken out of service	(294)			(294)			
Other	(142)		(17)	(125)			
Amortization of acquired below market leases, net	16,645	10,398	204	5,270	183		590
Operations:							
Hotel Pennsylvania	3,944						3,944 (1)
Trade shows	(6,599)				(6,599) (2)		
Leasing activity (see page 47)	14,284	11,572	2,914	733	(404)		(531)
Total increase (decrease) in property rentals	91,287	49,464	8,514	20,585	(1,761)		14,485
Temperature Controlled Logistics:							
Increase due to acquisitions (ConAgra warehouses)	6,936					6,936	
Increase due to operations	12,491					12,491 (3)	
Total increase	19,427					19,427	
Tenant expense reimbursements:							
Increase due to:							
Acquisitions/development	8,906	4,890	644	1,997			1,375
Operations	7,544	947	3,617	1,831	611		538
Total increase in tenant expense reimbursements	16,450	5,837	4,261	3,828	611		1,913
Fee and other income:							
Increase (decrease) in:							
Lease cancellation fee income	(4,613)	(5,288) (4)	125	902	(352)		
Management and leasing fees	270	716	87	220	(50)		(703)
BMS Cleaning fees	3,016	3,243					(227)
Other							