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**LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES**

**Consolidated Balance Sheets
(\$000 except per share amounts)
Years ended December 31,**

	<u>2006</u>	<u>2005</u>
ASSETS		
Real estate, at cost		
Buildings and building improvements	\$ 3,107,234	\$ 1,608,175
Land and land estates	625,717	259,682
Land improvements	2,044	2,044
Fixtures and equipment	12,161	13,214
	<u>3,747,156</u>	<u>1,883,115</u>
Less: accumulated depreciation	276,129	241,188
	<u>3,471,027</u>	<u>1,641,927</u>
Properties held for sale - discontinued operations	69,612	49,397
Intangible assets (net of accumulated amortization of \$33,724 in 2006 and \$15,181 in 2005)	468,244	128,775
Investment in and advances to non-consolidated entities	247,045	191,146
Cash and cash equivalents	97,547	53,515
Investment in marketable equity securities (cost \$31,247 in 2006)	32,036	
Deferred expenses (net of accumulated amortization of \$6,834 in 2006 and \$4,740 in 2005)	16,084	13,582
Rent receivable - current	53,744	7,673
Rent receivable - deferred	29,410	24,778
Notes receivable	50,534	11,050
Other assets, net	89,574	38,389
	<u>\$ 4,624,857</u>	<u>\$ 2,160,232</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgages and notes payable	\$ 2,123,174	\$ 1,139,971
Contract rights payable	12,231	
Liabilities - discontinued operations	6,064	32,145
Accounts payable and other liabilities	29,513	13,250
Accrued interest payable	10,818	5,859
Dividends payable	44,948	
Prepaid rent	10,109	10,054
Deferred revenue (net of amortization of \$1,029 in 2006 and \$554 in 2005)	362,815	6,271
	<u>2,599,672</u>	<u>1,207,550</u>
Minority interests	902,741	61,372
	<u>3,502,413</u>	<u>1,268,922</u>
Commitments and contingencies (notes 8, 9, 10, 11, 13 and 15)		
Shareholders' equity:		
Preferred shares, par value \$0.0001 per share; authorized 10,000,000 shares; Series B Cumulative Redeemable Preferred, liquidation preference, \$79,000, 3,160,000 shares issued and outstanding	76,315	76,315

Series C Cumulative Convertible Preferred, liquidation preference \$155,000; 3,100,000 shares issued and outstanding	150,589	150,589
Special Voting Preferred Share, par value \$0.0001 per share; authorized and issued 1 share in 2006		
Common shares, par value \$0.0001 per share, authorized 160,000,000 shares, 69,051,781 and 52,155,855 shares issued and outstanding in 2006 and 2005, respectively	7	5
Additional paid-in-capital	1,188,900	848,564
Deferred compensation, net		(11,401)
Accumulated distributions in excess of net income	(294,640)	(172,762)
Accumulated other comprehensive income	1,273	
Total shareholders equity	<u>1,122,444</u>	<u>891,310</u>
	<u>\$ 4,624,857</u>	<u>\$ 2,160,232</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES**

Consolidated Statements of Operations
(\$000 except per share amounts)
Years ended December 31,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Gross revenues:			
Rental	\$ 185,312	\$ 167,253	\$ 119,663
Advisory fees	4,555	5,365	4,885
Tenant reimbursements	<u>17,524</u>	<u>10,840</u>	<u>5,429</u>
Total gross revenues	207,391	183,458	129,977
Expense applicable to revenues:			
Depreciation and amortization	(80,688)	(66,041)	(34,017)
Property operating	(32,167)	(21,913)	(8,973)
General and administrative	(35,530)	(17,587)	(13,832)
Impairment charges	(7,221)		
Non-operating income	8,913	1,514	3,269
Interest and amortization expense	(71,402)	(62,617)	(42,456)
Debt satisfaction gains (charges), net	7,228	4,409	(56)
Write-off tenant bankruptcy			<u>(2,884)</u>
Income (loss) before benefit (provision) for income taxes, minority interests, equity in earnings of non-consolidated entities and discontinued operations	(3,476)	21,223	31,028
Benefit (provision) for income taxes	238	150	(1,181)
Minority interests	(1,611)	(2,655)	(2,465)
Equity in earnings of non-consolidated entities	<u>4,186</u>	<u>6,220</u>	<u>7,194</u>
Income (loss) from continuing operations	<u>(663)</u>	<u>24,938</u>	<u>34,576</u>
Discontinued operations, net of minority interests and taxes:			
Income from discontinued operations	4,853	8,206	10,203
Debt satisfaction gains (charges)	3,626	(725)	
Impairment charges	(21,612)	(11,302)	(5,447)
Gains on sales of properties	<u>21,549</u>	<u>11,578</u>	<u>5,475</u>
Total discontinued operations	<u>8,416</u>	<u>7,757</u>	<u>10,231</u>
Net income	7,753	32,695	44,807
Dividends attributable to preferred shares Series B	(6,360)	(6,360)	(6,360)
Dividends attributable to preferred shares Series C	<u>(10,075)</u>	<u>(10,075)</u>	<u>(585)</u>
Net income (loss) allocable to common shareholders	<u>\$ (8,682)</u>	<u>\$ 16,260</u>	<u>\$ 37,862</u>
Income (loss) per common share basic:			
Income (loss) from continuing operations	\$ (0.33)	\$ 0.17	\$ 0.59

Income from discontinued operations	<u>0.16</u>	<u>0.16</u>	<u>0.22</u>
Net income (loss)	<u>\$ (0.17)</u>	<u>\$ 0.33</u>	<u>\$ 0.81</u>
Weighted average common shares outstanding basic	<u>52,163,569</u>	<u>49,835,773</u>	<u>46,551,328</u>
Income (loss) per common share diluted:			
Income (loss) from continuing operations	\$ (0.33)	\$ 0.17	\$ 0.58
Income from discontinued operations	<u>0.16</u>	<u>0.16</u>	<u>0.22</u>
Net income (loss)	<u>\$ (0.17)</u>	<u>\$ 0.33</u>	<u>\$ 0.80</u>
Weighted average common shares outstanding diluted	<u>52,163,569</u>	<u>49,902,649</u>	<u>52,048,909</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income
(\$000)
Years ended December 31,**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net income	\$ 7,753	\$ 32,695	\$ 44,807
Other comprehensive income:			
Unrealized gain in marketable equity securities	789		
Unrealized gain in foreign currency translation	484		
Other comprehensive income	<u>1,273</u>		
Comprehensive income	<u>\$ 9,026</u>	<u>\$ 32,695</u>	<u>\$ 44,807</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES**

Consolidated Statements of Changes in Shareholders Equity
(\$000 except per share amounts)
Years ended December 31,

	Number of Preferred Shares	Amount	Number of Common Shares	Amount	Additional Paid-in Capital	Deferred Compensation, net	Accumulated Distributions In Excess of Net Income	Accumulated Other Comprehensive Income	Total Shareholders Equity
Balance at December 31, 2003	3,160,000	\$ 76,315	40,394,113	\$ 4	\$ 601,501	\$ (6,265)	\$ (91,707)		\$ 579,848
Net income							44,807		44,807
Dividends paid to common shareholders							(65,086)		(65,086)
Dividends paid to preferred shareholders							(6,360)		(6,360)
Issuance of common shares, net			7,939,272	1	161,572	(4,381)			157,192
Issuance of preferred shares, net	2,700,000	131,126							131,126
Amortization of deferred compensation						1,954			1,954
Reclass of common shares from mezzanine equity			287,888		3,809				3,809
Balance at December 31, 2004	5,860,000	207,441	48,621,273	5	766,882	(8,692)	(118,346)		847,290
Net income							32,695		32,695
Dividends paid to common shareholders							(72,617)		(72,617)
Dividends paid to preferred shareholders							(6,360)		(6,360)
Dividends paid to preferred shareholders							(8,134)		(8,134)
Issuance of common shares, net			3,534,582		81,682	(5,575)			76,107

Issuance of preferred shares, net	400,000	19,463							19,463
Amortization of deferred compensation						2,866			2,866
Balance at December 31, 2005	6,260,000	226,904	52,155,855	5	848,564	(11,401)	(172,762)		891,310
Net income							7,753		7,753
Adoption of new accounting principle (Note 2)					(11,401)	11,401			
Dividends declared to common shareholders							(109,088)		(109,088)
Dividends declared to preferred shareholders							(7,949)		(7,949)
Dividends declared to preferred shareholders							(12,594)		(12,594)
Issuance of common shares, net			16,895,926	2	351,737				351,739
Issuance of special voting preferred	1								
Other comprehensive income								1,273	1,273
Balance at December 31, 2006	<u>6,260,001</u>	<u>\$226,904</u>	<u>69,051,781</u>	<u>\$ 7</u>	<u>\$1,188,900</u>	<u>\$</u>	<u>\$ (294,640)</u>	<u>\$ 1,273</u>	<u>\$1,122,444</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES**

Consolidated Statements of Cash Flows
(\$000 except per share amounts)
Years ended December 31,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:			
Net income	\$ 7,753	\$ 32,695	\$ 44,807
Adjustments to reconcile net income to net cash provided by operating activities, net of effects from acquisitions:			
Depreciation and amortization	84,734	73,034	41,710
Minority interests	(2,842)	2,165	2,983
Gains on sales of properties	(21,549)	(11,578)	(5,475)
Debt satisfaction gain, net	(14,761)	(4,536)	
Impairment charges	35,430	12,879	6,375
Write-off-tenant bankruptcy			2,884
Straight-line rents	(4,923)	(3,447)	(3,395)
Other non-cash charges	17,233	4,196	2,556
Equity in earnings of non-consolidated entities	(4,186)	(6,220)	(7,194)
Distributions of accumulated earnings from non-consolidated entities	8,058	7,561	5,170
Deferred tax assets	(738)	(466)	(2,026)
Increase (decrease) in accounts payable and other liabilities	1,999	(788)	1,710
Other adjustments, net	1,812	(38)	631
Net cash provided by operating activities	<u>108,020</u>	<u>105,457</u>	<u>90,736</u>
Cash flows from investing activities:			
Net proceeds from sales/transfers of properties	76,627	96,685	101,367
Cash paid relating to Merger	(12,395)		
Investments in real estate properties and intangible assets	(173,661)	(759,656)	(203,678)
Investments in and advances to non-consolidated entities	(9,865)	(41,943)	(86,171)
Investment in convertible mortgage receivable			(19,800)
Acquisition of controlling interest in LSAC	(42,619)		
Collection of notes from affiliate	8,300	45,800	
Issuance of notes receivable to affiliate	(8,300)		(32,800)
Collection of notes		3,488	
Real estate deposits	359	1,579	1,180
Investment in notes receivable	(11,144)		
Investment in marketable securities	(5,019)		
Distribution from non-consolidated entities in excess of accumulated earnings	19,640	17,202	38,651
Increase in deferred leasing costs	(1,737)	(2,919)	(207)
Change in escrow deposits and restricted cash	5,734	(4,013)	(967)
Net cash used in investing activities	<u>(154,080)</u>	<u>(643,777)</u>	<u>(202,425)</u>
Cash flows from financing activities:			
Proceeds of mortgages and notes payable	147,045	516,520	159,760
Change in credit facility borrowing, net	65,194		(94,000)
Dividends to common and preferred shareholders	(93,681)	(87,111)	(71,446)
Dividend reinvestment plan proceeds	12,525	13,815	10,608
Principal payments on debt, excluding normal amortization	(82,010)	(50,936)	(6,543)

Principal amortization payments	(28,966)	(25,313)	(19,704)
Debt deposits	291	1,334	(1,384)
Origination fee amortization payments			(29)
Issuance of common/preferred shares	272	80,671	275,644
Repurchase of common shares	(11,159)		
Contributions from minority partners	810	9,412	
Cash distributions to minority partners	(8,554)	(7,028)	(8,975)
Increase in deferred financing costs	(1,169)	(6,403)	(1,087)
Purchases of partnership units	(115)	(83)	(121)
Net cash provided by financing activities	<u>483</u>	<u>444,878</u>	<u>242,723</u>
Cash attributable to newly consolidated entity	<u>31,985</u>		
Cash attributable to Merger	<u>57,624</u>		
Change in cash and cash equivalents	44,032	(93,442)	131,034
Cash and cash equivalents, beginning of year	53,515	146,957	15,923
Cash and cash equivalents, end of year	<u>\$ 97,547</u>	<u>\$ 53,515</u>	<u>\$ 146,957</u>

The accompanying notes are an integral part of these consolidated financial statements.