

2004 THIRD QUARTER REPORT



CORPORATE PROPERTY ASSOCIATES 14



Generating Income for Investors Since 1997

CPA:14

A MEMBER OF THE

W. P. CAREY

GROUP

Dear Fellow CPA[®]:14 Shareholders,

We are pleased to provide you with our third quarter financial results. Among the highlights:

- ◆ Net income for the quarter increased to \$9.9 million, as compared to \$6.1 million for the similar period in 2003. Net income was \$27.8 million for the nine-month period, ended September 30, 2004, as compared to \$25.4 million for the same period in 2003. Net income for the three and nine-month periods in 2003 was impacted by a \$2.9 million impairment charge on real estate.
- ◆ Revenues grew slightly to \$33.7 million during the third quarter, as compared to \$33.2 million for the comparable period a year ago. For the nine-month period, revenues were \$98 million, as compared to \$96.2 million for the same period in 2003.
- ◆ Cash Flows from Operating Activities for the nine-month period in 2004 increased to \$48.4 million, up from \$43.7 million during the same period in 2003.
- ◆ In September, the Board of Directors of CPA[®]:14 approved and increased the third quarter distribution to \$.1899 per share payable on October 15 to shareholders of record as of September 30. This equates to an annualized yield of 7.6%, based on its initial share price of \$10.00.

Soon you will have a new convenient, secure and cost effective way to access your CPA[®]:14 investment information online 24 hours a day, seven day a week at www.wpcarey.com/ShareholderAccess. You can access your current investment balances, distribution histories, and download forms among other options. We encourage you to take advantage of this user-friendly and helpful service as it offers you an opportunity to stay current with your investments while also keeping fund administration costs down. You will be receiving additional information on how to securely access this new site early next year.

We would like to remind you about CPA[®]:14's Distribution Reinvestment and Share Purchase Plan (DRIP), which enables you to reinvest your quarterly distributions in new CPA[®]:14 shares at its current net asset value (NAV) of \$11.30 per share and enjoy the effects of compounding returns. It's a convenient and cost effective way to increase your investment portfolio. For more information on how you can

take advantage of this program please call our transfer agent at 1-888-241-3737 and request your DRIP participation card and prospectus.

As we approach the end of the year we extend to you and your family the very best for an enjoyable Holiday Season and safe and prosperous New Year. Thank you again for your continued confidence and support.

With best regards,

Most sincerely,

Handwritten signatures of Wm. Polk Carey and Gordon F. DuGan in blue ink.

Wm. Polk Carey
Chairman

Gordon F. DuGan
Vice Chairman

P.S. Please direct any change of address, name and transfer instructions, as well as lost check inquiries to CPA[®]:14's transfer agent:

W. P. Carey & Co. LLC
c/o Phoenix American Financial Services
2401 Kerner Boulevard, San Rafael, CA 94901
1-888-241-3737 • www.phxa.com/wpc

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 27,797	\$ 25,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,435	17,861
Straight-line rent adjustments	(3,340)	(2,952)
Income from equity investments in excess of distributions received	(599)	(1,822)
Issuance of shares in satisfaction of current and accrued performance fees	6,144	5,204
Minority interest in income	1,340	1,156
Unrealized loss on derivatives, net	912	60
Unrealized loss (gain) on foreign currency transactions, net	285	(271)
Impairment charge on real estate	—	2,900
Gain on foreign currency transactions, net	(849)	(324)
Decrease in prepaid rents and security deposits	(1,381)	(2,616)
Change in other operating assets and liabilities, net	(308)	(914)
Net cash provided by operating activities	<u>48,436</u>	<u>43,677</u>
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	1,843	988
Purchases of real estate and equity investments and additional capitalized costs	(15,817)	(48,874)
Distributions of mortgage financing proceeds received from equity investee	—	8,722
Payment of value added taxes from purchase of real estate	—	911
Payment of deferred acquisition fees	(3,266)	(2,373)
Net cash used in investing activities	<u>(17,240)</u>	<u>(40,626)</u>
Cash flows from financing activities:		
Proceeds from mortgages	—	21,582
Funds released by mortgage lenders	167	3,000
(Repayment) proceeds from note	(1,617)	1,617
Payments of mortgage principal	(8,113)	(6,701)
Distributions to minority interest partner	(1,936)	(2,595)
Proceeds from issuance of shares, net of costs	4,126	456
Deferred financing costs	—	(47)
Dividends paid	(38,154)	(37,573)
Purchase of treasury stock	(3,403)	(1,904)
Net cash used in financing activities	<u>(48,930)</u>	<u>(22,165)</u>
Effect of exchange rate changes on cash	(325)	31
Net decrease in cash and cash equivalents	(18,059)	(19,083)
Cash and cash equivalents, beginning of period	<u>54,675</u>	<u>74,107</u>
Cash and cash equivalents, end of period	<u>\$ 36,616</u>	<u>\$ 55,024</u>

Condensed Consolidated Balance Sheets

<i>(in thousands, except share amounts)</i>	September 30, 2004	December 31, 2003
	(Unaudited)	(Note)
Assets:		
Land and buildings, net of accumulated depreciation of \$79,568 at September 30, 2004 and \$62,105 at December 31, 2003	\$ 990,357	\$ 1,010,438
Net investment in direct financing leases	115,482	114,907
Equity investments	134,911	120,388
Cash and cash equivalents	36,616	54,675
Marketable securities	6,851	6,792
Other assets, net	42,026	38,547
Total assets	<u>\$ 1,326,243</u>	<u>\$ 1,345,747</u>
Liabilities, Minority Interest and Shareholders' Equity:		
Liabilities:		
Mortgage notes payable	\$ 691,610	\$ 702,175
Accrued interest	4,408	4,461
Due to affiliates	4,406	4,559
Accounts payable and accrued expenses	6,443	5,968
Prepaid rental income and security deposits	18,144	19,607
Deferred acquisition fees payable to affiliate	19,984	22,530
Dividends payable	12,820	12,662
Total liabilities	<u>757,815</u>	<u>771,962</u>
Minority interest	<u>26,760</u>	<u>27,356</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value; authorized, 120,000,000 shares; issued and outstanding, 68,636,465 shares at September 30, 2004 and 67,694,702 shares at December 31, 2003	69	68
Additional paid-in capital	616,649	606,380
Dividends in excess of accumulated earnings	(74,551)	(64,036)
Accumulated other comprehensive income	10,037	11,150
	<u>552,204</u>	<u>553,562</u>
Less, treasury stock at cost, 1,163,338 shares at September 30, 2004 and 802,642 shares at December 31, 2003	<u>(10,536)</u>	<u>(7,133)</u>
Total shareholders' equity	<u>541,668</u>	<u>546,429</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 1,326,243</u>	<u>\$ 1,345,747</u>

Note: The balance sheet at December 31, 2003 has been derived from the audited consolidated financial statements at that date.

Condensed Consolidated Statements of Income (Unaudited)

<i>(in thousands, except share and per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues:				
Rental income	\$ 28,354	\$ 27,439	\$ 84,796	\$ 80,751
Interest income from direct financing leases	3,326	3,250	10,033	9,713
Other operating income	1,994	2,550	3,162	5,719
	<u>33,674</u>	<u>33,239</u>	<u>97,991</u>	<u>96,183</u>
Operating expenses:				
Depreciation	5,863	5,774	17,568	16,987
General and administrative	1,384	1,924	4,738	6,255
Property expenses	6,672	7,256	17,336	16,124
Impairment charge on real estate	—	2,900	—	2,900
	<u>13,919</u>	<u>17,854</u>	<u>39,642</u>	<u>42,266</u>
Income from continuing operations before other interest income, minority interest, equity investments, interest expense and (loss) gain	19,755	15,385	58,349	53,917
Other interest income	292	484	903	1,310
Minority interest in income	(528)	(274)	(1,340)	(1,156)
Income from equity investments	3,729	3,530	10,674	10,022
Interest expense	(13,452)	(13,472)	(40,441)	(39,234)
Income from continuing operations before (loss) gain	9,796	5,653	28,145	24,859
Unrealized (loss) gain on derivative instruments, net	(3)	21	(912)	(60)
Gain on foreign currency transactions, net	110	450	564	596
Net income	<u>\$ 9,903</u>	<u>\$ 6,124</u>	<u>\$ 27,797</u>	<u>\$ 25,395</u>
Basic and diluted earnings per share:	<u>\$.15</u>	<u>\$.09</u>	<u>\$.41</u>	<u>\$.38</u>
Weighted average shares outstanding—basic and diluted	<u>67,525,951</u>	<u>66,706,224</u>	<u>67,332,252</u>	<u>66,546,596</u>



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