

CORPORATE PROPERTY ASSOCIATES 15



2004 FIRST QUARTER REPORT



Generating Income for Investors Since 2001

CPA:15

A MEMBER OF THE

W. P. CAREY

GROUP

Dear Fellow CPA[®]:15 Shareholders,

Enclosed you will find the first quarter financial highlights for CPA[®]:15. As we continue to develop a portfolio diversified by property type, geographic location and tenant industry, we will seek investments that we believe will provide our investors with the rising quarterly income they have come to expect from their investment.

Among CPA[®]:15's first quarter highlights were:

- ◆ Net Income increased to \$11.6 million, up from \$5.5 million for the comparable period in 2003. This increase includes gains on foreign currency transactions and other income from the forfeiture of a security deposit from Fleming Companies, Inc.
- ◆ Revenues increased to \$30.4 million, up from \$15.6 million in 2003.
- ◆ Total assets increased slightly to \$1.66 billion, up from \$1.64 billion in 2003.
- ◆ CPA[®]:15's first quarter dividend increased to \$.1569 per share and was paid to investors on April 15th. This equates to an annualized yield of 6.3% based on the initial share price of \$10.00 per share.

Among the investments CPA[®]:15 completed during the first quarter were:

- ◆ The acquisition of a Belgium government office facility in Mons, Belgium, for \$12 million. The 90,000 square foot facility will be leased for a period of 18 years. This is the first time the W. P. Carey Group has purchased a property in Belgium and adds to its growing portfolio of properties in Europe.
- ◆ The \$12.5 million acquisition of the corporate headquarters (two buildings) and primary call center from Affina Corporation, a leading business services company offering outsourced customer services and customer relationship management (CRM) programs to Fortune 1000 companies. The 111,000 square foot facilities, located in Peoria, Illinois, will be leased under a 20-year triple-net lease with two, ten-year renewal options.

- ◆ The purchase of two warehouse facilities from Plumbmaster, Inc., a leading supplier of plumbing repair products for \$9.8 million. The facilities, located in Oceanside, California and Concordville, Pennsylvania, total 161,000 square feet and will be leased under a 20-year triple-net lease with two, ten-year renewal options.

We would like to remind you about CPA[®]:15's Dividend Reinvestment and Share Purchase Plan (DRIP) which enables you to reinvest your quarterly dividends in new CPA[®]:15 shares at \$10.00 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.

In our continuing effort to reduce investor-related expenses, we are now able to deliver your correspondence via e-mail. If you would like to receive future investor correspondence electronically, please register by sending an e-mail to CPA15@wpcarey.com.

We remain committed to providing our investors with a dependable income stream while continuing to meet the long-term financing needs of high quality companies. On behalf of the entire CPA[®]:15 family, we wish you and your family the very best and hope that you have a safe and enjoyable summer.

With best regards,

Most sincerely,



Wm. Polk Carey
Chairman



Gordon F. DuGan
Vice Chairman



Anne R. Coolidge
President

P.S. As always, please direct any change of address, name and transfer instructions, as well as lost check inquiries to our transfer agent:

W. P. Carey & Co. LLC
c/o Phoenix American Financial Services
2401 Kerner Boulevard, San Rafael, CA 94901-5529
1-888-241-3737 • www.phxa.com/wpc

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands)</i>	Three Months Ended March 31,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 11,604	\$ 5,492
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,612	3,013
Equity income in excess of distributions received	(221)	(601)
Straight-line rent adjustments	(1,706)	(1,094)
Gain on sale	—	(977)
Settlement proceeds assigned to lender	(2,754)	—
Unrealized loss on foreign currency transactions	760	—
Realized gain on foreign currency transaction	(2,636)	—
Fees paid to affiliate by issuance of stock	1,275	419
Minority interest in income	1,995	765
Changes in operating assets and liabilities, net	2,031	6,412
Net cash provided by operating activities	<u>15,960</u>	<u>13,429</u>
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	167	132
Distributions of mortgage financing from equity investees	—	12,460
Acquisitions of real estate and equity investments and other capitalized costs	(58,779)	(91,814)
VAT taxes recovered in connection with purchases of real estate, net	604	—
Payment of deferred acquisition fees	(3,253)	—
Purchase of short-term investments	(13,059)	—
Redemption of short-term investments	9,488	—
Proceeds of amount receivable from sale of real estate from affiliate	3,034	—
Net cash used in investing activities	<u>(61,798)</u>	<u>(79,222)</u>
Cash flows from financing activities:		
Proceeds from mortgages	28,589	16,330
Mortgage and note principal payments	(2,065)	(1,209)
Deferred financing costs and mortgage deposits, net of deposits refunded	(8)	223
Capital contributions from minority partner	—	11,916
Distributions paid to minority partners	(802)	(798)
Proceeds from issuance of stock, net of raising capital	3,871	164,047
Dividends paid	(16,565)	(5,789)
Purchase of treasury stock	(679)	—
Net cash provided by financing activities	<u>12,341</u>	<u>184,720</u>
Effect of exchange rate changes on cash	524	125
Net (decrease) increase in cash and cash equivalents	<u>(32,973)</u>	<u>119,052</u>
Cash and cash equivalents, beginning of period	<u>346,217</u>	<u>94,762</u>
Cash and cash equivalents, end of period	<u>\$ 313,244</u>	<u>\$ 213,814</u>

Condensed Consolidated Balance Sheets

<i>(in thousands, except share amounts)</i>	March 31, 2004 (Unaudited)	December 31, 2003 (Note)
Assets:		
Land and buildings, net of accumulated depreciation of \$23,782 and \$18,725 at March 31, 2004 and December 31, 2003	\$ 918,174	\$ 864,737
Net investment in direct financing leases	143,128	148,325
Intangible assets, net of accumulated amortization of \$964 and \$533 at March 31, 2004 and December 31, 2003	40,080	32,742
Real estate under construction	64,415	61,270
Equity investments	84,038	83,984
Cash and cash equivalents	313,244	346,217
Short-term investments	41,475	37,833
Other assets	56,380	64,044
Total assets	<u>\$ 1,660,934</u>	<u>\$ 1,639,152</u>
Liabilities, Minority Interest, and Shareholders' Equity:		
Liabilities:		
Limited recourse mortgage notes payable	\$ 618,632	\$ 596,003
Notes payable	3,938	4,061
Accrued interest	3,092	2,464
Due to affiliates	2,699	2,912
Accounts payable and accrued expenses	7,404	6,907
Prepaid rental income and security deposits	39,187	38,504
Deferred acquisition fees payable to affiliate	22,053	24,005
Dividends payable	16,654	16,555
Total liabilities	<u>713,659</u>	<u>691,411</u>
Minority interest	<u>53,776</u>	<u>52,650</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value; authorized 120,000,000 shares; issued and outstanding, 106,220,018 and 105,681,019 at March 31, 2004 and December 31, 2003	106	106
Additional paid-in capital	949,657	944,788
Dividend in excess of accumulated earnings	(57,946)	(52,887)
Accumulated other comprehensive income	2,532	3,255
	<u>894,349</u>	<u>895,262</u>
Less, treasury stock at cost, 94,016 and 18,807 shares at March 31, 2004 and December 31, 2003	<u>(850)</u>	<u>(171)</u>
Total shareholders' equity	<u>893,499</u>	<u>895,091</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 1,660,934</u>	<u>\$ 1,639,152</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)

Three Months Ended March 31,

(in thousands, except share and per share amounts)

2004

2003

Revenues:

Rental income	\$ 22,611	\$ 13,847
Interest income from direct financing leases	3,526	598
Other operating income	<u>4,215</u>	<u>1,174</u>
	<u>30,352</u>	<u>15,619</u>

Operating expenses:

Depreciation and amortization of intangibles	5,585	2,968
General and administrative	1,974	1,268
Property expenses	<u>5,147</u>	<u>2,996</u>
	<u>12,706</u>	<u>7,232</u>

Income before other interest income, minority interest, equity investments, interest expense and gains	17,646	8,387
Other interest income	1,005	254
Minority interest in income	(1,995)	(765)
Income from equity investments	2,071	2,068
Interest expense	<u>(8,999)</u>	<u>(5,429)</u>
Income before gains	9,728	4,515
Gain on sale	—	977
Gain on foreign currency transactions, net	<u>1,876</u>	<u>—</u>
Net income	<u>\$ 11,604</u>	<u>\$ 5,492</u>
Basic and diluted earnings per share	<u>\$.11</u>	<u>\$.14</u>
Weighted average shares outstanding - basic and diluted	<u>106,094,871</u>	<u>40,779,669</u>



*c/o Phoenix American Financial Services, Inc.
2401 Kerner Boulevard
San Rafael, CA 94901*

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