

CORPORATE PROPERTY ASSOCIATES 15



2004 SECOND QUARTER REPORT



Generating Income for Investors Since 2001

CPA[®]:15

A MEMBER OF THE

W. P. CAREY

GROUP

Dear Fellow CPA[®]:15 Shareholders,

On August 24, shareholders of CPA[®]:15 and its affiliated REIT, CIP[®], voted overwhelmingly to approve the merger of the two entities. As a result, CPA[®]:15 will experience increased revenue, income and cash flow per share; larger total real estate asset value; a stronger balance sheet; enhanced credit quality among its tenants; and an increase in future distributions paid. The merger is expected to be completed on September 1, 2004. We welcome those of you who were previously CIP[®] investors to the CPA[®]:15 family.

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

- ◆ Net income for the quarter increased to \$8.5 million, up from \$5.6 million during the comparable period last year, while revenues for the quarter increased to \$33.1 million, up from \$18.6 million during the same period in 2003. CPA[®]:15 benefited from significant revenue growth as a result of the completion of several acquisitions and build-to-suit projects.
- ◆ In June, the Board of Directors of CPA[®]:15 approved and increased the second quarter dividend to \$.1571 per share payable on July 15 to shareholders of record as of June 30. This equates to an annualized yield of 6.3% based on the initial share price of \$10.00 per share.
- ◆ CPA[®]:15 announced that the Federal Reserve Board's recent decision to increase the federal funds rate by an additional 25 basis points to 1-1/2 percent would have a negligible impact on the borrowing costs of the company.

Among the investments completed by CPA[®]:15 and its affiliated REITs during the second quarter were:

- ◆ In April, CPA[®]:15, along with two affiliates, CPA[®]:16 – Global and CPA[®]:14, purchased 78 retail self-storage and truck rental facilities operated under the U-Haul brand name for \$312 million. Under the terms of the two separate bond-type net lease agreements the self-storage facilities will be leased for an initial term of 20 years. The truck rental facilities will be leased for an initial term of 10 years. CPA[®]:15 owns a 57.69% interest in the facilities, CPA[®]:16 – Global owns a 30.77% interest and CPA[®]:14 owns a 11.54% interest.
- ◆ In May, CPA[®]:15 provided \$28.6 million in build-to-suit financing to construct a warehouse/distribution facility located in La Vista, NE. The 550,000 square foot facility will be leased to a leading direct marketer of value-priced toys, novelties, party supplies, home décor, and giftware and under a 20-year

triple net lease followed by four, five-year renewal options.

- ◆ In May, CPA[®]:15 acquired the corporate headquarters of a consumer products company located in Pleasanton, CA for \$32.5 million. The facility will be leased under a 20-year triple net lease followed by two, seven-year renewal options.

We would like to remind you of 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 investor related correspondence electronically. If you would like to receive future investor correspondence via e-mail, please register by sending e-mail to CPA15@wpcarey.com.

If you have been pleased with your investment experience in CPA[®]:15, we encourage you to view www.CPA16Global.com the homepage to W. P. Carey's newest publicly held non-traded real estate investment trust (REIT), where you will find more information on CPA[®]:15's affiliate REIT, CPA[®]:16 – Global.

On behalf of the entire CPA[®]:15 family, we wish you and your family the very best and thank you again for your continued support.

With best regards,

Most sincerely,



Wm. Polk Carey
Chairman



Gordon F. DuGan
Vice Chairman



Anne R. Coolidge
President

P.S. Please direct any change of address, name and transfer instructions, as well as lost check inquiries to CPA[®]:15'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

This is neither an offer to sell nor a solicitation of an offer to buy CPA[®]:16 - Global. Such an offer is made only by CPA[®]:16 - Global's Prospectus.

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands)</i>	Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 20,106	\$ 11,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,204	6,280
Equity income in excess of distributions received	(136)	(985)
Straight-line rent adjustments	(3,424)	(2,291)
Loss (gain) on sale of real estate	48	(961)
Settlement proceeds assigned to lender	(2,754)	—
Unrealized loss on foreign currency transactions	899	—
Realized gain on foreign currency transaction	(2,636)	—
Fees paid to affiliate by issuance of stock	2,705	1,268
Minority interest in income	3,740	1,695
Changes in operating assets and liabilities, net	(9,230)	7,851
Net cash provided by operating activities	<u>22,522</u>	<u>23,980</u>
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	632	282
Distributions of mortgage financing from equity investees	—	24,162
Acquisitions of real estate and equity investments and other capitalized costs	(494,519)	(169,875)
VAT taxes recovered (paid) in connection with purchases of real estate, net	5,275	(5,018)
Payment of deferred acquisition fees	(3,253)	—
Purchase of short-term investments	(20,863)	—
Redemption of short-term investments	15,400	—
Proceeds of amount receivable from sale of real estate from affiliate	3,034	—
Proceeds from sale of real estate	2,752	—
Net cash used in investing activities	<u>(491,542)</u>	<u>(150,449)</u>
Cash flows from financing activities:		
Proceeds from mortgages	247,688	30,330
Mortgage and note principal payments	(4,518)	(2,401)
Deferred financing costs and mortgage deposits, net of deposits refunded	(635)	(1,205)
Capital contributions from minority partner	56,241	11,916
Distributions paid to minority partners	(1,888)	(1,281)
Proceeds from issuance of stock, net of costs of raising capital	8,142	399,959
Dividends paid	(33,220)	(14,066)
Purchase of treasury stock	(1,755)	—
Net cash provided by financing activities	<u>270,055</u>	<u>423,252</u>
Effect of exchange rate changes on cash	(143)	697
Net (decrease) increase in cash and cash equivalents	<u>(199,108)</u>	<u>297,480</u>
Cash and cash equivalents, beginning of period	<u>346,217</u>	<u>94,762</u>
Cash and cash equivalents, end of period	<u>\$ 147,109</u>	<u>\$ 392,242</u>

Condensed Consolidated Balance Sheets

<i>(in thousands, except share amounts)</i>	June 30, 2004 (Unaudited)	December 31, 2003 (Note)
Assets:		
Land and buildings, net of accumulated depreciation of \$30,121 and \$18,725 at June 30, 2004 and December 31, 2003	\$ 1,226,599	\$ 864,737
Net investment in direct financing leases	140,104	148,325
Intangible assets, net of accumulated amortization of \$1,997 and \$533 at June 30, 2004 and December 31, 2003	96,185	32,742
Real estate under construction	67,871	61,270
Equity investments	86,441	83,984
Cash and cash equivalents	147,109	346,217
Short-term investments	43,365	37,833
Escrow assets	106,457	10,963
Other assets, net	37,187	53,081
Total assets	<u>\$ 1,951,318</u>	<u>\$ 1,639,152</u>
Liabilities, Minority Interest, and Shareholders' Equity:		
Liabilities:		
Mortgage notes payable	\$ 822,965	\$ 596,003
Notes payable	3,908	4,061
Accrued interest	4,307	2,464
Due to affiliates	3,120	2,912
Accounts payable and accrued expenses	7,086	6,907
Prepaid rental income and security deposits	66,469	38,504
Deferred acquisition fees payable to affiliate	26,972	24,005
Dividends payable	16,758	16,555
Total liabilities	<u>951,585</u>	<u>691,411</u>
Minority interest	<u>112,316</u>	<u>52,650</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value; authorized 120,000,000 shares; issued and outstanding, 106,808,640 and 105,681,019 at June 30, 2004 and December 31, 2003	107	106
Additional paid-in capital	955,357	944,788
Dividend in excess of accumulated earnings	(66,204)	(52,887)
Accumulated other comprehensive income	83	3,255
	<u>889,343</u>	<u>895,262</u>
Less, treasury stock at cost, 213,632 and 18,807 shares at June 30, 2004 and December 31, 2003	<u>(1,926)</u>	<u>(171)</u>
Total shareholders' equity	<u>887,417</u>	<u>895,091</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 1,951,318</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)

<i>(in thousands, except share and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues:				
Rental income	\$ 28,220	\$ 14,988	\$ 50,831	\$ 28,835
Interest income from direct financing leases	3,613	1,449	7,139	2,047
Other operating income	1,293	2,209	5,508	3,383
	<u>33,126</u>	<u>18,646</u>	<u>63,478</u>	<u>34,265</u>
Operating expenses:				
Depreciation and amortization	7,329	3,226	12,914	6,194
General and administrative	1,518	1,769	3,492	3,037
Property expenses	5,210	4,245	10,357	7,241
	<u>14,057</u>	<u>9,240</u>	<u>26,763</u>	<u>16,472</u>
Income before other interest income, minority interest, equity investments, interest expense and gains and losses	19,069	9,406	36,715	17,793
Other interest income	666	828	1,671	1,082
Minority interest in income	(1,745)	(930)	(3,740)	(1,695)
Income from equity investments	2,123	2,171	4,194	4,239
Interest expense	(11,424)	(5,828)	(20,423)	(11,257)
Income before gains and losses	<u>8,689</u>	<u>5,647</u>	<u>18,417</u>	<u>10,162</u>
(Loss) gain on sale of real estate	(48)	(16)	(48)	961
(Loss) gain on foreign currency transactions, net	(139)	—	1,737	—
Net income	<u>\$ 8,502</u>	<u>\$ 5,631</u>	<u>\$ 20,106</u>	<u>\$ 11,123</u>
Basic and diluted earnings per share	<u>\$.08</u>	<u>\$.08</u>	<u>\$.19</u>	<u>\$.20</u>
Weighted average shares outstanding – basic and diluted	<u>106,584,821</u>	<u>71,787,190</u>	<u>106,342,394</u>	<u>56,369,086</u>



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



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