

CORPORATE PROPERTY ASSOCIATES 15



2004 THIRD QUARTER REPORT



Generating Income for Investors Since 2001

CPA[®]:15

A MEMBER OF THE

W. P. CAREY

GROUP

Dear Fellow CPA[®]:15 Shareholders,

We are pleased to provide you with our third quarter financial results. Among CPA[®]:15's financial highlights:

- ◆ Net income for the quarter increased to \$11.4 million, up from a loss of \$19.0 million during the comparable period last year. Net income for the nine-month period, ended September 30, 2004, was \$31.5 million, as compared to a loss of \$7.9 million for the same period in 2003. Net income for the three and nine-month periods in 2003 was impacted by a \$24 million impairment charge on a property formerly leased to the Fleming Companies. Excluding this impairment charge, net income for the three and nine-month periods in 2004 would still have increased by \$6.4 million and \$15.4 million respectively.
- ◆ Revenues increased to \$45 million for the quarter, up from \$21.5 million during the same period in 2003. For the nine-month period, revenues were \$108.5 million, up from \$55.8 million as compared to the same period in 2003.
- ◆ Cash Flows from Operating Activities for the nine-month period in 2004 increased to \$55.8 million, up from \$43.5 million during the same period in 2003.
- ◆ Following the completion of the merger with CIP[®], CPA[®]:15 issued approximately 17.7 million shares of CPA[®]:15 common stock and paid approximately \$137.9 million in cash, resulting in the acquisition of \$571 million of real estate interests, which included 83 properties located in 28 states, totaling 7.9 million square feet. These properties have lease terms that average 12 years. The price paid for CIP[®]'s properties was based on the appraisal done by an independent appraiser.
- ◆ In September, the Board of Directors of CPA[®]:15 approved and increased the third quarter distribution to \$.15796 per share payable on October 15 to shareholders of record as of September 30. This equates to an annualized yield of 6.32% based on the initial share price of \$10.00 per share.

In addition to the properties acquired from CIP[®], among the investments completed by CPA[®]:15 and its affiliated REITs during the third quarter:

- ◆ In July, CPA[®]:15 and its affiliate, CPA[®]:16 - Global, acquired the chief technology facility and a corporate office from TietoEnator Plc., the leading supplier of high-value-added information technology (IT) services to Nordic countries. The facilities, located in Espoo, Finland, had an aggregate cost of approximately \$97 million. CPA[®]:15 owns a 60% interest, while CPA[®]:16 - Global owns the remaining 40%.

- ◆ In August, CPA[®]:15 and its affiliate, CPA[®]:16 - Global, acquired five office and industrial properties leased to the Thales Group SA, one of the largest military contractors in the world, for approximately \$103 million. Located throughout France in St. Quentin-en-Yvelines, Conflans, Ymare, Aubagne and Laval, the tenant will maintain control of the 1.2 million square foot facilities under long-term triple-net leases. CPA[®]:15 owns a 65% interest, while CPA[®]:16 - Global owns the remaining 35% interest.

Soon you will have a new convenient, secure and cost effective way to access your CPA[®]:15 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 of CPA[®]:15's Distribution Reinvestment and Share Purchase Plan (DRIP) which enables you to reinvest your quarterly distributions in new CPA[®]:15 shares at its initial share price of \$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.

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,



Wm. Polk Carey
Chairman

Gordon F. DuGan
Vice Chairman

Anne Coolidge Taylor
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

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 (loss)	\$ 31,524	\$ (7,912)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of intangibles and deferred financing costs	22,906	11,776
Impairment charge on real estate	—	24,000
Equity income in excess of distributions received	(510)	(1,473)
Straight-line rent adjustments	(4,958)	(3,597)
Loss (gain) on sale of real estate	48	(961)
Settlement proceeds assigned to lender	(2,754)	—
Unrealized loss (gain) on foreign currency transactions	348	(210)
Realized (gain) loss on foreign currency transaction	(2,501)	11
Fees paid to affiliate by issuance of stock	4,354	2,222
Minority interest in income	6,367	2,850
Changes in operating assets and liabilities, net of operating assets acquired and liabilities assumed in connection with acquisition of business operations	1,005	16,798
Net cash provided by operating activities	<u>55,829</u>	<u>43,504</u>
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	976	362
Distributions of mortgage financing from equity investees	—	24,162
Acquisitions of real estate and equity investments and other capitalized costs	(671,917)	(343,909)
VAT taxes recovered in connection with purchases of real estate, net	5,132	6,117
Payment of deferred acquisition fees	(3,253)	—
Purchase of short-term investments	(17,782)	—
Redemption of short-term investments	55,615	—
Proceeds from sale of real estate	5,786	—
Cash acquired in acquisition of business operations	86,626	—
Cash payments to shareholders of acquired company	(231,826)	—
Net cash used in investing activities	<u>(770,643)</u>	<u>(313,268)</u>
Cash flows from financing activities:		
Proceeds from mortgages	418,862	94,216
Mortgage and note principal payments	(7,885)	(3,914)
Prepayment of note payable	—	(3,622)
Deferred financing costs and mortgage deposits, net of deposits refunded	(1,178)	(2,268)
Capital contributions from minority partner	76,709	11,916
Distributions paid to minority partners	(4,139)	(1,765)
Proceeds from issuance of stock, net of costs of raising capital	15,818	586,440
Dividends paid	(49,980)	(25,265)
Purchase of treasury stock	(2,860)	—
Net cash provided by financing activities	<u>445,347</u>	<u>655,738</u>
Effect of exchange rate changes on cash	878	882
Net (decrease) increase in cash and cash equivalents	<u>(268,589)</u>	<u>386,856</u>
Cash and cash equivalents, beginning of period	346,217	94,762
Cash and cash equivalents, end of period	<u>\$ 77,628</u>	<u>\$ 481,618</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 \$38,065 and \$18,725 at September 30, 2004 and December 31, 2003	\$ 1,687,838	\$ 864,737
Net investment in direct financing leases	276,803	148,325
Intangible assets, net of accumulated amortization of \$4,183 and \$533 at September 30, 2004 and December 31, 2003	232,182	32,742
Real estate under construction	25,478	61,270
Equity investments	180,845	83,984
Cash and cash equivalents	77,628	346,217
Short-term investments	—	37,833
Marketable securities	12,058	—
Escrow assets	53,226	14,012
Other assets, net	44,493	50,032
Total assets	<u>\$ 2,590,551</u>	<u>\$ 1,639,152</u>
Liabilities, Minority Interest and Shareholders' Equity:		
Liabilities:		
Mortgage notes payable	\$ 1,197,359	\$ 596,003
Notes payable	3,988	4,061
Accrued interest	6,780	2,464
Due to affiliates	3,668	2,912
Accounts payable and accrued expenses	37,573	6,907
Prepaid rental income and security deposits	54,760	38,504
Deferred acquisition fees payable to affiliate	34,590	24,005
Dividends payable	17,816	16,555
Total liabilities	<u>1,356,534</u>	<u>691,411</u>
Minority interest	<u>169,902</u>	<u>52,650</u>
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common stock, \$.001 par value; authorized 240,000,000 shares; issued and outstanding, 125,184,001 and 105,681,019 at September 30, 2004 and December 31, 2003	125	106
Additional paid-in capital	1,138,869	944,788
Dividend in excess of accumulated earnings	(72,603)	(52,887)
Accumulated other comprehensive income	755	3,255
	<u>1,067,146</u>	<u>895,262</u>
Less, treasury stock at cost, 336,359 and 18,807 shares at September 30, 2004 and December 31, 2003	<u>(3,031)</u>	<u>(171)</u>
Total shareholders' equity	<u>1,064,115</u>	<u>895,091</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 2,590,551</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 Operations (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	\$ 37,414	\$ 17,053	\$ 88,245	\$ 45,888
Interest income from direct financing leases	4,531	1,963	11,670	4,010
Other operating income	3,052	2,483	8,560	5,867
	<u>44,997</u>	<u>21,499</u>	<u>108,475</u>	<u>55,765</u>
Operating expenses:				
Depreciation and amortization	9,647	5,463	22,561	11,657
General and administrative	1,755	1,932	5,247	4,969
Property expenses	7,862	5,217	18,219	12,459
Impairment charge on real estate	—	24,000	—	24,000
	<u>19,264</u>	<u>36,612</u>	<u>46,027</u>	<u>53,085</u>
Income (loss) before other interest income, minority interest, equity investments, interest expense and gains and losses	25,733	(15,113)	62,448	2,680
Other interest income	785	1,135	2,456	2,217
Minority interest in income	(2,627)	(1,155)	(6,367)	(2,850)
Income from equity investments	2,657	2,146	6,851	6,385
Interest expense	<u>(15,546)</u>	<u>(6,247)</u>	<u>(35,969)</u>	<u>(17,504)</u>
Income (loss) before gains and losses	11,002	(19,234)	29,419	(9,072)
(Loss) gain on sale of real estate	—	—	(48)	961
Gain on foreign currency transactions, net	<u>416</u>	<u>199</u>	<u>2,153</u>	<u>199</u>
Net income (loss)	<u>\$ 11,418</u>	<u>\$ (19,035)</u>	<u>\$ 31,524</u>	<u>\$ (7,912)</u>
Basic and diluted earnings (loss) per share	<u>\$.10</u>	<u>\$ (.20)</u>	<u>\$.29</u>	<u>\$ (.11)</u>
Weighted average shares outstanding—basic and diluted	<u>112,802,854</u>	<u>97,256,074</u>	<u>108,511,601</u>	<u>69,987,670</u>



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