

STABILITY & GROWTH

Kimco Realty Corporation

2003 Annual Report



## CORPORATE PROFILE

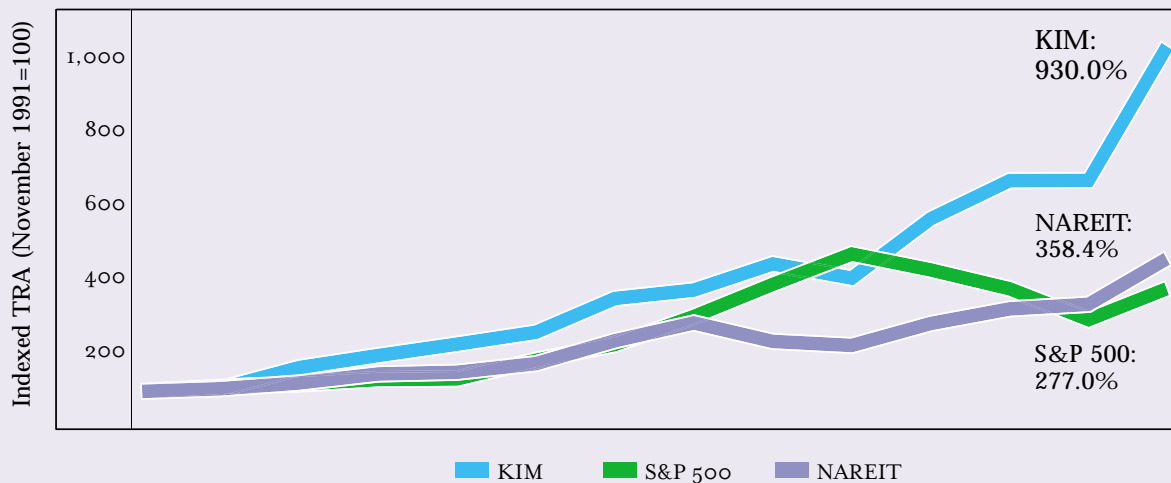
Kimco Realty Corporation, operating as a real estate investment trust (REIT), is the largest publicly traded owner and operator of neighborhood and community shopping centers in North America. In addition, the Company develops retail properties for sale, invests in real estate related securities and mortgages secured by retail real estate, and provides capital and expertise to retailers with surplus real estate.

Kimco held its initial public offering in November 1991, and has generated a total annualized return for shareholders, including the reinvestment of dividends, of 21.8 percent through March 8, 2004.

**\$100,000 invested in Kimco shares  
at the IPO would be approximately  
\$1.1 million on March 8, 2004, including  
the reinvestment of dividends.**

### HISTORICAL TOTAL RETURN ANALYSIS

(NOVEMBER 1991 TO DECEMBER 2003)



Note: Includes reinvestment of dividends Source: NAREIT

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## DEAR FELLOW SHAREHOLDERS:

Time does fly when you are having fun! It's been a little over a dozen years since our Initial Public Offering. Since Mike Flynn, Dave Henry and Mike Pappagallo have reviewed our 2003 results in their letter to you, I would like to discuss our business plan and strategy for the future.

Looking back at the past dozen years is gratifying. The gallop from a November 1991 IPO with an equity market cap of \$286 million to a present market cap for our equity in excess of \$5 billion, the increase in dividends from an initial annual rate of \$.78 to a current \$2.28, the increase in annual FFO per share from \$1.07 to \$3.23, and the increase in share price from a split adjusted price of \$8.88 to \$49.00 (as of this letter) has been a ride both exciting and satisfying!

Looking back is easy, and the past is clear. Looking forward is much more difficult — there are so many clouds on the horizon. So, now is a good time to take stock and make sure we live up to our commitments of the past, meet the challenges of the present and have a plan to take advantage of the opportunities of the future.

## THE KIMCO BUSINESS STRATEGY

The Kimco Business Strategy is mandated by two commitments. The first commitment is to those of you — and myself as well — who rely on the dividend as a source of current income. The second commitment is to all of us — including myself — who expect Kimco shares to appreciate through entrepreneurial creation of value and profits.

If Kimco were in the business of managing money, we would be marketing and managing two separate funds, an Income Fund and a Growth Fund. But we are not in that business, and our view is that the best road map to meet these two commitments is to separate Kimco's assets and businesses into two baskets.

The first basket is designed to meet the requirement that the dividend be sacrosanct. This basket must contain investments, business activities and a capital structure that can safely pay a growing dividend even in very depressed or troubled times. We call it the "Defensive Basket." The second basket, which we call the "Opportunistic Basket," is more entrepreneurial and is filled with investments that are a bit more aggressive, and demands motivated, talented and dedicated team players working together in an entrepreneurial environment and culture. It has, almost by definition, a greater risk profile than the Defensive Basket. This second basket should be diversified and monitored so that risk is carefully measured, and its activities should be structured and financed so that our Defensive Basket is largely protected from any risks from the Opportunistic Basket.

## A PROFILE OF THE DEFENSIVE BASKET

### I. NEIGHBORHOOD AND COMMUNITY SHOPPING CENTERS

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The assets of this basket are primarily ownership interests in neighborhood and community shopping centers. We believe that these properties are — and should be — solid, long-term investments. The cash flows from these investments are generated from ownership interests in over 700 shopping centers in 41 states, Canada and Mexico. These centers contain thousands of tenants occupying space under long-term leases. The primary obligors on the leases are retailers — and yes, their credit does vary from time to time. However, the secondary collateral for the retailer's obligation is the land and the buildings that they occupy. Since shopping centers require a parking ratio of at least three square feet of land for every square foot of building, there is four times as much land as building. Over the years, tenants will come and go, but the land and the buildings remain. Our experience shows that, on average, properties vacated are usually leased to new tenants at the same — or higher — rents.

When one weathers the perturbations of the business cycle over a long period of time, a natural consequence is an aversion to risk and an embedded memory of the consequences of risk. As a result, and while we feel good about the safety of our cash flows, we must maintain debt at relatively low levels to protect against any downturn in cash flows during a depressed period.

Maintaining low debt requires great discipline. With interest rates at historic lows, it's tempting to increase debt and invest borrowed money at a spread to its interest cost. Short-term, floating rate debt is particularly seductive. Borrowing floating rate debt at interest rates that are less than 2% per annum and investing at a spread can increase earnings in the short term — but not without substantial risk. We believe that short-term debt should only be used to finance assets that will become cash in the short term.

### II. THE KIMCO INCOME REIT

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Some background is required to explain the genesis of the Kimco Income REIT ("KIR"). A primary responsibility of every management team is to invest the capital entrusted to it by the shareholders at a spread to its weighted average cost of capital.

The cost of capital is based upon the expectations of the investor. The debt portion of our capital structure comes with an expectation that it will return a modest spread over U.S. Treasuries. The expectation of the equity investor varies with time and circumstance but is substantially higher than the expectations of the debt investor. Kimco's capital structure at the time KIR was formed was approximately one-third debt and preferred stock and two-thirds equity. There isn't an exact science to measuring these expectations, but our best guess is that our average cost of equity capital was in the low teens at that time.

At the time of our Initial Public Offering in 1991, real estate was not in favor, capital was in short supply, and there were ample opportunities to invest in shopping centers at a spread to our cost of capital. By 1998, however, there were many new shopping center REITs, and capital was flowing into real estate. The returns available on properties, which were primarily fully leased, subject to long-term leases, with decent credits, became less than our average cost of capital, and as a result, it was not prudent to invest our investors' capital except to take advantage of unusually attractive opportunities.

We then decided to create the Kimco Income REIT, with a capital structure that consisted of 75% individual, non-recourse debt and 25% equity. The expectations of the investors in non-recourse debt are to earn a respectable spread over Treasuries. The average interest rate on KIR's non-recourse debt is 7.05%. Kimco has invested 43% in the equity, and pension trusts and other investors have invested the remaining 57%. Kimco manages the properties, for which it receives fees. This structure enables KIR to hedge interest rate and credit risk in the long-term leases by obtaining ten-year, non-recourse mortgages on each individual shopping center.

All of KIR's indebtedness is non-recourse debt on individual properties and, as a result, the KIR entity is not at risk for events that may affect a single property. The returns are in excess of 12% per annum on our cash invested after capital expenditures and principal payments on the non-recourse mortgages — certainly an attractive return on our invested capital. Furthermore, the properties have increased in value so that the mortgage debt is now less than 60% of the property value. And this leads me to a discussion of refinancing risk.

When I was a young lawyer, one of the real estate investments the senior partner arranged for clients was a property net leased for 25 years to a major industrial credit, at a wonderful location on the Queens side of the 59th Street Bridge in New York City. The senior partner thought this was a very secure investment, and it certainly seemed so at the time. The cap rate on the property was approximately 5.5% and the interest rate on a seven-year loan from a New York savings bank was 3.5%. However, seven years later, the investors lost the property because, when the mortgage matured, interest costs had risen above the net rental stream generated by the property. This illustrates the risk of borrowing for a shorter term than the term of the underlying long-term lease.

In the case of KIR, while there is a refinancing risk, it is slight since the properties are separately financed and the balance due on each mortgage loan averages less than 60% of the value of the property. The average interest rate is in excess of 7%, and the properties have cash flows that have risen, so that the free and clear cash flows are in excess of 10%. This is certainly manageable risk! Compare this to the risk in today's market where cap rates are less than 8% and interest rates are less than 6% per annum. Today, the refinance risk is much greater, and hence, for KIR, new investments have been limited. Simply put, 75% non-recourse debt, given

today's low interest rate environment and today's low cap rates, involves too great a refinancing risk. The bottom line is that we feel that our investment in KIR, which owns 70 shopping centers, is a very solid, safe, cash flow contributor to our Defensive Basket, but we have determined not to expand KIR in the current environment.

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### **III. A 50% INTEREST IN CANADIAN SHOPPING CENTERS**

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Dave Henry has been enthusiastic about Canadian shopping centers from the day he joined us. At GE Capital, he acquired extensive experience in the Canadian real estate market. After listening to Dave and learning more about Canada, his enthusiasm became contagious. There are barriers to entry for development of new shopping centers in Canada. And the ratio of retail square footage to population is only about two-thirds of the ratio in the United States.

Dave structured a joint venture with RioCan Real Estate Investment Trust, the largest Canadian REIT — and the only Canadian REIT exclusively focused on retail real estate. Our timing in this venture was good. We started acquiring properties in October of 2001, and the joint venture now has 34 shopping centers at a cost of \$929 million Canadian. Each shopping center is financed with individual non-recourse debt. The ratio of loan-to-value averages approximately 60%. Our returns on equity are in excess of 15%. Since our acquisitions, prices of shopping centers have increased as cap rates have declined. It will be difficult to grow our portfolio in the current environment, but we are very happy with the contribution it makes to the Defensive Basket.

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### **IV. THE MANAGEMENT BUSINESS**

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Kimco has over 45 years experience in the shopping center business. We have a strong infrastructure of leasing people, maintenance experts, asset managers, real estate tax and environmental experts, construction and redevelopment managers, and most important of all, long-standing relationships with hundreds of retail tenants that help us to understand their leasing needs.

When property prices rose to a point where investing became uneconomic based on our cost of capital, we started on a program of co-investing with other investors, Kimco Income REIT and the GE Capital venture being good examples. The investors relied not only on Kimco's co-investment, but also our management expertise. As a consequence, we are building a management business. While this business is people-intensive and demanding, there is a reasonable profit margin in it, and it does lead to other opportunities and strengthens our relationships with retail tenants. The information and economies of scale gathered from managing such a large portfolio are important to us for investing and enhancing value for the future.

## A PROFILE OF THE OPPORTUNISTIC BASKET

### I. THE DEVELOPMENT BUSINESS

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Kimco Developers, Inc. ("KDI") has been a very successful business. It is run by Jerry Friedman out of our Los Angeles office. Jerry was one of the wonderful "off balance sheet" assets we obtained when Kimco acquired the Price REIT in June of 1998. He started his career as a lawyer after graduating first in his class, and became a Clerk for the Chief Justice of the Supreme Court of California. He then went into the development business in California and was instrumental in the creation of the Price REIT. He has a tremendous wealth of experience in development, and has made an outstanding contribution to our success.

Having said that, development is a business that involves risk. Indeed, all developments involve risk. It's rare that a development project is completed on budget — or on time. I have never had an alteration or a repair in my home that did not cost more or take more time than initially planned. The risks in development include leasing progress and construction costs. The longer the time frame of the project, the greater the risk! Fortunately, in open shopping centers, most of the project can be pre-leased, and the time to complete is in "months" rather than in "years." While our development business has been very successful, we should not kid ourselves! A portion of the success is attributable to the fact that our inventory of developments has been increasing in value as cap rates have declined. By analogy, many retailers did very well a few years ago when their inventory was inflating in value. Retailers with an inventory of \$500 million, inflating by as much as 8%, provided a \$40 million cushion in earnings — that covered a lot of "sins"!

So, we have benefited from increased asset values and gains resulting from the decline in interest rates and an increased demand for real estate — but we need to remain ever watchful. Our development team monitors its exposure carefully and keeps its overhead low by doing the majority of its work as joint ventures with local developers.

### II. THE PREFERRED EQUITY BUSINESS

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Making participating loans on properties we would be happy to own is a natural extension of our shopping center business. Since starting our Preferred Equity business in 2002, we have invested approximately \$90 million in 29 properties in the U.S. and Canada. All of the participating loans (generally structured as preferred equity) are reviewed and underwritten by our acquisition team, and all of the loans meet two requirements: first, Kimco receives a significant profit participation in the property; and second, the property is of high quality and the type that Kimco would purchase for its own portfolio if available. Our vision is to build a business and a portfolio of participating equity interests in numerous retail properties throughout North America. In many cases, our new lending business has led to excellent relationships with property owners and developers who have subsequently sold us properties or become joint venture partners on other developments. Being able to buy, lend, and develop gives Kimco a full range of complementary investment programs and products for shopping centers throughout North America.



### III. KIMCO RETAIL OPPORTUNITY PORTFOLIO

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Since forming KIR in 1998, and as the markets have changed, our approach to institutional joint ventures has evolved. As a result, in 2002 we formed the Kimco Retail Opportunity Portfolio ("KROP"), our joint venture with GE Real Estate. Teaming up with GE makes a lot of sense to us. GE is a world-class company with enormous financial resources, extensive relationships in numerous industries, a large sales force, and an exciting, growth-oriented culture generating lots of investment ideas and opportunities. On our side, Kimco brings to GE a proven operating platform for managing, leasing, and creating value in retail real estate. As I've said many times, when two quality organizations share ideas, they both come away with twice the ideas they started with.

With GE, our KROP joint venture is rapidly approaching \$700 million of properties, and we are growing together in both the U. S. and Mexico. Kimco is able to leverage its returns by combining a modest co-investment (20% of the equity capital) with management, leasing, and acquisition fees. For properties not suited to GE, we have established similar relationships with other institutions as well as large individual investors. We believe that Kimco does an excellent job matching the right retail property acquisitions with the right investors, and then managing the properties to create the maximum value for the partnership or venture. Building a long-term management platform capitalizes on Kimco's strengths in leasing and management while delivering a reliable future income stream for the Company and its shareholders.

### IV. RETAIL SERVICES AND KIMCO SELECT INVESTMENTS

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Retail is a tough, dicey business! Rather than set forth all of the reasons why it so risky, I thought I would save some time and space and just show a PARTIAL list of retailers or concepts that have "bit the dust." I emphasize "partial" since I am sure I have omitted many other retail casualties, and I am also sure that the list will grow between the date of this writing and the time of your reading.

*W. T. Grant, Bradlees, Caldor, Ames, Jamesway, Daylin, Service Merchandise, Phar-Mor, Hills, Venture Stores, Montgomery Ward, Korvettes, Clover Stores, Zayre, Hechinger, HomeBase, HomePlace, Builders Square, Uptons, Jacobson Stores, Zany Brainy, Kids "R" Us, Big Bear Supermarkets, The Wiz, Drug Emporium, Grand Union, Hit or Miss, Lechters, Just For Feet, One Price Clothing Store and MJ Designs.*

By now, you may share my view that providing capital and services to retailers in need is a growth business. In our Retail Services business, the services we provide include financing, advice, disposing of excess space, and creating value for retailers by maximizing the value of their leases and the properties they own. But it is also important to understand the distinction between "retail credit" and "retail real estate."

If a modern Rip Van Winkle were to wake up after a twenty-year slumber and stroll down Fifth Avenue, he would no longer find W. J. Sloane's, E. J. Korvette, Arnold Constable, Russek's, or a number of others. These retailers are gone, but the real estate in which they dwelled is thriving. And there are still many weak retailers occupying strong real estate locations. So, in our underwriting and analysis, we are not frightened by shaky credit — IF we like the real estate.



Our Retail Services business is run by Ray Edwards, who has a wealth of experience in the distressed credit arena. He and his team are astute and have a good nose for finding — and structuring — sensible deals. This is a complex business that requires many different skills, including understanding the bankruptcy process, mitigating environmental issues, being creative in redeveloping space, knowledge of redevelopment costs and risks, having relationships with many retailers, understanding the markets and values of the space, and on and on. Many of these skills have been core strengths of Kimco for decades, and we hope to leverage this expertise to build Retail Services into a very significant part of our Company.

### RANDOM THOUGHTS

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Martin Kimmel, my friend of many years, met Aristotle Onassis about thirty years ago. Mr. Onassis asked Marty, "What do you do for a living?" When Marty replied that he was in the real estate business, the shipping magnate scoffed, saying, "That is a dead man's business; your children and grandchildren are the ones who will reap the harvest." Mr. Onassis' comment was an interesting one — I suppose his view of real estate was that it is slower than most businesses to generate the kind of cash flows that are necessary for lavish spending. And his point, I think, is well taken. If a shopping center is occupied under a long-term lease with a lease rental obligation of \$1 million annually compared to market rental value of \$2 million annually, one has to be very patient indeed to realize the increase in cash flows. The investment will ultimately pay off substantially — for those who are willing to wait. Meanwhile, a reasonably good return is being enjoyed. I will have more to say about real estate and REIT investors' time horizons a bit later. But, first, I would like to make a point about risk.

Although the real estate business can be risky when excessive debt leverage is used and new developments are not well-conceived (with adequate pre-leasing), the ownership of quality real estate in good markets is not a high-risk endeavor. As free lunches are rare in the investment world, the price of modest-risk investments such as the ownership of quality commercial real estate is that it is difficult to create vast wealth in a big hurry. But I, for one, can certainly live with that!

Kimco is engaged, truly, in a dynamic business. We are continually buying, selling and developing commercial properties, and leasing and managing them. We also have other active complementary businesses, as I described above. However, the real estate business is also unique, and in many ways quite different from making semiconductors or autos, or selling banking or other services. The accounting profession has developed, over many years, a comprehensive set of rules by which to measure the performance and financial condition of U.S. businesses — which we refer to as "Generally Accepted Accounting Principles," or "GAAP." However, we may often encounter difficulties when attempting to apply a specific set of rules to the broad range of U.S. business activity, whose diversity and scope can be awesome. Thus we public real estate companies face some daunting issues with respect to the application of GAAP to our businesses. Let me give you an example.

The majority of real estate financing is accomplished through the use of non-recourse debt. The lender agrees that the loan can be repaid solely from the cash flow of the property, as the borrower or owner is not personally liable for repayment. In effect, the owner has sold a portion of the future cash flow from the property to the lender. In some instances, the cash proceeds from the mortgage are in excess of the owner's investment in the property. The good news for shareholders in these transactions is that their company is able to harvest from the property substantial cash that is not subject to immediate taxation. However, such a property refinancing is neither a taxable transaction nor is seen as a transaction having any effect upon the profit or loss of the enterprise — it is "merely" the borrowing of funds. As a result, such transaction will not generate reportable earnings under GAAP. Thus a public company may, via refinancing, harvest an increase in the value of its property and reinvest it, while continuing to enjoy the revenue stream from such property — but such company will have no additional reportable earnings under GAAP despite the favorable nature of such a transaction. But, ironically, if the owner were to default and convey the property to the non-recourse lender — clearly an event that's unfavorable to the company and the shareholders — GAAP requires that the excess cash previously borrowed be classified as "earnings"!

Let me provide a real-life illustration: Kimco developed, in partnership with another company, a shopping center in San Diego, California. In the time period from the commencement of construction to completion, interest rates dropped substantially, and the property increased in value such that the partnership was able to obtain a non-recourse loan that was substantially in excess of its total costs. If the partnership had sold the property, it would have had earnings that would have been taxed. The cash flow from this shopping center is in excess of 20% of what could have been earned had the after-tax net sale proceeds been reinvested in a new asset. It was thus apparent that holding onto the asset was the right decision. So we retained the property, refinanced it and have certainly created value for our shareholders — but we cannot report any earnings under GAAP as a result of this favorable development deal.

While we, as a public company, certainly accept and honor all of the accounting and reporting rules under GAAP, it does seem that, often, they do not measure the creation (or destruction) of shareholder value in the real estate business — certainly on a "real time" basis. Why should a public real estate company, which develops and then sells a new property at a spread over its costs record a profit under GAAP, but be unable to do so when that property, which has generated the same amount of value upon completion, is held for investment? Unless and until "current value accounting" becomes part of GAAP's standard repertoire, we will just have to accept such anomalies and learn to live with recording less profit under GAAP.

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There is a quote that is attributable to Balzac, which goes along the following lines: "If one could gather seven intelligent men who would work together toward a common goal, without sibling rivalry, they could own the world! But no need to worry; it's unlikely to even find more than two!"



We at Kimco intend to avoid Balzac's conclusion. Thus, we are so fortunate to have benefited from the talents of Mike Flynn, Dave Henry and Mike Pappagallo, my three partners on our Investment Committee who form Kimco's culture and corporate soul. They complement each other in so many ways. By their talent, intelligence and judgment — and their understanding of

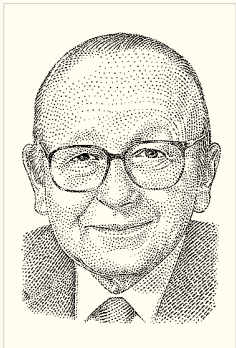
risk, entrepreneurial acumen and appreciation of integrity — they create a culture that is a magnet for attracting additional talent for us. It is wonderful for me to interact and exchange ideas with them. Their capability and expertise have enlivened our entire organization, and all of our associates continue to create value for our shareholders with a unity of purpose. Thus, we have a team that attempts to balance a defensive, secure approach with an opportunistic, entrepreneurial one.

This is particularly important today, given what appears to be a disconnect between the availability of capital and the availability of jobs, which creates concern over the future. These clouds hovering over the business environment are the reason for our balanced and measured approach to what we do. We think it is the right strategy for Kimco — and we have the right people in place to execute it.

We are aware that some investment managers are concerned that our "two basket" strategy adds complexity at a time when simplicity is preferred. There is, indeed, virtue in simplicity. However, today's business world is not simple; minimizing risk, while at the same time growing cash flows and dividends for our shareholders, often requires creative strategies. Although the businesses within our "Opportunistic Basket" may be a bit more complicated to follow, they provide the means to pursue growth opportunities through the deployment of human capital — in the form of our outstanding Kimco team members. This capital is self-funding, and does not require us to incur additional debt nor to raise further equity. It helps us to fulfill our commitment to our shareholders and our associates to build growing and diversified cash flow streams while assuming only limited risk. If this results in some increase in our Company's complexity, so be it.

This, in turn, leads me to a brief discussion of investor time horizons. We are certainly aware that investors invest in REITs such as Kimco for different reasons, and may often have differing views as to how to measure the performance of their investments. The good news is that REIT stocks, including Kimco's shares, have performed exceedingly well, particularly over the past four years. But the not-so-good news is that substantial success in the stock market often engenders greed. Accordingly, a number of REIT investors may have inflated expectations for short-term profit growth and quick stock price gains. Indeed, many of them seem to measure performance from month to month (if not more frequently). We will not run our Company to accommodate such investors. Rather, we will manage Kimco for the benefit of our long-term shareholders, who we believe are looking for solid long-term investment returns with low levels of risk. All of our strategic decisions are made with this objective in mind.

And, not surprisingly, we have built our company on this foundation. We now have over 700 properties in our portfolio, which is heavily diversified by geography and tenant mix. These properties are located in 41 states, as well as Canada and Mexico. No single property comprises more than 1.5% of our total assets, and no single tenant contributes more than 3.0% of our total revenues. We feel very comfortable with this type of diversification, and believe it substantially reduces our exposure to local recessions and specific tenant issues. But, equally as important, we have always taken a great deal of pride in our underwriting criteria when making investment decisions. As I have stated earlier, we place a great deal of emphasis on underwriting retail locations, a discipline which we believe is much more important than underwriting tenant credit risk. Thanks to our focus on locations, we have been able to get through the Kmart bankruptcy with only modest short-term impact on our growth in cash flow.



*Milton Cooper*  
Chairman and  
Chief Executive Officer

Our company has been in business for over 45 years, and we have been through many business and real estate cycles. We firmly believe in our long-range approach to the management of our business, and believe that the slow but steady accumulation of wealth is a safer and more effective strategy than attempting to get rich quickly; we hope our shareholders have a similar point of view. And this is not just idle talk. In the dozen years since our initial stock offering as a public company, neither Marty Kimmel nor I have sold a single share of Kimco stock, and we have bought additional shares each year. We certainly have a long-term horizon!

One can never be absolutely sure about the right strategy, and nothing is perfect — except grandchildren! But we still have fun enjoying a business and company that we love dearly, and hope that all of our shareholders will remain with us for many more years. We are very appreciative of your loyalty and support, and will continue to work very hard to make sure your confidence in us is well placed — no matter what the environment.

Milton Cooper  
Chairman and Chief Executive Officer

**DEAR FELLOW KIMCO SHAREHOLDERS:**

Our Company completed another record-breaking year in 2003, achieving net income of \$307.9 million, a 25.3% increase from \$245.7 million for 2002. Net income per diluted common share increased to \$2.62 from \$2.16, an increase of 21.3%. Funds from operations (“FFO”), a supplemental non-GAAP financial measurement used as a standard in the real estate industry to measure and compare the operating performance of real estate companies, rose 14.3% to \$353.1 million for the year ended December 31, 2003 from \$308.9 million in the year-earlier period. On a diluted per share basis, FFO increased 10.2% to \$3.23 from \$2.93 a year ago.

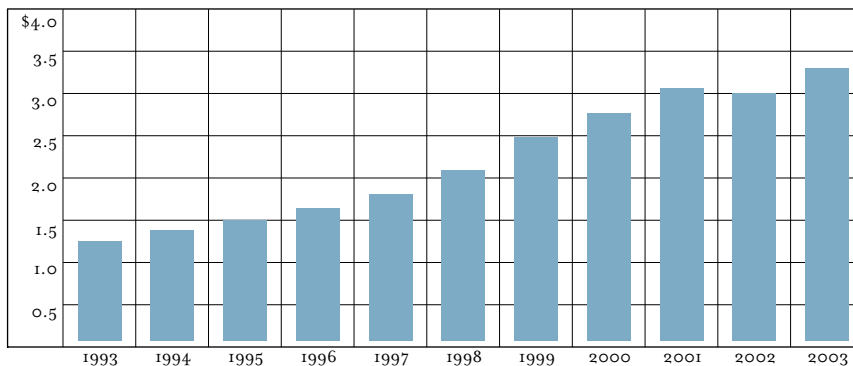
During 2003 there were several accounting pronouncements and industry clarifications that affected real estate companies, primarily pertaining to asset impairment and the early extinguishment of debt. In order to improve comparability with 2003 we revised our 2002 FFO to \$308.9 million from \$319.7 million, and related per share amounts to \$2.93 from \$3.03.

Gains on dispositions of operating properties are excluded from reported FFO. For 2003, gains on dispositions were approximately \$50.8 million, or \$0.46 per diluted common share. For 2002, gains on dispositions of operating properties were \$12.8 million, or \$0.12 per diluted common share. A complete reconciliation containing adjustments from GAAP net income to FFO is included on page 27 in this Annual Report.

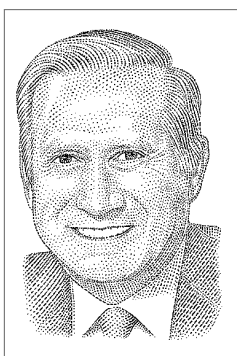
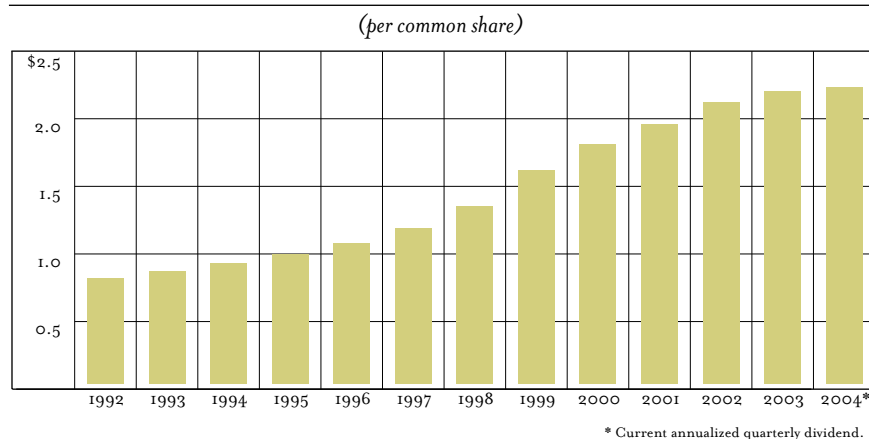
Kimco’s balance sheet remains strong and flexible with relatively low debt and \$455 million available under our revolving credit facility. The Company continues to maintain strong debt service coverage and fixed charge coverage ratios as part of our commitment to maintaining our investment-grade debt ratings. At year-end, our debt to market capitalization of .30:1 is among the lowest in the REIT industry. Our weighted average interest rate on total debt is low at approximately 5.53% and our maturity schedule is manageable.

**FUNDS FROM OPERATIONS**

*(per diluted common share)*



## DIVIDEND GROWTH



Mike Flynn

Vice Chairman, President  
and Chief Operating Officer

Once again, the Board of Directors raised our common stock dividend during 2003. This represents the twelfth consecutive year the dividend has been increased, each year since our IPO. The quarterly common stock dividend per share increased to \$0.57 from \$0.54, or \$2.28 from \$2.16 on an annual basis, a 5.6% improvement. We also continued to maintain a healthy dividend coverage ratio, paying out only 65.5% of FFO.

2003 was an active year in all aspects of our business. We were busy across the board; signing leases, buying properties, building new shopping centers, finding opportunistic investments and selling properties where we saw limited future growth. We cover the details in this letter, but here's a summary of the highlights:

- ▶ Our Parent Portfolio's occupancy improved by almost 300 basis points to 90.7%. We have largely overcome vacancy issues we experienced as a result of several retailer bankruptcies.
- ▶ We acquired interests in 102 shopping centers totaling 12.4 million square feet of gross leasable area ("GLA") at a cost of approximately \$1.5 billion. This total includes the acquisition of Mid-Atlantic Realty Trust ("MART").
- ▶ Our strategy of acquiring and managing shopping centers on behalf of financially strong partners continues to flourish. We now manage in excess of \$2.0 billion in real estate for our partners and we receive recurring management fees for our expertise.
- ▶ Our entrepreneurial operating businesses represented approximately 17% of our FFO in 2003. We think these businesses will continue to provide an increasing portion of Kimco's earnings well into the future.

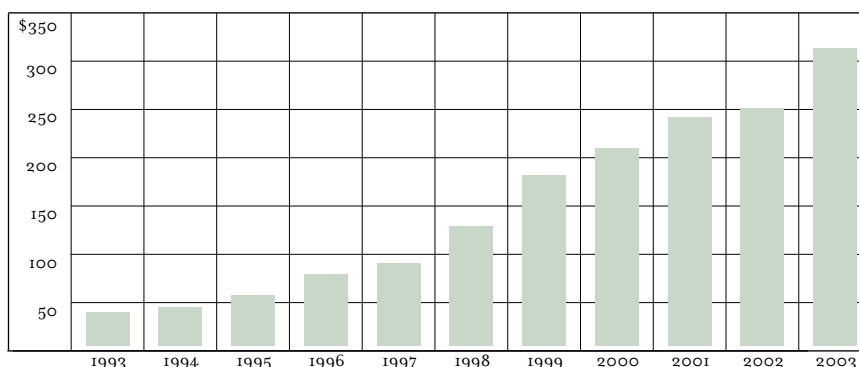
## OUR NEIGHBORHOOD AND COMMUNITY SHOPPING CENTER PORTFOLIO

Our total shopping center portfolio, which has grown from 126 properties when we went public in 1991, consists of more than 700 properties as we write this letter. These properties are located across 41 states, Canada and Mexico. From the total,



## NET INCOME

(in millions)



we break these properties into a few different portfolios, the Parent Portfolio, Kimco Income REIT (“KIR”), Kimco Retail Opportunity Portfolio (“KROP”) and other joint ventures.

The lion’s share of our net income and FFO is generated from those properties in the consolidated Parent Portfolio. For the year, this portfolio generated \$353.2 million in net operating income, an 11.5% increase from \$316.7 million for 2002.

A big part of the increase was the result of the fine effort put forth by our leasing associates. Occupancy in the Parent Portfolio climbed to 90.7% from 87.8% at the beginning of the year.

Releasing vacancies, acquisitions and selected property sales have resulted in a well-diversified tenant mix for the Company. Home Depot has become Kimco’s largest tenant, and even they represent only 3.0% of the annualized base rents in the portfolio. While it was an arduous process, we feel as though our tenant exposure is much more diversified than a year ago.



*Dave Henry*  
Vice Chairman and  
Chief Investment Officer

## COMBINED MAJOR TENANT PROFILE

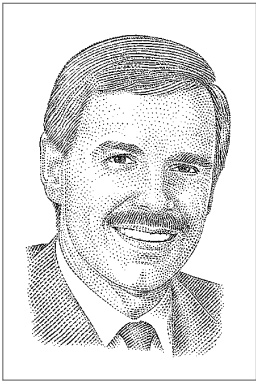
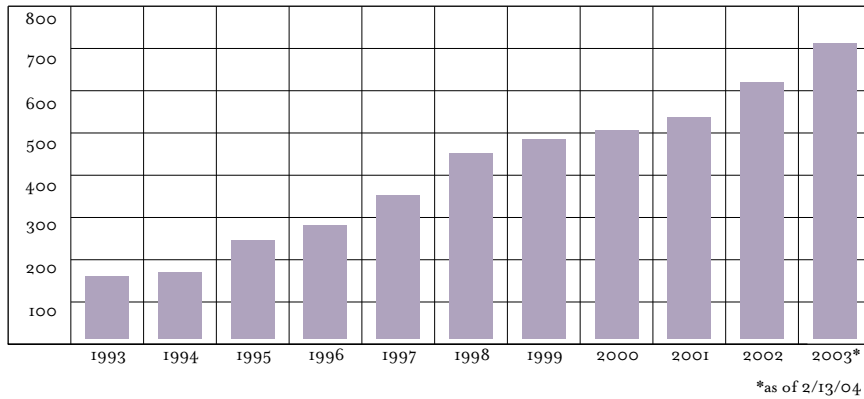
(ranked by Annualized Base Rent)

Tenant Name <sup>(1)</sup>	# of Locations	Annualized Base Rent (in thousands)	% of Annualized Base Rent	Leased GLA (in thousands)	% of Leased GLA
Home Depot	27	\$ 17,432	3.0%	2,282	3.5%
Kmart	35	17,218	2.9%	3,255	5.0%
Kohl’s	34	16,244	2.8%	2,487	3.8%
Royal Ahold	37	15,274	2.6%	1,680	2.6%
TJX (TJ Maxx, Marshalls, etc.)	84	14,638	2.5%	1,843	2.8%
Wal-Mart	20	10,402	1.8%	1,863	2.8%
Great Atlantic & Pacific	20	9,675	1.7%	818	1.2%
Best Buy	35	8,769	1.5%	1,032	1.6%
Toys “R” Us	38	8,029	1.4%	1,097	1.7%
Bed Bath & Beyond	33	7,581	1.3%	716	1.1%
		<b>\$125,262</b>	<b>21.5%</b>	<b>17,073</b>	<b>26.1%</b>

(1) Schedule reflects ten largest tenants from all tenant leases in which Kimco has an economic ownership interest at their proportionate ratios. Represents approximately 7,000 leases to 3,800 tenants.



## TOTAL PROPERTY INTERESTS



*Michael V. Pappagallo*  
Vice President and  
Chief Financial Officer

On October 1, 2003, we completed an exciting merger with MART, a well-managed neighborhood and community shopping center REIT located just outside of Baltimore, Maryland. MART consisted of 52 property interests, primarily supermarket anchored shopping centers, located throughout the Mid-Atlantic states. Kimco acquired all of the outstanding shares of MART and the related debt for a total transaction value of approximately \$700 million. Kimco and GE Real Estate have identified a number of the properties that meet the criteria for KROP and we are in the process of transferring selected assets to the venture early this year. Many of the remaining MART assets will be transferred to other joint ventures throughout the year.

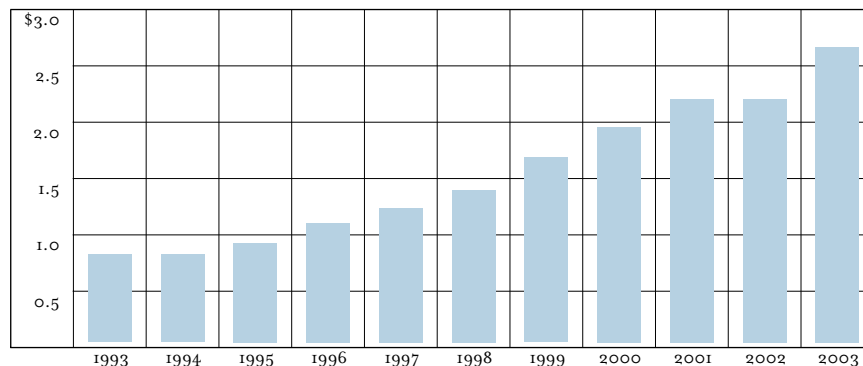
Separately, in 2003 Kimco acquired interests in 24 shopping centers throughout the U.S. for the Parent Portfolio and selected joint venture partners. These properties were acquired for \$357.6 million and comprise a total of 3.7 million square feet of GLA.

## KIMCO INCOME REIT

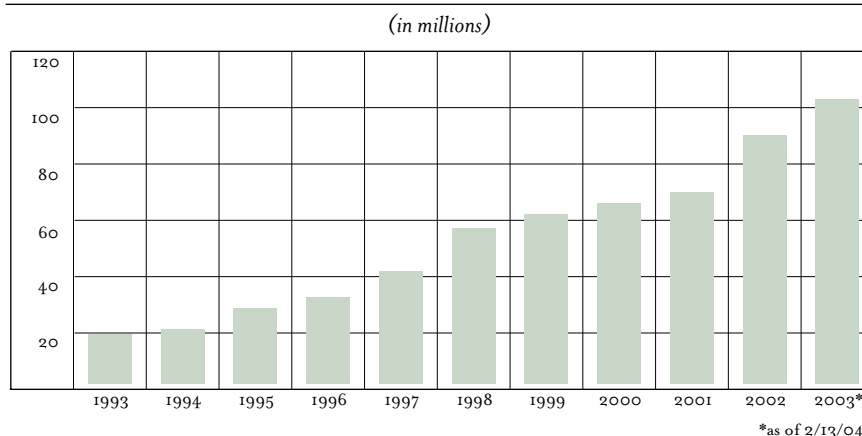
KIR continued its outstanding level of performance throughout 2003. This strategic joint venture contributed approximately \$35.7 million to our FFO this year, an increase of \$6.3 million or 21.2% over 2002. The growth we achieved was from a combination of internal growth and the full year effect of acquisitions from 2002. In addition, early in 2003 we added two properties to the portfolio for approximately \$103.5 million of new investment comprising 610,000 square feet of GLA. This 98% leased portfolio has grown to 70 shopping centers representing 14.6 million square feet of GLA.

## EARNINGS PER SHARE

(diluted)



## GROSS LEASABLE AREA



### KIMCO RETAIL OPPORTUNITY PORTFOLIO

GE Real Estate and Kimco teamed up and formed KROP in late 2001 to acquire, operate and improve neighborhood and community shopping centers in an 80/20 joint venture. During 2003, KROP contributed approximately \$3.4 million of FFO to Kimco, excluding fees. This is an increase of 186.5% from \$1.2 million in 2002. During 2003, KROP acquired interests in eight shopping center projects for approximately \$250.2 million, comprised of 1.9 million square feet of GLA.

With the addition of a \$13.5 million property acquired in February 2004, the portfolio has grown to 24 shopping centers, encompassing 3.6 million square feet of GLA.

### CANADIAN SHOPPING CENTERS

Our portfolio of shopping centers in Canada has also performed well. In two years, we have accumulated interests in 34 investments in Canada, including three development projects. Our Canadian portfolio contributed \$19.1 million to FFO in 2003, an \$8.8 million increase from 2002.

We continue to seek new investments in Canada with our partners at RioCan REIT, however, the pricing environment for shopping centers has become more expensive. As a result, we are investing in more development and structured equity transactions.

### MEXICO

Late in 2002, we acquired our first two shopping centers in Mexico. During 2003, we formed a 50/50 joint venture with GE Real Estate to acquire additional shopping centers in Mexico and Kimco transferred its first two acquisitions to the venture. GE Real Estate is an experienced real estate investor in Mexico and will contribute its expertise and relationships to growing the venture. Also during the past year we acquired an interest in our third shopping center south of the border. This \$9.9 million shopping center is located in Juarez, Mexico and is anchored by Soriana Stores, Mexico's second-largest retailer.

We believe that there is excellent potential for selectively expanding our business in Mexico through both development and acquisition based on strong real estate fundamentals. Mexico has a population of over 100 million people, yet a small number of retail locations.



*We're proud of our team of talented and dedicated associates. Our corporate culture encourages individual achievement within a team approach.*

From left to right: Sue Bein, Scott Gerber, Tina Delles, Ruth Mitteldorf, Paul Westbrook, Vinny Lucarelli, Mike Schindler, Brenda Kinard, Tom Taddeo

## THE MANAGEMENT BUSINESS

2003 was a terrific year of growth for our management activities. Management fee revenue increased approximately 27% from 2002. We have grown the number of properties where we earn management fees from approximately 64 in 2001 to 143 at the end of 2003. As a result, management fee revenue has increased 141% during that time.

## KIMCO DEVELOPERS INC.

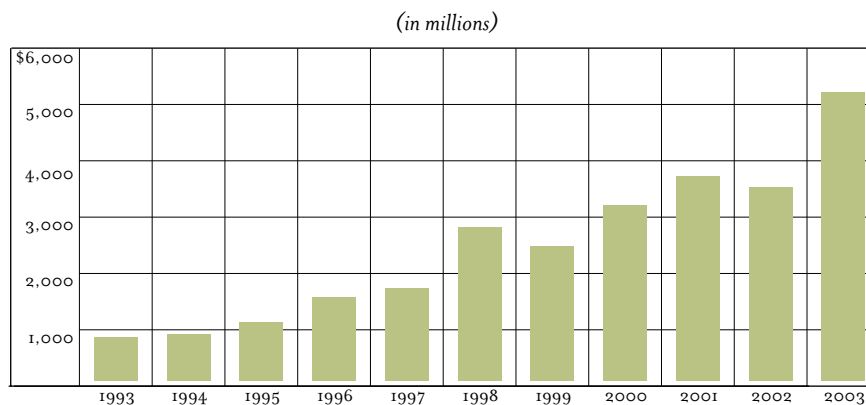
Our merchant building business, Kimco Developers Inc. ("KDI") sold 13 development projects, or phases of projects, during 2003. These sales generated \$10.5 million in after-tax gains, an increase of 10.2% from 2002.

As we sell projects, we try to replenish our stock for future sales. In 2003, we commenced 12 new developments for an aggregate investment of \$80.2 million, which will be sold upon completion over the next few years. In addition, we invested \$128.7 million in our existing pipeline of projects, several of which are scheduled for completion and sale in 2004.

## PREFERRED EQUITY CAPITAL

Kimco invested approximately \$90 million in 29 properties through preferred equity transactions from 2002 through early 2004. Each preferred equity investment generates a current return of 10.0% to 11.0% plus a share of cash flow and residual profits. During the year, two investments were prepaid from this program, generating internal

## EQUITY MARKET CAPITALIZATION



*At Kimco, we remain committed to recruiting the best people — people who demonstrate their skills daily with innovation and professionalism.*



*From left to right: Amy Buccino, Glenn Cohen, Bruce Rubenstein, Scott Onufrey, Lauren Sylvia, Ed Senenman, Tom Caputo*

rates of return in excess of 20%. Not every investment will generate such high rates of return, but we are pleased with the quality and nature of the investments in our preferred equity portfolio.

### **RETAIL PROPERTY SOLUTIONS AND KIMCO SELECT INVESTMENTS**

Retail Property Solutions and Kimco Select Investments are opportunistic businesses that look for mispriced assets. In the case of Retail Property Solutions, the mispricing is usually a result of retailers or retail property owners in need of capital quickly. Assignments for Retail Property Solutions this year included fee arrangements with Kmart and Big Bear grocery stores, the completion of the Ames liquidation and several smaller property acquisitions.

In the case of Kimco Select Investments, the mispriced asset is usually a secondary market instrument (e.g., bond or mortgage) that is secured by retail real estate.

Kimco's experience operating retail real estate provides us with an unparalleled advantage finding mispriced assets. Retail Property Solutions and Kimco Select Investments activities contributed approximately \$33.0 million to Kimco's earnings in 2003.

### **CONTINUOUS EXECUTION**

We are fond of saying, "it's all in the execution." Kimco has a long tradition that dates back well before our IPO of executing and delivering the goods for our investors, partners and associates. Our strategy is clear: maintain a strong balance sheet while investing opportunistically and selectively. Our results through the years have proven the merits of following this approach. We fully intend to continue to execute the plan, delivering solid growth in earnings and dividends well into the future.

Sincerely yours,

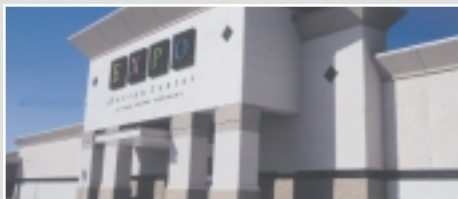
Michael J. Flynn  
Vice Chairman, President  
and Chief Operating Officer

David B. Henry  
Vice Chairman and  
Chief Investment Officer

Michael V. Pappagallo  
Vice President and  
Chief Financial Officer

# PORTFOLIO OF PROPERTIES

## INTERESTS OWNED OR MANAGED



Site	Center Name	City	GLA	Site	Center Name	City	GLA
<b>Alabama</b>							
465	Hoover Center	Birmingham	115,347	039	Vista Balboa Center	San Diego	117,410
480	Fairfield S.C.	Birmingham	86,566	544	Costco Plaza	San Diego	329,245
731	East Town Shopping Plaza	Birmingham	103,161	705	Santee Town Center	San Diego	103,903
740	Bellevue Plaza	Birmingham	103,161	1028	El Cajon	San Diego	120,711
1035	Inverness Heights Market	Birmingham	85,000	-	Santee Trolley Square	San Diego	311,485
949	Mobile Festival Centre	Mobile	525,505	186	Westlake S.C.	San Francisco	439,600
347	Bell South	Pelham	132,450	1026A	280 Metro Center	San Francisco	213,532
<b>Alaska</b>				1036A	Novato Fair S.C.	San Francisco	125,462
1108	Kenai Center	Kenai	146,759	324	The Center	Stockton	152,919
<b>Arizona</b>				1107	Tustin S.C.	Tustin	108,413
443	Gilbert Fiesta	Gilbert	-	556	Target Plaza	Ventura	171,580
1024	Marana Ina Road	Marana	191,008	<b>Colorado</b>			
429	Four Peaks Plaza	Phoenix	113,000	686	Spring Creek S.C.	Colorado Springs	107,310
476	Peoria Crossings	Phoenix	218,000	780	Woodman Valley S.C.	Colorado Springs	61,453
540	Hayden Plaza North	Phoenix	153,174	680	West 38th Street S.C.	Denver	18,405
549	Costco Plaza	Phoenix	333,388	682	Village on the Park	Denver	145,754
553	Metro Square	Phoenix	230,164	683	Englewood Plaza	Denver	80,330
557	Costco Plaza	Phoenix	333,382	684	Heritage West S.C.	Denver	82,581
576/78/79	Talavi Towne Center	Phoenix	111,825	685	Quincy Place S.C.	Denver	44,174
580	Costco Plaza	Phoenix	236,015	689	East Bank S.C.	Denver	152,981
582	Goodyear	Phoenix	-	367	Fort Collins S.C.	Fort Collins	117,862
647	Plaza @ Mountainside	Phoenix	131,621	1022	Greenwood Village	Greenwood Village	196,726
679	Poca Fiesta S.C.	Phoenix	146,492	<b>Connecticut</b>			
745	Hayden Plaza South	Phoenix	103,161	029	Elm Plaza	Hartford	162,459
1002	Avondale Fiesta	Phoenix	21,000	548	West Farm S.C.	Hartford	184,572
1010	Maricopa Fiesta	Phoenix	68,000	034	Branhaven Plaza	New Haven	191,574
1023	Valencia Road	Tucson	190,174	500	Hamden Mart	New Haven	341,502
<b>California</b>				554	Home Depot Plaza	New Haven	331,919
1106	Folsom S.C.	Folsom	108,255	608	Waterbury Plaza	New Haven	137,943
037	Covina Town Square	Los Angeles	269,433	<b>Delaware</b>			
038	Torrance Promenade	Los Angeles	266,917	501	Blue Hen	Dover	-
040	Montebello Town Square	Los Angeles	250,439	1089	Camden Square	Dover	-
541	Costco Plaza	Los Angeles	174,996	1055	Milford Commons	Milford	61,100
551	La Mirada Theater Center	Los Angeles	288,471	278	Value City S.C.	Wilmington	114,530
1032	Morgan Hill	Morgan Hill	103,362	1038	Brandywine Commons II	Wilmington	165,805
759	Magnolia Square S.C.	Oakland	42,066	<b>Florida</b>			
951	Fremont Hub	Oakland	482,225	118	Sample Plaza	Fort Lauderdale	66,838
106	La Palma S.C.	Orange County	15,396	120	Reef Plaza	Fort Lauderdale	115,341
559	Home Depot Plaza	Orange County	134,400	150	Ft. Lauderdale Plaza	Fort Lauderdale	50,000
546	Corona Hills Plaza	Riverside	486,958	251	Whole Foods Center	Fort Lauderdale	60,414
762	Palm Plaza S.C.	Riverside	341,612	290-293	Ft. Lauderdale S.C.	Fort Lauderdale	181,476
543	Madison Plaza	Sacramento	212,811	604	Peppertree Plaza	Fort Lauderdale	260,752



Site	Center Name	City	GLA	Site	Center Name	City	GLA
623	Coral Square Promenade	Fort Lauderdale	55,597	726	Pensacola S.C.	Pensacola	102,997
673	Maplewood Plaza	Fort Lauderdale	86,342	929	Eastgate Plaza	Pensacola	189,287
933	Hollywood Festival Center	Fort Lauderdale	135,056	152	Lakeside Plaza	Sarasota	30,938
147	Kmart Plaza	Fort Pierce	210,460	171	Tuttlebee Plaza	Sarasota	102,455
619	Marketplace Square	Fort Pierce	173,356	378	Southeast Plaza	Sarasota	129,700
954	Square One S.C.	Fort Pierce	197,731	698	Bayshore Gardens	Sarasota	162,997
141	Southside Square S.C.	Jacksonville	51,000	317/318	Governors Marketplace	Tallahassee	225,000
207	Regency Plaza	Jacksonville	203,536	715	Village Commons S.C.	Tallahassee	105,535
1112	Shoppes @ Amelia Concourse	Jacksonville	-	725	Tallahassee Center	Tallahassee	100,000
022	Tradewinds S.C.	Key Largo	207,332	003	Plaza at Citrus Park	Tampa	335,593
123	Merchants Walk	Lakeland	229,383	011	Plaza at Brandon Town Center	Tampa	143,785
208	Chain O' Lakes Plaza	Lakeland	92,428	124	Wal-Mart Plaza	Tampa	149,472
127	Nasa Plaza	Melbourne	168,737	128	Oak Tree Plaza	Tampa	118,979
616	Northgate S.C.	Melbourne	131,851	139	Tri-City Plaza	Tampa	215,916
668	The Shoppes of West Melbourne	Melbourne	148,660	196	East Bay Junction	Tampa	59,730
934	Lake Washington Crossing	Melbourne	118,828	470	Northwoods Centers	Tampa	97,000
129	Grove Gate S.C.	Miami	104,968	664	Carrollwood Commons	Tampa	127,837
134	Coral Way Plaza	Miami	79,273	664A	Carrollwood Commons	Tampa	75,297
135	Coral Way Plaza	Miami	87,305	716	The Piers S.C.	Tampa	103,294
203	Homestead Towne Square	Miami	208,794	743	Busch Plaza	Tampa	106,986
340	Ives Dairy Crossing	Miami	108,795	761	Southgate S.C.	Tampa	66,500
390	Miller Road S.C.	Miami	83,380	005	Boynton West S.C.	West Palm Beach	197,362
634	South Miami S.C.	Miami	63,604	101	Camino Square	West Palm Beach	73,549
702	Grove Gate S.C.	Miami	1615	111/511	Belmont Plaza	West Palm Beach	77,286
735	Opa Locka S.C.	Miami	103,161	113	Riviera Square	West Palm Beach	46,390
665	Shady Oaks S.C.	Ocala	254,459	633	Babies R Us Plaza	West Palm Beach	80,845
263	Orange Park S.C.	Orange Park	50,299	914	Lake Point Centre	West Palm Beach	119,443
024	Bayhill Plaza	Orlando	179,065	<b>Georgia</b>			
115	Sun Plaza	Orlando	114,434	048	Snellville Pavilion	Atlanta	311,033
121	Fern Park Plaza	Orlando	131,646	159	Gainesville Towne Center	Atlanta	142,468
125	Grant Square	Orlando	110,788	338	Winn Dixie Supermarket	Atlanta	47,182
136	Leesburg Shops	Orlando	13,468	442	Atlanta Center	Atlanta	165,314
174	Sports Authority Plaza	Orlando	131,981	724	Town & Country S.C.	Atlanta	105,405
392	Seminole Centre	Orlando	157,547	923A	Merchants Festival	Atlanta	151,820
574	Renaissance Centre	Orlando	271,095	044/A/B	Augusta Exchange	Augusta	531,046
613	Vine Street Square	Orlando	130,983	493	Richmond Plaza S.C.	Augusta	174,923
618	Sand Lake Plaza	Orlando	236,486	635	Augusta Square	Augusta	122,350
636	Pearl Arts S.C.	Orlando	94,193	187	Macon Plaza	Macon	127,260
638	Century Plaza	Orlando	129,256	215	Robins Plaza	Macon	111,355
677	Tri-Cities Shopping Plaza	Orlando	118,150	185	Savannah Centre	Savannah	187,076
739	Butler Plaza	Orlando	103,161	632	Largo Plaza	Savannah	88,325
749	Lee Road S.C.	Orlando	103,161	<b>Illinois</b>			
195	Big Lots Plaza	Palatka	82,730	802	Beltline Highway S.C.	Alton	159,824
445	Panama City S.C.	Panama City	50,000				





Site	Center Name	City	GLA
808	Belleville S.C.	Belleville	81,490
176	Bloomington Commons	Bloomington	188,250
1111	Oakland Commons S.C.	Bloomington	73,951
848	Carbondale Mall	Carbondale	80,535
043	Pinetree Plaza	Champaign	111,720
870	Neil Street S.C.	Champaign	102,615
051	Wind Point S.C.	Chicago	272,416
122	Lake Street Plaza	Chicago	93,289
224/387	Town & Country S.C.	Chicago	186,432
563	Woodgrove Festival	Chicago	161,272
693A	Orland Square	Chicago	166,000
694A	East Woodfield Square	Chicago	167,690
695A	Butterfield Square	Chicago	192,639
722	Northland Plaza S.C.	Chicago	80,562
758	Marketplace of Oaklawn	Chicago	94,707
764	Downers Grove	Chicago	144,670
809	Orland Park S.C.	Chicago	131,546
822	Randall S.C.	Chicago	104,688
835	Oak Lawn Center	Chicago	165,337
836	Calumet Center	Chicago	197,949
837	22nd Street Plaza	Chicago	164,903
838	Matteson Center	Chicago	157,852
839	Mount Prospect Center	Chicago	192,789
845	Norridge Center	Chicago	116,914
846	Countryside Plaza	Chicago	117,005
852	Downers Grove Center	Chicago	141,906
854	Skokie Pointe	Chicago	58,455
856	87th Street Center	Chicago	104,264
862	Forest Park Mall	Chicago	98,371
863	Naper West Plaza	Chicago	102,327
874	Mundelein S.C.	Chicago	89,692
885	Elston Center	Chicago	86,894
886	Lake Plaza	Chicago	90,555
887	Crestwood Center	Chicago	79,903
890	Aurora Commons	Chicago	91,182
891	Crystal Lake S.C.	Chicago	80,390
893	Peterson Avenue S.C.	Chicago	95,951
896	Arlington Heights S.C.	Chicago	80,040
897	Streamwood S.C.	Chicago	81,000
1047	Free State Bowls	Chicago	37,225
881	Belleville Road S.C.	Fairview Heights	192,073
825	Northfield Square Mall	Kankakee	80,535
175	Value City S.C.	Ottawa	60,000
832	Evergreen Square	Peoria	156,067
492	Streets of Woodfield	Schaumburg	629,605

Site	Center Name	City	GLA
<b>Indiana</b>			
397	Plaza East	Evansville	194,489
398	Plaza West	Evansville	149,182
851	Griffith Center	Gary	114,684
132	Felbram S.C.	Indianapolis	27,400
133	Linwood Square	Indianapolis	165,220
153	Greenwood S.C.	Indianapolis	168,577
388	Target 31 South S.C.	Indianapolis	185,589
145	Lafayette S.C.	Lafayette	90,500
671	Sagamore @ 26 S.C.	Lafayette	183,440
697	Lafayette Marketplace	Lafayette	214,876
732	Lafayette Square	Lafayette	103,161
183	Scottsdale Mall	South Bend	257,155
883	Erskine Plaza	South Bend	81,668
895	K's S.C.	South Bend	82,100
777	South Third Street S.C.	Terre Haute	73,828
<b>Iowa</b>			
858	Davenport Center	Davenport	91,035
250	University Park	Des Moines	109,434
757	Home Depot S.C.	Des Moines	156,506
812	Clive Plaza	Des Moines	90,000
813	Home Depot S.C.	Des Moines	111,847
847	Dubuque Center	Dubuque	82,979
811	Waterloo Plaza	Waterloo	96,000
<b>Kansas</b>			
805	Home Depot Center	Overland Park	120,164
736	Topeka S.C.	Topeka	103,161
561	Westgate Market	Wichita	133,771
751	Wichita S.C.	Wichita	103,161
814	Tall Grass Center	Wichita	96,011
815	Shopko S.C.	Wichita	96,319
<b>Kentucky</b>			
267	Kroger S.C.	Bellevue	53,695
1102	Turfway Crossing	Florence	99,578
795	Hinkleville Center	Hinkleville	85,229
140	South Park S.C.	Lexington	258,713
<b>Louisiana</b>			
666	Hammond Aire Plaza	Baton Rouge	350,006
752	Arcadian Village	Baton Rouge	103,161
274	Houma Power Center	Houma	98,586
670	Acadiana Square	Lafayette	244,733
297	Lake Forest S.C.	New Orleans	190,000





Site	Center Name	City	GLA	Site	Center Name	City	GLA
349	Winn Dixie Supermarket	New Orleans	59,000	1085	York Road Plaza	Baltimore	90,903
1025	Centre at Westbank	New Orleans	181,660	1092	Pulaski Industrial Park	Baltimore	-
<b>Maine</b>				1040	Clinton Bank Building	Clinton	2,544
200	Bangor S.C.	Bangor	86,422	1041	Clinton Bowl	Clinton	26,412
<b>Maryland</b>				1069	Shoppes at Easton	Easton	113,330
156	Snowden Square S.C.	Baltimore	50,000	1088	Villages @ Urbana	Frederick County	-
201	Columbia Crossing	Baltimore	73,299	463	Gaithersburg S.C.	Gaithersburg	87,061
202/A	Dobbin Center	Baltimore	58,662	221	Hagerstown S.C.	Hagerstown	117,718
206	Dorsey's Search Village Center	Baltimore	86,456	1095	New Ridge S.C.	Hanover	-
211/A	Hickory Ridge	Baltimore	100,505	468	Landover Center	Landover	232,903
212	Kings Contrivance	Baltimore	86,032	173	Laurel Plaza	Laurel	75,924
213	Harpers Choice	Baltimore	91,165	214	Laurel Plaza	Laurel	81,550
216	Wilde Lake	Baltimore	52,291	1097	Northwood Industrial Park	Salsibury	-
222	Lynx Lane Village Center	Baltimore	23,835	1079	Waldorf Bowl	Waldorf	26,128
228	Long Reach Village Center	Baltimore	87,597	1080	Waldorf Firestone	Waldorf	4,500
231	Oakland Mills Village Center	Baltimore	58,224	1057	North East Station	Wilmington	80,190
235	River Hill Village Center	Baltimore	101,707	<b>Massachusetts</b>			
675	Glen Burnie S.C.	Baltimore	60,173	033	Foxborough Plaza	Boston	118,844
1037	Arundel Plaza	Baltimore	249,746	481	Shrewsbury S.C.	Boston	108,418
1042	Club Centre	Baltimore	44,170	1114	Festival at Hyannis S.C.	Hyannis	225,990
1046	Enchanted Forest S.C.	Baltimore	139,898	1117	Shops at the Pond	Marlborough	104,125
1048	Fullerton Plaza	Baltimore	152,834	609	Barrington Plaza	Pittsfield	131,235
1049	Glen Burnie Village	Baltimore	75,185	1045	Del Alba Plaza	Pittsfield	72,014
1050	Greenbrier S.C.	Baltimore	121,363	<b>Michigan</b>			
1051A	Harford Business Center	Baltimore	26,900	119	Century Plaza	Detroit	44,185
1052	Ingleside S.C.	Baltimore	115,450	143	Clawson Center	Detroit	179,572
1053	Little Glen S.C.	Baltimore	18,823	146	Downtown Farmington Center	Detroit	96,983
1054	Lutherville Station	Baltimore	122,289	607	Cross Creek S.C.	Detroit	141,549
1056	New Town Village	Baltimore	116,303	667	White Lake Commons	Detroit	168,102
1058	Orchard Square	Baltimore	12,333	383	Hallwood Plaza	Flint	248,347
1059/A	Patriots Plaza	Baltimore	41,241	335	Beltline Plaza	Grand Rapids	79,215
1060	Perry Hall Square S.C.	Baltimore	204,770	606	Green Orchard S.C.	Grand Rapids	338,928
1061	Perry Hall Super Fresh	Baltimore	65,059	1015	Lake Crossing	Grand Rapids	26,000
1063/A/B/C	Radcliffe Center	Baltimore	82,280	138	Maple Hill Mall	Kalamazoo	339,975
1064	Rolling Road Plaza	Baltimore	49,629	747	Southfield S.C.	Lansing	103,161
1065	Rosedale Plaza	Baltimore	90,622	180	Novi S.C.	Novi	60,000
1067	Security Square S.C.	Baltimore	77,287	<b>Minnesota</b>			
1068	Shawan Plaza	Baltimore	94,653	785	Thunderbird Mall	Duluth	63,550
1073	Southwest Property	Baltimore	5,488	014	Arbor Lakes Retail Center	Minneapolis	466,401
1077	Timonium Crossing	Baltimore	59,829	552	Ridgedale Festival Center	Minneapolis	120,220
1078	Timonium S.C.	Baltimore	206,729	1004	Maplewood Town Center	Minneapolis	96,376
1081	Waverly Woods	Baltimore	103,547				
1084	Wilkens Beltway Plaza	Baltimore	77,290				



Site	Center Name	City	GLA
<b>Mississippi</b>			
157	Ridgewood Court	Jackson	50,000
<b>Missouri</b>			
873	West Park Mall	Cape Girardeau	80,803
707	North Point S.C.	Joplin	155,416
889	Joplin Mall	Joplin	80,524
744	Hub S.C.	Kansas City	103,161
806	Independence S.C.	Kansas City	184,870
833	Kansas Center	Kansas City	150,381
625	Primrose Marketplace	Springfield	282,360
789	Primrose Marketplace	Springfield	84,916
869	Springfield S.C.	Springfield	202,926
154	Shop & Save S.C.	St. Louis	118,080
162	Gravois Plaza	St. Louis	129,093
169/699	Hazelwood Plaza	St. Louis	149,230
244	Lemay S.C.	St. Louis	73,281
598	Home Depot Plaza	St. Louis	8,000
798	Center Point S.C.	St. Louis	84,460
803	Kirkwood Crossing	St. Louis	254,638
804	Kings Highway S.C.	St. Louis	176,333
829	Overland Crossing	St. Louis	193,875
830	Creve Coeur S.C.	St. Louis	113,781
831	Dunn Center	St. Louis	174,967
834	South County Center	St. Louis	128,765
840	Cave Springs S.C.	St. Louis	154,533
850	Crystal Center	St. Louis	100,724
872	Manchester S.C.	St. Louis	89,305
875	Plaza at De Paul	St. Louis	101,592
<b>Nebraska</b>			
741	Frederick S.C.	Omaha	92,332
<b>Nevada</b>			
036	Charleston Plaza	Las Vegas	234,496
508	Warm Springs Promenade	Las Vegas	99,000
1009	Canyon Pointe S.C.	Las Vegas	151,076
<b>New Hampshire</b>			
1012	Webster Square	Nashua	179,582
620	Rockingham Mall	Salem	344,076
<b>New Jersey</b>			
787	Black Horse Pike S.C.	Audubon	69,984
615	Ridgewood S.C.	Bergen	24,280
306	Super G Plaza	Cherry Hill	124,750

Site	Center Name	City	GLA
643	Marlton Plaza	Cherry Hill	129,809
1014	Hillview S.C.	Cherry Hill	209,185
645	Cinnaminson S.C.	Cinnaminson	121,852
945	Cinnaminson S.C.	Cinnaminson	16,556
032	Millside Plaza	Delran	161,128
184	Strauss Auto Plaza	Linden	13,340
441	Hillsborough Promenade	Middlesex	417,257
558	Piscataway Town Center	Middlesex	97,348
573/A	The Promenade	Middlesex	370,545
587	Franklin Towne Center	Middlesex	138,364
596	Oak Park Commons	Middlesex	136,939
617	North Brunswick Plaza	Middlesex	409,879
1007	Holmdel Towne Center	Monmouth	296,807
047	East Windsor Village	Trenton	242,729
614	Westmont Plaza	Westmont	192,254
<b>New Mexico</b>			
585	Sycamore Plaza	Albuquerque	37,735
586	Plaza Paseo Del Norte	Albuquerque	183,912
591	Juan Tabo Plaza	Albuquerque	59,722
<b>New York</b>			
1043	Colonie Plaza	Albany	135,831
1044	Columbia Plaza	Albany	132,648
008	Latham Farms	Albany	616,130
332	Tops Market	Batavia	78,000
1019	Two Guys Auto Glass	Brooklyn	7,500
1020	Genovese Drug Store	Brooklyn	10,000
453	Elmwood Plaza	Buffalo	141,783
454	Shops at Seneca	Buffalo	150,798
456	Tops Plaza	Buffalo	101,066
218	44 Plaza	Dutchess	167,668
336	Tops Market	Fulton	55,405
1098	Scotia Crossing	Glennville	-
020	Munsey Park	Nassau	72,748
021	Walgreens of Freeport	Nassau	13,905
025	North Shore Triangle	Nassau	49,346
027	Meadowbrook Commons	Nassau	173,031
028	Merrick Commons	Nassau	107,871
105	East End Commons	Nassau	176,888
109	Syosset S.C.	Nassau	32,124
116	Manetto Hill Plaza	Nassau	88,222
237	Manhasset Center	Nassau	273,943
354	Hampton Bays Plaza	Nassau	70,990
360	Bridghampton Commons	Nassau	287,587
545	Home Depot Plaza	Nassau	163,999



Site	Center Name	City	GLA	Site	Center Name	City	GLA
575	King Kullen Plaza	Nassau	265,409	<b>Ohio</b>			
605	Centereach Mall	Nassau	380,119	220	Barberton S.C.	Akron	118,826
701	Great Neck Shops	Nassau	14,385	245	Harvest Plaza	Akron	76,438
1018	American Muffler Shop	Nassau	1,856	419	West Market Plaza	Akron	138,363
026	Yonkers S.C.	New York	56,361	430	Akron Plaza	Akron	149,054
030	Mill Basin Plaza	New York	80,708	437/637	Tops Plaza	Akron	106,500
031	Forest Avenue S.C.	New York	177,118	457/657	Akron Plaza	Akron	231,754
307	Nanuet Mall South	New York	70,632	1013	Market Square at Montrose	Akron	525,841
601	Richmond S.C.	New York	210,875	242	Cambridge Square	Cambridge	98,533
674	Greenridge Plaza	New York	101,337	182	Canton S.C.	Canton	67,589
750	Concourse Plaza	New York	228,638	188	Belden Village Commons	Canton	172,596
801	Shoprite S.C.	New York	43,560	422	Canton S.C.	Canton	99,267
1017/A	Douglaston S.C.	New York	48,275	017	Colerain Towne Center	Cincinnati	378,901
041	Galleria at Crystal Run	Newburgh	80,000	018	Tri-County Commons	Cincinnati	243,047
315	Rite Aid	Pulaski	7,195	276	Sharonville Plaza	Cincinnati	130,715
149/426	West Gates S.C.	Rochester	185,153	413	Ridgewater Plaza	Cincinnati	224,883
425	Irondequoit S.C.	Rochester	17,995	415	Glenway Plaza	Cincinnati	121,242
427	Henrietta S.C.	Rochester	129,238	420	Cassinelli Square	Cincinnati	321,675
<b>North Carolina</b>				482	Glenway Crossing	Cincinnati	88,317
144	Woodlawn Marketplace	Charlotte	110,300	513	Ridgewater Plaza	Cincinnati	89,742
192	Independence Square	Charlotte	139,269	233	Greenlite S.C.	Cleveland	69,383
380/384	Tyvola Mall	Charlotte	253,979	234	Town Square	Cleveland	128,180
602	Akers Center	Charlotte	240,957	246	Kmart Plaza	Cleveland	171,223
1033	The Centrum	Charlotte	269,710	399	Mentor Plaza	Cleveland	103,910
126	Cloverdale Plaza	Greensboro	137,433	409	Middleburg Heights Plaza	Cleveland	104,342
275	Landmark Station	Greensboro	100,794	410	Chardon Bishop Plaza	Cleveland	156,219
550	Wendover Ridge	Greensboro	41,387	411	Brooklyn Plaza	Cleveland	133,563
935/A	Lenoir Festival	Hickory	144,329	414	Tops Plaza	Cleveland	99,862
002	Centrum @ Crossroads	Raleigh	315,797	417	Erie Commons	Cleveland	271,259
016	New Hope Commons	Raleigh	408,292	019	Georgesville Square	Columbus	234,702
177	Pleasant Valley Promenade	Raleigh	374,306	130	Arlington Square	Columbus	160,602
431	Hope Valley Farms	Raleigh	96,000	178/423	Westerville Plaza	Columbus	242,124
477	Wakefield Commons II	Raleigh	47,000	401	Morse Plaza	Columbus	191,089
479	Edgewater Place	Raleigh	47,000	402	South Hamilton S.C.	Columbus	142,743
483	Crossroads Plaza	Raleigh	86,015	403	Olentangy Plaza	Columbus	129,008
485	Wakefield Commons I	Raleigh	83,965	407	West Broad Plaza	Columbus	135,650
639	Oakcreek Village	Raleigh	116,186	486	High Park Center	Columbus	14,000
696	Wellington Park	Raleigh	102,787	597	North West Square	Columbus	112,922
910	Eastgate S.C.	Raleigh	52,575	006	Northpark Center	Dayton	318,468
941A	Peak Plaza	Raleigh	65,834	131	Shiloh Springs Plaza	Dayton	163,131
943	Celebration at Six Forks	Raleigh	124,520	308/310	Oak Creek Plaza	Dayton	213,728
955B/C	Millpond Village	Raleigh	98,208	309-311	Woodman Plaza	Dayton	129,335
956/A	Waverly Place	Raleigh	182,266	320	Southland 75 S.C.	Dayton	120,522
959B	Park Place S.C.	Raleigh	133,901	345	Beavercreek Plaza	Dayton	148,210
1005	Sutton Square S.C.	Raleigh	101,965	404	Salem Plaza	Dayton	141,616
931	Gateway Plaza	Wilson	167,207	405	Cross Pointe S.C.	Dayton	120,498



Site	Center Name	City	GLA	Site	Center Name	City	GLA
406	Value City Plaza	Dayton	116,374	723	Village Mall	Philadelphia	105,569
416	Kmart Plaza	Dayton	131,628	760	Souderton S.C.	Philadelphia	68,380
714	Mallwoods Centre	Dayton	84,601	1062	Pottstown Plaza	Philadelphia	161,727
325	Eastgate Plaza	Lima	193,633	148	Duquesne Plaza	Pittsburgh	69,733
729	Northwood S.C.	Northwood	103,161	158	Westmoreland Mall South	Pittsburgh	50,000
346	Rite Aid	Waynesburg	10,363	249	Kennywood Mall	Pittsburgh	193,878
<b>Oklahoma</b>				341	Braddock Hills	Pittsburgh	109,717
857	Midwest City S.C.	Midwest City	99,433	342	New Kensington S.C.	Pittsburgh	106,624
001/A	Parkway Plaza	Oklahoma City	262,624	385	Century III Mall	Pittsburgh	84,279
555	Centennial Plaza	Oklahoma City	232,635	460	Chippewa Plaza	Pittsburgh	215,206
876	Broadway Plaza	Oklahoma City	103,027	464	Carnegie	Pittsburgh	69,288
810	Woodlands Marketplace	Tulsa	100,190	210	Pocono Plaza	Stroudsburg	168,506
<b>Pennsylvania</b>				329	Equitrans	Waynesburg	21,000
653	Whitehall Mall	Allentown	84,524	1082	Wayne Heights Mall	Waynesboro	107,549
1066	Saucon Valley Square	Allentown	80,695	370	Eastern Boulevard Plaza	York	61,979
1083	Wayne Plaza	Chambersburg	121,593	371	Mount Rose Plaza	York	59,016
319	Rite Aid	Elizabeth	7,076	372	West Market Street Plaza	York	35,500
375	Gettysburg Plaza	Gettysburg	30,706	1070	Shrewsbury Square S.C.	York	84,025
326	Hamburg Wellness Center	Hamburg	15,400	<b>Rhode Island</b>			
193A	Harrisburg East S.C.	Harrisburg	175,917	691	Marshalls Plaza	Providence	129,907
227	Harrisburg West S.C.	Harrisburg	154,896	1011	Mashpaug Commons	Providence	70,235
243	Olmsted Plaza	Harrisburg	140,481	<b>South Carolina</b>			
373	Middletown Plaza	Harrisburg	38,953	353	Winn Dixie Supermarket	Bennettsville	49,936
374	Upper Allen Plaza	Harrisburg	59,470	254	St. Andrews Center	Charleston	169,813
1075	Stonehedge Square	Harrisburg	86,260	622/692	North Rivers Marketplace	Charleston	267,698
1110	Holiday Center	Monroeville	142,900	631	Westwood Plaza	Charleston	186,740
049	Montgomery Square	Philadelphia	257,565	937A	Patriots Plaza	Charleston	115,740
223	Ridge Pike Plaza	Philadelphia	165,385	1001	West Ashley Shoppes	Charleston	136,276
288	Springfield S.C.	Philadelphia	218,907	646	Crossroads Center	Florence	113,922
294	Cottman & Castor S.C.	Philadelphia	214,970	676	Gallery S.C.	Greenville	148,490
312	Norriton Square	Philadelphia	136,635	925	University Shoppes	Myrtle Beach	54,124
331	Dreshertown Plaza	Philadelphia	99,133	932	Grove Park S.C.	Orangeburg	106,557
389	Crossroads Plaza	Philadelphia	110,357	938	Robertson Corners	Walterboro	47,640
469	Acme Supermarket S.C.	Philadelphia	60,685	<b>Tennessee</b>			
612	Cottman-Bustleton Center	Philadelphia	277,123	168	Hamilton Crossing	Chattanooga	50,000
649	Center Square S.C.	Philadelphia	120,211	253	Red Bank S.C.	Chattanooga	50,588
650	Frankford Avenue S.C.	Philadelphia	82,345	013	Wolfchase Bed, Bath & Beyond	Memphis	40,000
651	Bucks Crossing	Philadelphia	86,575	348	Kroger Supermarket	Memphis	51,072
656	Township Line S.C.	Philadelphia	80,938	594	Trolley Station	Memphis	167,243
658	Whiteland Town Center	Philadelphia	85,184	484	Hickory Ridge Commons	Memphis	87,962
659	Ralph's Corner S.C.	Philadelphia	84,470	004	Hickory Hollow S.C.	Nashville	99,909
660	The Gallery	Philadelphia	133,309	007	Northside Marketplace	Nashville	189,299
661	Eastwick Wellness Center	Philadelphia	36,511				
662	Upper Darby Wellness Center	Philadelphia	48,936				





Site	Center Name	City	GLA	Site	Center Name	City	GLA
282	Old Towne Village	Nashville	184,506	567	Center at Baybrook	Houston	434,997
583	Marketplace at Rivergate	Nashville	109,012	655	Woodforest S.C.	Houston	113,831
588	The Shoppes at Rivergate	Nashville	172,135	719	Sharpstown Court	Houston	84,188
<b>Texas</b>				817	Westheimer Plaza	Houston	96,500
879	Westgate Plaza	Amarillo	343,989	823	Baytown Village S.C.	Houston	86,240
879A	Westgate Plaza-Shops at Soncy	Amarillo	142,747	1003	Market Street-The Woodlands	Houston	169,000
564	Arboretum Crossing	Austin	191,760	1006	Northwest Marketplace	Houston	183,024
589	Center of the Hills	Austin	157,852	1086	Cypress Towne Center	Houston	-
1099	Temple Towne Center	Austin	274,786	778	Market Place S.C.	Killeen	61,453
1116	Austin Shopping Center	Austin	108,028	1113	Lake Worth Towne Crossing	Lake Worth	-
444	Dowlen Towne Center	Beaumont	76,000	678	South Plains Plaza	Lubbock	108,326
1101	South Towne Plaza	Burleson	-	717	Forum at Olympia Parkway	San Antonio	129,000
878	Islands Plaza Shopping Center	Corpus Christi	125,454	771	San Pedro Avenue S.C.	San Antonio	79,902
160	Plaza Rios	Dallas	105,195	1016	New Braunfels	San Antonio	86,479
170	Big Town Mall	Dallas	-	738	Parkdale S.C.	Waco	101,093
172	Dallas Center	Dallas	50,000	<b>Utah</b>			
256	Kroger Plaza	Dallas	79,550	103	Costco Plaza	Salt Lake City	142,628
270	Big Town Mall	Dallas	101,040	<b>Virginia</b>			
339	Walgreens Plaza	Dallas	13,905	1039	Burke Town Plaza	Burke	125,830
344	Walgreens S.C.	Dallas	13,905	547	Costco Plaza	Fairfax	323,262
565	Cityplace Market	Dallas	83,867	1074	Spotsylvania Crossing	Fredericksburg	141,857
566	Broadmoor Village	Dallas	62,000	466	Skyline Village Plaza	Harrisonburg	31,111
568	Shops at Vista Ridge	Dallas	74,837	944	Dukes Plaza	Harrisonburg	139,956
569	Vista Ridge Plaza	Dallas	123,560	1071	Skyline Village	Harrisonburg	150,404
570/571	Mesquite Town Centre Plaza	Dallas	209,836	672	Festival at Manassas	Manassas	117,525
572	Richardson Plaza	Dallas	115,579	1076	Sudley Towne Plaza	Manassas	107,761
590	Vista Ridge Plaza	Dallas	93,668	462	Westpark Center	Richmond	84,683
642	Kroger Center	Dallas	41,364	467	Colonial Heights	Richmond	60,909
712	Cedar Hill Crossing	Dallas	187,800	800	Burlington Coat Center	Richmond	128,612
768	Parker Plaza S.C.	Dallas	79,902	930	Food Lion Plaza	Richmond	50,280
816	Accent Plaza	Dallas	100,598	952	Towne Square	Roanoke	302,128
819	Skyline Plaza	Dallas	96,500	1021A	Potomac Run Plaza	Sterling	361,375
820	Broadway Center	Dallas	103,600	334	Sports Authority S.C.	Virginia Beach	41,262
236	Village By The Parks II	Fort Worth	75,248	225	Gordon Plaza	Woodbridge	189,563
496/A	Gateway Station	Fort Worth	27,000	915-920	Smoketown Station	Woodbridge	495,596
496B	Gateway Station	Fort Worth	280,430	1072	Smoketown Plaza	Woodbridge	316,626
783	Eules Town Center	Fort Worth	61,453	<b>Washington</b>			
827	Richland Center	Fort Worth	-	542	Cordata Center	Bellingham	188,885
866	Arlington Center	Fort Worth	96,127	1029	Triangle Mall	Longview	156,000
1100	Montgomery Plaza	Fort Worth	-	035	Pavilions Center	Seattle	200,126
010	Fairway Plaza	Houston	169,203	050	Parkway SuperCenter	Seattle	467,496
010A	Fairway Plaza II	Houston	241,172	163	Marysville Town Center	Seattle	226,038
042	Fountains on the Lake	Houston	585,901	167	Franklin Park Commons	Spokane	129,785
255A	Stafford Plaza	Houston	95,032	1031	Hazel Dell Towne Center	Vancouver	-
487	Tomball Crossings	Houston	77,000				



Site	Center Name	City	GLA
<b>West Virginia</b>			
330	Charles Town Plaza	Charles Town	208,048
314	Lowe's Home Center	Charleston	129,046
595	Riverwalk Plaza	Charleston	188,589
322	Rite Aid	Danville	18,000
285	Ames Plaza	Huntington	2,400
376	Martin's Food Plaza	Martinsburg	43,212
328	Rite Aid	Wayne	10,800
<b>Wisconsin</b>			
381	Badger Plaza	Racine	157,150
<b>Canada</b>			
<b>Alberta</b>			
509	Shawnessy Towne Centre	Calgary	306,059
510	Shoppes @ Shawnessy	Calgary	163,000
512	Brentwood Village	Calgary	312,311
514	South Edmonton Common	Edmonton	390,202
911	Centre Grande Prairie	Edmonton	63,413
<b>British Columbia</b>			
517	Parkwood Place S.C.	Prince George	372,725
518	Peninsula Village S.C.	Surrey	170,591
515	Clearbrook Town Centre	Vancouver	188,252
516	Junction S.C.	Vancouver	256,547
519	Abbotsford Power Center	Vancouver	198,574
531	Langley Gate S.C.	Vancouver	151,802
534	Tillicum Centre	Vancouver	411,393
536	Langley Power Center	Vancouver	228,314
533	Strawberry Hill S.C.	Vancouver	332,817
<b>Ontario</b>			
978	Walker Place	Burlington	69,857
535	Lincoln Fields Centre	Ottawa	286,791
538	Boulevard Centre I	Ottawa	217,446
539	Boulevard Centre II	Ottawa	-
791	Boulevard Centre III	Ottawa	-
797	RioCan Centre Sudbury	Sudbury	234,299
793	Green Lane Centre	Toronto	172,194
911	Leaside Centre	Toronto	133,035
980	Shoppers World Danforth	Toronto	328,820
981	Dufferin	Toronto	-
770	Shoppers World Albion	Etobicoke	341,030

Site	Center Name	City	GLA
537	404 Town Centre	Newmarket	249,403
988	RioCan Grand Park	Ottawa	25,000
536	Kendalwood Park Plaza	Whitby	154,445
976	Thickson Ridge Power Centre	Whitby	322,904
519	Brampton Center	Brampton	-
<b>Prince Edward Island</b>			
733	Charlottetown Mall	Charlottetown	389,704
<b>Quebec</b>			
610	Centre Regional Chateauguay	Chateauguay	211,573
921	Place Greenfield Park	Greenfield Park	374,693
977	Centre Jacques-Cartier	Longueuil	212,849
<b>Mexico</b>			
921	Juarez	Juarez	290,388
189	Plaza Real Sendero Norte	Monterrey	146,861
181	Plaza Real Saltillo	Saltillo	174,637

**Total Number of Properties Owned or Managed 700\***

**Total GLA Owned or Managed 96,734,310**

\*Total excludes 27 properties in the Kimco Preferred Equity Program

## RECONCILIATION FROM NET INCOME TO FUNDS FROM OPERATIONS

(in thousands, except per share information)

	2003	2002	2001	2000	1999
Net income	\$307,879	\$245,668	\$236,538	\$205,025	\$176,778
Gain on dispositions of operating properties	(50,834)	(12,778)	(3,040)	(3,962)	(1,552)
Depreciation and amortization	89,068	76,674	74,209	71,129	67,416
Depreciation and amortization-real estate joint ventures	29,456	17,779	12,718	8,277	5,239
Preferred stock redemption costs	(7,788)	-	-	-	-
Preferred stock dividends	(14,669)	(18,437)	(24,553)	(26,328)	(26,478)
<b>Funds from Operations</b>	<b>\$353,112</b>	<b>\$308,906</b>	<b>\$295,872</b>	<b>\$254,141</b>	<b>\$221,403</b>
<b>Per Common Share</b>					
Basic	\$3.30	\$2.96	\$3.07	\$2.74	\$2.44
Diluted	\$3.23 <sup>(1)</sup>	\$2.93 <sup>(2)</sup>	\$2.99 <sup>(3)</sup>	\$2.69 <sup>(3)</sup>	\$2.41 <sup>(3)</sup>
<b>Weighted Average Shares Outstanding</b>					
Basic	107,092	104,458	96,317	92,688	90,709
Diluted	111,168 <sup>(1)</sup>	105,969 <sup>(1)</sup>	101,163 <sup>(3)</sup>	97,586 <sup>(3)</sup>	95,463 <sup>(3)</sup>

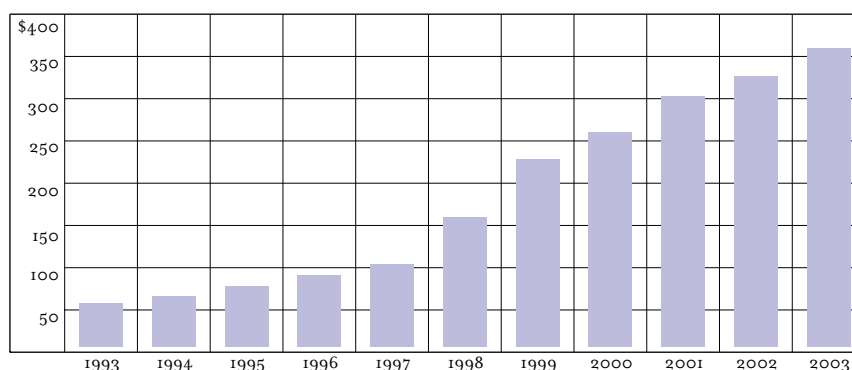
(1) Reflects the potential impact if certain units were converted to common stock at the beginning of the period. Funds from operations would be increased by \$5,771 for the year ended December 31, 2003, and \$1,423 for the year ended December 31, 2002, reflecting the distributions associated with the units.

(2) 2002 FFO was reduced from \$3.03 to \$2.93 for the year ended December 31, 2002 to include gains on early extinguishment of debt of \$22,255 and adjustments to property carrying values of (\$33,030).

(3) Reflects the potential impact if the Class D Preferred Stock was converted to common stock at the beginning of the period. FFO would be increased by \$6,115, \$7,891 and \$8,041 for the years ended December 31, 2001, 2000 and 1999, respectively. Amounts represent the dividends paid on the Class D Preferred Stock.

### FUNDS FROM OPERATIONS

(in millions)





## SELECTED FINANCIAL DATA

(in thousands, except per share information)

Year ended December 31, <sup>(2)</sup>	2003	2002	2001	2000	1999
<b>Operating Data:</b>					
Revenues from rental property <sup>(1)</sup>	\$ 479,664	\$ 432,777	\$ 431,498	\$ 423,623	\$ 401,252
Interest expense <sup>(3)</sup>	\$ 102,709	\$ 85,323	\$ 87,005	\$ 90,858	\$ 83,479
Depreciation and amortization <sup>(3)</sup>	\$ 86,237	\$ 70,894	\$ 68,509	\$ 66,375	\$ 62,635
Gain on sale of development properties	\$ 17,495	\$ 15,880	\$ 13,418	\$ —	\$ —
Gain on sale of operating properties <sup>(3)</sup>	\$ 3,177	\$ —	\$ —	\$ 3,962	\$ 1,552
Provision for income taxes	\$ 8,514	\$ 12,904	\$ 19,376	\$ —	\$ —
Income from continuing operations	\$ 233,781	\$ 234,242	\$ 207,256	\$ 187,897	\$ 160,749
Income per common share, from continuing operations:					
Basic	\$ 2.10	\$ 2.16	\$ 2.01	\$ 1.74	\$ 1.48
Diluted	\$ 2.07	\$ 2.14	\$ 1.98	\$ 1.73	\$ 1.47
Weighted average number of shares of common stock:					
Basic	107,092	104,458	96,317	92,688	90,709
Diluted	108,770	105,969	101,163	93,653	91,466
Cash dividends declared per common share	\$ 2.19	\$ 2.10	\$ 1.96	\$ 1.81	\$ 1.64
As of December 31,	2003	2002	2001	2000	1999
<b>Balance Sheet Data:</b>					
Real estate, before accumulated depreciation	\$4,136,524	\$3,398,971	\$3,201,364	\$3,114,503	\$2,951,050
Total assets	\$4,603,925	\$3,758,350	\$3,387,342	\$3,175,294	\$3,011,297
Total debt	\$2,154,948	\$1,576,982	\$1,328,079	\$1,325,663	\$1,249,571
Total stockholders' equity	\$2,135,846	\$1,908,800	\$1,892,647	\$1,708,285	\$1,609,256
Cash flow provided by operations	\$ 308,632	\$ 278,931	\$ 287,444	\$ 250,546	\$ 237,153
Cash flow used for investing activities	\$ (642,365)	\$ (396,655)	\$ (157,193)	\$ (191,626)	\$ (205,219)
Cash flow (used for) provided by financing activities	\$ 346,059	\$ 59,839	\$ (55,501)	\$ (67,899)	\$ (47,778)

(1) Does not include (i) revenues from rental property relating to unconsolidated joint ventures, (ii) revenues relating to the investment in retail store leases and (iii) revenues from properties included in discontinued operations.

(2) All years have been adjusted to reflect the impact of operating properties sold during 2003 and 2002 and properties classified as held for sale as of December 31, 2003 which are reflected in discontinued operations in the Consolidated Statements of Income.

(3) Does not include amounts reflected in Discontinued operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Annual Report. Historical results and percentage relationships set forth in the Consolidated Statements of Income contained in the Consolidated Financial Statements, including trends which might appear, should not be taken as indicative of future operations.

## Forward-Looking Statements

This Annual Report, together with other statements and information publicly disseminated by Kimco Realty Corporation (the "Company" or "Kimco") contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe the Company's future plans, strategies and expectations, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) general economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iii) financing risks, such as the inability to obtain equity or debt financing on favorable terms, (iv) changes in governmental laws and regulations, (v) the level and volatility of interest rates (vi) the availability of suitable acquisition opportunities and (vii) increases in operating costs. Accordingly, there is no assurance that the Company's expectations will be realized.

## Executive Summary

Kimco Realty Corporation is one of the nation's largest publicly-traded owners and operators of neighborhood and community shopping centers. As of February 5, 2004, the Company's portfolio was comprised of 699 property interests, including 620 shopping center properties (including 26 property interests relating to the Company's Preferred Equity program), 36 retail store leases, 33 ground-up development projects and ten undeveloped parcels of land, totaling approximately 102.6 million square feet of leasable

space (including 3.9 million square feet related to the Company's Preferred Equity program and 4.9 million square feet projected for the ground-up development projects) located in 41 states, Canada and Mexico.

The Company is self-administered and self-managed through present management, which has owned and managed neighborhood and community shopping centers for over 40 years. The executive officers are engaged in the day-to-day management and operation of real estate exclusively with the Company, with nearly all operating functions, including leasing, asset management, maintenance, construction, legal, finance and accounting administered by the Company.

Additionally, in connection with the Tax Relief Extension Act of 1999 (the "RMA"), which became effective January 1, 2001, the Company is now permitted to participate in activities which it was precluded from previously in order to maintain its qualification as a Real Estate Investment Trust ("REIT"), so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Internal Revenue Code, subject to certain limitations. As such, the Company, through its taxable REIT subsidiaries, is engaged in various retail real estate related opportunities including (i) merchant building, through its Kimco Developers, Inc. ("KDI") subsidiary, which is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion (ii) retail real estate advisory and disposition services which primarily focus on leasing and disposition strategies of retail real estate controlled by both healthy and distressed and/or bankrupt retailers and (iii) acting as an agent or principal in connection with tax deferred exchange transactions. The Company will consider other investments through taxable REIT subsidiaries should suitable opportunities arise.

The Company's strategy is to maintain a strong balance sheet while investing opportunistically and selectively. The Company intends to continue to execute its plan of delivering solid growth in earnings and dividends. As a result of the improved 2003 performance, the Board of Directors increased the quarterly dividend to \$0.57 from \$0.54, effective for the first quarter of 2004.

## Critical Accounting Policies

The Consolidated Financial Statements of the Company include the accounts of the Company, its wholly-owned subsidiaries and all partnerships in which the Company has a controlling interest. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and related notes. In preparing these financial statements, management has made its best estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates are based on, but not limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

to, historical results, industry standards and current economic conditions, giving due consideration to materiality. The most significant assumptions and estimates relate to revenue recognition and the recoverability of trade accounts receivable, depreciable lives and valuation of real estate. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

### *Revenue Recognition and Accounts Receivable*

Base rental revenues from rental property are recognized on a straight-line basis over the terms of the related leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recorded once the required sales level is achieved. In addition, leases typically provide for reimbursement to the Company of common area maintenance, real estate taxes and other operating expenses. Operating expense reimbursements are recognized as earned. Rental income may also include payments received in connection with lease termination agreements.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. The Company analyzes accounts receivable and historical bad debt levels, customer credit worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims. The Company's reported net income is directly affected by management's estimate of the collectability of accounts receivable.

### *Real Estate*

Upon acquisition of operating real estate properties, the Company estimates the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships) and assumed debt in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations* ("SFAS No. 141"). Based on these estimates, the Company allocates the purchase price to the applicable assets and liabilities. The Company utilized methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The useful lives of amortizable intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful lives.

The Company's investments in real estate properties are carried at cost, less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset, are capitalized.

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 to 46 years
Fixtures, building and leasehold improvements (including certain identified intangible assets)	Terms of leases or useful lives, whichever is shorter

The Company is required to make subjective assessments as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on the Company's net income.

Real estate under development on the Company's Consolidated Balance Sheets represents ground-up development projects which are held for sale upon completion. These assets are carried at cost and no depreciation is recorded. The cost of land and buildings under development includes specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. The Company ceases cost capitalization when the property is held available for occupancy upon substantial completion of tenant improvements, but no later than one year from the completion of major construction activity. If in management's opinion, the estimated net sales price of these assets is less than the net carrying value, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property. A gain on the sale of these assets is generally recognized using the full accrual method in accordance with the provisions of Statement of Financial Accounting Standards No. 66, *Accounting for Real Estate Sales*.

### *Long-Lived Assets*

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties (including any related amortizable intangible assets or liabilities) may be impaired. A property value is considered impaired only if management's estimate of current and projected operating cash flows (undiscounted and without interest charges) of the property over its remaining useful life is less than the net carrying value of the property. Such cash flow projections consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the carrying value of the property would be adjusted to an amount to reflect the estimated fair value of the property.

When a real estate asset is identified by management as held for sale the Company ceases depreciation of the asset

and estimates the sales price of such asset net of selling costs. If, in management's opinion, the net sales price of the asset is less than the net book value of such asset, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties, investments in joint ventures and other investments. The Company's reported net income is directly affected by management's estimate of impairments and/or valuation allowances.

## Results of Operations

### *Comparison 2003 to 2002*

Revenues from rental property increased \$46.9 million or 10.8% to \$479.7 million for the year ended December 31, 2003, as compared with \$432.8 million for the year ended December 31, 2002. This net increase resulted primarily from the combined effect of (i) the acquisition of 55 operating properties during 2003, including 41 operating properties acquired in the Mid-Atlantic Merger, providing revenues of \$34.2 million for the year ended December 31, 2003, (ii) the full-year impact related to the 13 operating properties acquired in 2002 providing incremental revenues of \$16.6 million and (iii) an overall increase in shopping center portfolio occupancy to 90.7% at December 31, 2003 as compared to 87.8% at December 31, 2002 and the completion of certain development and redevelopment projects, providing incremental revenues of approximately \$18.1 million as compared to the corresponding year ended December 31, 2002, offset by (iv) a decrease in revenues of approximately \$8.4 million resulting from the bankruptcy filing of Kmart Corporation ("Kmart") and subsequent rejection of leases and (v) sales of certain development properties and tenant buyouts resulting in a decrease of revenues of approximately \$13.6 million as compared to the preceding year.

Rental property expenses including depreciation and amortization increased \$25.7 million or 13.8% to \$212.7 million for the year ended December 31, 2003 as compared to \$187.0 million for the preceding year. The rental property expense components of operating and maintenance and depreciation and amortization increased approximately \$24.8 million or 21.5% for the year ended December 31, 2003 as compared with the year ended December 31, 2002. This increase is primarily due to property acquisitions during 2003 and 2002 and increased snow removal costs during 2003.

Income from other real estate investments increased \$6.8 million to \$22.8 million as compared to \$16.0 million for the preceding year. This increase is primarily due to increased investment in the Company's Preferred Equity program contributing \$4.6 million during 2003 as compared to \$1.0 million in 2002, contribution of \$12.1 million from the

Kimsouth investment resulting from the disposition of 14 investment properties during 2003, offset by a decrease in income of \$7.8 million from the Montgomery Ward asset designation rights transaction.

Management and other fee income increased approximately \$3.2 million to \$15.3 million for the year ended December 31, 2003 as compared to \$12.1 million for the year ended December 31, 2002. This increase is primarily due to (i) increased management and acquisition fees resulting from the growth of the KROP portfolio, (ii) increased management fees from KIR resulting from the growth of the KIR portfolio and (iii) increased property management activity providing incremental fee income of approximately \$1.1 million for the year ended December 31, 2003 as compared to the preceding year.

Interest expense increased \$17.4 million or 20.4% to \$102.7 million for the year ended December 31, 2003, as compared with \$85.3 million for the year ended December 31, 2002. This increase is primarily due to an overall increase in borrowings during the year ended December 31, 2003 as compared to the preceding year, including additional borrowings and assumption of mortgage debt totaling approximately \$616.0 million in connection with the Mid-Atlantic Merger.

General and administrative expenses increased approximately \$7.1 million for the year ended December 31, 2003, as compared to the preceding calendar year. This increase is primarily due to (i) increased staff levels related to the growth of the Company and (ii) other personnel related costs, associated with a realignment of our regional operations.

During 2003, the Company reached agreement with certain lenders in connection with three individual non-recourse mortgages encumbering three former Kmart sites. The Company paid approximately \$14.2 million in full satisfaction of these loans which aggregated approximately \$24.0 million. As a result of these transactions, the Company recognized a gain on early extinguishment of debt of approximately \$9.7 million during 2003.

During December 2002, the Company reached agreement with certain lenders in connection with four individual non-recourse mortgages encumbering four former Kmart sites. The Company paid approximately \$24.2 million in full satisfaction of these loans which aggregated approximately \$46.5 million. The Company recognized a gain on early extinguishment of debt of approximately \$22.3 million for the year ended December 31, 2002.

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment objectives and the performance and prospects of each asset, the Company determined in 2002, that its investment in four operating properties, comprised of an aggregate 0.4 million square feet of gross leasable area ("GLA") with an aggregate net book value of approximately \$23.8 million, may not be fully recoverable. Based



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

upon management's assessment of current market conditions and the lack of demand for the properties, the Company has reduced its potential holding period of these investments. As a result of the reduction in the anticipated holding period, together with a reassessment of the projected future operating cash flows of the properties and the effects of current market conditions, the Company has determined that its investment in these assets was not fully recoverable and has recorded an adjustment of property carrying value aggregating approximately \$12.5 million for the year ended December 31, 2002. Approximately \$1.5 million relating to the adjustment of property carrying value for one of these properties is included in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

Provision for income taxes decreased \$4.4 million to \$8.5 million for the year ended December 31, 2003, as compared with \$12.9 million for the year ended December 31, 2002. This decrease is primarily due to less taxable income provided by the Montgomery Ward asset designation rights transaction in 2003 as compared to 2002.

Equity in income of real estate joint ventures, net increased \$4.6 million to \$42.3 million for the year ended December 31, 2003, as compared to \$37.7 million for the year ended December 31, 2002. This increase is primarily attributable to the equity in income from the Kimco Income REIT joint venture investment, the RioCan joint venture investment, and the KROP joint venture investment as described below.

During 1998, the Company formed KIR, a limited partnership established to invest in high-quality retail properties financed primarily through the use of individual non-recourse mortgages. The Company has a 43.3% non-controlling limited partnership interest in KIR, which the Company manages, and accounts for its investment in KIR under the equity method of accounting. Equity in income of KIR increased \$1.6 million to \$19.8 million for the year ended December 31, 2003, as compared to \$18.2 million for the preceding year. This increase is primarily due to the Company's increased capital investment in KIR totaling \$13.0 million during 2003 and \$23.8 million during 2002. The additional capital investments received by KIR from the Company and its other institutional partners were used to purchase additional shopping center properties throughout calendar years 2003 and 2002.

During October 2001, the Company formed a joint venture (the "RioCan Venture") with RioCan Real Estate Investment Trust ("RioCan," Canada's largest publicly traded REIT measured by GLA), in which the Company has a 50% non-controlling interest, to acquire retail properties and development projects in Canada. As of December 31, 2003, the RioCan Venture consisted of 31 shopping center properties and three development projects with approximately 7.2 million square feet of GLA. The Company's equity in income from the RioCan Venture increased approximately \$3.4 million to \$12.5 million for the year

ended December 31, 2003, as compared to \$9.1 million for the preceding year.

During October 2001, the Company formed the Kimco Retail Opportunity Portfolio ("KROP"), a joint venture with GE Capital Real Estate ("GECRE") which the Company manages and has a 20% non-controlling interest. The purpose of this venture is to acquire established, high-growth potential retail properties in the United States. As of December 31, 2003, KROP consisted of 23 shopping center properties with approximately 3.5 million square feet of GLA. The Company's equity in income from the KROP venture increased approximately \$1.0 million to \$2.0 million for the year ended December 31, 2003, as compared to \$1.0 million for the preceding year.

Minority interests in income of partnerships, net increased \$5.5 million to \$7.9 million as compared to \$2.4 million for the preceding year. This increase is primarily due to the full year effect of the acquisition of a shopping center property acquired during October 2002, through a newly formed partnership by issuing approximately 2.4 million downREIT units valued at \$80 million. The downREIT units are convertible at a ratio of 1:1 into the Company's common stock and are entitled to a distribution equal to the dividend rate on the Company's common stock multiplied by 1.1057.

During 2003, the Company disposed of, in separate transactions, (i) 10 operating shopping center properties, for an aggregate sales price of approximately \$119.1 million, including the assignment of approximately \$1.7 million of mortgage debt encumbering one of the properties, (ii) two regional malls for an aggregate sales price of approximately \$135.6 million, (iii) one out-parcel for a sales price of approximately \$8.1 million, (iv) transferred three operating properties to KROP for a price of approximately \$144.2 million which approximated their net book value, (v) transferred an operating property to a newly formed joint venture in which the Company has a non-controlling 10% interest for a price of approximately \$21.9 million which approximated its net book value and (vi) terminated four leasehold positions in locations where a tenant in bankruptcy had rejected its lease. These transactions resulted in net gains of approximately \$50.8 million.

For those property dispositions for which SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144") is applicable, the operations and gain or loss on the sale of the property have been included in the caption Discontinued operations on the Company's Consolidated Statements of Income.

During 2003, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as "Held for Sale" in accordance with SFAS No. 144. The book value of these properties, aggregating approximately \$19.5 million, net of accumulated depreciation of approximately \$2.0 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately \$15.4 million,

is based upon contracts of sale with third parties less estimated selling costs. As a result, the Company recorded an adjustment of property carrying values of \$4.0 million. This adjustment is included, along with the related property operations for the current and comparative years, in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During 2002, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as "Held for Sale" in accordance with SFAS No. 144. The book value of these properties, aggregating approximately \$28.4 million, net of accumulated depreciation of approximately \$2.9 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately \$7.9 million, is based upon executed contracts of sale with third parties less estimated selling costs. As a result, the Company recorded an adjustment of property carrying values of \$20.5 million. This adjustment is included, along with the related property operations for the current and comparative years, in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

Effective January 1, 2001, the Company has elected taxable REIT subsidiary status for its wholly-owned development subsidiary, "KDI". KDI is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion. During the year ended December 31, 2003, KDI sold four projects and 26 out-parcels, in separate transactions, for approximately \$134.6 million. These sales resulted in pre-tax gains of approximately \$17.5 million.

During the year ended December 31, 2002, KDI sold four of its recently completed projects and eight out-parcels, in separate transactions, for approximately \$128.7 million, including the assignment of approximately \$17.7 million of mortgage debt encumbering one of the properties which resulted in pre-tax profits of \$15.9 million.

Net income for the year ended December 31, 2003 was \$307.9 million as compared to \$245.7 million for the year ended December 31, 2002. On a diluted per share basis, net income increased \$0.46 to \$2.62 for the year ended December 31, 2003 as compared to \$2.16 for the preceding year. This improved performance is primarily attributable to (i) the acquisition of operating properties, including the Mid-Atlantic Merger, during 2003 and 2002, (ii) significant leasing within the portfolio which improved operating profitability, (iii) increased contributions from KIR, the RioCan Venture and KROP, (iv) increased gains on development sales from KDI and (v) increased gains from operating property sales of \$50.8 million in 2003 as compared to \$12.8 million in 2002. The 2003 improvement also includes the impact from gains on early extinguishment of debt of \$9.7 million in 2003 as compared to \$22.3 million in 2002 and adjustments to property carrying values of \$4.0 million

in 2003 and \$33.0 million in 2002. The 2003 diluted per share results were decreased by a reduction in net income available to common shareholders of \$0.07 resulting from the deduction of original issuance costs associated with the redemption of the Company's 7<sup>3</sup>/<sub>4</sub>% Class A, 8<sup>1</sup>/<sub>2</sub>% Class B and 8<sup>3</sup>/<sub>8</sub>% Class C Cumulative Redeemable Preferred Stocks during the second quarter of 2003.

#### *Comparison 2002 to 2001*

Revenues from rental property increased \$1.3 million or 0.3% to \$432.8 million for the year ended December 31, 2002, as compared with \$431.5 million for the year ended December 31, 2001. This net increase resulted primarily from the combined effect of (i) the acquisition of 13 operating properties during 2002, providing revenues of \$5.1 million for the year ended December 31, 2002, (ii) the full year impact related to the three operating properties acquired in 2001 providing incremental revenues of \$2.3 million (iii) the completion of certain development and redevelopment projects, tenant buyouts and new leasing within the portfolio providing incremental revenues of approximately \$20.5 million as compared to the corresponding year ended December 31, 2001, offset by (iv) an overall decrease in shopping center portfolio occupancy to 87.8% at December 31, 2002 as compared to 90.4% at December 31, 2001 due primarily to the bankruptcy filing of Kmart and Ames Department Stores, Inc. ("Ames") and subsequent rejection of leases resulting in a decrease of revenues of approximately \$24.2 million as compared to the preceding year and (v) sales of certain shopping center properties throughout 2001 and 2002, resulting in a decrease of revenues of approximately \$2.4 million as compared to the preceding year.

Rental property expenses, including depreciation and amortization, increased \$10.2 million or 5.8% to \$187.0 million for the year ended December 31, 2002 as compared to \$176.8 million for the preceding year. The rental property expense component of real estate taxes increased approximately \$6.4 million or 11.8% for the year ended December 31, 2002 as compared with the year ended December 31, 2001. This increase relates primarily to the payment of real estate taxes by the Company on certain Kmart anchored locations where Kmart previously paid the real estate taxes directly to the taxing authorities. The rental property expense component of operating and maintenance increased approximately \$1.7 million or 4.1% for the year ended December 31, 2002 as compared with the year ended December 31, 2001. This increase is primarily due to property acquisitions during 2002 and 2001, renovations within the portfolio and higher professional fees relating to tenant bankruptcies.

Income from other real estate investments decreased \$22.1 million to \$16.0 million as compared to \$38.1 million for the preceding year. This decrease is primarily due to the decrease in income from the Montgomery Ward asset designation rights transactions described below.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

During March 2001, the Company, through a taxable REIT subsidiary, formed a real estate joint venture (the "Ward Venture") in which the Company has a 50% interest, for purposes of acquiring asset designation rights for substantially all of the real estate property interests of the bankrupt estate of Montgomery Ward LLC and its affiliates. These asset designation rights have provided the Ward Venture the ability to direct the ultimate disposition of the 315 fee and leasehold interests held by the bankrupt estate, of which 303 transactions were completed as of December 31, 2002. During the year ended December 31, 2002, the Ward Venture completed transactions for 32 properties. The pre-tax profits from the Ward Venture decreased approximately \$23.3 million to \$11.3 million for the year ended December 31, 2002 as compared to \$34.6 million for the preceding year.

Mortgage financing income increased \$16.8 million to \$19.4 million for the year ended December 31, 2002 as compared to \$2.6 million for the year ended December 31, 2001. This increase is primarily due to increased interest income earned related to certain real estate lending activities during the year ended December 31, 2002.

Management and other fee income increased approximately \$5.7 million to \$12.1 million for the year ended December 31, 2002 as compared to \$6.4 million for the year ended December 31, 2001. This increase is primarily due to (i) a \$0.6 million increase in management fees from KIR resulting from the growth of the KIR portfolio, (ii) \$2.1 million of management and acquisition fees relating to the KROP joint venture activities during the year ended December 31, 2002 and (iii) increased property management activity providing incremental fee income of approximately \$3.0 million.

Other income/(expense), net increased approximately \$4.7 million to \$2.5 million for the year ended December 31, 2002 as compared to the preceding calendar year. This increase is primarily due to pre-tax profits earned from the Company's participation in ventures established to provide inventory liquidation services to regional retailers in bankruptcy.

Interest expense decreased \$1.7 million or 1.9% to \$85.3 million for the year ended December 31, 2002, as compared with \$87.0 million for the year ended December 31, 2001. This decrease is primarily due to reduced interest costs on the Company's floating-rate revolving credit facilities and remarketed reset notes which was partially offset by an increase in borrowings during the year ended December 31, 2002, as compared to the preceding year.

General and administrative expenses increased approximately \$3.3 million for the year ended December 31, 2002, as compared to the preceding calendar year. This increase is primarily due to higher costs related to the growth of the Company including (i) increased senior management and staff levels, (ii) increased system related costs and (iii) other personnel related costs.

The Company had previously encumbered certain Kmart sites with individual non-recourse mortgages as part of its strategy to reduce its exposure to Kmart. As a result of the Kmart bankruptcy filing in January 2002 and the subsequent rejection of leases including leases at these encumbered sites, the Company, during July 2002, had suspended debt services payments on these loans and was actively negotiating with the respective lenders. During December 2002, the Company reached agreement with certain lenders in connection with four of these locations. The Company paid approximately \$24.2 million in full satisfaction of these loans which aggregated approximately \$46.5 million. The Company recognized a gain on early extinguishment of debt of approximately \$22.3 million.

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment objectives and the performance and prospects of each asset, the Company determined in 2002, that its investment in four operating properties, comprised of an aggregate 0.4 million square feet of GLA with an aggregate net book value of approximately \$23.8 million, may not be fully recoverable. Based upon management's assessment of current market conditions and the lack of demand for the properties, the Company has reduced its potential holding period of these investments. As a result of the reduction in the anticipated holding period, together with a reassessment of the projected future operating cash flows of the properties and the effects of current market conditions, the Company has determined that its investment in these assets was not fully recoverable and has recorded an adjustment of property carrying value aggregating approximately \$12.5 million, of which approximately \$1.5 million is included in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

Equity in income of real estate joint ventures, net increased \$16.0 million to \$37.7 million for the year ended December 31, 2002, as compared to \$21.7 million for the year ended December 31, 2001. This increase is primarily attributable to the equity in income from the Kimco Income REIT joint venture investment, the RioCan joint venture investment and the KROP joint venture investment as described below.

During 1998, the Company formed KIR, a limited partnership established to invest in high-quality retail properties financed primarily through the use of individual non-recourse mortgages. The Company has a 43.3% non-controlling limited partnership interest in KIR, which the Company manages, and accounts for its investment in KIR under the equity method of accounting. Equity in income of KIR increased \$3.5 million to \$18.2 million for the year ended December 31, 2002, as compared to \$14.7 million for the preceding year. This increase is primarily due to the Company's increased capital investment in KIR totaling \$23.8 million during 2002 and \$30.8 million during 2001.



The additional capital investments received by KIR from the Company and its other institutional partners were used to purchase additional shopping center properties throughout calendar years 2002 and 2001.

During October 2001, the Company formed a joint venture (the "RioCan Venture") with RioCan Real Estate Investment Trust ("RioCan", Canada's largest publicly traded REIT measured by GLA), in which the Company has a 50% non-controlling interest, to acquire retail properties and development projects in Canada. As of December 31, 2002, the RioCan Venture consisted of 28 shopping center properties and four development projects with approximately 6.7 million square feet of GLA. The Company's equity in income from the RioCan Venture increased approximately \$8.7 million to \$9.1 million for the year ended December 31, 2002, as compared to \$0.4 million for the preceding year.

During October 2001, the Company formed the Kimco Retail Opportunity Portfolio ("KROP"), a joint venture with GE Capital Real Estate ("GECRE") which the Company manages and has a 20% non-controlling interest. The purpose of this venture is to acquire established, high-growth potential retail properties in the United States. As of December 31, 2002, KROP consisted of 15 shopping center properties with approximately 1.5 million square feet of GLA. During the year ended December 31, 2002, the Company's equity in income from KROP was approximately \$1.0 million.

Minority interests in income of partnerships, net increased \$0.7 million to \$2.4 million as compared to \$1.7 million for the preceding year. This increase is primarily due to the acquisition of a shopping center property acquired through a newly formed partnership by issuing approximately 2.4 million downREIT units valued at \$80 million. The downREIT units are convertible at a ratio of 1:1 into the Company's common stock and are entitled to a distribution equal to the dividend rate on the Company's common stock multiplied by 1.1057.

During 2002, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as "Held for Sale" in accordance with SFAS No. 144. The book value of these properties, aggregating approximately \$28.4 million, net of accumulated depreciation of approximately \$2.9 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately \$7.9 million, is based upon executed contracts of sale with third parties less estimated selling costs. As a result, the Company recorded an adjustment of property carrying values of \$20.5 million. This adjustment is included, along with the related property operations for the current and comparative years, in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During 2002, the Company, (i) disposed of, in separate

transactions, 12 operating properties for an aggregate sales price of approximately \$74.5 million, including the assignment/repayment of approximately \$22.6 million of mortgage debt encumbering three of the properties and, (ii) terminated five leasehold positions in locations where a tenant in bankruptcy had rejected its lease. These dispositions resulted in net gains of approximately \$12.8 million for the year ended December 31, 2002. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"), the operations and net gain on disposition of these properties have been included in the caption Discontinued operations on the Company's Consolidated Statements of Income.

During 2001, the Company, in separate transactions, disposed of three operating properties, including the sale of a property to KIR, and a portion of another operating property comprising in the aggregate approximately 0.6 million square feet of GLA. Cash proceeds from these dispositions aggregated approximately \$46.7 million, which resulted in a net gain of approximately \$3.0 million. Cash proceeds from the sale of the operating property in Elyria, OH totaling \$5.8 million, together with an additional \$7.1 million cash investment, were used to acquire an exchange shopping center property located in Lakeland, FL during August 2001.

Effective January 1, 2001, the Company has elected taxable REIT subsidiary status for its wholly-owned development subsidiary ("KDI"). KDI is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion. During the year ended December 31, 2002, KDI sold four projects and eight out-parcels, in separate transactions, for approximately \$128.7 million, including the assignment of approximately \$17.7 million of mortgage debt encumbering one of the properties. These sales resulted in pre-tax gains of approximately \$15.9 million.

During the year ended December 31, 2001, KDI sold two of its recently completed projects and five out-parcels, in separate transactions, for approximately \$61.3 million, which resulted in pre-tax profits of \$13.4 million.

Net income for the year ended December 31, 2002 was \$245.7 million as compared to \$236.5 million for the year ended December 31, 2001, representing an increase of \$9.2 million. This increase reflects the combined effect of increased contributions from the investments in KIR, KROP, the RioCan Venture and other financing investments, reduced by lower income resulting from tenant bankruptcies and subsequent rejection of leases and a decrease in profits from the Ward Venture.

#### Tenant Concentrations

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At December 31,

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

2003, the Company's five largest tenants were The Home Depot, Kmart Corporation, Kohl's, Royal Ahold, and TJX Companies, which represented approximately 3.0%, 2.9%, 2.8%, 2.6% and 2.5%, respectively, of the Company's annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

On January 14, 2003, Kmart announced it would be closing 326 locations relating to its January 22, 2002 filing of protection under Chapter 11 of the U.S. Bankruptcy Code. Nine of these locations (excluding the KIR portfolio which includes three additional locations and Kimsouth which includes two additional locations) are leased from the Company. The annualized base rental revenues from these nine locations are approximately \$4.3 million. As of December 31, 2003, Kmart rejected its lease at eight of these locations representing approximately \$3.8 million of annualized base rental revenues. The Company has signed a lease at three of these sites, terminated its ground lease at another site, sold two properties and continues to negotiate leases with prospective tenants at the two remaining sites.

### Liquidity and Capital Resources

It is management's intention that the Company continually have access to the capital resources necessary to expand and develop its business. As such, the Company intends to operate with and maintain a conservative capital structure with a level of debt to total market capitalization of 50% or less. As of December 31, 2003 the Company's level of debt to total market capitalization was 30%. In addition, the Company intends to maintain strong debt service coverage and fixed charge coverage ratios as part of its commitment to maintaining its investment-grade debt ratings. The Company may, from time to time, seek to obtain funds through additional equity offerings, unsecured debt financings and/or mortgage/construction loan financings and other debt and equity alternatives in a manner consistent with its intention to operate with a conservative debt structure.

Since the completion of the Company's IPO in 1991, the Company has utilized the public debt and equity markets as its principal source of capital for its expansion needs. Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity, raising in the aggregate over \$3.3 billion for the purposes of, among other things, repaying indebtedness, acquiring interests in neighborhood and community shopping centers, funding ground-up development projects, expanding and improving properties in the portfolio and other investments.

The Company has a \$500.0 million unsecured revolving credit facility, which is scheduled to expire in August 2006. This credit facility has made available funds to both finance the purchase of properties and other investments and meet any short-term working capital requirements. As of

December 31, 2003 there was \$45.0 million outstanding under this credit facility.

The Company also has a \$400.0 million unsecured bridge facility, which is scheduled to expire in September 2004, with an option to extend up to \$150.0 million for an additional year. Proceeds from this facility were used to partially fund the Mid-Atlantic Realty Trust transaction. (See Notes 3 and 13 of the Notes to Consolidated Financial Statements included in this Annual Report.) As of December 31, 2003, there was \$329.0 million outstanding on this unsecured bridge facility.

The Company has a \$300.0 million medium-term notes ("MTN") program pursuant to which it may, from time to time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs and (ii) managing the Company's debt maturities. (See Note 13 of the Notes to Consolidated Financial Statements included in this Annual Report).

In addition to the public equity and debt markets as capital sources, the Company may, from time to time, obtain mortgage financing on selected properties and construction loans to partially fund the capital needs of KDI, the Company's merchant building subsidiary. As of December 31, 2003, the Company had over 400 unencumbered property interests in its portfolio.

During May 2003, the Company filed a shelf registration statement on Form S-3 for up to \$1.0 billion of debt securities, preferred stock, depositary shares, common stock and common stock warrants. As of December 31, 2003, the Company had \$609.7 million available for issuance under this shelf registration statement.

In connection with its intention to continue to qualify as a REIT for federal income tax purposes, the Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows which are expected to increase due to property acquisitions, growth in operating income in the existing portfolio and from other investments. Since cash used to pay dividends reduces amounts available for capital investment, the Company generally intends to maintain a conservative dividend payout ratio, reserving such amounts as it considers necessary for the expansion and renovation of shopping centers in its portfolio, debt reduction, the acquisition of interests in new properties and other investments as suitable opportunities arise, and such other factors as the Board of Directors considers appropriate. Cash dividends paid increased to \$246.3 million in 2003, compared to \$235.6 million in 2002 and \$209.8 million in 2001.

Although the Company receives substantially all of its rental payments on a monthly basis, it generally intends to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution will be invested by

the Company in short-term money market or other suitable instruments.

The Company anticipates its capital commitment toward redevelopment projects during 2004 will be approximately \$50.0 million to \$75.0 million. Additionally, the Company anticipates its capital commitment toward ground-up development during 2004 will be approximately \$160.0 million to \$200.0 million. The proceeds from the sales of development properties and proceeds from construction loans in 2004 should be sufficient to fund the ground-up development capital requirements.

The Company anticipates that cash flows from operations will continue to provide adequate capital to fund its operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with REIT requirements in both the short-term and long-term. In addition, the Company anticipates that cash on hand, borrowings under its revolving credit facility, issuance of equity and public debt, as well as other debt and equity alternatives, will provide the necessary capital required by the Company. Cash flows from operations as reported in the Consolidated Statements of Cash Flows was \$308.6 million for 2003, \$278.9 million for 2002 and \$287.4 million for 2001.

#### *Contractual Obligations and Other Commitments*

The Company has debt obligations relating to its revolving credit facility, bridge facility, MTNs, senior notes, mortgages and construction loans with maturities ranging from less than one year to 20 years. As of December 31, 2003, the Company's total debt had a weighted average term to maturity of approximately 4.3 years. In addition, the Company has non-cancelable operating leases pertaining to its shopping center portfolio. As of December 31, 2003, the Company has certain shopping center properties that are subject to long-term ground leases where a third party owns and has leased the underlying land to the Company to construct and/or operate a shopping center. In addition, the Company has non-cancelable operating leases pertaining to its retail store lease portfolio. The following table summarizes the Company's debt maturities and obligations under non-cancelable operating leases as of December 31, 2003 (in millions):

	2004	2005	2006	2007	2008	There- after	Total
Long-Term Debt	\$570.4	\$244.6	\$198.1	\$207.6	\$143.1	\$791.2	\$2,155.0
Operating Leases							
Ground Leases	\$ 11.3	\$ 10.9	\$ 10.2	\$ 9.9	\$ 8.9	\$153.5	\$ 204.7
Retail Store Leases	\$ 7.9	\$ 7.7	\$ 6.3	\$ 4.4	\$ 2.7	\$ 2.8	\$ 31.8

The Company has \$50.0 million of unsecured senior notes, \$135.0 million of medium term notes and \$47.7 million of construction loans maturing in 2004. In addition, the

Company's unsecured bridge facility, which is scheduled to expire in September 2004, with an option to extend up to \$150.0 million for an additional year, had \$329.0 million outstanding as of December 31, 2003. The Company anticipates satisfying these maturities with a combination of operating cash flows, its unsecured revolving credit facility and new debt financings.

The Company has issued letters of credit in connection with the collateralization of tax-exempt mortgage bonds, completion guarantees for certain construction projects, and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately \$15.3 million.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CAD \$5.0 million (approximately USD \$3.9 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and has approximately CAD \$3.1 million (approximately USD \$2.4 million) outstanding as of December 31, 2003 relating to various development projects.

During 2003, the Company obtained construction financing on seven ground-up development projects for an aggregate loan commitment amount of up to \$152.2 million. As of December 31, 2003, the Company had 13 construction loans with total commitments of up to \$238.9 million of which \$92.8 million had been funded to the Company. These loans have maturities ranging from 18 to 36 months and interest rates ranging from 2.87% to 5.00% at December 31, 2003.

#### **Off-Balance Sheet Arrangements**

##### *Unconsolidated Real Estate Joint Ventures*

The Company has investments in various unconsolidated real estate joint ventures with varying structures. These investments include the Company's 43.3% non-controlling interest in KIR, the Company's 50% non-controlling interest in the RioCan Venture, the Company's 20% non-controlling interest in KROP, and varying interests in other real estate joint ventures. These joint ventures operate either shopping center properties or are established for development projects. Such arrangements are generally with third party institutional investors, local developers and individuals. The properties owned by the joint ventures are primarily financed with individual non-recourse mortgage loans. Non-recourse mortgage debt is generally defined as debt whereby the lenders' sole recourse with respect to borrower defaults is limited to the value of the property collateralized by the mortgage. The lender generally does not have recourse against any other assets owned by the borrower or any of the constituent members of the borrower, except for certain specified exceptions listed in the particular loan documents.

The KIR joint venture was established for the purpose



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

of investing in high quality real estate properties financed primarily with individual non-recourse mortgages. The Company believes that these properties are appropriate for financing with greater leverage than the Company traditionally uses. As of December 31, 2003, KIR had interests in 70 properties comprising 14.6 million square feet of GLA. As of December 31, 2003, KIR had obtained individual non-recourse mortgage loans on 68 of these properties. These non-recourse mortgage loans have maturities ranging from 2 to 15 years and rates ranging from 3.23% to 8.52%. As of December 31, 2003, the Company's pro-rata share of non-recourse mortgages relating to the KIR joint venture was approximately \$506.8 million. The Company also has unfunded capital commitments to KIR in the amount of approximately \$42.9 million as of December 31, 2003. (See Note 8 of the Notes to Consolidated Financial Statements included in this Annual Report.)

The RioCan Venture was established with RioCan Real Estate Investment Trust to acquire properties and development projects in Canada. As of December 31, 2003, the RioCan Venture consisted of 31 shopping center properties and three development projects with approximately 7.2 million square feet of GLA. As of December 31, 2003, the RioCan Venture had obtained individual, non-recourse mortgage loans on 27 of these properties aggregating approximately CAD \$590.6 million (USD \$453.3 million). These non-recourse mortgage loans have maturities ranging from five months to 11 years and rates ranging from 5.12% to 8.70%. As of December 31, 2003 the Company's pro-rata share of non-recourse mortgage loans relating to the RioCan Venture was approximately CAD \$295.3 million (USD \$226.7 million). (See Note 8 of the Notes to Consolidated Financial Statements included in this Annual Report.)

The Kimco Retail Opportunity Portfolio ("KROP"), a joint venture with GE Capital Real Estate ("GECRE") was established to acquire high-growth potential retail properties in the United States. As of December 31, 2003, KROP consisted of 23 shopping center properties with approximately 3.5 million square feet of GLA. As of December 31, 2003, KROP had non-recourse mortgage loans totaling \$295.1 million with fixed rates ranging from 4.25% to 8.64% and variable rates ranging from LIBOR plus 1.8% to LIBOR plus 2.5%. KROP has entered into a series of interest rate cap agreements to mitigate the impact of changes in interest rates on its variable rate mortgage agreements. Such mortgage debt is collateralized by the individual shopping center property and is payable in monthly installments of principal and interest. At December 31, 2003 the weighted average interest rate for all mortgage debt outstanding was 5.04% per annum. As of December 31, 2003, the Company's pro-rata share of non-recourse mortgage loans relating to the KROP joint venture was approximately \$59.0 million. Additionally, the Company along with its joint venture part-

ner have provided interim financing ("Short-term Notes") for all acquisitions without a mortgage in place at the time of closing. As of December 31, 2003 KROP has outstanding Short-term Notes of \$16.8 million due each the Company and GECRE. These short-term notes all have maturities of less than one year with rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25%. (See Note 8 of the Notes to Consolidated Financial Statements included in this Annual Report.)

The Company has various other unconsolidated real estate joint ventures with ownership interests ranging from 4% to 50%. As of December 31, 2003, these unconsolidated joint ventures had individual non-recourse mortgage loans aggregating approximately \$425.0 million. The Company's pro-rata share of these non-recourse mortgages was approximately \$187.0 million. (See Note 8 of the Notes to Consolidated Financial Statements included in this Annual Report.)

### *Other Real Estate Investments*

During November 2002, the Company, through its taxable REIT subsidiary, together with Prometheus Southeast Retail Trust, completed the merger and privatization of Konover Property Trust, which has been renamed Kimsouth Realty, Inc., ("Kimsouth"). The Company acquired 44.5% of the common stock of Kimsouth, which consisted primarily of 38 retail shopping center properties comprising approximately 4.6 million square feet of GLA. Total acquisition value was approximately \$280.9 million including approximately \$216.2 million in mortgage debt. The Company's investment strategy with respect to Kimsouth includes re-tenanting, repositioning and disposition of the properties. As a result of this strategy, Kimsouth has sold 16 properties as of December 31, 2003. The Kimsouth portfolio is comprised of 22 properties totaling 3.2 million square feet of GLA as of December 31, 2003 with non-recourse mortgage debt of approximately \$137.0 million encumbering the properties. All mortgages payable are collateralized by certain properties and are due in monthly installments. As of December 31, 2003, interest rates range from 2.88% to 9.22% and the weighted average interest rate for all mortgage debt outstanding was 5.71% per annum. As of December 31, 2003, the Company's pro-rata share of non-recourse mortgage loans relating to the Kimsouth portfolio was approximately \$61.0 million.

During June 2002, the Company acquired a 90% equity participation interest in an existing leveraged lease of 30 properties. The properties are leased under a long-term bond-type net lease whose primary term expires in 2016, with the lessee having certain renewal option rights. The Company's cash equity investment was approximately \$4.0 million. This equity investment is reported as a net investment in leveraged lease in accordance with SFAS No. 13, *Accounting for Leases* (as amended). The net investment in leveraged lease reflects the original cash investment adjusted by remaining net rentals, estimated unguaranteed residual

value, unearned and deferred income, and deferred taxes relating to the investment.

As of December 31, 2003, eight of these properties were sold whereby the proceeds from the sales were used to pay-down the mortgage debt by approximately \$18.7 million. As of December 31, 2003, the remaining 22 properties were encumbered by third-party non-recourse debt of approximately \$73.6 million that is scheduled to fully amortize during the primary term of the lease from a portion of the periodic net rents receivable under the net lease. As an equity participant in the leveraged lease, the Company has no recourse obligation for principal or interest payments on the debt, which is collateralized by a first mortgage lien on the properties and collateral assignment of the lease. Accordingly, this debt has been offset against the related net rental receivable under the lease.

### Effects of Inflation

Many of the Company's leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions include clauses enabling the Company to receive payment of additional rent calculated as a percentage of tenants' gross sales above pre-determined thresholds, which generally increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses often include increases based upon changes in the consumer price index or similar inflation indices. In addition, many of the Company's leases are for terms of less than 10 years, which permits the Company to seek to increase rents to market rates upon renewal. Most of the Company's leases require the tenant to pay an allocable share of operating expenses, including common area maintenance costs, real estate taxes and insurance, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation. The Company periodically evaluates its exposure to short-term interest rates and foreign currency exchange rates and will, from time to time, enter into interest rate protection agreements and/or foreign currency hedge agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate debt and fluctuations in foreign currency exchange rates.

### New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"), the primary objective of which is to provide guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and to determine when and which business enterprise should consolidate the VIE (the "primary beneficiary"). This new model applies when either (i) the equity investors (if any)

do not have a controlling financial interest or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional financial support. In addition, effective upon issuance, FIN 46 requires additional disclosures by the primary beneficiary and other significant variable interest holders. The provisions of FIN 46 apply immediately to VIEs created after January 31, 2003. In October 2003, the FASB issued FASB Staff Position 46-6, which deferred the effective date to December 31, 2003 for applying the provisions of FIN 46 for interests held by public companies in all VIEs created prior to February 1, 2003. Additionally, in December 2003, the FASB issued Interpretation No. 46(R), *Consolidation of Variable Interest Entities (revised December 2003)* ("FIN 46(R)"). The provisions of FIN 46(R) are effective as of March 31, 2004 for all non-special purpose entity ("non-SPE") interests held by public companies in all variable interest entities created prior to February 1, 2003. These deferral provisions did not defer the disclosure provisions of FIN 46(R).

The Company has evaluated its joint venture investments established after January 31, 2003 and based upon its interpretation of FIN 46 and applied judgment, the Company has determined that these joint venture investments are not VIEs and are not required to be consolidated.

The Company continues to evaluate all of its investments in joint ventures created prior to February 1, 2003 to determine whether any of these entities are VIEs and whether the Company is considered to be the primary beneficiary or a holder of a significant variable interest in the VIE. If it is determined that certain of these entities are VIEs the Company will be required to consolidate those entities in which the Company is the primary beneficiary or make additional disclosures for entities in which the Company is determined to hold a significant variable interest in the VIE as of March 31, 2004.

The Company's joint ventures and other real estate investments primarily consist of co-investments with institutional and other joint venture partners in neighborhood and community shopping center properties, consistent with its core business. These joint ventures typically obtain non-recourse third party financing on their property investments, thus contractually limiting the Company's losses to the amount of its equity investment, and due to the lender's exposure to losses, a lender typically will require a minimum level of equity in order to mitigate their risk. The Company's exposure to losses associated with its unconsolidated joint ventures is limited to its carrying value in these investments. (See Notes 8 and 9 of the Notes to Consolidated Financial Statements included in this Annual Report.)

In April 2003, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS No. 149"). This statement amends and clarifies financial accounting and reporting for derivative

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The provisions of this statement are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material adverse impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS No. 150"). This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The provisions of this statement are effective for financial instruments entered into or modified after May 31, 2003, and otherwise are effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003, the FASB deferred the classification and measurement provisions of SFAS No. 150 as they apply to certain mandatorily redeemable non-controlling interests. This deferral is expected to remain in effect while these provisions are further evaluated by the SFAS. As a result of this deferral, the adoption of SFAS No. 150 did not have a material adverse impact on the Company's financial position or results of operations.

At December 31, 2003, the estimated fair value of minority interests relating to mandatorily redeemable non-controlling interests associated with finite-lived subsidiaries of the Company is approximately \$3.9 million. These finite-lived subsidiaries have termination dates ranging from 2019 to 2027.

### Quantitative and Qualitative Disclosures About Market Risk

As of December 31, 2003, the Company had approximately \$558.2 million of floating-rate debt outstanding including \$45.0 million on its unsecured revolving credit facility, \$85 million of unsecured MTNs due August 2004 and \$329.0 million on its bridge facility due September 2004. The Company believes the interest rate risk on its floating-rate debt is not material to the Company or its overall capitalization.

As of December 31, 2003, the Company has Canadian investments totaling CAD \$189.2 million (approximately USD \$145.2 million) comprised of a real estate joint venture and marketable securities. In addition, the Company has Mexican real estate investments of MXN \$330.3 million (approximately USD \$29.4 million). The foreign currency exchange risk has been mitigated through the use of foreign

currency forward contracts (the "Forward Contracts") and a cross currency swap (the "CC Swap") with major financial institutions. The Company is exposed to credit risk in the event of non-performance by the counter-party to the Forward Contracts and the CC Swap. The Company believes it mitigates its credit risk by entering into the Forward Contracts and the CC Swap with major financial institutions.

The Company has not, and does not plan to, enter into any derivative financial instruments for trading or speculative purposes. As of December 31, 2003, the Company had no other material exposure to market risk.

### Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal year to which this report relates that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

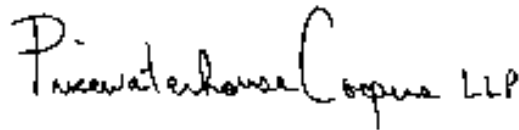
## REPORT OF INDEPENDENT AUDITORS

### To the Board of Directors and Stockholders of Kimco Realty Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Kimco Realty Corporation and Subsidiaries (collectively, the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free

of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 7 to the consolidated financial statements, effective January 1, 2002 the Company adopted the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires that the results of operations, including any gain or loss on sale, relating to real estate that has been disposed of or is classified as held for sale after initial adoption be reported in discontinued operations for all periods presented.



New York, New York  
March 2, 2004



# CONSOLIDATED BALANCE SHEETS

(in thousands, except share information)

	December 31, 2003	December 31, 2002
<b>Assets:</b>		
Real Estate		
Rental property		
Land	\$ 664,069	\$ 518,268
Building and improvements	3,166,857	2,666,626
	<b>3,830,926</b>	<b>3,184,894</b>
Less, accumulated depreciation and amortization	568,015	516,558
	<b>3,262,911</b>	<b>2,668,336</b>
Real estate under development	304,286	234,953
Undeveloped land parcels	1,312	1,312
Real estate, net	<b>3,568,509</b>	<b>2,904,601</b>
Investment and advances in real estate joint ventures	487,394	390,484
Other real estate investments	113,085	99,542
Mortgages and other financing receivables	95,019	94,024
Cash and cash equivalents	48,288	35,962
Marketable securities	45,677	66,992
Accounts and notes receivable	57,080	56,484
Deferred charges and prepaid expenses	66,095	50,149
Other assets	122,778	60,112
	<b>\$4,603,925</b>	<b>\$3,758,350</b>
<b>Liabilities &amp; Stockholders' Equity:</b>		
Notes payable	\$1,686,250	\$1,302,250
Mortgages payable	375,914	230,760
Construction loans payable	92,784	43,972
Accounts payable and accrued expenses	92,239	94,784
Dividends payable	65,969	59,646
Other liabilities	55,006	24,198
	<b>2,368,162</b>	<b>1,755,610</b>
Minority interests in partnerships	99,917	93,940
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$1.00 par value, authorized 3,600,000 shares		
Class A Preferred Stock, \$1.00 par value, authorized 345,000 shares		
Issued and outstanding 0 and 300,000 shares, respectively	—	300
Aggregate liquidation preference \$0 and \$75,000, respectively		
Class B Preferred Stock, \$1.00 par value, authorized 230,000 shares		
Issued and outstanding 0 and 200,000 shares, respectively	—	200
Aggregate liquidation preference \$0 and \$50,000, respectively		
Class C Preferred Stock, \$1.00 par value, authorized 460,000 shares		
Issued and outstanding 0 and 400,000 shares, respectively	—	400
Aggregate liquidation preference \$0 and \$100,000, respectively		
Class F Preferred Stock, \$1.00 par value, authorized 700,000 shares		
Issued and outstanding 700,000 and 0 shares, respectively	700	—
Aggregate liquidation preference \$175,000 and \$0, respectively		
Common stock, \$.01 par value, authorized 200,000,000 shares		
Issued and outstanding 110,623,967 and 104,601,828 shares, respectively	1,106	1,046
Paid-in capital	2,147,286	1,984,820
Cumulative distributions in excess of net income	(30,112)	(85,367)
	<b>2,118,980</b>	<b>1,901,399</b>
Accumulated other comprehensive income	16,866	7,401
	<b>2,135,846</b>	<b>1,908,800</b>
	<b>\$4,603,925</b>	<b>\$3,758,350</b>

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

# CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share information)

Year Ended December 31,	2003	2002	2001
<b>Real estate operations:</b>			
Revenues from rental property	\$ 479,664	\$ 432,777	\$431,498
Rental property expenses:			
Rent	11,240	11,300	11,569
Real estate taxes	61,276	60,248	53,892
Operating and maintenance	53,979	44,525	42,784
	126,495	116,073	108,245
	353,169	316,704	323,253
Income from other real estate investments	22,828	16,038	38,113
Mortgage financing income	18,587	19,412	2,594
Management and other fee income	15,315	12,069	6,350
Depreciation and amortization	(86,237)	(70,894)	(68,509)
	323,662	293,329	301,801
Interest, dividends and other investment income	19,464	18,565	16,999
Other income/(expense), net	(3,792)	2,532	(2,176)
	15,672	21,097	14,823
Interest expense	(102,709)	(85,323)	(87,005)
General and administrative expenses	(38,657)	(31,605)	(28,336)
Gain on early extinguishment of debt	2,921	19,033	—
Adjustment of property carrying values	—	(11,000)	—
	200,889	205,531	201,283
Provision for income taxes	(1,516)	(6,552)	(14,009)
Equity in income of real estate joint ventures, net	42,276	37,693	21,664
Minority interests in income of partnerships, net	(7,868)	(2,430)	(1,682)
Income from continuing operations	233,781	234,242	207,256
<b>Discontinued operations:</b>			
Income from discontinued operating properties	10,023	7,928	18,191
Gain on early extinguishment of debt	6,760	3,222	—
Adjustment of property carrying values	(4,016)	(22,030)	—
Gain on disposition of operating properties	47,657	12,778	—
Income from discontinued operations	60,424	1,898	18,191
Gain on sale of operating properties	3,177	—	3,040
Gain on sale of development properties net of tax of \$6,998, \$6,352 and \$5,367, respectively	10,497	9,528	8,051
Net Income	307,879	245,668	236,538
Original issuance costs associated with the redemption of preferred stock	(7,788)	—	—
Preferred stock dividends	(14,669)	(18,437)	(24,553)
Net income available to common shareholders	\$ 285,422	\$ 227,231	\$211,985
Per common share:			
Income from continuing operations:			
Basic	\$ 2.10	\$ 2.16	\$ 2.01
Diluted	\$ 2.07	\$ 2.14	\$ 1.98
Net income:			
Basic	\$ 2.67	\$ 2.18	\$ 2.20
Diluted	\$ 2.62	\$ 2.16	\$ 2.16

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

For the Years Ended December 31,	2003	2002	2001
Net income	\$307,879	\$245,668	\$236,538
Other comprehensive income:			
Change in unrealized gain/(loss) on marketable securities	3,798	(4,456)	8,784
Change in unrealized gain/(loss) on interest rate swaps	620	3,264	(3,884)
Change in unrealized gain on warrants	4,319	1,524	2,410
Change in unrealized gain/(loss) on foreign currency hedge agreements	(15,465)	195	—
Foreign currency translation adjustment	16,193	(436)	—
Other comprehensive income	9,465	91	7,310
Comprehensive income	\$317,344	\$245,759	\$243,848

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2003, 2002 and 2001

(in thousands, except per share information)

	Preferred Stock		Common Stock		Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Issued	Amount	Issued	Amount				
Balance, January 1, 2001	1,318	\$1,318	94,717	\$ 947	\$1,819,130	\$(113,110)	\$ —	\$1,708,285
Net income						236,538		236,538
Dividends (\$1.96 per common share; \$1.9375, \$2.125, \$2.0938, and \$1.8409 per Class A, Class B, Class C and Class D Depositary Share, respectively)						(216,559)		(216,559)
Issuance of common stock			3,906	40	122,103			122,143
Exercise of common stock options			1,694	17	34,919			34,936
Conversion of Class D Preferred Stock to common stock	(326)	(326)	3,036	30	290			(6)
Other comprehensive income							7,310	7,310
Balance, December 31, 2001	992	992	103,353	1,034	1,976,442	(93,131)	7,310	1,892,647
Net income						245,668		245,668
Dividends (\$2.10 per common share; \$1.9375, \$2.125 and \$2.0938 per Class A, Class B and Class C Depositary Share, respectively)						(237,904)		(237,904)
Issuance of common stock			80	1	2,523			2,524
Exercise of common stock options			308	3	5,771			5,774
Collection of notes receivable								
Conversion of Class D Preferred Stock to common stock	(92)	(92)	861	8	84			—
Other comprehensive income							91	91
Balance, December 31, 2002	900	900	104,602	1,046	1,984,820	(85,367)	7,401	1,908,800
Net income						307,879		307,879
Dividends (\$2.19 per common share; \$1.0979, \$1.3399, \$1.3610, and \$1.016 per Class A, Class B, Class C and Class F Depositary Share, respectively)						(252,624)		(252,624)
Issuance of common stock			4,944	49	192,703			192,752
Exercise of common stock options			1,078	11	25,777			25,788
Redemption of Class A, B and C preferred stock	(900)	(900)			(224,100)			(225,000)
Issuance of Class F Preferred Stock	700	700			168,086			168,786
Other comprehensive income							9,465	9,465
<b>Balance, December 31, 2003</b>	<b>700</b>	<b>\$ 700</b>	<b>110,624</b>	<b>\$1,106</b>	<b>\$2,147,286</b>	<b>\$ (30,112)</b>	<b>\$16,866</b>	<b>\$2,135,846</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Year Ended December 31,	2003	2002	2001
<b>Cash flow from operating activities:</b>			
Net income	\$307,879	\$245,668	\$236,538
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	89,068	76,674	74,209
Adjustment of property carrying values	4,016	33,031	—
Gain on sale of development properties	(17,495)	(15,879)	(13,418)
Gain on sale of operating properties	(50,834)	(12,778)	(3,040)
Gain on early extinguishment of debt	(9,681)	(22,255)	—
Minority interests in income of partnerships, net	7,868	2,430	1,682
Equity in income of real estate joint ventures, net	(42,276)	(37,693)	(21,664)
Income from other real estate investments	(19,976)	(13,222)	(33,518)
Distributions from unconsolidated investments	67,712	40,275	36,377
Change in accounts and notes receivable	(596)	(6,938)	(1,956)
Change in accounts payable and accrued expenses	(2,545)	12,612	3,607
Change in other operating assets and liabilities	(24,508)	(22,994)	8,627
Net cash flow provided by operating activities	308,632	278,931	287,444
<b>Cash flow from investing activities:</b>			
Acquisition of and improvements to operating real estate	(917,403)	(244,750)	(63,809)
Acquisition of and improvements to real estate under development	(187,877)	(113,450)	(107,364)
Investment in marketable securities	(23,680)	(39,183)	(29,070)
Proceeds from sale of marketable securities	62,744	49,396	36,427
Investments and advances to real estate joint ventures	(152,997)	(157,427)	(63,302)
Reimbursements of advances to real estate joint ventures	93,729	16,665	—
Redemption of minority interests in real estate partnerships	(4,729)	—	(7,133)
Other real estate investments	(52,818)	(69,288)	(24,824)
Reimbursements of advances to other real estate investments	13,264	1,179	24,824
Investment in mortgage loans receivable	(64,652)	(123,242)	(36,099)
Collection of mortgage loans receivable	41,529	89,053	5,952
Proceeds from sale of mortgage loan receivable	36,723	—	—
Proceeds from sale of operating properties	423,237	84,139	46,766
Proceeds from sale of development properties	90,565	108,209	61,921
Other	—	2,044	(1,482)
Net cash flow used for investing activities	(642,365)	(396,655)	(157,193)
<b>Cash flow from financing activities:</b>			
Principal payments on debt, excluding normal amortization of rental property debt	(18,326)	(30,689)	(4,587)
Principal payments on rental property debt	(5,813)	(5,931)	(5,126)
Principal payments on construction loan financings	(40,644)	(801)	—
Proceeds from mortgage/construction loan financings	110,816	67,773	51,230
Borrowings under revolving credit facilities	195,000	269,000	10,000
Repayment of borrowings under revolving credit facilities	(190,000)	(229,000)	(55,000)
Proceeds from issuance of unsecured senior notes	250,000	337,000	—
Repayment of unsecured senior notes	(200,000)	(110,000)	—
Proceeds from senior term loan	400,000	—	—
Repayment of senior term loan	(71,000)	—	—
Payment of unsecured obligation	—	(11,300)	—
Dividends paid	(246,301)	(235,602)	(209,785)
Proceeds from issuance of stock	387,327	9,389	157,767
Redemption of preferred stock	(225,000)	—	—
Net cash flow provided by (used for) financing activities	346,059	59,839	(55,501)
Change in cash and cash equivalents	12,326	(57,885)	74,750
Cash and cash equivalents, beginning of year	35,962	93,847	19,097
Cash and cash equivalents, end of year	\$ 48,288	\$ 35,962	\$ 93,847
Interest paid during the year (net of capitalized interest of \$8,887, \$9,089 and \$7,924, respectively)	\$ 97,215	\$ 83,977	\$ 81,092
Income taxes paid during the year	\$ 15,901	\$ 12,035	\$ 24,888

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies:

### *Business*

Kimco Realty Corporation (the “Company” or “Kimco”), its subsidiaries, affiliates and related real estate joint ventures are engaged principally in the operation of neighborhood and community shopping centers which are anchored generally by discount department stores, supermarkets or drug-stores. The Company also provides property management services for shopping centers owned by affiliated entities, various real estate joint ventures and unaffiliated third parties.

Additionally, in connection with the Tax Relief Extension Act of 1999 (the “RMA”), which became effective January 1, 2001, the Company is now permitted to participate in activities which it was precluded from previously in order to maintain its qualification as a Real Estate Investment Trust (“REIT”), so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Internal Revenue Code, subject to certain limitations. As such, the Company, through its taxable REIT subsidiaries, is engaged in various retail real estate related opportunities including (i) merchant building, through its Kimco Developers, Inc. (“KDI”) subsidiary, which is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion, (ii) retail real estate advisory and disposition services which primarily focus on leasing and disposition strategies of retail real estate controlled by both healthy and distressed and/or bankrupt retailers, and (iii) acting as an agent or principal in connection with tax deferred exchange transactions.

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependence on any single property, and a large tenant base. At December 31, 2003, the Company's single largest neighborhood and community shopping center accounted for only 1.0% of the Company's annualized base rental revenues and only 0.6% of the Company's total shopping center gross leasable area (“GLA”). At December 31, 2003, the Company's five largest tenants were The Home Depot, Kmart Corporation, Kohl's, Royal Ahold and TJX Companies, which represented approximately 3.0%, 2.9%, 2.8%, 2.6% and 2.5%, respectively, of the Company's annualized base rental revenues, including the proportionate share of base rental revenues from properties in which the Company has less than a 100% economic interest.

The principal business of the Company and its consolidated subsidiaries is the ownership, development, management and operation of retail shopping centers, including complementary services that capitalize on the Company's established retail real estate expertise. The Company does not distinguish or group its operations on a geographical basis for purposes of measuring performance. Accordingly,

the Company believes it has a single reportable segment for disclosure purposes in accordance with accounting principles generally accepted in the United States of America.

### *Principles of Consolidation and Estimates*

The accompanying Consolidated Financial Statements include the accounts of the Company, its subsidiaries, all of which are wholly-owned, and all partnerships in which the Company has a controlling interest. All intercompany balances and transactions have been eliminated in consolidation.

Accounting principles generally accepted in the United States of America (“GAAP”) require the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during a reporting period. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectability of trade accounts receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

### *Real Estate*

Real estate assets are stated at cost, less accumulated depreciation and amortization. If there is an event or a change in circumstances that indicates that the basis of a property (including any related amortizable intangible assets or liabilities) may not be recoverable, then management will assess any impairment in value by making a comparison of (i) the current and projected operating cash flows (undiscounted and without interest charges) of the property over its remaining useful life and (ii) the net carrying amount of the property. If the current and projected operating cash flows (undiscounted and without interest charges) are less than the carrying value of the property, the carrying value would be adjusted to an amount to reflect the estimated fair value of the property.

When a real estate asset is identified by management as held for sale, the Company ceases depreciation of the asset and estimates the sales price, net of selling costs. If, in management's opinion, the net sales price of the asset is less than the net book value of the asset, an adjustment to the carrying value would be recorded to reflect the estimated fair value of the property.

Upon acquisition of real estate operating properties, the Company estimates the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships) and assumed debt in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations* (“SFAS No. 141”). Based on these estimates, the Company allocates the purchase price to the applicable assets and liabilities.



The Company utilizes methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The fair value of the tangible assets of an acquired property considers the value of the property “as-if-vacant.” The fair value reflects the depreciated replacement cost of the permanent assets, with no trade fixtures included.

In allocating the purchase price to identified intangible assets and liabilities of an acquired property, the values of above-market and below-market leases are estimated based on the present value of the difference between the contractual amounts to be paid pursuant to the leases and management’s estimate of the market lease rates and other lease provisions (i.e. expense recapture, base rental changes, etc.) measured over a period equal to the estimated remaining term of the lease. The capitalized above-market or below-market intangible is amortized to rental income over the estimated remaining term of the respective leases.

In determining the value of in-place leases, management considers current market conditions and costs to execute similar leases in arriving at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy. In estimating carrying costs, management includes real estate taxes, insurance, other operating expenses and estimates of lost rental revenue during the expected lease-up periods and costs to execute similar leases including leasing commissions, legal and other related costs based on current market demand. In estimating the value of tenant relationships, management considers the nature and extent of the existing tenant relationship, the expectation of lease renewals, growth prospects, and tenant credit quality, among other factors. The value assigned to in-place leases and tenant relationships are amortized over the estimated remaining term of the leases. If a lease were to be terminated prior to its scheduled expiration, all unamortized costs relating to that lease would be written off.

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 to 46 years
Fixtures, building and leasehold improvements (including certain identified intangible assets)	Terms of leases or useful lives, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset, are capitalized. The useful lives of amortizable intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful lives.

### *Real Estate Under Development*

Real estate under development represents the ground-up development of neighborhood and community shopping centers which are held for sale upon completion. These properties are carried at cost and no depreciation is recorded on these assets. The cost of land and buildings under development includes specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. The Company ceases cost capitalization when the property is held available for occupancy upon substantial completion of tenant improvements, but no later than one year from the completion of major construction activity. If in management’s opinion, the net sales price of these assets is less than the net carrying value, the carrying value would be written down to an amount to reflect the estimated fair value of the property.

### *Investments in Unconsolidated Joint Ventures*

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control these entities. These investments are recorded initially at cost and subsequently adjusted for equity in earnings and cash contributions and distributions.

On a periodic basis, management assesses whether there are any indicators that the value of the Company’s investments in unconsolidated joint ventures may be impaired. An investment’s value is impaired only if management’s estimate of the fair value of the investment is less than the carrying value of the investment. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the estimated fair value of the investment.

### *Marketable Securities*

The Company classifies its existing marketable equity securities as available-for-sale in accordance with the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. These securities are carried at fair market value, with unrealized gains and losses reported in stockholders’ equity as a component of Accumulated other comprehensive income (“OCI”). Gains or losses on securities sold are based on the specific identification method.

All debt securities are classified as held-to-maturity because the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion discounts to maturity.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### *Deferred Leasing and Financing Costs*

Costs incurred in obtaining tenant leases and long-term financing, included in deferred charges and prepaid expenses in the accompanying Consolidated Balance Sheets, are amortized over the terms of the related leases or debt agreements, as applicable.

### *Revenue Recognition and Accounts Receivable*

Base rental revenues from rental property are recognized on a straight-line basis over the terms of the related leases. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the lessee. These percentage rents are recorded once the required sales level is achieved. Rental income may also include payments received in connection with lease termination agreements. In addition, leases typically provide for reimbursement to the Company of common area maintenance costs, real estate taxes and other operating expenses. Operating expense reimbursements are recognized as earned.

The Company makes estimates of the uncollectability of its accounts receivable related to base rents, expense reimbursements and other revenues. The Company analyzes accounts receivable and historical bad debt levels, customer credit worthiness and current economic trends and evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims. The Company's reported net income is directly affected by management's estimate of the collectability of accounts receivable.

### *Income Taxes*

The Company and its subsidiaries file a consolidated federal income tax return. The Company has made an election to qualify, and believes it is operating so as to qualify, as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under Section 856 through 860 of the Internal Revenue Code, as amended (the "Code").

In connection with the RMA, which became effective January 1, 2001, the Company is now permitted to participate in certain activities which it was previously precluded from in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Code. As such, the Company is subject to federal and state income taxes on the income from these activities.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred

tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

### *Foreign Currency Translation and Transactions*

Assets and liabilities of the Company's foreign operations are translated using year-end exchange rates, and revenues and expenses are translated using exchange rates as determined throughout the year. Gains or losses resulting from translation are included in OCI, as a separate component of the Company's stockholders' equity. Gains or losses resulting from foreign currency transactions are translated to local currency at the rates of exchange prevailing at the dates of the transactions. The effect of the transaction's gain or loss is included in the caption Other income/(expense), net in the Consolidated Statements of Income.

### *Derivative / Financial Instruments*

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133"), as amended by SFAS No. 149 in April 2003 to clarify accounting and reporting for derivative instruments. SFAS No. 133 establishes accounting and reporting standards for derivative instruments. This accounting standard requires the Company to measure derivative instruments at fair value and to record them in the Consolidated Balance Sheet as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. In addition, the fair value adjustments will be recorded in either stockholders' equity or earnings in the current period based on the designation of the derivative. The effective portions of changes in fair value of cash flow hedges are reported in OCI and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in the fair value of foreign currency hedges that are designated and effective as net investment hedges are included in the cumulative translation component of OCI in accordance with Statement of Financial Accounting Standards No. 52, *Foreign Currency Translation* ("SFAS No. 52") to the extent they are economically effective and are subsequently reclassified to earnings when the hedged investments are sold or otherwise disposed of. The changes in fair value of derivative instruments which are not designated as hedging instruments and the ineffective portions of hedges are recorded in earnings for the current period.

The Company utilizes derivative financial instruments to reduce exposure to fluctuations in interest rates, foreign currency exchange rates and market fluctuation on equity securities. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company has not, and does not plan to enter into financial instruments for trading or speculative purposes. Additionally,

the Company has a policy of only entering into derivative contracts with major financial institutions. The principal financial instruments used by the Company are interest rate swaps, foreign currency exchange forward contracts, cross currency swaps and warrant contracts. In accordance with the provisions of SFAS No. 133, these derivative instruments were designated and qualified as cash flow, fair value or foreign currency hedges (see Note 17).

#### Earnings Per Share

On October 24, 2001, the Company's Board of Directors declared a three-for-two split (the "Stock Split") of the Company's common stock which was effected in the form of a stock dividend paid on December 21, 2001 to stockholders of record on December 10, 2001. All share and per share data included in the accompanying Consolidated Financial Statements and Notes thereto have been adjusted to reflect this Stock Split.

The following table sets forth the reconciliation of earnings and the weighted average number of shares used in the calculation of basic and diluted earnings per share (amounts presented in thousands, except per share data):

	2003	2002	2001
<i>Computation of Basic Earnings Per Share:</i>			
Income from continuing operations	\$233,781	\$234,242	\$207,256
Gain on sale of operating properties	3,177	—	3,040
Gain on sale of development properties, net of provision for income tax	10,497	9,528	8,051
Original issuance costs associated with the redemption of preferred stock	(7,788)	—	—
Preferred stock dividends	(14,669)	(18,437)	(24,553)
Income from continuing operations applicable to common shares	224,998	225,333	193,794
Income from discontinued operations	60,424	1,898	18,191
Net income applicable to common shares	\$285,422	\$227,231	\$211,985
Weighted average common shares outstanding	107,092	104,458	96,317
<i>Basic Earnings Per Share:</i>			
Income from continuing operations	\$ 2.10	\$ 2.16	\$ 2.01
Income from discontinued operations	0.57	0.02	0.19
Net income	\$ 2.67	\$ 2.18	\$ 2.20

	2003	2002	2001
<i>Computation of Diluted Earnings Per Share:</i>			
Income from continuing operations applicable to common shares	\$224,998	\$225,333	\$193,794
Dividends on Class D Convertible Preferred Stock	—	—	6,115
Dividends on convertible downREIT units	(a)	1,423	—
Income from continuing operations for diluted earnings per share	224,998	226,756	199,909
Income from discontinued operations	60,424	1,898	18,191
Net income for diluted earnings per share	\$285,422	\$228,654	\$218,100
Weighted average common shares outstanding—Basic	107,092	104,458	96,317
<i>Effect of dilutive securities:</i>			
Stock options	1,678	999	1,139
Assumed conversion of Class D Preferred Stock to common stock	—	4	3,707
Assumed conversion of downREIT units	—	508	—
Shares for diluted earnings per share	108,770	105,969	101,163
<i>Diluted Earnings Per Share:</i>			
Income from continuing operations	\$ 2.07	\$ 2.14	\$ 1.98
Income from discontinued operations	0.55	0.02	0.18
Net income	\$ 2.62	\$ 2.16	\$ 2.16

(a) In 2003, the effect of the assumed conversion of downREIT units had an anti-dilutive effect upon the calculation of Income from continuing operations per share. Accordingly, the impact of such conversion has not been included in the determination of diluted earnings per share calculations.

The Company maintains a stock option plan (the "Plan") for which prior to January 1, 2003, the Company accounted for under the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation (an interpretation of APB Opinion No. 25)*. Effective January 1, 2003, the Company adopted the prospective method provisions of SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure, an Amendment of FASB Statement No. 123* ("SFAS No. 148"), which will apply the recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") to all employee awards

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

granted, modified or settled after January 1, 2003. Awards under the Company's Plan generally vest ratably over a three-year term and expire ten years from the date of grant. Therefore, the cost related to stock-based employee compensation included in the determination of net income is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding stock awards in each period (amounts presented in thousands, except per share data):

Year Ended December 31,	2003	2002	2001
Net income, as reported	\$307,879	\$245,668	\$236,538
Add: Stock-based employee compensation expense included in reported net income	148	—	—
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(3,095)	(3,153)	(2,702)
<b>Pro Forma</b>			
Net Income—Basic	\$304,932	\$242,515	\$233,836
<b>Earnings Per Share</b>			
Basic—as reported	\$ 2.67	\$ 2.18	\$ 2.20
Basic—pro forma	\$ 2.64	\$ 2.15	\$ 2.17
Net income for diluted earnings per share	\$285,422	\$228,654	\$218,100
Add: Stock-based employee compensation expense included in reported net income	148	—	—
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(3,095)	(3,153)	(2,702)
<b>Pro Forma</b>			
Net Income—Diluted	\$282,475	\$225,501	\$215,398
<b>Earnings Per Share</b>			
Diluted—as reported	\$ 2.62	\$ 2.16	\$ 2.16
Diluted—pro forma	\$ 2.60	\$ 2.13	\$ 2.13

These pro forma adjustments to net income and net income per diluted common share assume fair values of each option grant estimated using the Black-Scholes option pricing formula. The more significant assumptions underlying the determination of such fair values for options granted during 2003, 2002 and 2001 include: (i) weighted average

risk-free interest rates of 2.84%, 3.06% and 4.85%, respectively; (ii) weighted average expected option lives of 3.80 years, 4.1 years and 5.5 years, respectively; (iii) weighted average expected volatility of 15.26%, 16.12% and 15.76%, respectively, and (iv) weighted average expected dividend yield of 6.25%, 6.87% and 6.74%, respectively. The per share weighted average fair value at the dates of grant for options awarded during 2003, 2002 and 2001 was \$2.35, \$1.50 and \$1.98, respectively.

#### New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"), the primary objective of which is to provide guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and to determine when and which business enterprise should consolidate the VIE (the "primary beneficiary"). This new model applies when either (i) the equity investors (if any) do not have a controlling financial interest or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional financial support. In addition, effective upon issuance, FIN 46 requires additional disclosures by the primary beneficiary and other significant variable interest holders. The provisions of FIN 46 apply immediately to VIE's created after January 31, 2003. In October 2003, the FASB issued FASB Staff Position 46-6, which deferred the effective date to December 31, 2003 for applying the provisions of FIN 46 for interests held by public companies in all VIE's created prior to February 1, 2003. Additionally, in December 2003, the FASB issued Interpretation No. 46(R), *Consolidation of Variable Interest Entities (revised December 2003)* ("FIN 46(R)"). The provisions of FIN 46(R) are effective as of March 31, 2004 for all non-special purpose entity ("non-SPE") interests held by public companies in all variable interest entities created prior to February 1, 2003. These deferral provisions did not defer the disclosure provisions of FIN 46(R).

The Company has evaluated its joint venture investments established after January 31, 2003 and based upon its interpretation of FIN 46 and applied judgment, the Company has determined that these joint venture investments are not VIEs and are not required to be consolidated.

The Company continues to evaluate all of its investments in joint ventures created prior to February 1, 2003 to determine whether any of these entities are VIEs and whether the Company is considered to be the primary beneficiary or a holder of a significant variable interest in the VIE. If it is determined that certain of these entities are VIEs, the Company will be required to consolidate these entities in which the Company is the primary beneficiary or make



additional disclosures for entities in which the Company is determined to hold a significant variable interest in the VIE as of March 31, 2004.

The Company's joint ventures and other real estate investments primarily consist of co-investments with institutional and other joint venture partners in neighborhood and community shopping center properties, consistent with its core business. These joint ventures typically obtain non-recourse third party financing on their property investments, thus contractually limiting the Company's losses to the amount of its equity investment; and due to the lender's exposure to losses, a lender typically will require a minimum level of equity in order to mitigate their risk. The Company's exposure to losses associated with its unconsolidated joint ventures is limited to its carrying value in these investments.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS No. 149"). This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. The provisions of this statement are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material adverse impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS No. 150"). This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The provisions of this statement are effective for financial instruments entered into or modified after May 31, 2003, and otherwise are effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003, the FASB deferred the classification and measurement provisions of SFAS No. 150 as they apply to certain mandatorily redeemable non-controlling interests. This deferral is expected to remain in effect while these provisions are further evaluated by the FASB. As a result of this deferral, the adoption of SFAS No. 150 did not have a material adverse impact on the Company's financial position or results of operations.

At December 31, 2003, the estimated fair value of minority interests relating to mandatorily redeemable non-controlling interests associated with finite-lived subsidiaries of the Company is approximately \$3.9 million. These finite-lived subsidiaries have termination dates ranging from 2019 to 2027.

### Reclassifications

Certain reclassifications of prior years' amounts have been made to conform with the current year presentation.

## 2. Real Estate:

The Company's components of Rental property consist of the following (in thousands):

December 31,	2003	2002
Land	\$ 664,069	\$ 518,268
Buildings and improvements		
Buildings	2,743,112	2,527,975
Building improvements	51,042	22,849
Tenant improvements	338,205	98,367
Fixtures & leasehold improvements	14,627	17,435
Other rental property, net <sup>(1)</sup>	19,871	—
	<b>3,830,926</b>	3,184,894
Accumulated depreciation and amortization	(568,015)	(516,558)
<b>Total</b>	<b>\$3,262,911</b>	\$2,668,336

(1) At December 31, 2003, Other rental property, net consisted of (i) intangible assets including, \$33,007 of in-place leases, \$12,913 of tenant relationships and \$12,892 of above-market leases and (ii) an intangible liability consisting of \$38,941 of below-market leases.

## 3. Mid-Atlantic Realty Trust Merger:

During June 2003, the Company and Mid-Atlantic Realty Trust ("Mid-Atlantic") entered into a definitive merger agreement whereby Mid-Atlantic would merge with and into a wholly-owned subsidiary of the Company (the "Merger" or "Mid-Atlantic Merger"). The Merger required the approval of holders of 66⅔% of Mid-Atlantic's outstanding shares. Subject to certain conditions, limited partners in Mid-Atlantic's operating partnership were offered the same cash consideration for each outstanding unit and offered the opportunity (in lieu of cash) to exchange their interests for preferred units in the operating partnership upon the closing of the transaction.

The shareholders of Mid-Atlantic approved the Merger on September 30, 2003, and the closing occurred on October 1, 2003. Mid-Atlantic shareholders received cash consideration of \$21.051 per share. In addition, more than 99.0% of the limited partners in Mid-Atlantic's operating partnership elected to have their partnership units redeemed for cash consideration equal to \$21.051 per unit.

The transaction had a total value of approximately \$700.0 million including the assumption of approximately \$216.0 million of debt. The Company funded the transaction with available cash, a new \$400.0 million bridge facility and funds from its existing revolving credit facility.

In connection with the Merger, the Company acquired interests in 41 operating shopping centers, one regional mall, two shopping centers under development and eight



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

other commercial assets. The properties have a GLA of approximately 5.7 million square feet of which approximately 95.0% of the stabilized square footage is currently leased. The Company also acquired approximately 80.0 acres of undeveloped land. The properties are located primarily in Maryland, Virginia, New York, Pennsylvania, Massachusetts and Delaware. The Company has tentative agreements for a number of the properties to be allocated to its strategic co-investment programs. For financial reporting purposes the Merger was accounted for under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations* ("SFAS No. 141").

During December 2003, the Company disposed of the one regional mall and the adjacent annex acquired in the Merger located in Bel Air, MD for a sales price of approximately \$71.0 million, which approximated its net book value.

### 4. Property Acquisitions, Developments and Other Investments:

#### *Operating Properties—*

During the years 2003, 2002 and 2001 the Company acquired operating properties, in separate transactions, at aggregate costs of approximately \$293.9 million, \$258.7 million, and \$21.1 million, respectively.

#### *Ground-Up Development Properties—*

Effective January 1, 2001, the Company elected taxable REIT subsidiary status for its wholly-owned development subsidiary, KDI. KDI is primarily engaged in the ground-up development of neighborhood and community shopping centers and the subsequent sale thereof upon completion.

During the years 2003, 2002 and 2001 certain subsidiaries and affiliates of the Company expended approximately \$208.9 million, \$148.6 million, and \$119.4 million, respectively, in connection with the purchase of land and construction costs related to its ground-up development projects.

#### *Other Investments—*

During October 2002, the Company purchased from various joint venture partners, the remaining interest in a property located in Harrisburg, PA for an aggregate purchase price of \$0.5 million. This property is now 100% owned by the Company.

These property acquisitions and other investments have been funded principally through the application of proceeds from the Company's public unsecured debt issuances, equity offerings and proceeds from mortgage and construction financings.

### 5. Dispositions of Real Estate:

During 2003, the Company disposed of, in separate transactions, (i) 10 operating properties, for an aggregate sales price of approximately \$119.1 million, including the assignment of approximately \$1.7 million of mortgage debt

encumbering one of the properties, (ii) two regional malls for an aggregate sales price of approximately \$135.6 million including the Bel Air, MD property referred to above, (iii) one out-parcel for a sales price of approximately \$8.1 million, (iv) transferred three operating properties to KROP, as defined below, for a price of approximately \$144.2 million which approximated their net book value, (v) transferred an operating property to a newly formed joint venture in which the Company has a 10% non-controlling interest for a price of approximately \$21.9 million which approximated its net book value and (vi) terminated four leasehold positions in locations where a tenant in bankruptcy had rejected its lease. These transactions resulted in net gains of approximately \$50.8 million.

During 2002, the Company, (i) disposed of, in separate transactions, 12 operating properties for an aggregate sales price of approximately \$74.5 million, including the assignment/repayment of approximately \$22.6 million of mortgage debt encumbering three of the properties and (ii) terminated five leasehold positions in locations where a tenant in bankruptcy had rejected its lease. These transactions resulted in net gains of approximately \$12.8 million.

During 2003, KDI sold four of its recently completed projects and 26 out-parcels, in separate transactions, for approximately \$134.6 million, which resulted in the recognition of pre-tax gains of approximately \$17.5 million.

During 2002, KDI sold four of its recently completed projects and eight out-parcels for approximately \$128.7 million including the assignment of approximately \$17.7 million in mortgage debt encumbering one of the properties. The sales resulted in pre-tax gains of approximately \$15.9 million.

### 6. Adjustment of Property Carrying Values:

As part of the Company's periodic assessment of its real estate properties with regard to both the extent to which such assets are consistent with the Company's long-term real estate investment objectives and the performance and prospects of each asset the Company determined in 2002 that its investment in four operating properties comprised of an aggregate 0.4 million square feet of GLA with an aggregate net book value of approximately \$23.8 million, may not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the properties, the Company reduced its anticipated holding period of these investments. As a result of the reduction in the anticipated holding period, together with a reassessment of the potential future operating cash flows of the properties and the effects of current market conditions, the Company determined that its investment in these assets was not fully recoverable and recorded an adjustment of property carrying values aggregating approximately \$12.5 million in 2002, of which approximately \$1.5 million is included in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

## 7. Discontinued Operations and Assets Held for Sale:

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 144 established criteria beyond that previously specified in Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of* ("SFAS 121"), to determine when a long-lived asset is classified as held for sale, and it provides a single accounting model for the disposal of long-lived assets. SFAS 144 was effective beginning January 1, 2002. In accordance with SFAS 144, the Company now reports as discontinued operations assets held for sale (as defined by SFAS 144) as of the end of the current period and assets sold subsequent to January 1, 2002. All results of these discontinued operations, are included in a separate component of income on the Consolidated Statements of Income under the caption Discontinued operations. This change has resulted in certain reclassifications of 2003, 2002 and 2001 financial statement amounts.

The components of Income from discontinued operations for each of the three years in the period ended December 31, 2003 are shown below. These include the results of operations through the date of each respective sale for properties sold during 2003 and 2002 and a full year of operations for those assets classified as held for sale as of December 31, 2003, (in thousands):

Year Ended December 31,	2003	2002	2001
Discontinued Operations:			
Revenues from rental property	\$16,945	\$ 27,328	\$ 37,117
Rental property expenses	(4,283)	(10,979)	(10,161)
Income from property operations	12,662	16,349	26,956
Depreciation of rental property	(2,830)	(5,780)	(5,699)
Other income/(expense)	191	(2,641)	(3,066)
Income from discontinued operating properties	10,023	7,928	18,191
Gain on early extinguishment of debt	6,760	3,222	—
Adjustment of property carrying values	(4,016)	(22,030)	—
Gain on disposition of operating properties	47,657	12,778	—
Income from discontinued operations	\$60,424	\$ 1,898	\$ 18,191

During December 2003, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as "Held for Sale" in accordance with SFAS 144. The book value of these properties, aggregating approximately \$19.4 million, net of accumulated depreciation of approximately \$2.1 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately \$15.4 million, is based upon contracts of sale with third

parties less estimated selling costs. As a result, the Company recorded an adjustment of property carrying values of approximately \$4.0 million. This adjustment is included, along with the related property operations for the current and comparative years, in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During 2003, the Company reached agreement with certain lenders in connection with three individual non-recourse mortgages encumbering three former Kmart sites. The Company paid approximately \$14.2 million in full satisfaction of these loans which aggregated approximately \$24.0 million. As a result of these transactions, the Company recognized a gain on early extinguishment of debt of approximately \$9.7 million during 2003, of which \$6.8 million is included in Income from discontinued operations.

During November 2002, the Company disposed of an operating property located in Chicago, IL. Net proceeds from this sale of approximately \$8.0 million were accepted by a lender in full satisfaction of an outstanding mortgage loan of approximately \$11.5 million. As a result of this transaction, the Company recognized a gain of early extinguishment of debt of approximately \$3.2 million.

During 2002, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as "Held for Sale" in accordance with SFAS No. 144. The book value of these properties, aggregating approximately \$28.4 million, net of accumulated depreciation of approximately \$2.9 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately \$7.9 million, is based upon executed contracts of sale with third parties less estimated selling costs. As a result, the Company recorded an adjustment of property carrying values of \$20.5 million.

## 8. Investment and Advances in Real Estate Joint Ventures:

### *Kimco Income REIT ("KIR")*

During 1998, the Company formed KIR, an entity that was established for the purpose of investing in high quality real estate properties financed primarily with individual non-recourse mortgages. These properties include, but are not limited to, fully developed properties with strong, stable cash flows from credit-worthy retailers with long-term leases. The Company originally held a 99.99% limited partnership interest in KIR. Subsequent to KIR's formation, the Company sold a significant portion of its original interest to an institutional investor and admitted three other limited partners. As of December 31, 2003, KIR has received total capital commitments of \$569.0 million, of which the Company subscribed for \$247.0 million and the four limited partners subscribed for \$322.0 million. As of December 31, 2003, the Company has a 43.3% non-controlling limited partnership interest in KIR.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

During 2003, the limited partners in KIR contributed \$30.0 million toward their respective capital commitments, including \$13.0 million by the Company. As of December 31, 2003, KIR had unfunded capital commitments of \$99.0 million, including \$42.9 million from the Company.

The Company's equity in income from KIR for the years ended December 31, 2003, 2002 and 2001 was approximately \$19.8 million, \$18.2 million and \$14.7 million, respectively.

In addition, KIR entered into a master management agreement with the Company, whereby, the Company will perform services for fees related to management, leasing, operations, supervision and maintenance of the joint venture properties. For the years ended December 31, 2003, 2002 and 2001, the Company (i) earned management fees of approximately \$2.9 million, \$2.5 million and \$1.9 million, respectively, (ii) received reimbursement of administrative fees of approximately \$0.4 million, \$1.0 million and \$1.4 million, respectively, and (iii) earned leasing commissions of approximately \$0.5 million, \$0.8 million and \$0.3 million, respectively.

During 2003, KIR purchased two shopping center properties, in separate transactions, aggregating approximately 0.6 million square feet of GLA for approximately \$103.5 million.

During 2003, KIR disposed of two out-parcels in Las Vegas, NV, for an aggregate sales price of approximately \$1.4 million, which approximated their net book value.

During 2003, KIR obtained individual non-recourse, non-cross collateralized fixed-rate ten year mortgages aggregating \$78.0 million on two of its previously unencumbered properties with rates ranging from 5.54% to 5.82% per annum. The net proceeds were used to satisfy the outstanding balance on the secured credit facility and partially fund the acquisition of various shopping center properties.

During September 2003, KIR elected to terminate its secured revolving credit facility. This facility was scheduled to expire in November 2003 and had \$5.0 million outstanding at the time of termination, which was paid in full. At December 31, 2002, there was \$15.0 million outstanding under this facility.

During 2002, KIR purchased five shopping center properties, in separate transactions, aggregating approximately 1.8 million square feet of GLA for approximately \$213.5 million, including the assumption of approximately \$63.1 million of mortgage debt encumbering two of the properties.

During July 2002, KIR disposed of a shopping center property in Aurora, IL for an aggregate sales price of approximately \$2.4 million, which represented the approximate book value of the property.

During 2002, KIR obtained individual non-recourse, non-cross collateralized fixed-rate ten year mortgages aggregating approximately \$170.3 million on seven of its previously unencumbered properties with rates ranging from 5.95% to 7.38% per annum. The net proceeds were used to finance the acquisition of various shopping center properties.

As of December 31, 2003, the KIR portfolio was comprised of 70 shopping center properties aggregating approximately 14.6 million square feet of GLA located in 21 states.

*RioCan Investments*

During October 2001, the Company formed a joint venture (the "RioCan Venture") with RioCan Real Estate Investment Trust ("RioCan") in which the Company has a 50% non-controlling interest, to acquire retail properties and development projects in Canada. The acquisition and development projects are to be sourced and managed by RioCan and are subject to review and approval by a joint oversight committee consisting of RioCan management and the Company's management personnel. Capital contributions will only be required as suitable opportunities arise and are agreed to by the Company and RioCan.

During 2003, the RioCan Venture acquired a shopping center property comprising approximately 0.2 million square feet of GLA for a price of approximately CAD \$42.6 (approximately USD \$29.0 million) including the assumption of approximately CAD \$28.7 (approximately USD \$19.6 million) of mortgage debt. Additionally during 2003, the RioCan Venture acquired, in a single transaction, four parcels of land adjacent to an existing property for a purchase price of approximately CAD \$18.7 million (approximately USD \$14.2 million). This property was subsequently encumbered with non-recourse mortgage debt of approximately CAD \$16.3 million (approximately USD \$12.4 million).

As of December 31, 2003, the RioCan Venture was comprised of 31 operating properties and three development properties consisting of approximately 7.2 million square feet of GLA.

*Kimco / G.E. Joint Venture ("KROP")*

During 2001, the Company formed a joint venture (the "Kimco Retail Opportunity Portfolio" or "KROP") with GE Capital Real Estate ("GECRE"), in which the Company has a 20% non-controlling interest and manages the portfolio. The purpose of this joint venture is to acquire established high growth potential retail properties in the United States. Total capital commitments to KROP from GECRE and the Company are for \$200.0 million and \$50.0 million, respectively, and such commitments are funded proportionately as suitable opportunities arise and are agreed to by GECRE and the Company.

During 2003, GECRE and the Company contributed approximately \$45.6 million and \$11.4 million, respectively, towards their capital commitments. KROP had unfunded capital commitments of \$144.3 million, including \$28.9 million by the Company. Additionally, GECRE and the Company provided short-term interim financing for all acquisitions made by KROP without a mortgage in place at the time of acquisition. All such financing bears interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% and have maturities of less than one year. KROP had outstanding short-term interim financing due to GECRE and

the Company totaling \$16.8 million each as of December 31, 2003 and \$17.3 million each as of December 31, 2002.

During 2003, KROP purchased eight shopping centers, in separate transactions, aggregating 1.9 million square feet of GLA for approximately \$250.2 million, including the assumption of approximately \$6.5 million of mortgage debt encumbering one of the properties.

During December 2003, KROP disposed of a portion of a shopping center in Columbia, MD, for an aggregate sales price of approximately \$2.8 million, which approximated the book value of the property.

During 2002, KROP purchased 16 shopping centers aggregating 1.6 million square feet of GLA for approximately \$177.8 million, including the assumption of approximately \$29.5 million of mortgage debt encumbering three of the properties.

During October 2002, KROP disposed of a shopping center in Columbia, MD for an aggregate sales price of approximately \$2.9 million, which resulted in a gain of approximately \$0.7 million.

During 2003, KROP obtained individual non-recourse, non-cross collateralized fixed rate mortgages aggregating approximately \$89.3 million on three of its previously unencumbered properties with rates ranging from 4.25% to 5.92% and terms ranging from five to ten years.

During 2003, KROP obtained individual non-recourse, non-cross collateralized variable-rate five year mortgages aggregating approximately \$35.6 million on five of its previously unencumbered properties with rates ranging from LIBOR plus 2.2% to LIBOR plus 2.5%. In order to mitigate the risks of interest rate fluctuations associated with these variable rate obligations, KROP entered into interest rate cap agreements for the notional values of these mortgages.

During 2002, KROP obtained a cross-collateralized mortgage with a five-year term aggregating \$73.0 million on eight properties with an interest rate of LIBOR plus 1.8%. Upon the sale of one of the collateralized properties, \$1.9 million was repaid during 2002. In order to mitigate the risks of interest rate fluctuations associated with this variable rate obligation, KROP entered into an interest rate cap agreement for the notional value of this mortgage.

As of December 31, 2003, the KROP portfolio was comprised of 23 shopping center properties aggregating approximately 3.5 million square feet of GLA located in 12 states.

#### *Other Real Estate Joint Ventures*

The Company and its subsidiaries have investments in and advances to various other real estate joint ventures. These joint ventures are engaged primarily in the operation of shopping centers which are either owned or held under long-term operating leases.

During June 2003, the Company acquired a former Service Merchandise property located in Novi, MI, through a joint venture, in which the Company has a 42.5% non-controlling interest. The property was acquired for a purchase price of approximately \$4.1 million.

During June 2003, the Company acquired a property located in South Bend, IN, through a joint venture in which the Company has a 37.5% non-controlling interest. The property was acquired for an aggregate purchase price of approximately \$4.9 million.

During July 2003, the Company acquired a property located in Pineville, NC, through a joint venture, in which the Company has a 20% non-controlling interest. The property was acquired for a purchase price of approximately \$27.3 million, including \$19.3 million of non-recourse mortgaged debt encumbering the property.

During August 2003, the Company acquired a property located in Shaumburg, IL, through a joint venture in which the Company has a 45% non-controlling interest. The property was purchased for an aggregate purchase price of approximately \$66.6 million. Simultaneous with the acquisition, the venture obtained a \$51.6 million non-recourse mortgage at a floating interest rate of LIBOR plus 2.25%.

During December 2003, the Company, in a single transaction, sold a 50.0% interest in each of its properties located in Saltillo and Monterrey, Mexico for an aggregate sales price of approximately MXN \$240.4 million (USD \$21.4 million) which approximated 50.0% of their aggregate carrying value. As a result, the Company has a 50% non-controlling interest in these properties and accounts for the investment under the equity method of accounting.

Additionally, during the year ended December 31, 2003, the Company acquired 11 properties, in separate transactions, through various joint ventures in which the Company has a 50% non-controlling interest. These properties were acquired for an aggregate purchase price of approximately \$113.3 million, including \$40.5 million of non-recourse debt encumbering six of the properties.

During 2002, the Company acquired seven former Service Merchandise locations, in separate transactions, through a venture in which the Company has a 42.5% non-controlling interest. These properties were purchased for an aggregate purchase price of approximately \$20.9 million.

During July 2002, the Company acquired a property located in Kalamazoo, MI, through a joint venture in which the Company has a 50% non-controlling interest. The property was purchased for an aggregate purchase price of approximately \$6.0 million.

During December 2002, the Company acquired an out-parcel of an existing property located in Tampa, FL, through a joint venture in which the Company has a 50%



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

non-controlling interest. The property was purchased for an aggregate purchase price of approximately \$4.9 million.

Additionally, during 2002, the Company, in separate transactions, disposed of two operating properties through a joint venture in which the Company has a 50% non-controlling interest. The properties were located in Tempe, AZ and Glendale, AZ and sold for approximately \$19.2 million and \$1.7 million, respectively.

The Company accounts for its investments in unconsolidated real estate joint ventures under the equity method of accounting.

Summarized financial information for the recurring operations of these real estate joint ventures, is as follows (in millions):

December 31,	2003	2002	
<b>Assets:</b>			
Real estate, net	\$3,313.0	\$2,511.8	
Other assets	156.2	132.5	
	<b>\$3,469.2</b>	<b>\$2,644.3</b>	
<b>Liabilities and Partners' Capital:</b>			
Notes payable	\$ 33.6	\$ 49.6	
Mortgages payable	2,343.7	1,720.6	
Other liabilities	107.2	116.6	
Minority interest	10.8	10.8	
Partners' capital	973.9	746.7	
	<b>\$3,469.2</b>	<b>\$2,644.3</b>	
<b>Year Ended December 31,</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Revenues from rental property	\$ 433.5	\$ 314.8	\$ 209.4
Operating expenses	(121.9)	(78.2)	(52.9)
Interest	(140.1)	(108.0)	(74.5)
Depreciation and amortization	(68.0)	(41.6)	(31.0)
Other, net	(9.3)	(4.5)	(3.0)
	<b>(339.3)</b>	<b>(232.3)</b>	<b>(161.4)</b>
Net income	\$ 94.2	\$ 82.5	\$ 48.0

Other liabilities in the accompanying Consolidated Balance Sheets include accounts with certain real estate joint ventures totaling approximately \$11.0 million and \$5.3 million at December 31, 2003 and 2002, respectively. The Company and its subsidiaries have varying equity interests in these real estate joint ventures, which may differ from their proportionate share of net income or loss recognized in accordance with generally accepted accounting principles.

The Company's maximum exposure to losses associated with its unconsolidated joint ventures is limited to its carrying value in these investments. As of December 31, 2003 and 2002, the Company's carrying value in these investments approximated \$487.4 million and \$390.5 million, respectively.

## 9. Other Real Estate Investments:

### Ward Venture

During March 2001, through a taxable REIT subsidiary, the Company formed a real estate joint venture, (the "Ward Venture") in which the Company has a 50% interest, for purposes of acquiring asset designation rights for substantially all of the real estate property interests of the bankrupt estate of Montgomery Ward LLC and its affiliates. These asset designation rights have provided the Ward Venture the ability to direct the ultimate disposition of the 315 fee and leasehold interests held by the bankrupt estate. The asset designation rights expired in August 2002 for the leasehold positions and expire in December 2004 for the fee owned locations. During the marketing period, the Ward Venture will be responsible for all carrying costs associated with the properties until the property is designated to a user. As of December 31, 2003, there were five properties which continue to be marketed.

During 2003, the Ward Venture completed transactions on seven properties, and the Company recognized pre-tax profits of approximately \$3.5 million.

During 2002, the Ward Venture completed transactions on 32 properties, and the Company recognized pre-tax profits from the Ward Venture of approximately \$11.3 million.

### Leveraged Lease

During June 2002, the Company acquired a 90% equity participation interest in an existing leveraged lease of 30 properties. The properties are leased under a long-term bond-type net lease whose primary term expires in 2016, with the lessee having certain renewal option rights. The Company's cash equity investment was approximately \$4.0 million. This equity investment is reported as a net investment in leveraged lease in accordance with SFAS No. 13, *Accounting for Leases (as amended)*.

During 2002, four of these properties were sold whereby the proceeds from the sales were used to pay down the mortgage debt by approximately \$9.6 million.

During 2003, an additional four properties were sold whereby the proceeds from the sales were used to pay down the mortgage debt by approximately \$9.1 million. As of December 31, 2003, the remaining 22 properties were encumbered by third-party non-recourse debt of approximately \$73.6 million that is scheduled to fully amortize during the primary term of the lease from a portion of the periodic net rents receivable under the net lease.

As an equity participant in the leveraged lease, the Company has no recourse obligation for principal or interest payments on the debt, which is collateralized by a first mortgage lien on the properties and collateral assignment of the lease. Accordingly, this obligation has been offset against the related net rental receivable under the lease.



At December 31, 2003 and 2002 the Company's net investment in leveraged lease consists of the following (in millions):

	2003	2002
Remaining net rentals	\$ 81.9	\$ 94.8
Estimated unguaranteed residual value	59.2	65.2
Non-recourse mortgage debt	(73.6)	(86.0)
Unearned and deferred income	(63.6)	(70.0)
Net investment in leveraged lease	\$ 3.9	\$ 4.0

#### *Kmart Venture*

During July 2002, the Company formed the Kmart Venture in which the Company has a controlling interest for purposes of acquiring asset designation rights for 54 former Kmart locations. The total commitment to Kmart by the Kmart Venture, prior to the profit sharing arrangement commencing, was approximately \$43.0 million. As of December 31, 2003, the Kmart Venture completed the designation of all properties and has funded the total commitment of approximately \$43.0 million to Kmart.

In addition, the profit sharing arrangement commenced with the Company recognizing pre-tax profits of approximately \$0.6 million.

#### *Kimsouth*

During November 2002, the Company, through its taxable REIT subsidiary, together with Prometheus Southeast Retail Trust, completed the merger and privatization of Konover Property Trust, which has been renamed Kimsouth Realty, Inc., ("Kimsouth"). The Company acquired 44.5% of the common stock of Kimsouth, which consisted primarily of 38 retail shopping center properties comprising approximately 4.6 million square feet of GLA. Total acquisition value was approximately \$280.9 million including approximately \$216.2 million in assumed mortgage debt. The Company's investment strategy with respect to Kimsouth includes re-tenanting, repositioning and disposition of the properties.

During 2003, Kimsouth disposed of 14 shopping center properties, in separate transactions, for an aggregate sales price of approximately \$84.0 million, including the assignment of approximately \$18.4 million of mortgage debt encumbering six of the properties. During 2003, the Company recognized pre-tax profits from the Kimsouth investment of approximately \$12.1 million.

During December 2002, Kimsouth sold its joint venture interest in a property to its joint venture partner for net proceeds of approximately \$4.6 million and disposed of another property for net proceeds of approximately \$2.9 million.

Selected financial information for Kimsouth is as follows (in millions):

December 31,	2003	2002
<b>Assets:</b>		
Operating real estate, net	\$125.7	\$282.3
Real estate held for sale	95.5	9.4
Other assets	20.8	28.9
	<b>\$242.0</b>	<b>\$320.6</b>
<b>Liabilities and Stockholders' Equity:</b>		
Mortgages payable	\$137.0	\$185.0
Other liabilities	3.6	3.6
Stockholders' equity	101.4	132.0
	<b>\$242.0</b>	<b>\$320.6</b>
<b>Year Ended December 31,</b>		
	<b>2003</b>	<b>2002</b>
Revenues from rental property	\$ 11.4	\$ 17.6
Operating expenses	(3.8)	(5.3)
Interest	(9.7)	(7.8)
Depreciation and amortization	(4.3)	(6.6)
Other, net	(0.1)	(8.6)
Loss from continuing operations	(6.5)	(10.7)
Income from discontinued operations	19.9	4.1
Net income/(loss)	\$ 13.4	\$ (6.6)

As of December 31, 2003, the Kimsouth portfolio was comprised of 22 properties aggregating approximately 3.2 million square feet of GLA located in six states.

#### *Preferred Equity Capital*

During 2002, the Company established a Preferred Equity program, which provides capital to developers and owners of shopping centers. During 2002, the Company provided, in separate transactions, an aggregate of approximately \$25.6 million in investment capital to developers and owners of nine shopping centers. During 2003, the Company provided, in separate transactions, an aggregate of approximately \$45.5 million in investment capital to developers and owners of 14 shopping centers. Additionally during 2003, the Company received full payment plus incentive payments related to two preferred equity investments. As of December 31, 2003, the Company's net investment under the preferred equity program was \$66.4 million relating to 21 shopping centers. For the year ended December 31, 2003 and 2002, the Company earned approximately \$4.6 million and \$1.0 million, respectively, from these investments.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### *Investment in Retail Store Leases*

The Company has interests in various retail store leases relating to the anchor store premises in neighborhood and community shopping centers. These premises have been sublet to retailers who lease the stores pursuant to net lease agreements. Income from the investment in these retail store leases during the years ended December 31, 2003, 2002 and 2001 was approximately \$0.3 million, \$0.8 million and \$3.2 million, respectively. These amounts represent sublease revenues during the years ended December 31, 2003, 2002 and 2001 of approximately \$12.3 million, \$13.9 million and \$16.8 million, respectively, less related expenses of \$10.6 million, \$11.7 million and \$12.2 million, respectively, and an amount, which in management's estimate, reasonably provides for the recovery of the investment over a period representing the expected remaining term of the retail store leases. The Company's future minimum revenues under the terms of all noncancellable tenant subleases and future minimum obligations through the remaining terms of its retail store leases, assuming no new or renegotiated leases are executed for such premises, for future years are as follows (in millions): 2004, \$11.0 and \$7.9; 2005, \$10.3 and \$7.7; 2006, \$8.9 and \$6.3; 2007, \$6.6 and \$4.4; 2008, \$3.9 and \$2.7; and thereafter, \$4.5 and \$2.8, respectively.

### **10. Mortgages and Other Financing Receivables:**

During June 2003, the Company provided a five-year \$3.5 million loan to Grass America, Inc. ("Grass America") at an interest rate of 12.25% per annum collateralized by certain real estate interests of Grass America. The Company receives principal and interest payments on a monthly basis.

During December 2003, the Company provided a four-year \$8.25 million term loan to Spartan Stores, Inc. ("Spartan") at a fixed rate of 16% per annum. This loan is collateralized by the real estate interests of Spartan with the Company receiving principal and interest payments monthly.

During December 2003, the Company, through a taxable REIT subsidiary, acquired a \$24.0 million participation interest in 12% senior secured notes of the FRI-MRD Corporation ("FRI-MRD") for \$13.3 million. These notes, which are currently non-performing, are collateralized by certain equity interests and a note receivable of a FRI-MRD subsidiary.

During March 2002, the Company provided a \$50.0 million ten-year loan to Shopko Stores, Inc., at an interest rate of 11.0% per annum collateralized by 15 properties. The Company receives principal and interest payments on a monthly basis. During January 2003, the Company sold a \$37.0 million participation interest in this loan to an unaffiliated third party. The interest rate of the \$37.0 million participation interest is a variable rate based on LIBOR plus 3.50%. The Company continues to act as the servicer for the full amount of the loan.

During 2003, the Company provided, in separate transactions, an aggregate \$16.2 million of additional mortgage

financing of which \$11.5 million has been repaid. These loans have maturities generally ranging from 3 to 30 years and accrue interest at rates ranging from 7% to 12%.

During March 2002, the Company provided a \$15.0 million three-year loan to Gottchalks, Inc., at an interest rate of 12.0% per annum collateralized by three properties. The Company receives principal and interest payments on a monthly basis. As of December 31, 2003, the outstanding loan balance was approximately \$13.3 million.

During May 2002, in connection with Frank's Nursery & Crafts, Inc. ("Franks") emergence from Chapter 11 under the U.S. Bankruptcy Code, the Company received approximately 4.3 million shares of Frank's common stock in settlement of its pre-petition claim. The Company also provided exit financing in the form of a \$15.0 million three-year term loan at a fixed interest rate of 10.25% per annum collateralized by 40 real estate interests. Simultaneously, the Company provided an additional \$17.5 million revolving loan, also at an interest rate of 10.25% per annum. Interest is payable quarterly in arrears. As of December 31, 2003, the aggregate outstanding loan balance was approximately \$32.5 million. As an inducement to make these loans, Franks issued the Company approximately 4.4 million warrants with an exercise price of \$1.15 per share and 5.0 million warrants with an exercise price of \$2.00 per share. During 2003, the Company had written down the remaining carrying value of its equity investment in Franks common stock and fully reserved the value of Franks warrants with a corresponding adjustment in OCI.

During September 2002, a \$27.5 million loan to Ames Department Stores, Inc. ("Ames"), was restructured as a two-year \$100.0 million secured revolving loan of which the Company has a 40% interest. This revolving loan is collateralized by all of Ames' real estate interests. The loan bears interest at 8.5% per annum and provides for contingent interest upon the successful disposition of the Ames properties. There was no outstanding balance on the revolving loan at December 31, 2003.

### **11. Cash and Cash Equivalents:**

Cash and cash equivalents (demand deposits in banks, commercial paper and certificates of deposit with original maturities of three months or less) include tenants' security deposits, escrowed funds and other restricted deposits approximating \$0.1 million at December 31, 2003 and 2002.

Cash and cash equivalent balances may, at a limited number of banks and financial institutions, exceed insurable amounts. The Company believes it mitigates its risks by investing in or through major financial institutions. Recoverability of investments is dependent upon the performance of the issuers.

## 12. Marketable Securities:

The amortized cost and estimated fair values of securities available-for-sale and held-to-maturity at December 31, 2003 and 2002 are as follows (in thousands):

	December 31, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
Equity securities	\$18,513	\$ 9,063	\$(272)	\$27,304
Held-to-maturity:				
Other debt securities	18,373	2,926	(30)	21,269
<b>Total marketable securities</b>	<b>\$36,886</b>	<b>\$11,989</b>	<b>\$(302)</b>	<b>\$48,573</b>
	December 31, 2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
Equity securities	\$38,875	\$ 5,038	\$(873)	\$43,040
Held-to-maturity:				
Other debt securities	23,952	2,002	(26)	25,928
<b>Total marketable securities</b>	<b>\$62,827</b>	<b>\$ 7,040</b>	<b>\$(899)</b>	<b>\$68,968</b>

As of December 31, 2003, the contractual maturities of Other debt securities classified as held-to-maturity are as follows: within one year, \$2.7 million; after one year through five years, \$0.0; after five years through 10 years, \$12.1 million and after 10 years, \$3.6 million. Actual maturities may differ from contractual maturities as issuers may have the right to prepay debt obligations with or without prepayment penalties.

## 13. Notes Payable:

The Company has implemented a medium-term notes ("MTN") program pursuant to which it may, from time to time, offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisitions, development and redevelopment costs, and (ii) managing the Company's debt maturities.

As of December 31, 2003, a total principal amount of \$757.25 million, in senior fixed-rate MTNs had been issued under the MTN program primarily for the acquisition of neighborhood and community shopping centers, the expansion and improvement of properties in the Company's portfolio and the repayment of certain debt obligations of the Company. These fixed-rate notes have maturities ranging from ten months to ten years as of December 31, 2003 and bear interest at rates ranging from 3.95% to 7.91%. Interest on these fixed-rate senior unsecured notes is payable semi-annually in arrears.

During May 2003, the Company issued \$50.0 million of fixed-rate unsecured senior notes under its MTN program. This fixed rate MTN matures in May 2010 and bears interest at 4.62% per annum, payable semi-annually in arrears. The proceeds from this MTN issuance were used to partially fund the redemption of the Company's \$75 million 7<sup>3</sup>/<sub>4</sub>% Class A Cumulative Redeemable Preferred Stock.

During August 2003, the Company issued \$100.0 million of fixed rate unsecured senior notes under its MTN program. This fixed rate MTN matures in August 2008 and bears interest at 3.95% per annum, payable semi-annually in arrears. The proceeds from this MTN issuance were used to redeem all \$100.0 million of the Company's remarketed reset notes maturing August 18, 2008 bearing interest at LIBOR plus 1.25%.

During October 2003, the Company issued \$100.0 million of fixed rate unsecured senior notes under its MTN program. This fixed rate MTN matures in October 2013 and bears interest at 5.19% per annum, payable semi-annually in arrears. The proceeds from this MTN issuance were used for the repayment of the Company's 6.5% \$100.0 million fixed-rate unsecured senior notes that matured October 1, 2003.

During July 2002, the Company issued an aggregate \$102.0 million of unsecured debt under its MTN program. These issuances consisted of (i) an \$85.0 million floating-rate MTN which matures in August 2004 and bears interest at LIBOR plus 0.50% per annum and (ii) a \$17.0 million fixed-rate MTN which matures in July 2012 and bears interest at 5.98% per annum. The proceeds from these MTN issuances were used toward the repayment of a \$110.0 million floating-rate MTN which matured in August 2002. In addition, the Company entered into an interest rate swap agreement on the \$85.0 million floating-rate MTN which effectively fixed the interest rate at 2.3725% per annum until November 2003. During 2003, the Company elected not to renew the interest rate swap on the \$85.0 million MTN. At December 31, 2003, the rate on this MTN was 1.66% per annum.

During November 2002, the Company issued \$35.0 million of 4.961% fixed-rate Senior Notes due 2007 (the "2007 Notes"). Interest on the 2007 Notes is payable semi-annually in arrears. Net proceeds from the issuance totaling approximately \$34.9 million, after related transaction costs of approximately \$0.1 million, were primarily used to repay outstanding borrowings on the Company's unsecured credit facilities.

Also, during November 2002, the Company issued \$200.0 million of 6% fixed-rate Senior Notes due 2012 (the "2012 Notes"). Interest on the 2012 Notes is payable semi-annually in arrears. The Notes were sold at 99.79% of par value. Net proceeds from the issuance totaling approximately \$198.3 million, after related transaction costs of approximately \$1.3 million, were primarily used to repay outstanding borrowings on the Company's unsecured credit facilities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As of December 31, 2003, the Company has a total principal amount of \$470.0 million, in fixed-rate unsecured senior notes. These fixed-rate notes have maturities ranging six months to ten years as of December 31, 2003, and bear interest at rates ranging from 4.96% to 7.50%. Interest on these fixed-rate senior unsecured notes is payable semi-annually in arrears.

During June 2003, the Company established a \$500.0 million unsecured revolving credit facility (the "Credit Facility") with a group of banks, which is scheduled to expire in August 2006. This Credit Facility replaced the Company's \$250.0 million unsecured revolving credit facility. Under the terms of the Credit Facility, funds may be borrowed for general corporate purposes, including the funding of (i) property acquisitions, (ii) development and redevelopment costs, and (iii) any short-term working capital requirements. Interest on borrowings under the Credit Facility accrues at a spread (currently 0.55%) to LIBOR, and fluctuates in accordance with changes in the Company's senior debt ratings. The Company's senior debt ratings are currently A-/stable from Standard & Poor's and Baa1/stable from Moody's Investor Services. As part of this Credit Facility, the Company has a competitive bid option where the Company may auction up to \$250.0 million of its requested borrowings to the bank group. This competitive bid option provides the Company the opportunity to obtain pricing below the currently stated spread to LIBOR of 0.55%. A facility fee of 0.15% per annum is payable quarterly in arrears. Pursuant to the terms of the Credit Facility, the Company, among other things, is (i) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate debt and minimum unencumbered asset and equity levels, and (ii) restricted from paying dividends in amounts that exceed 90% of funds from operations, as defined. As of December 31, 2003, there was \$45.0 million outstanding under this Credit Facility.

During October 2003, the Company obtained a \$400.0 million unsecured bridge facility that bears interest at LIBOR plus 0.55%. This loan is scheduled to expire September 30, 2004 with an option to extend up to \$150.0 million for an additional year. The Company utilized these proceeds to partially fund the Mid-Atlantic Realty Trust transaction. Pursuant to the terms of this facility, the Company is subject to the same covenants and requirements as the \$500.0 million Credit Facility described above. As of December 31, 2003, there was \$329.0 million outstanding on this unsecured bridge facility.

In accordance with the terms of the Indenture, as amended, pursuant to which the Company's senior, unsecured notes have been issued, the Company is (a) subject to maintaining certain maximum leverage ratios on both unsecured senior corporate and secured debt, minimum debt service coverage ratios and minimum equity levels, and (b) restricted from

paying dividends in amounts that exceed by more than \$26.0 million the funds from operations, as defined, generated through the end of the calendar quarter most recently completed prior to the declaration of such dividend; however, this dividend limitation does not apply to any distributions necessary to maintain the Company's qualification as a REIT providing the Company is in compliance with its total leverage limitations.

During July 2002, the Company established an additional \$150.0 million unsecured revolving credit facility. During December 2002, the Company paid down the outstanding balance and terminated this facility.

The scheduled maturities of all unsecured senior notes payable as of December 31, 2003 are approximately as follows (in millions): 2004, \$514.0; 2005, \$200.25; 2006, \$130.0; 2007, \$195.0; 2008, \$100.0 and thereafter, \$547.0.

### 14. Mortgages Payable:

During October 2003, in connection with the Mid-Atlantic Merger, the Company assumed approximately \$181.7 million of individual non-recourse mortgages encumbering twenty properties, including an aggregate premium of \$24.6 million related to the fair value adjustment of these mortgages in accordance with SFAS No. 141. As of December 31, 2003, the aggregate outstanding balance of these mortgages was \$180.9 million with the Company realizing a \$0.8 million reduction in interest expense related to the amortization of the mortgage premium.

As part of the Company's strategy to reduce its exposure to Kmart Corporation, the Company had previously encumbered certain Kmart sites with individual non-recourse mortgages. As a result of the Kmart bankruptcy filing in January 2002 and the subsequent rejection of leases including these encumbered sites, the Company, during July 2002, had suspended debt service payments on these loans and began active negotiations with the respective lenders.

During 2003, the Company reached agreement with certain lenders in connection with three individual non-recourse mortgages encumbering three former Kmart sites. The Company paid approximately \$14.2 million in full satisfaction of these loans which aggregated approximately \$24.0 million. As a result of these transactions, the Company recognized a gain on early extinguishment of debt of approximately \$9.7 million during 2003, of which \$6.8 million is included in Income from discontinued operations.

During December 2002, the Company reached agreement with certain lenders in connection with four former Kmart sites. The Company paid approximately \$24.2 million in full satisfaction of the loans encumbering these properties which aggregated \$46.5 million and the Company recognized a gain on early extinguishment of debt of approximately \$22.3 million.



Mortgages payable, collateralized by certain shopping center properties and related tenants' leases, are generally due in monthly installments of principal and/or interest which mature at various dates through 2023. Interest rates range from approximately 6.10% to 9.75% (weighted average interest rate of 7.85% as of December 31, 2003). The scheduled maturities of all mortgages payable as of December 31, 2003, are approximately as follows (in millions): 2004, \$8.7; 2005, \$14.2; 2006, \$53.1; 2007, \$12.6; 2008, \$43.1 and thereafter, \$244.2.

One of the Company's properties is encumbered by approximately \$6.4 million in floating-rate, tax-exempt mortgage bond financing. The rate on this bond is reset annually, at which time bondholders have the right to require the Company to repurchase the bonds. The Company has engaged a remarketing agent for the purpose of offering for resale the bonds in the event it is tendered to the Company. All bonds tendered for redemption in the past have been remarketed and the Company has arrangements, including letters of credit, with banks to both collateralize the principal amount and accrued interest on such bonds and to fund any repurchase obligations.

#### 15. Construction Loans Payable:

During 2003, the Company obtained construction financing on seven ground-up development projects for an aggregate loan commitment amount of up to \$152.2 million, of which approximately \$45.6 million was funded for the year ended December 31, 2003. As of December 31, 2003, the Company had a total of thirteen construction loans with total commitments of up to \$238.9 million of which \$92.8 million had been funded. These loans have maturities ranging from 3 to 34 months and variable interest rates ranging from 2.87% to 5.00% at December 31, 2003. These construction loans are collateralized by the respective projects and associated tenants' leases. The scheduled maturities of all construction loans payable as of December 31, 2003 are approximately as follows (in millions): 2004, \$47.7; 2005, \$30.1 and 2006, \$15.0.

#### 16. Fair Value Disclosure of Financial Instruments:

All financial instruments of the Company are reflected in the accompanying Consolidated Balance Sheets at amounts which, in management's estimation based upon an interpretation of available market information and valuation methodologies reasonably approximate their fair values except those listed below for which fair values are reflected. The valuation method used to estimate fair value for fixed rate debt is based on discounted cash flow analyses. The fair values for marketable securities are based on published or securities dealers' estimated market values. Such fair value

estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments. The following are financial instruments for which the Company's estimate of fair value differs from the carrying amounts (in thousands):

	December 31,			
	2003		2002	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Marketable Securities	\$ 45,677	\$ 48,573	\$ 66,992	\$ 68,968
Notes Payable	\$1,686,250	\$1,756,834	\$1,302,250	\$1,353,884
Mortgages Payable	\$ 375,914	\$ 421,123	\$ 230,760	\$ 282,361

#### 17. Financial Instruments—Derivatives and Hedging:

The Company is exposed to the effect of changes in interest rates, foreign currency exchange rate fluctuations and market value fluctuations of equity securities. The Company limits these risks by following established risk management policies and procedures including the use of derivatives.

The principal financial instruments currently used by the Company are interest rate swaps, foreign currency exchange forward contracts, cross currency swaps and warrant contracts. The Company, from time to time, hedges the future cash flows of its floating-rate debt instruments to reduce exposure to interest rate risk principally through interest rate swaps with major financial institutions. The Company had interest-rate swap agreements on its \$85.0 million floating-rate MTN and on its \$100.0 million floating-rate remarketed reset notes, which were designated and qualified as cash flow hedges of the variability in floating-rate interest payments on the hedged debt. The Company determined that these swap agreements were highly effective in offsetting future variable interest cash flows related to the Company's debt portfolio.

The swap agreement relating to the Company's \$100.0 million floating-rate remarketed reset notes matured in August 2003. This agreement was not renewed as the Company elected to pay-off its outstanding \$100.0 million floating-rate remarketed reset notes during August 2003.

The swap agreement relating to the Company's \$85.0 million floating-rate MTN matured in November 2003. The Company has elected not to renew this contract.

For the years ended December 31, 2003 and 2002, the change in the fair value of the interest rate swaps was \$0.6 million and \$3.3 million, respectively, which was recorded in OCI, a component of stockholders' equity, with a corresponding liability reduction for the same amount.

As of December 31, 2003, the Company had foreign currency forward contracts designated as hedges of its Canadian investments in real estate aggregating approximately CAD \$184.6 million. In addition, the Company had



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

foreign currency forward contracts and a cross currency swap with an aggregate notional amount of approximately \$381.8 million pesos (“MXN”) (approximately USD \$34.0 million) designated as hedges of its Mexican real estate investments. In December 2003, the Company sold 50% of its Mexican investments and assigned approximately MXN \$156.9 million of the MXN hedges in connection with the sale of the underlying investments that were being hedged. At December 31, 2003, the Company had remaining Mexican net investment hedges outstanding with a notional amount of approximately MXN \$224.9 million.

The Company has designated these foreign currency agreements as net investment hedges of the foreign currency exposure of its net investment in Canadian and Mexican real estate operations. The Company believes these agreements are highly effective in reducing the exposure to fluctuations in exchange rates. As such, gains and losses on these net investment hedges were reported in the same manner as a translation adjustment in accordance with SFAS No. 52, *Foreign Currency Translation*. During 2003, \$25.1 million of unrealized losses and \$0.2 million of unrealized gains were included in the cumulative translation adjustment relating to the Company’s net investment hedges of its Canadian and Mexican investments.

During 2001, the Company acquired warrants to purchase the common stock of a Canadian REIT. The Company has designated the warrants as a cash flow hedge of the variability in expected future cash outflows upon purchasing the common stock. The Company has determined the hedged cash outflow is probable and expected to occur prior to the expiration date of the warrants. The Company has determined that the warrants are fully effective.

For the year ended December 31, 2003, the change in fair value of the warrants resulted in an unrealized gain of approximately \$6.0 million, which was recorded in OCI, with a corresponding increase in Other assets for the same amount.

The following table summarizes the notional values and fair values of the Company’s derivative financial instruments as of December 31, 2003:

Hedge Type	Notional Value	Rate	Maturity	Fair Value (in millions)
Warrants—cash flow	2,500,000 shares of common stock	CAD \$11.02	9/06	\$ 8.3
Foreign currency forwards—net investment	CAD \$184.6 million	1.4013– 1.6194	1/05– 7/06	(\$23.8)
Foreign currency forwards—net investment	MXN \$142.5 million	11.838– 12.615	10/04– 11/04	(\$ 0.5)
MXN cross currency swap—net investment	MXN \$82.4 million	7.227	10/07	(\$ 0.2)
Foreign currency forwards—fair value	CAD \$5.0 million	1.5918	4/05	(\$ 0.6)

As of December 31, 2003, these derivative instruments were reported at their fair value as other liabilities of \$25.1 million and other assets of \$8.3 million. The Company does not expect to reclassify to earnings any of the current balance during the next 12 months.

#### 18. Preferred Stock, Common Stock and DownREIT Unit Transactions:

At December 31, 2002, the Company had outstanding 3,000,000 Depositary Shares (the “Class A Depositary Shares”), each such Class A Depositary Share representing a one-tenth fractional interest of a share of the Company’s 7¾% Class A Cumulative Redeemable Preferred Stock, par value \$1.00 per share (the “Class A Preferred Stock”), 2,000,000 Depositary Shares (the “Class B Depositary Shares”), each such Class B Depositary Share representing a one-tenth fractional interest of a share of the Company’s 8½% Class B Cumulative Redeemable Preferred Stock, par value \$1.00 per share (the “Class B Preferred Stock”) and 4,000,000 Depositary Shares (the “Class C Depositary Shares”), each such Class C Depositary Share representing a one-tenth fractional interest of a share of the Company’s 8¾% Class C Cumulative Redeemable Preferred Stock, par value \$1.00 per share (the “Class C Preferred Stock”).

During June 2003, the Company redeemed all 2,000,000 outstanding depositary shares of the Company’s Class B Preferred Stock, all 3,000,000 outstanding depositary shares of the Company’s Class A Preferred Stock and all 4,000,000 outstanding depositary shares of the Company’s Class C Preferred Stock, each at a redemption price of \$25.00 per depositary share, totaling \$225.0 million, plus accrued dividends. In accordance with Emerging Issues Task Force (“EITF”) D-42, the Company deducted from the calculation of net income available to common shareholders original issuance costs of approximately \$7.8 million associated with the redemption of the Class A Preferred Stock, Class B Preferred Stock and Class C Preferred Stock.

During June 2003, the Company issued 7,000,000 Depositary Shares (the “Class F Depositary Shares”), each such Class F Depositary Share representing a one-tenth fractional interest of a share of the Company’s 6.65% Class F Cumulative Redeemable Preferred Stock, par value \$1.00 per share (the “Class F Preferred Stock”). Dividends on the Class F Depositary Shares are cumulative and payable quarterly in arrears at the rate of 6.65% per annum based on the \$25.00 per share initial offering price, of \$1.6625 per annum. The Class F Depositary Shares are redeemable, in whole or part, for cash on or after June 5, 2008 at the option of the Company, at a redemption price of \$25.00 per depositary share, plus any accrued and unpaid dividends thereon. The Class F Depositary Shares are not convertible or exchangeable for any other property or securities of the

Company. Net proceeds from the sale of the Class F Depositary Shares, totaling approximately \$169.0 million (after related transaction costs of \$6.0 million) were used to redeem all of the Company's Class B Preferred Stock and Class C Preferred Stock and to fund a portion of the redemption of the Company's Class A Preferred Stock.

**Voting Rights**—As to any matter on which the Class F Preferred Stock, (“Preferred Stock”) may vote, including any action by written consent, each share of Preferred Stock shall be entitled to 10 votes, each of which 10 votes may be directed separately by the holder thereof. With respect to each share of Preferred Stock, the holder thereof may designate up to 10 proxies, with each such proxy having the right to vote a whole number of votes (totaling 10 votes per share of Preferred Stock). As a result, each Class F Depositary Share is entitled to one vote.

**Liquidation Rights**—In the event of any liquidation, dissolution or winding up of the affairs of the Company, the Preferred Stock holders are entitled to be paid, out of the assets of the Company legally available for distribution to its stockholders, a liquidation preference of \$250.00 per share (\$25.00 per Class F Depositary Share), plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of the Company's common stock or any other capital stock that ranks junior to the Preferred Stock as to liquidation rights.

During June 2003, the Company completed a primary public stock offering of 2,070,000 shares of the Company's common stock. The net proceeds from this sale of common stock, totaling approximately \$76.0 million (after related transaction costs of \$0.7 million) were used for general corporate purposes, including the acquisition of interests in real estate properties.

During September 2003, the Company completed a primary public stock offering of 2,760,000 shares of the Company's common stock. The net proceeds from this sale of common stock, totaling approximately \$112.7 million (after related transaction costs of \$1.0 million) were used for general corporate purposes, including the acquisition of interests in real estate properties.

During October 2002, the Company acquired an interest in a shopping center property located in Daly City, CA valued at \$80.0 million through the issuance of approximately 2.4 million downREIT units (the “Units”) which are convertible at a ratio of 1:1 into the Company's common stock. The downREIT unit holder has the right to convert the Units any time after one year. In addition, the Company has the right to mandatorily require a conversion after ten years. If at the time of conversion the common stock price for the 20 previous trading days is less than \$33.57 per share the unit holder would be entitled to additional shares, however, the maximum number of additional shares is limited to 251,966 based upon a floor common stock price of \$30.36. The

Company has the option to settle the conversion in cash. Dividends on the Units are paid quarterly at the rate of the Company's common stock dividend multiplied by 1.1057. The value of the units is included in Minority interests in partnerships on the accompanying Consolidated Balance Sheets.

## 19. Supplemental Schedule of Non-Cash Investing/Financing Activities:

The following schedule summarizes the non-cash investing and financing activities of the Company for the years ended December 31, 2003, 2002 and 2001 (in thousands):

	2003	2002	2001
Acquisition of real estate interests by assumption of mortgage debt	\$ 180,893	\$ 3,477	\$ 17,220
Acquisition of real estate interest by issuance of convertible downREIT units	\$ —	\$ 80,000	\$ —
Acquisition of real estate through purchase of partnership interests	\$ —	\$ 6,638	\$ —
Investment in real estate joint ventures by issuance of stock and contribution of property	\$ —	\$ —	\$ 3,420
Disposition of real estate interests by assignment of mortgage debt	\$ 23,068	\$ 28,747	\$ —
Proceeds held in escrow from sale of real estate interests	\$ 41,194	\$ 5,433	\$ —
Notes received upon disposition of real estate interests	\$ 14,490	\$ —	\$ 400
Notes received upon exercise of stock options	\$ 100	\$ 555	\$ 850
Declaration of dividends paid in succeeding period	\$ 65,969	\$ 59,646	\$ 57,345

## 20. Transactions with Related Parties:

The Company, along with its joint venture partner provided KROP short-term interim financing for all acquisitions by KROP for which a mortgage was not in place at the time of closing. All such financing had maturities of less than one year and bears interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% and LIBOR plus 4.0% and LIBOR plus 4.5% for the years ended December 31, 2003 and 2002, respectively. KROP had outstanding short-term interim financing due to GECRE and the Company totaling \$16.8 million each as of December 31, 2003 and \$17.3 million each as of December 31, 2002. The Company earned \$1.0 million and \$0.8 million during 2003 and 2002, respectively, related to such interim financing.

The Company provides management services for shopping centers owned principally by affiliated entities and various real estate joint ventures in which certain stockholders of

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

the Company have economic interests. Such services are performed pursuant to management agreements which provide for fees based upon a percentage of gross revenues from the properties and other direct costs incurred in connection with management of the centers.

Reference is made to Notes 8 and 9 for additional information regarding transactions with related parties.

### 21. Commitments and Contingencies:

The Company and its subsidiaries are primarily engaged in the operation of shopping centers which are either owned or held under long-term leases which expire at various dates through 2087. The Company and its subsidiaries, in turn, lease premises in these centers to tenants pursuant to lease agreements which provide for terms ranging generally from 5 to 25 years and for annual minimum rentals plus incremental rents based on operating expense levels and tenants' sales volumes. Annual minimum rentals plus incremental rents based on operating expense levels comprised approximately 99% of total revenues from rental property for each of the three years ended December 31, 2003, 2002 and 2001, respectively.

The future minimum revenues from rental property under the terms of all non-cancelable tenant leases, assuming no new or renegotiated leases are executed for such premises, for future years are approximately as follows (in millions): 2004, \$381.7; 2005, \$352.2; 2006, \$315.3; 2007, \$280.5; 2008, \$239.6 and thereafter, \$1,477.2.

Minimum rental payments under the terms of all non-cancelable operating leases pertaining to its shopping center portfolio for future years are approximately as follows (in millions): 2004, \$11.3; 2005, \$10.9; 2006, \$10.2; 2007, \$9.9; 2008, \$8.9 and thereafter, \$153.5.

The Company has issued letters of credit in connection with the collateralization of tax-exempt mortgage bonds, completion guarantees for certain construction projects, and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately \$15.3 million.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CAD \$5.0 million (approximately USD \$3.9 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and has approximately CAD \$3.1 million (approximately USD \$2.4 million) outstanding as of December 31, 2003 relating to various development projects.

During 2003, the limited partners in KIR, an entity in which the Company holds a 43.3% non-controlling interest, contributed \$30.0 million toward their respective capital commitments, including \$13.0 million by the Company. As of December 31, 2003, KIR had unfunded capital commitments of \$99.0 million, including \$42.9 million from the Company.

### 22. Incentive Plans:

The Company maintains a stock option plan (the "Plan") pursuant to which a maximum 18,500,000 shares of the Company's common stock may be issued for qualified and non-qualified options. Options granted under the Plan generally vest ratably over a three-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant, unless otherwise determined by the Board in its sole discretion. In addition, the Plan provides for the granting of certain options to each of the Company's non-employee directors (the "Independent Directors") and permits such Independent Directors to elect to receive deferred stock awards in lieu of directors' fees.

Information with respect to stock options under the Plan for the years ended December 31, 2003, 2002 and 2001 is as follows:

	Shares	Weighted Average Exercise Price Per Share
Options outstanding, December 31, 2000	5,538,795	\$22.44
Exercised	(1,694,227)	\$20.62
Granted	2,119,175	\$30.71
Forfeited	(54,390)	\$25.76
Options outstanding, December 31, 2001	5,909,353	\$25.90
Exercised	(307,831)	\$18.76
Granted	1,562,525	\$31.27
Forfeited	(61,974)	\$27.99
Options outstanding, December 31, 2002	7,102,073	\$27.37
Exercised	(1,078,203)	\$23.92
Granted	1,621,438	\$43.34
Forfeited	(89,503)	\$31.16
<b>Options outstanding, December 31, 2003</b>	<b>7,555,805</b>	<b>\$31.24</b>
Options exercisable December 31, 2001	2,369,288	\$21.98
December 31, 2002	3,298,417	\$24.06
<b>December 31, 2003</b>	<b>3,619,774</b>	<b>\$26.47</b>

The exercise prices for options outstanding as of December 31, 2003 range from \$14.78 to \$44.36 per share. The weighted average remaining contractual life for options outstanding as of December 31, 2003 was approximately 7.7 years. Options to purchase 5,109,883, 1,731,321 and 3,293,846 shares of the Company's common stock were available for issuance under the Plan at December 31, 2003, 2002 and 2001, respectively.

The Company maintains a 401(k) retirement plan covering substantially all officers and employees which permits participants to defer up to the maximum allowable amount determined by the Internal Revenue Service of their eligible compensation. This deferred compensation, together with Company matching contributions which generally equal



employee deferrals up to a maximum of 5% of their eligible compensation, is fully vested and funded as of December 31, 2003. Company contributions to the plan were approximately \$0.8 million, \$0.7 million and \$0.7 million for the years ended December 31, 2003, 2002 and 2001, respectively.

### 23. Income Taxes:

The Company elected to qualify as a REIT in accordance with the Code commencing with its taxable year which began January 1, 1992. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted REIT taxable income to its stockholders. It is management's intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate federal income tax, provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under the Code. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and federal income and excise taxes on its undistributed taxable income. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state and local income taxes.

#### *Reconciliation between GAAP Net Income and Federal Taxable Income:*

The following table reconciles GAAP net income to taxable income for the years ended December 31, 2003, 2002 and 2001 (in thousands):

	2003 (Estimated)	2002 (Actual)	2001 (Actual)
GAAP net income	\$307,879	\$245,668	\$236,538
Less: GAAP net income of taxable REIT subsidiaries	(12,814)	(23,573)	(29,063)
GAAP net income from REIT operations (Note 1)	295,065	222,095	207,475
Net book depreciation in excess of (less than) tax depreciation	(40,781)	4,132	3,612
Deferred and prepaid rents	(6,000)	(5,944)	(6,647)
Exercise of non-qualified stock options	(11,900)	(2,151)	(15,354)
Book/tax differences			
from investments in real estate joint ventures	(10,838)	(18,994)	(3,206)
Book/tax difference on sale of real property	(30,432)	(13,346)	3,864
Book adjustment to property carrying values	4,016	33,030	—
Other book/tax differences, net	(3,600)	11,719	8,999
Adjusted taxable income subject to 90% dividend requirements	\$195,530	\$230,541	\$198,743

Note 1—All adjustments to “GAAP net income from REIT operations” are net of amounts attributable to minority interest and taxable REIT subsidiaries.

#### *Reconciliation between Cash Dividends Paid and Dividends Paid Deductions (in thousands):*

Cash dividends paid exceeded the dividends paid deduction for the year ended December 31, 2003 and amounted to \$246,301. For the years ended December 31, 2002 and 2001, cash dividends paid were equal to the dividends paid deduction and amounted to \$235,602 and \$209,785, respectively.

#### *Characterization of Distributions:*

The following characterizes distributions paid for the years ended December 31, 2003, 2002 and 2001 (in thousands):

	2003		2002		2001	
Preferred Dividends						
Ordinary income	\$ 13,169	84%	\$ 17,935	96%	\$ 26,253	100%
Capital gain	2,451	16%	764	4%	—	—
	\$ 15,620	100%	\$ 18,699	100%	\$ 26,253	100%
Common Dividends						
Ordinary income	\$171,071	74%	\$208,040	96%	\$174,380	95%
Capital gain	31,840	14%	8,863	4%	—	—
Return of capital	27,770	12%	—	—	9,152	5%
	\$230,681	100%	\$216,903	100%	\$183,532	100%
Total dividends distributed	\$246,301		\$235,602		\$209,785	

#### *Taxable REIT Subsidiaries (“TRS”):*

Commencing January 1, 2001, the Company is subject to federal, state and local income taxes on the income from its TRS activities.

Income taxes have been provided for on the asset and liability method as required by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of the TRS assets and liabilities.

The Company's TRS income and provision for income taxes for the years ended December 31, 2003, 2002 and 2001, are summarized as follows (in thousands):

	2003	2002	2001
Net income before income taxes	\$21,328	\$36,477	\$48,439
Less provision for income taxes:			
Federal	7,104	10,538	15,682
State and local	1,410	2,366	3,694
Total tax provision	8,514	12,904	19,376
TRS net income	\$12,814	\$23,573	\$29,063

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Deferred tax assets of approximately \$11.0 million and \$4.4 million and deferred tax liabilities of approximately \$7.5 million and \$1.7 million are included in the caption Other assets and Other liabilities on the accompanying Consolidated Balance Sheets at December 31, 2003 and 2002, respectively. These deferred tax assets and liabilities relate primarily to differences in the timing of the recognition of income/(loss) between GAAP and tax basis of accounting of (i) real estate joint ventures, (ii) other real estate investments and (iii) other deductible temporary differences.

The income tax provision differs from the amount computed by applying the statutory federal income tax rate to taxable income before income taxes as follows (in thousands):

	2003	2002	2001
Federal provision at statutory tax rate (35%)	\$7,465	\$12,767	\$16,954
State and local taxes, net of federal benefit	1,049	2,010	2,422
Other	—	(1,873)	—
	<b>\$8,514</b>	\$12,904	\$19,376

#### 24. Supplemental Financial Information:

The following represents the results of operations, expressed in thousands except per share amounts, for each quarter during years 2003 and 2002:

	2003 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property <sup>(1)</sup>	\$119,651	\$114,988	\$118,450	\$126,575
Net income	\$ 70,961	\$ 61,346	\$ 91,504	\$ 84,068
Net income per common share:				
Basic	\$ .63	\$ .47	\$ .82	\$ .73
Diluted	\$ .63	\$ .46	\$ .80	\$ .72
	2002 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property <sup>(1)</sup>	\$107,574	\$107,911	\$105,937	\$111,355
Net income	\$ 60,894	\$ 61,055	\$ 60,756	\$ 62,963
Net income per common share:				
Basic	\$ .54	\$ .54	\$ .54	\$ .56
Diluted	\$ .53	\$ .54	\$ .53	\$ .56

(1) All periods have been adjusted to reflect the impact of operating properties sold during 2003 and 2002, and properties classified as held for sale as of December 31, 2003 which are reflected in the caption Discontinued operations on the accompanying Consolidated Statements of Income.

Accounts and notes receivable in the accompanying Consolidated Balance Sheets are net of estimated unrecoverable amounts of approximately \$9.7 million and \$5.8 million at December 31, 2003 and 2002, respectively.

#### 25. Pro Forma Financial Information (Unaudited):

As discussed in Notes 3, 4 and 5, the Company and certain of its subsidiaries acquired and disposed of interests in certain operating properties during 2003. The pro forma financial information set forth below is based upon the Company's historical Consolidated Statements of Income for the years ended December 31, 2003 and 2002, adjusted to give effect to these transactions as of January 1, 2002.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the transactions occurred on January 1, 2002, nor does it purport to represent the results of operations for future periods. (Amounts presented in millions, except per share figures.)

Years ended December 31,	2003	2002
Revenues from rental property	\$530.3	\$510.5
Net income	\$260.4	\$269.0
Net income per common share:		
Basic	\$ 2.22	\$ 2.29
Diluted	\$ 2.19	\$ 2.27



## GLOSSARY OF TERMS

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### Asset Designation Rights

Rights to assign, sell, transfer or reject a bankrupt estate's title and interest in leased or owned properties. Kimco acquired Asset Designation Rights from the former Montgomery Ward stores in 2001 and the former Hechinger stores in 1999.

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### Debt Service

The periodic payment of principle and interest on unsecured bonds, mortgages or other borrowings.

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### Fee Simple Ownership Real Estate (Fee)

Fee ownership of real estate is a fee without limitation or restrictions on transfer of ownership.

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### Fixed Charges

Payment of debt service plus preferred stock dividend payments and ground lease payments.

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### Funds From Operations (FFO)

A supplemental non-GAAP financial measurement used as a standard in the real estate industry to measure and compare the operating performance of real estate companies. Equal to a REIT's net income, excluding gains or losses from sales of property, and adding back real estate depreciation.

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### Gross Leasable Area (GLA)

Measure of the total amount of leasable space in a commercial property.

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### Leasehold Interest in Real Estate

Financial interest in real estate evidenced by a contract (lease) which one receives the use of real estate or facilities for a specified term and for a specified rent.

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### Lease Rejection

Bankruptcy rules permit a tenant in bankruptcy to eliminate its obligations to pay rent under a lease subject to certain payments to landlords for damages.

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### Non-Recourse Mortgage Debt

Non-recourse mortgage debt is generally defined as debt whereby the lenders' sole recourse with respect to borrower defaults is limited to the value of the property collateralized by the mortgage.

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### 1031 Exchange

A 1031 exchange allows sellers to defer 100 percent of the Federal and State capital gains taxes associated with the sale of property held for investment purposes. Kimco facilitates exchanges by matching buyers of exchange properties with sellers of investment properties or by selling properties from its portfolio of net leased properties to exchange buyers.

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### Payout Ratio

The ratio of a REIT's annual dividend rate to its FFO on a basic per share basis.

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### Real Estate Investment Trust (REIT)

A REIT is a company dedicated to owning, and in most cases, operating income-producing real estate, such as shopping centers, offices, and warehouses. Some REITs also engage in financing real estate.

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### REIT Modernization Act of 1999

Federal tax law change whose provisions allow a REIT to own up to 100% of stock of a taxable REIT subsidiary that can provide services to REIT tenants and others. The law also changed the minimum distribution requirement from 95% to 90% of a REIT's taxable income – consistent with the rules for REITs from 1960 to 1980.

---

### Revolving Credit Facility

Credit agreement with a lending institution or institutions, which the Company may withdraw funds as needed at a variable rate of interest. Kimco's credit agreement has a limit of \$500 million and accrues interest at a spread of 0.55 percent to LIBOR (London Interbank Offered Rate).

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### Stock Split

Occurred on December 22, 1995 and December 21, 2001 when Kimco issued new shares of stock at a rate of 0.5 shares for each share owned by shareholders of record in the form of a stock dividend. This action in turn lowered the current market price of its stock to a level that is proportionate to pre-split prices.

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### Taxable REIT Subsidiary (TRS)

Created by the REIT Modernization Act of 1999. A TRS is a subsidiary of a REIT that may provide services to the REIT's tenants and others and is required to pay Federal income tax without disqualifying the Company's REIT status.

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### Total Market Capitalization

The total market value of outstanding common stock, the liquidation value of preferred stock and all outstanding indebtedness.

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### Total Return

A stock's dividend income plus capital appreciation, before taxes and commissions.

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## CORPORATE DIRECTORY

### Executive Officers

Milton Cooper  
Chairman and  
Chief Executive Officer

Michael J. Flynn  
President and  
Chief Operating Officer

David B. Henry  
Chief Investment Officer

Thomas A. Caputo  
Executive Vice President

Glenn G. Cohen  
Vice President and Treasurer

Raymond Edwards  
Vice President

Jerald Friedman  
Executive Vice President

Bruce M. Kauderer  
Vice President, Legal  
General Counsel and Secretary

Michael V. Pappagallo  
Vice President and  
Chief Financial Officer

### Executive Offices

3333 New Hyde Park Road  
Suite 100  
New Hyde Park, NY 11042  
516-869-9000  
www.kimcorealty.com

### Regional Offices

#### *Leasing*

Phoenix, AZ  
602-230-8852

Los Angeles, CA  
949-252-3880

Sacramento, CA  
916-349-7474

San Francisco, CA  
949-252-3880

Hartford, CT  
860-678-7799

Margate, FL  
954-977-7340

Orlando, FL  
407-302-4400

Tampa, FL  
727-536-3287

Chicago, IL  
847-299-1160

Baltimore, MD  
443-367-0110

Charlotte, NC  
704-367-0131

Raleigh, NC  
919-859-7499

Albany, NY  
518-459-6796

Cleveland, OH  
330-702-8000

Dayton, OH  
937-434-5421

Philadelphia, PA  
215-322-2750

Dallas, TX  
214-720-0559

Woodbridge, VA  
703-583-0071

#### *Development*

Los Angeles, CA  
323-866-3500

Lisle, IL  
630-322-9200

## CORPORATE DIRECTORY

### Counsel

Latham & Watkins  
New York, NY

### Auditors

PricewaterhouseCoopers LLP  
New York, NY

### Registrar and Transfer Agent

The Bank of New York  
Shareholder Relations Department  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
1-866-557-8695  
Website: [www.stockbny.com](http://www.stockbny.com)  
Email: [Shareowner-svcs@bankofny.com](mailto:Shareowner-svcs@bankofny.com)

### Stock Listings

NYSE—Symbols KIM, KIMprF

### Investor Relations

A copy of the Company's Annual Report to the U.S. Securities and Exchange Commission on Form 10-K may be obtained at no cost to stockholders by writing to:

Scott G. Onufrey  
Vice President  
Kimco Realty Corporation  
3333 New Hyde Park Road, Suite 100  
New Hyde Park, NY 11042  
516-869-7288  
E-mail: [ir@kimcorealty.com](mailto:ir@kimcorealty.com)

### Annual Meeting of Stockholders

Stockholders of Kimco Realty Corporation are cordially invited to attend the 2004 Annual Meeting of Stockholders scheduled to be held on May 20, 2004, at 270 Park Avenue, New York, NY, Floor 11, Room C at 10:00 a.m.

### Dividend Reinvestment and Common Stock Purchase Plan

The Company's Dividend Reinvestment and Common Stock Purchase Plan provides common and preferred stockholders with an opportunity to conveniently and economically acquire Kimco common stock. Stockholders may have their dividends automatically directed to our transfer agent to purchase common shares without paying any brokerage commissions. Requests for booklets describing the Plan, enrollment forms and any correspondence or questions regarding the Plan should be directed to:

The Bank of New York  
Kimco Realty Corporation  
P.O. Box 1958  
Newark, NJ 07101-9774  
1-866-557-8695

### Holder of Record

Holders of record of the Company's common stock, par value \$.01 per share, totaled 2,545 as of March 22, 2004.

### Stock Price and Dividend Information

	Stock Price		Dividends Paid Per Common Share <sup>(1)</sup>
	High	Low	
<b>2003:</b>			
First Quarter	<b>\$36.00</b>	<b>\$30.25</b>	<b>\$0.54</b>
Second Quarter	<b>\$39.45</b>	<b>\$34.47</b>	<b>\$0.54</b>
Third Quarter	<b>\$43.35</b>	<b>\$37.21</b>	<b>\$0.54</b>
Fourth Quarter	<b>\$45.86</b>	<b>\$40.26</b>	<b>\$0.54</b>
<b>2002:</b>			
First Quarter	\$33.50	\$29.00	\$0.52
Second Quarter	\$33.87	\$31.00	\$0.52
Third Quarter	\$33.20	\$25.96	\$0.52
Fourth Quarter	\$32.08	\$27.77	\$0.52

(1) The Company has determined that of the \$2.16 dividend per share paid during 2003, approximately \$1.60 represented ordinary income to its stockholders, \$0.30 represented capital gain, and \$0.26 represented a return of capital. The Company has determined that of the \$2.08 dividend per share paid during 2002, approximately \$2.00 represented ordinary income to its stockholders and approximately \$0.08 represented capital gain.



## BOARD OF DIRECTORS

### **Martin S. Kimmel**

Chairman (Emeritus) of the Board of Directors of the Company since November 1991. Chairman of the Board of Directors of the Company for more than five years prior to the Company's IPO. Founding member of the Company's predecessor in 1966.

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### **Milton Cooper**

Chairman of the Board of Directors of the Company since November 1991. Founding member of the Company's predecessor in 1966. Mr. Cooper is also a director of Getty Realty Corp. and Blue Ridge Real Estate/Big Boulder Corporation and a former trustee of MassMutual Corporate Investors and MassMutual Participation Investors. He also serves as a member of the Executive Committee of the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT).

### **Michael J. Flynn**

Vice Chairman of the Board of Directors of the Company since January 1996 and, since January 1997, President and Chief Operating Officer; Director of the Company since December 1991. Chairman of the Board and President of Slattery Associates, Inc. for more than five years prior to joining the Company in 1996. Mr. Flynn is also Chairman of the Board of Directors of Blue Ridge Real Estate/Big Boulder Corporation.

### **David B. Henry**

Vice Chairman of the Board of Directors since May of 2001 and Chief Investment Officer of the Company. Mr. Henry joined Kimco Realty Corporation after 23 years at General Electric where he was Chief Investment Officer and Senior Vice President of GE Capital Real Estate and Chairman of GE Capital Investment Advisors.

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### **Richard G. Dooley**

Director of the Company since December 1991. From 1993 to 2003, consultant to, and from 1978 to 1993, Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company.

### **Joe Grills**

Director of the Company since January 1997. Chief Investment Officer for the IBM Retirement Funds from 1986 to 1993. Mr. Grills is also a Director of certain Merrill Lynch Mutual Funds and Duke University Management Company.

### **F. Patrick Hughes**

Mr. Hughes has been a director since September 2003. Mr. Hughes previously served as CEO, President and Trustee of Mid-Atlantic Realty Trust since its formation in 1993. Mr. Hughes is the former President, Chief Operating Officer and Director of BTR Realty, Inc., having served in such capacity from 1990 to 1993. Mr. Hughes served as CFO and Senior Vice President from 1974 until 1990.

### **Frank Lourenso**

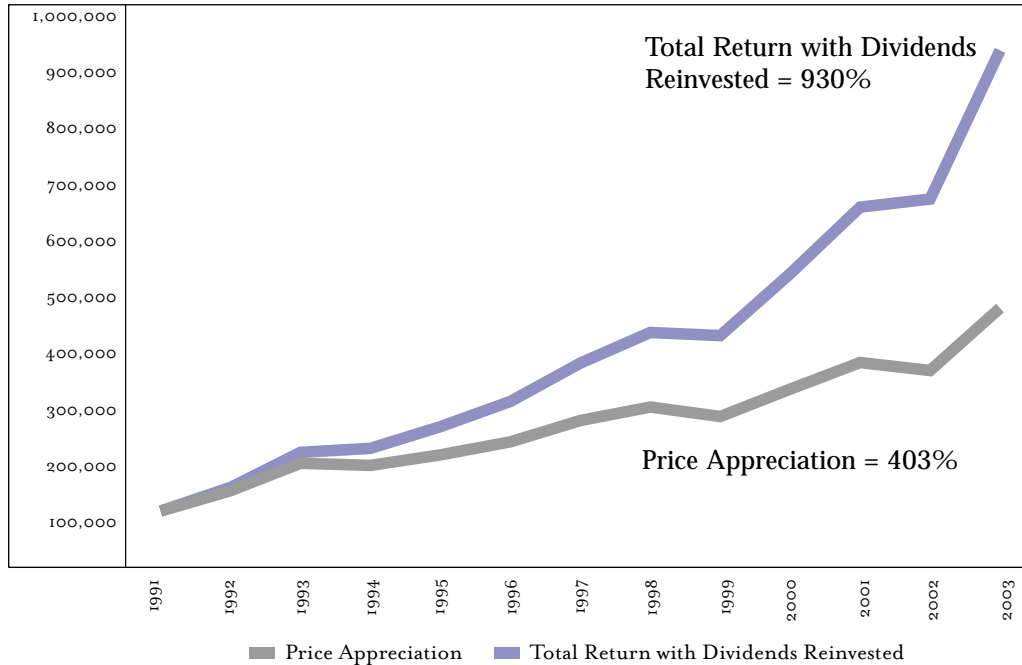
Director of the Company since December 1991. Executive Vice President of J.P. Morgan Chase & Co. since 1990. Senior Vice President of J.P. Morgan Chase for more than five years prior to that time.

### **Richard B. Saltzman**

Elected to the Board of Directors in July 2003. Mr. Saltzman is President of Colony Capital LLC, an international real estate investment management firm. Prior to joining Colony, Mr. Saltzman spent 24 years in the investment banking business, primarily specializing in real estate related businesses and investments. Most recently, he was a Managing Director and Vice Chairman of Merrill Lynch's investment banking division. As a member of the investment banking operating committee, he oversaw the firm's global real estate, hospitality and restaurant businesses.

## DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

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- account credited with both full and fractional shares
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New Hyde Park, NY 11042  
Tel: 516-869-9000 Fax: 516-869-9001  
[www.kimcorealty.com](http://www.kimcorealty.com)