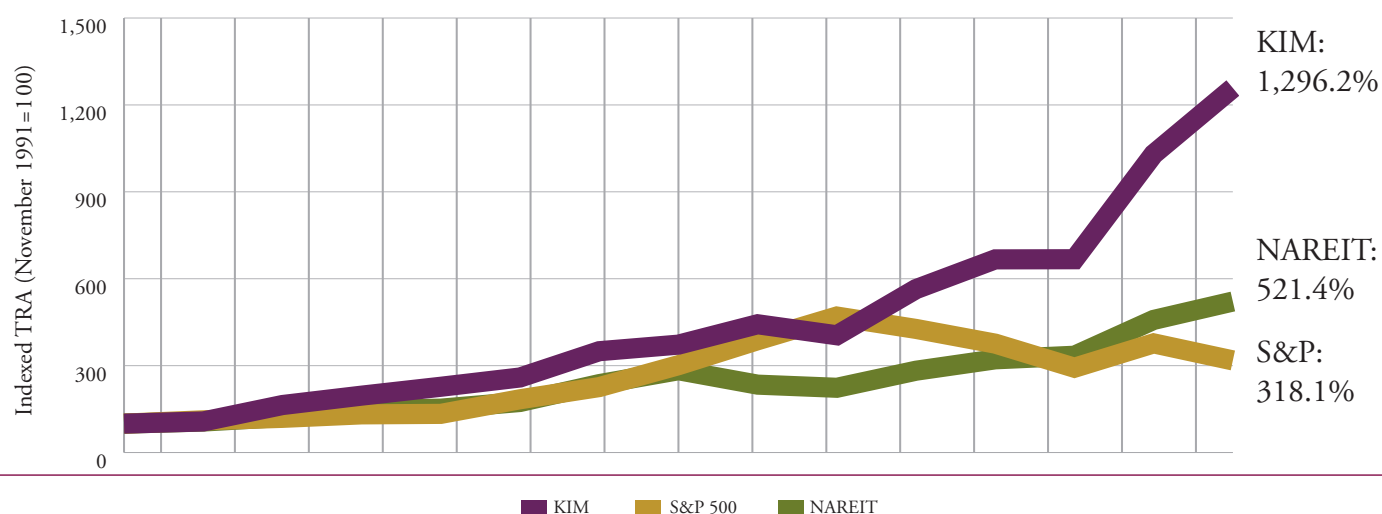


# Kimco Realty Corporation

2004 Annual Report

## Historical Total Return Analysis

(November 1991 to December 2004)



Note: Includes reinvestment of dividends Source: NAREIT, Thomson Financial

**\$100,000 invested in Kimco shares at the IPO would be approximately \$1.4 million on December 31, 2004, including the reinvestment of dividends.**

## Company 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 22.2 percent through December 31, 2004.

## Table of Contents

Letter from the Chairman and CEO .....	1	Report of Independent Registered	
2004 Operating Review .....	9	Public Accounting Firm .....	40
Portfolio of Properties .....	18	Consolidated Financial Statements .....	41
Funds From Operations		Notes to Consolidated	
Reconciliation .....	27	Financial Statements .....	45
Selected Financial Data .....	28	Glossary of Terms .....	67
Management's Discussion and		Corporate Directory .....	68
Analysis of Financial Condition		Board of Directors .....	70
and Results of Operations .....	29	Direct Stock Purchase and Dividend	
		Reinvestment Plan .....	IBC

## Dear Fellow Shareholders, Partners and Associates:

Ever since our initial public offering in 1991, we at Kimco Realty have had two commitments to our shareholders. First, to provide a safe and growing dividend to those shareholders who desire income. And, second, to provide stock appreciation prospects via new growth opportunities for those shareholders who most value growth. In my letter to you last year, I described what we feel is necessary to meet those two commitments. We discussed our “two basket” strategy, which segregates our real estate business into two baskets—one is our “Defensive Basket,” representing stable, predictable and, over time, rising cash flows which provide the lion's share of our dividend payments. The other is our “Opportunistic Basket,” representing real estate businesses that are more entrepreneurial in nature and that have more dynamic growth prospects.

Our Defensive Basket now consists of interests in over 656 properties, located in 42 states, Canada and Mexico. In this letter, I would like to spend a few minutes helping you to understand the planning and care required to acquire and manage these interests so as to secure a safe and growing dividend for our shareholders. I'd like to describe our decision-making process when we acquire a single property, as well as our decision-making process related to that property after we have acquired it. These processes are applied, as an essential part of our business, to all of the properties in our Defensive Basket.

When we consider an acquisition, we project the cash flows we are likely to receive from the property for a period of ten years, and we estimate the value of the property at the end of that time period. This projection process is difficult, and requires that we peer deeply into the future; it is art as well as science. Will we be able to increase the rents as leases expire, and by how much? Will the retail tenants prosper or fail? What is the future growth in number and purchasing power of the consumers who shop, or may shop, at the property? Will new competition affect tenant sales at the property, and ultimately our rental revenues? How much must we spend each year to keep the property inviting and competitive? What can we do to enhance the value of the property and its attractiveness to tenants and shoppers? What will interest rates look like at the end of ten years? (I must confess this projection has become much more difficult since Nostradamus left our employ.) And what will be the value of the property at that time, based on prevailing cap rates and other valuation yardsticks?

This is no easy exercise, and our ability to provide reasoned answers to these and similar questions is a key to our continued success as property owners. But we real estate owners are fortunate. We own hard, tangible assets that are capable of being valued within a fairly narrow range; also, it seems to me that it is much easier to

assess the future cash flows of an established piece of real estate than the future cash flows of an operating business where there are so many more variables—many of which can go wrong. What kinds of free cash flows will be generated by pharmaceutical firms over the next ten years? How about investment banks? Airlines? Automobile manufacturers? If successful investing depends upon a reasonably accurate forecast of future cash flows, discounted to present value, REIT and real estate investors would seem to have a distinct advantage.

When we complete our acquisition analysis, we calculate the internal rate of return that we would expect from the property, based on a price that we are prepared to pay. We then determine whether that return will be in excess of our cost of capital. But therein lies the rub! In our view, Kimco's cost of capital is derived from the blended expectations of the providers of our capital, on a weighted-average basis. Our present capital structure consists of approximately 25% debt and preferred stock, and 75% common equity. Based on our strong credit standing, the expectations of our debt and preferred stock holders are to earn a modest spread over the yields available on U.S. Treasuries. However, the return expectations of 75% common equity holders are significantly higher, and vary from time to time depending upon many factors, including the perceived returns available on other types of investments, the price of our stock in relationship to our asset values and future cash flows and the assessment of potential investment loss. Any way you slice it, however, my belief is that during most periods our weighted-average cost of capital is in the 10% range. In today's low-interest and low-inflation world, this is a difficult hurdle to clear.

A related issue is that we are at a point in the real estate capital cycle where capital is freely available for good-quality commercial real estate, and its providers are willing to accept initial returns that are more modest than has been the case in recent years. Furthermore, those buying real estate assets today may not be adequately mindful of a key four-letter word—"RISK." We strive to invest our capital at a spread to its cost, but we always weigh risk. While investing in income-producing real estate usually involves less risk than more esoteric endeavors, there's always a risk that the combination of the cash flows received during the holding period and the net ultimate sales price of an acquired property may be less than the original cost of the investment. So, PRICE is crucial. A very aggressive acquisition price, perhaps influenced by an overly optimistic projection, can put invested capital at risk. In the ebullient race to own real estate, prices can rise to a point where risk becomes unacceptable. In such a climate, it is important to avoid getting caught up in a bidding frenzy. Three words are as important now as ever before: patience, patience, patience.

The current environment makes it very difficult to find properties that are likely to generate long-term returns on our equity investment in excess of our weighted-aver-

age cost of capital. So, we are unlikely to meet the expectations of our shareholders if we merely acquire properties at today's market prices using our own capital. We must find ways to generate returns in excess of those available to most property buyers.

I'd like to take a brief detour here, and note that we are not the only REIT to understand this challenge, and to factor it into our decision-making process. Indeed, the entire REIT industry has, in my opinion, done a stellar job in understanding shareholders' expectations and responding to them. Yield is more important today than it has been for a number of years, and so is preservation of capital. And thus far, shareholders have not been disappointed. Most promises have been kept, disclosure and governance have been improved substantially and—most importantly—there have not been any Enrons or WorldComs in the world of REITs! This, I think, is a key reason for the growth—and, indeed, the democratization—of today's REIT industry. At the time of our IPO in 1991, the entire market cap of publicly traded equity REITs was less than \$10 billion. There are now four equity REITs, each with total market value in excess of \$10 billion, and the total market value of all publicly traded equity REITs exceeds \$275 billion!

Now let's get back to our investment process at Kimco. If we can acquire an attractive property at an internal rate of return in excess of 10% on our invested capital, we'll do it! If that property is unlikely to deliver that kind of return, we won't necessarily sit on our hands and do nothing. We will seek a partner with lower return requirements, due perhaps to higher acceptable leverage levels or a need to fund future expected liabilities (e.g., pension funds or insurance companies). We will then co-invest with that partner so that our return can be enhanced by the fees we receive for managing and leasing the property. This enhanced return, of course, must exceed our weighted-average cost of capital. This is truly a “win-win” situation for both Kimco and our joint venture partners; each can obtain the type of return it requires.

A serendipitous by-product of this approach has been a growing asset management business. We now manage \$5.0 billion worth of shopping centers of which we are not the sole owner. It is a profitable and stable business. Bear in mind that management fees must be paid before a return can be paid to the owners. (Indeed, management fees are an expense that even the mortgage holder of a property must incur if it forecloses and owns the property.) This business does not require extensive capital commitment on our part; furthermore, the skills needed to run this business well are part and parcel of our core expertise.

In executing our business strategy, we must apply the same exercise that we use for a single property acquisition to the entirety of our Defensive basket properties. We must constantly review and actively manage the assets in this basket to be sure our



*Milton Cooper*  
*Chairman and Chief Executive Officer*

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original expectations are on track. We must regularly monitor the performance and credit condition of the retailer tenants. We must watch the changing demographics, new competition and all the other factors that impact current and future cash flows, as well as the long-term property value. We must watch for changes in retailing trends and dynamics. We must always be aware of the highest and best use of the property, and how we can proactively create value.

If changing demographics or property economics indicate that a property may no longer provide a return in excess of our cost of capital, but would satisfy the return requirements of others, we must place the property in an appropriate joint venture. And we will not think short term. If we perceive that there is an unacceptable risk to the cash flows expected to be generated by a property—or, indeed, with respect to the property's value itself—we will sell it, even if it means selling at a higher cap rate than the rate we can garner by reinvesting the sale proceeds, thereby negatively impacting short-term earnings. As we are long-term investors, the long-range outlook must dictate our actions. This is our road map by which we will deliver the dividend and value growth from the Defensive Basket.

Importantly, throughout this entire process, we believe we have the wind at our backs. This is because we have a substantial advantage due to the essential nature of our portfolio: It consists of shopping centers located on heavily trafficked thoroughfares, with requirements in most cases that there be an area reserved for parking that is approximately three times as large as the building itself. This means that the land value will always be a significant part of the property's market value, and the potential impact of a decline in credit-worthiness of any specific tenant will be minimized.

Why is this significant? We all know that changing demographics and the ebbs and flows of supply and demand will often, over time, affect the highest and best use for a property. The fact that the land component, which consists of the land under the building as well as the parking area and driveways, is three times as large as the building itself gives us flexibility and the opportunity to capture that highest and best use.

Indeed, we are today exploring the changing use possibilities in several of our shopping centers, where high-rise residential assets may create more real estate value. In some centers, we are contemplating building parking garages so we can add more retail square footage.

The combination of a large, geographically diverse portfolio, coupled with a fabulous team constantly managing and striving to create value, is a wonderful menu for Kimco and our shareholders and bodes well for our future.

Now, what about our Opportunistic Basket? Make no mistake; this is a different exercise! Although the returns from opportunistic and new real estate-related business activities are so much more difficult to project, they can be very rewarding and exciting. But the Opportunistic Basket requires a very different business strategy. To engage in these business activities requires both creativity and sound business judgment. In many cases, we are required to make judgments about entrepreneurial and operating businesses, as well as underlying real estate values.

Change is constant in the world, and the velocity of that change has accelerated. We must be ever-vigilant. Reflect for a moment on the changes that have affected the pharmaceutical, insurance and banking industries in recent years. In the supermarket business—an industry thought to be among the most stable of all—in the 1930's A&P had as many as 15,000 stores; they now have just 650. We are fortunate to be focusing on commercial real estate. The dynamics and profitability of owning retail real estate will, of course, evolve over time, but I believe our cash flows and asset values are more stable and predictable than is the case for most industries. Another way of saying this is that we would rather be selling blue jeans to miners than mining for gold.

The strategy for executing our entrepreneurial and opportunistic activities has three components. First, we must carefully analyze where the best opportunities may lie, and assess their risk. Secondly, they should be synergistic with our existing business activities. For example, our Preferred Equity business is synergistic with our acquisition business. In the course of seeking out attractive acquisitions, we may find an owner who does not wish to sell, but would find Preferred Equity attractive. Furthermore, our development business can be synergistic with the redevelopment of properties in the Defensive Basket. We have also allocated a small amount of our capital to take advantage of compelling out-of-box opportunities. The third key component is retaining, motivating and mentoring talented associates and other partners, all of whom are accountable for the growth and performance of our opportunistic businesses.



Individuals with exceptional talent are hard to find. Individuals with exceptional talent, business savvy, integrity and a long-range perspective are so much harder to find. But those unique attributes are the sine qua non for the success of Kimco's Opportunistic Basket. The challenges of the Opportunistic Basket require a team that possesses the requisite skills, knowledge and judgment of practical business people, but with the added requirement of creativity and entrepreneurial fervor. And an essential ingredient that we count on for long-range success is our ability to engender in others the desire to do business with Kimco with complete trust! A reputation for fair and honest dealing is a key, though sometimes under-appreciated, business asset. Long-term successful business relationships are based upon mutual trust and confidence, and we believe that enjoying such relationships with a wide array of retailers and suppliers provides us with a competitive edge—and, of course, is simply the right way to do business.

It's a challenge for any business to attract and retain talented people. Kimco does not have the ability—from a short-term compensation point of view—to compete with the hedge funds, opportunity funds, investment banks and others who can offer huge rewards over short time frames. But I emphasize short term since Kimco is a long-term enterprise. It is therefore important to nurture strong talent with a long-term perspective. Furthermore, we must continue to maintain a culture and environment that produce excitement and gratification for excellent and creative management teams. The combination of outstanding personnel, properly motivated, along with discipline and hard work, allows Kimco to deliver long-term rewards, financial and otherwise, for all of our constituencies, with modest risk.

Appropriate financial rewards are, of course, important and necessary to attract the best people. But I am convinced that a culture that has a collegial team atmosphere, a culture that discourages sharp elbows, a culture that emphasizes the importance of a corporate soul, can be extremely rewarding in many ways beyond money—particularly to team players who will be gratified and enhanced intellectually and emotionally by the Kimco experience. We seek these types of people for our organization and believe they will deliver the best long-term results for our stakeholders.

I would now like to add a few of my private thoughts and musings concerning GAAP accounting as applied to measuring the performance of REIT organizations. Are today's generally accepted accounting principles meaningful or relevant to those who invest in REITs, such as Kimco, which own large property portfolios? Mutual funds, pension trusts and other money managers own a substantial portion of our outstanding shares. Many of them focus on our funds from operations (FFO), which eliminates from net income real estate depreciation charges and gains on sales of real estate assets. They want to know whether we meet “consensus” estimates,



based upon analysts' projections, and the nature of our current and prospective FFO growth rates. For these investors, GAAP net income isn't particularly important.

Other Kimco investors look primarily—perhaps even exclusively—at our estimated net asset value per share (NAV). One seasoned investor recently expressed to me a lack of interest in anything other than NAV, and many investors still look at REITs as collections of discrete properties. Many of the funds that own our shares have fewer separate security investments than the 775 property interests owned by Kimco. Indeed, there are those who categorize our Defensive Basket as a “mutual fund” of real estate interests.

But many, perhaps even most, NAV estimates are the work product of the analysts who cover REITs such as ours, and this work is often based merely upon historic public information. And yet we have pointed out that our investment decisions in acquiring or selling a property are based upon our projections of future income and not the income stated in our most recent quarterly report to shareholders.

So existing NAV analysis tends to be the result of many analysts, all pursuing their own valuation metrics and, in any case, is not given any recognition by current GAAP rules or conventions. But there will come a time when Fair Value Accounting will become an inherent part of GAAP rules. Present GAAP accounting requires that our real estate assets be recorded on our balance sheet at historic costs. Some of our properties were acquired in the 1960's and 1970's, and depreciation charges against these assets have been taken. Due, in part, to rising land values underlying these properties, any resemblance between historic costs and current market value is purely coincidental. In the mid-1960's, a gallon of regular gas was \$0.31, a dozen eggs was \$0.53 and a first-class stamp was \$0.05. The use of Fair Value Accounting would present balance sheet assets at current fair market value. To estimate Fair Value on the approximately 775 property interests owned by Kimco will be a daunting task, but it can be done. It will not be the panacea for determining the value of our entire business enterprise—we believe we create shareholder value in many ways beyond enhancing the values of our property assets as they exist from time to time—but it will be much more relevant to investors than current rules under GAAP.

I would like to make a final point about GAAP accounting rules. Can GAAP accounting measure the performance of a REIT management team in creating value for its shareholders? One must wonder. For example, under GAAP accounting, \$1,000 of rent from a Triple-A credit is accounted for precisely the same way as \$1,000 of rent from an overleveraged, struggling retailer. And yet, you and I both know that there is a substantial difference in value between these two leases. Those who rely exclusively on GAAP accounting may be missing some important elements of value creation.

One of the two most important decisions we make in our lives is the choice of a career (the other is our choice of a companion to spend one's life with). To choose and enjoy a career in which we cheerfully spend the bulk of our waking time is indeed a blessing. The experience is enhanced with a close working relationship with associates and partners one respects and trusts.

I feel particularly proud and honored to be working so closely with my three partners on our Investment Committee—Mike Flynn, Dave Henry and Mike Pappagallo. You and I are the beneficiaries of their special qualities, including their devotion to maintaining and enhancing values for Kimco shareholders.

In the letter that follows mine, they will review our results for 2004—of which we are all quite proud. You and I also benefit from the talents of some wonderful business unit leaders and the entire Kimco team that support our business plan and makes things happen.

And while we are talking about good people, I would like to comment on our Directors. In this day and age, being a Director is no easy task. Directors have become targets for a number of sharpshooters who are taking potshots at Corporate America; judging with perfect 20-20 hindsight is easy, but Directors must always peer into a cloudy crystal ball. Our group of stalwarts is conscientious, works hard, and is genuinely concerned and committed on behalf of all of us.

It has also been a joy and a privilege for me to be associated, for over 40 years, with my partner, Martin Kimmel. We still have not sold a single Kimco share!

To be able to deliver a safe, growing dividend is a source of tremendous pride and gratification to all of us, and we aim to continue to do so. To be able to create value growth for our shareholders from the cornucopia of our Opportunistic Basket is a real turn-on, and we aim to continue to do so.

We wish all of you good things in the coming year—not only from your investment in Kimco, but from the world in which you live!

Sincerely,

A handwritten signature in black ink, appearing to read 'Milton Cooper', with a stylized, cursive script.

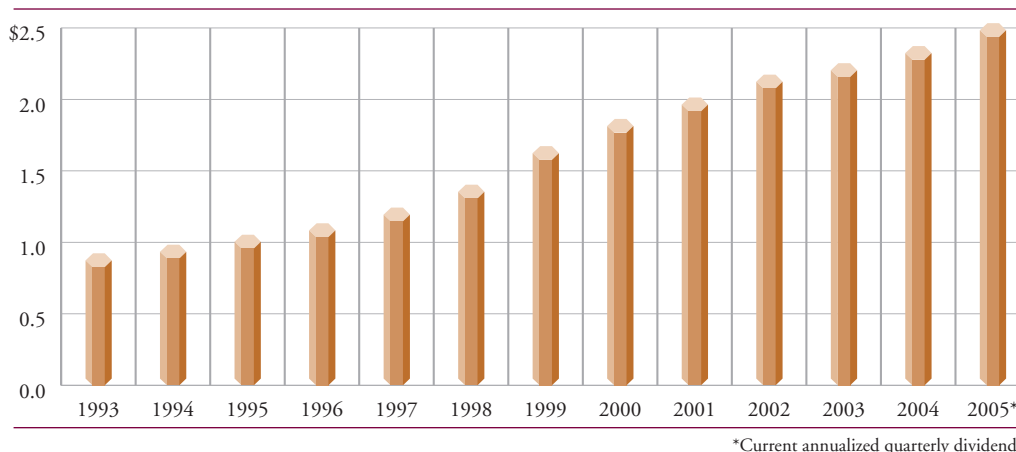
Milton Cooper  
Chairman and Chief Executive Officer

## Dear Fellow Shareholders, Partners and Associates:

Kimco had an outstanding year in 2004. Our operating results were solid and our investing activities have built strong momentum for the coming year. Funds from operations (FFO) was the highest in the Company's history at \$405.3 million, an increase of 14.8% from \$353.1 million in 2003. On a per share basis, FFO increased 9.9 percent to \$3.55 from \$3.23 last year. While FFO is a non-GAAP financial measure we, like others in the industry, believe it is a useful measure of a REIT's current operating performance. A complete reconciliation containing adjustments from GAAP net income to FFO is included on page 27 in this Annual Report.

Income from continuing operations for 2004 was \$281.6 million, an increase of 14.5 percent over \$245.9 million earned in 2003. On a per share basis, income from continuing operations increased to \$2.38 in 2004 from \$2.05 a year ago, representing a 16.1 percent increase. Net income for the year was \$297.1 million, or \$2.51 per share, compared to \$307.9 million, or \$2.62 per share a year ago. The difference was the result of net gains on property sales of only \$10.8 million in 2004 versus \$46.8 million in 2003, when we benefited from the disposition of a non-strategic large mall.

**Dividend Growth**  
(per common share)



These results reflect the Company's solid performance in both our stable core shopping center portfolio and our opportunistic business activities. The primary source of our income is the core shopping center portfolio. In this portfolio, our revenues from rental properties increased \$43.9 million, or 9.3 percent, to \$517.0 million for the year. Approximately \$27.3 million of the increase was the result of new property acquisitions in 2003 and 2004, net of dispositions and properties transferred to our investment management programs over the same time period. We continue to seek acquisitions for the core portfolio that have projected returns in excess of our cost of

capital. Although this has become difficult in the current marketplace for retail property, there are still opportunities available. For example, we acquired a portfolio of 11 pharmacy-anchored shopping centers in the New York metropolitan area for approximately \$85 million. The anchor tenant leases in this portfolio are substantially below market, with lease expiration dates in approximately nine years. Our long-term perspective allows us to acquire excellent real estate like this that will benefit shareholders well into the future.

In the near term, a more exciting prospect for our core portfolio is our heightened focus on re-leasing and redevelopment opportunities, which capitalizes on the knowledge and creativity of our key business leaders. Redevelopment projects and new leasing in our core portfolio contributed approximately \$16.6 million of new revenue for the year. Our portfolio occupancy increased 290 basis points to 93.6 percent, an all-time high. In the past 12 months, we have intensified our attention on identifying redevelopment opportunities within our portfolio. Several exciting projects have been initiated by Jeff Olson, our President of the Eastern and Western regions. One example is Costco Plaza in Chula Vista, California. This shopping center was originally developed by The Price REIT in 1988. Costco wanted to create a superstore at this location and the bankruptcy of House 2 Home created an opportunity to accommodate them and redevelop the remainder of the site. Costco built their own store on a parcel ground-leased from Kimco, and we signed a lease with Wal-Mart to replace the existing Costco store. Wal-Mart is now demolishing the former Costco Store and building a 149,000 square foot superstore. New leases have been signed with a number of other national retailers and the shopping center has been revitalized.

The Central States region achieved similar success redeveloping a former Kmart location in Calumet City, Illinois. Here, we entered into a redevelopment agreement with the City Council to share sales tax revenue and to reduce property taxes on the site. In conjunction with the economic incentives, we negotiated leases with Michaels, Bed Bath & Beyond, Petco and Old Navy to anchor the project. Prior to the redevelopment, the property generated losses while, upon completion, the site will produce double-digit investment returns. This turnaround validates our long-standing premise that, if we acquire well located real estate, the tenants may change but the site will remain valuable and productive.

We are extremely optimistic about other opportunities that lie within our portfolio, and, as a result, we have increased our emphasis on internal growth by creating a special task force, headed by David Lukes, dedicated to creating value within our existing property portfolio. David's team has done a wonderful job at Westlake Shopping Center in Daly City, California, which was acquired in 2002 for approximately

\$80.0 million. At Westlake, The Home Depot has recently ground-leased a former vacant JC Penney store to build a new two-story, state-of-the-art store. Another example is the recently acquired Factoria Mall in Bellevue, Washington, which was purchased in a joint venture, and we think David and his team will be able to duplicate the Westlake success with this property.

Over the past few years, we have dramatically increased our focus on acquiring shopping centers on behalf of institutions and other direct real estate investors while retaining a minority stake and a management interest. This strategy allows us to grow our investment management business, which is a secure, recurring long-term source of cash flow. Our approach to underwriting and evaluating shopping centers for acquisition has not changed, but with the tremendous demand for retail real estate and the resultant high prices, we must seek capital sources with lower yield requirements in order to create higher yields on our co-investment capital.

### Funds From Operations

*(per diluted common share)*



You may recall that during 2003 Kimco acquired Mid-Atlantic Realty Trust (MART) with the expressed goal of growing our co-investment programs. We are pleased to report that 31 properties of the original 41 properties have been transferred to joint ventures and 2 others have been sold to third parties. Eight former MART properties and four other recently acquired shopping centers were transferred to a new entity, the Kimco Income Fund, during 2004. This closed-end fund was created to generate a stable income yield from current cash flow with the added potential for future appreciation in property value over time. Six institutional investors, primarily insurance companies, participated in the fund. The benefit of this strategy was particularly appealing to these investors because they were able to invest in a high-quality, identified portfolio of assets and generate leveraged cash flow returns in excess of 9 percent.

The fund strategy is appealing to us because we are able to maintain an investment in a group of excellent properties, while enhancing our return on capital through asset management, leasing fees, property management and an incentive fee structure.



*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

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Six former MART sites were also transferred in 2004 to a joint venture with LaSalle Investment Management. Here again, we met the needs of an investor who wished to own high-quality retail properties with very low debt levels. One of the “off balance sheet” assets we acquired when we purchased MART was Tom Simmons, President of the Mid-Atlantic region, and his team. This acquisition jump-started the regionalization of our operations. Our Mid-Atlantic office has been instrumental in growing our management platform and developing a decentralized operating model for our other regions to emulate.

Our success and the resulting increase in operating performance from our investment management programs continued to gain momentum throughout the year. In December, PL Retail LLC, a joint venture between Kimco and clients of DRA Advisors, completed the acquisition of Price Legacy Corporation for approximately \$1.2 billion. Price Legacy was a publicly traded REIT that consisted of 33 shopping centers and one parcel of undeveloped land. Because the acquisition was completed directly with DRA at closing, we were able to begin earning management fees immediately. The properties are located in good growth markets, including seven in Florida, where Kimco built its first property and now has 88 properties. We are confident we will find additional value from these former Price Legacy assets.

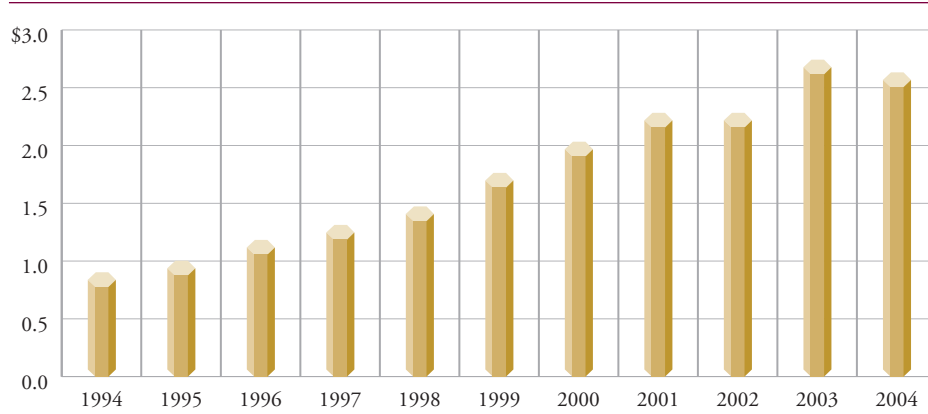
Price Legacy represented the fifth publicly traded REIT from which Kimco acquired all or most of the assets for our joint venture and investment management business. We now manage more than 240 properties and \$5.0 billion of assets in our various joint ventures and third-party management agreements. We like this business. We own a portion of the equity in the shopping centers and generate stable income from the management and leasing of these portfolios. Property management and other fee income increased 66.1 percent to \$25.4 million in 2004, from \$15.3 million in 2003.



Funds from operations from equity in our joint ventures grew to approximately \$88.7 million, a 23.7 percent increase over 2003. Approximately 90 percent of the income in this category is generated from joint ventures that own shopping centers that we consider stable and defensive in nature. The 2004 numbers are evidence that our strategy is working and, with the momentum we have created, we plan to continue aggressively growing our investment management programs.

Our defensive business portfolio also benefited from real estate investments in our Canadian portfolio. The Canadian shopping center portfolio continued to generate solid cash flow in 2004, producing \$25.7 million of FFO for Kimco, a 35.6% increase over 2003. While part of the increase was attributable to a favorable exchange rate with the Canadian dollar, most of the increase is the result of the excellent job done by our primary investment partner, RioCan REIT. They are a wonderful partner and a first-class operation. However, as we noted in last year's report, it has become more difficult to find attractive property acquisitions in Canada, so we have evolved into investing primarily in new developments, Preferred Equity transactions and other opportunistic situations.

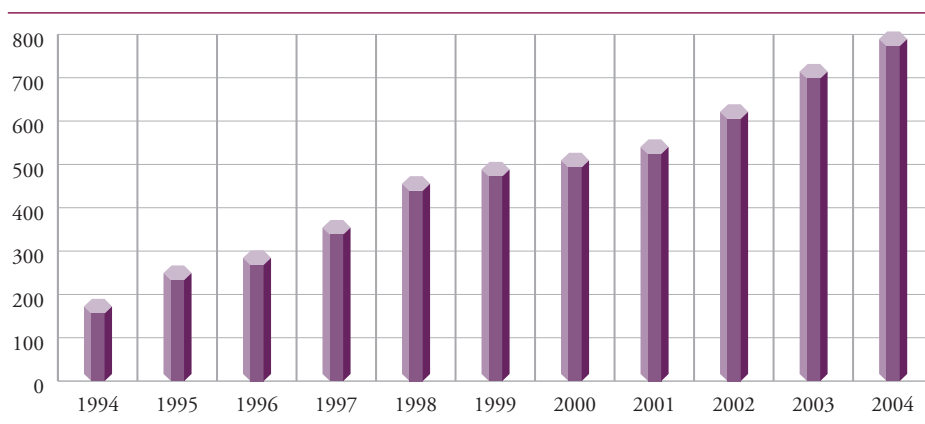
### Earnings Per Share (diluted)



In 2004, we also made great strides in several of our opportunistic investing activities. In particular, our Preferred Equity business and our Mexican investment program have gained momentum and now produce solid income for the Company. While these two programs are currently in the opportunistic category, we don't think it will be long before they have enough size and diversity to result in more predictable and recurring cash flows that are characteristic of our core shopping center holdings. JoAnn Carpenter leads our Preferred Equity lending business, where we essentially provide participating loans to shopping center owners and developers. We



### Total Property Interests



have grown this business from a standing start in 2002 to 70 properties and more than \$160 million of investment. The key to growing this business has been our strong relationships with our Preferred Equity partners and the resulting repeat business with them. For instance, more than two thirds of our partners have completed multiple transactions with us. The Preferred Equity business made a strong contribution in 2004, with the program generating \$11.4 million for the year, more than 2.5 times the amount produced in 2003. Included in the total for the year were profit participations in three investments repaid during the year.

In Mexico, in 2004, we continued to find opportunities to develop new projects for strong anchor tenants and build our retail portfolio. We remain excited about the potential for retail investments in Mexico as U.S. and other big box retailers expand rapidly in the country. The country now has more than 100 million people who are under-served by traditional retail operations; retail sales in Mexico are growing at an annual rate in excess of 10 percent; Mexico's gross domestic product grew more than 4.0 percent in January of 2005; and Moody's upgraded its already investment-grade rating on Mexico's foreign currency bonds to Baa1. During 2004, we commenced development on four new projects, two anchored by Wal-Mart and two with H-E-B. These projects are in addition to three operating properties we acquired prior to 2004. We have now closed on projects that will total approximately \$115 million of gross cost upon completion and our pipeline of activity is strong, with projects totaling more than \$260 million of gross cost approved by our Investment Committee.

In addition, in Mexico, we recently participated in the privatization of G. Acción, a leading office, industrial and retail real estate operator and Mexico's only publicly traded commercial real estate company. Upon completion of the tender offer, Kimco owned approximately 20.0 percent of the company and we are its exclusive retail

partner. On the corporate side, we are pursuing an unsecured line of credit in Mexico to increase our financial flexibility and to hedge currency risk. We have excellent momentum in Mexico with our various local partners and we believe strong performance will follow.

Kimco Developers, Inc. (KDI) builds shopping centers from the ground up and sells them upon completion. Jerry Friedman, President of KDI, has a 30-year track record of developing successful retail projects. Since we formed KDI in 2001 as a taxable REIT subsidiary, we have remained disciplined in our approach. We recognize there are certain inherent risks in development (e.g., construction costs, leasing, entitlement processes) so we are selective in our projects and generally partner with experienced local developers. With this formula, we have achieved a great deal of success in KDI, producing consistent earnings and expanding tenant relationships. During the past year, KDI generated pre-tax gains on sales of \$16.8 million. This follows pre-tax gains of \$17.5 million, \$15.9 million and \$13.4 million in 2003, 2002 and 2001, respectively. We are extremely pleased with the consistent success we have had with our development program and we will continue to judiciously invest in new projects.



Retail Property Solutions, headed by Ray Edwards, is our business of working directly with retailers to monetize their leased and fee-owned real estate through lending or sale-leaseback investments, or by providing services to maximize the value of their assets. Ray's team recently provided Debtor-in-Possession (DIP) financing to Frank's Nursery and Crafts. By understanding the value of Frank's real estate, we were comfortable with the risk return profile of the investment, notwithstanding the operating difficulties in the retail operation. In March 2005, Frank's filed a plan of reorganization to repay all of the creditors in full, exit the retail business and operate

as a real estate company. Kimco intends to continue working with the reorganized company to redevelop many of its stores for alternate uses. By providing services and capital to retailers in a flexible and responsive manner, we are able to develop long-term relationships that lead to broader opportunities. In 2004, Retail Property Solutions generated approximately \$15 million from mortgage financing. In addition to Frank's, income was earned from loans to Ames and Shopko, as well as asset designation rights agreements and services agreements.

Kimco Select Investments, our portfolio of investment securities and opportunistic investments, also contributed approximately \$15.0 million in 2004. Ray Edwards is also responsible for this team, which constantly searches the markets for securities that are mispriced relative to the underlying real estate value. It takes persistence and a good deal of detective work to find these investments, but the rewards make the effort worthwhile. Among Kimco Select's recent successes was the purchase at a discount of a series of bonds secured by mortgages on several Kmart-anchored properties. The properties underlying the bonds were sold, and Kimco was paid off at par, resulting in a significant profit and an internal rate of return in excess of 70.0 percent. This was a short-term arbitrage where we recognized a mispriced asset, and we will continue to pursue such investments where the underlying real estate has greater intrinsic value than the securities' quoted market value. This includes long-term real estate opportunities such as our 60 percent ownership in Blue Ridge Real Estate Company.

Kimco has been acquiring shares of Blue Ridge for many years because of the long-term potential of its vast land holdings. Patrick Flynn was appointed CEO of Blue Ridge in 2001 and he has invigorated the company. During 2004, Blue Ridge designated over 5,000 acres of land for development and it is moving forward with municipal approvals. It is in the process of constructing an 18-hole golf course as an amenity for the adjacent land developments. We believe there is a wonderful opportunity to create long-term value at Blue Ridge.

Another example of opportunistic investing is our joint venture with Lazard in Kimsouth Realty Trust. This investment is a controlled liquidation of the former Konover Property Trust, a publicly traded REIT, and property sales and operating income provided solid earnings during 2004. We completed the sale of 11 properties from the portfolio during the year and we continue to exceed our targeted returns from this investment. We anticipate selling the remaining properties during 2005.

Overall, Kimco's financial position continues to be among the strongest in the real estate industry. We have an A- rating from Standard and Poor's, one of only four REITs that can make the claim. Our FFO per common share was more than 1.5 times greater than our dividends paid per share. Kimco's total market capitalization

at year-end was approximately \$8.8 billion and debt represented less than 25 percent of the total. We believe it is important to maintain our strong balance sheet to protect our dividend while remaining flexible enough to seize upon new investment opportunities.

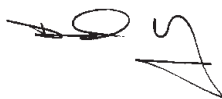
Our business success in 2004 was built on the shoulders of our hardworking Kimco associates. It is so gratifying to see the Company achieve excellent momentum in its operating businesses and its core portfolio. We believe that much of this success emanates from our culture. Developed over the past 45 years, Kimco's culture is one that rewards people for teamwork, entrepreneurial spirit and creativity. It is our people who will continue to build our business well into the future; and we are determined to foster an environment that provides our associates room to grow.

In summary, your Company performed at a high level during 2004 and we have built strong momentum for the future. We value the support of all our shareholders, tenants, partners and associates and we will continue to work to maintain your confidence and trust well into the future.

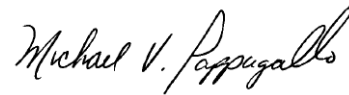
Sincerely,



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
<b>Alabama</b>			
731	East Town Shopping Plaza	Birmingham	103,161
480	Fairfield S.C.	Fairfield	86,566
740	Bellevue Plaza	Fairfield	103,161
465	Hoover Center	Hoover	115,347
949	Mobile Festival Centre	Mobile	518,191
<b>Alaska</b>			
1108	Kenai S.C.	Kenai	146,759
<b>Arizona</b>			
1141	Main Street at Anthem	Anthem	-
1121	Chandler Auto Mall	Chandler	-
429	Four Peaks Plaza	Fountain Hills	122,000
549	Costco Plaza	Glendale	333,388
576/78/79	Talavi Towne Center	Glendale	111,825
1148/A	North Canyon Ranch	Glendale	70,428
1024	Marana Ina Road	Marana	191,008
679	Poca Fiesta S.C.	Mesa	146,492
745	Hayden Plaza	South Mesa	103,161
1143A	Mesa Pavillions	Mesa	307,719
553	Metro Square North	Phoenix	230,164
476	Peoria Crossings	Peoria	28,000
540	Hayden Plaza North	Phoenix	153,180
557	Costco Plaza	Phoenix	333,382
647	Plaza @ Mountainside	Phoenix	131,621
1180	Asante Retail Center	Surprise	-
580A	Costco Plaza	Tempe	237,018
582	Goodyear	Tempe	-
1144A	The Groves	Tempe	247,995
1023	Valencia Road	Tucson	190,174
1163	Tucson	Tucson	40,087
<b>California</b>			
541	Costco Plaza	Alhambra	195,455
106	La Palma S.C.	Anaheim	15,396
543	Madison Plaza	Carmichael	210,306
544	Costco Plaza	Chula Vista	339,893
1164	Chula Vista	Chula Vista	6,700
1026A	280 Metro Center	Colma	213,532
546	Corona Hills Plaza	Corona	486,958
037	Covina Town Square	Covina	269,433
186	Westlake S.C.	Daly City	457,611
1028	Kohl's S.C.	El Cajon	118,328
1106	Kohl's S.C.	Folsom	108,255

Site	Center Name	City	GLA
1182	Fountain Valley Land	Fountain Valley	-
951	POB Fremont Hub	Fremont	499,559
1165	River Park	Fresno	121,107
551	La Mirada Theater Center	La Mirada	288,471
1158	Signal Hill	Long Beach	154,750
040	Montebello Town Square	Montebello	250,439
1032	Morgan Hill	Morgan Hill	103,362
1036A	Novato Fair S.C.	Novato	125,462
556	Target Plaza	Oxnard	171,580
1115A	Linda Mar S.C.	Pacifica	168,878
1146	Redwood City	Redwood City	49,429
1155	Roseville	Roseville	188,493
039	Vista Balboa Center	San Diego	117,410
1156	Morena	San Diego	443,200
1157	Carmel Mountain	San Diego	35,000
1167	Rancho San Diego	San Diego	98,474
1166	San Juan Capistrano	San Juan	56,436
759	Magnolia Square S.C.	San Ramon	41,913
559	Home Depot Plaza	Santa Ana	134,400
705	Santee Town Center	Santee	103,903
991	Santee Trolley Square	Santee	311,485
324	The Center	Stockton	152,919
762	Palm Plaza S.C.	Temecula	342,336
1149	Redhawk I	Temecula	345,113
038	Torrance Promenade	Torrance	266,847
1107	Kmart S.C.	Tustin	108,413
<b>Colorado</b>			
682	Village on the Park	Aurora	145,754
685	Quincy Place S.C.	Aurora	44,174
689	East Bank S.C.	Aurora	152,981
686	Spring Creek S.C.	Colorado Springs	107,310
780	Woodman Valley S.C.	Colorado Springs	61,453
680	West 38th Street S.C.	Denver	18,405
683	Englewood Plaza	Englewood	80,330
367	Fort Collins S.C.	Fort Collins	105,862
1022	Greenwood Village	Greenwood Village	196,726
684	Heritage West S.C.	Lakewood	82,581
<b>Connecticut</b>			
034	Branhaven Plaza	Branford	191,352
029	Elm Plaza	Enfield	162,459
548	West Farm S.C.	Farmington	184,572
500	Hamden Mart	Hamden	341,502
554	Home Depot Plaza	North Haven	331,919
608	Waterbury Plaza	Waterbury	137,943



Site	Center Name	City	GLA
<b>Delaware</b>			
501	Blue Hen	Dover	-
1089	Camden Square	Dover	-
278	Value City S.C.	Elsmere	114,530
1055A	Milford Commons	Milford	61,100
1038A	Brandywine Commons II	Wilmington	165,805
<b>Florida</b>			
574	Renaissance Centre	Altamonte Springs	271,382
636	Pearl Arts S.C.	Altamonte Springs	94,193
101	Camino Square	Boca Raton	73,549
005	Boynton West S.C.	Boynton Beach	197,362
152	Lakeside Plaza	Bradenton	30,938
698	Bayshore Gardens	Bradenton	162,997
011	Plaza at Brandon Town Center	Brandon	143,785
739	Butler Plaza	Casselberry	103,161
1186	Curlew Crossing S.C.	Clearwater	207,071
623	Coral Square Promenade	Coral Springs	55,597
673	Maplewood Plaza	Coral Springs	86,342
174	Sports Authority Plaza	East Orlando	131,981
1154	Cypress Creek	Fort Lauderdale	229,034
147	Kmart Plaza	Fort Pierce	210,460
150	Ft. Lauderdale Plaza	Hollywood	50,000
1150/A	Oakwood Plaza North	Hollywood	871,723
1151	Oakwood Business Center	Hollywood	137,196
203	Homestead Towne Square	Homestead	207,714
141	Southside Square S.C.	Jacksonville	51,002
207	Regency Plaza	Jacksonville	203,536
1112	Shoppes at Amelia Concourse	Jacksonville	-
619	Marketplace Square	Jensen Beach	173,356
954	Square One S.C.	Jensen Beach	197,731
022	Tradewinds S.C.	Key Largo	207,332
613	Vine Street Square	Kissimmee	130,983
123	Merchants Walk	Lakeland	229,383
124	Wal-Mart Plaza	Largo	149,472
139	Tri-City Plaza	Largo	215,916
196	Selmon's Plaza	Largo	59,730
120	Reef Plaza	Lauderdale Lakes	115,341
290-293	Ft. Lauderdale S.C.	Lauderhill	181,416
136	Leesburg Shops	Leesburg	13,468
604	Peppertree Plaza	Margate	260,729
127	Nasa Plaza	Melbourne	168,737
668	The Shoppes of West Melbourne	Melbourne	148,660
934	Lake Washington Crossing	Melbourne	118,828

Site	Center Name	City	GLA
135	Coral Way Plaza	Miami	87,305
702	Coral Way Plaza	Miami	1,615
129	Grove Gate S.C.	Miami	104,908
134	Coral Way Plaza	Miami	79,273
390	Miller Road S.C.	Miami	83,380
634	South Miami S.C.	Miami	63,604
735	Opa Locka S.C.	Miami	103,161
1153	Kendale Lakes Plaza	Miami	404,553
677	Tri-Cities Shopping Plaza	Mount Dora	120,430
761	Southgate S.C.	New Port Richey	66,500
340	Ives Dairy Crossing North	Miami Beach	108,795
665	Shady Oaks S.C.	Ocala	248,497
1168	Heather Island	Ocala	70,970
263	Orange Park S.C.	Orange Park	50,299
024	Bayhill Plaza	Orlando	179,065
115	Sun Plaza	Orlando	114,434
121	Fern Park Plaza	Orlando	131,646
125	Grant Square	Orlando	110,788
618	Sand Lake Plaza	Orlando	236,486
638	Century Plaza	Orlando	132,856
749	Lee Road S.C.	Orlando	103,161
1159	Millenia Plaza Phase II	Orlando	154,453
195	Big Lots Plaza	Palatka	82,730
445	23rd Street Plaza	Panama City	50,692
726	Pensacola S.C.	Pensacola	102,997
929	Eastgate Plaza	Pensacola	181,910
251	Whole Foods Center	Plantation	60,414
118	Sample Plaza	Pompano Beach	66,838
1126	Palm Aire Marketplace	Pompano Beach	140,312
716	The Piers S.C.	Port Richey	103,294
113	Riviera Square	Riviera Beach	46,390
392	Seminole Centre	Sanford	160,994
171	Tuttlebee Plaza	Sarasota	102,455
378	Southeast Plaza	Sarasota	129,700
128	Oak Tree Plaza	St. Petersburg	118,979
715	Village Commons S.C.	Tallahassee	105,655
725	Tallahassee Center	Tallahassee	100,724
003	The Plaza at Citrus Park	Tampa	335,506
664	Carrollwood Commons	Tampa	127,837
664B	Carrollwood Commons	Tampa	75,297
743	Busch Plaza	Tampa	106,986
1124	Mission Bell S.C.	Tampa	108,257
111/511	Belmont Plaza	West Palm Beach	81,073
633	Babies R Us Plaza	West Palm Beach	80,845
1152	Cross County Plaza	West Palm Beach	357,537
208	Chain O' Lakes Plaza	Winter Haven	92,428





Site	Center Name	City	GLA
<b>Georgia</b>			
044/A/B	Augusta Exchange	Augusta	531,006
493	Richmond Plaza S.C.	Augusta	177,023
635	Augusta Square	Augusta	122,350
159	Gainesville Towne Center	Gainesville	142,468
187	Macon Plaza	Macon	127,260
724	Town & Country S.C.	Marietta	105,405
185	Savannah Centre	Savannah	187,076
632	Largo Plaza	Savannah	88,325
048	Snellville Pavilion	Snellville	311,033
1030	Lowe's S.C.	Valdosta	175,396
215	Robins Plaza	Warner Robins	111,355

<b>Illinois</b>			
802	Beltline Highway S.C.	Alton	159,824
896	Arlington Heights S.C.	Arlington Heights	80,040
890	Aurora Commons	Aurora	91,182
051	Wind Point S.C.	Batavia	272,416
808	Belleville S.C.	Belleville	81,490
176	Bloomington Commons	Bloomington	188,250
1111	Oakland Commons S.C.	Bloomington	73,951
825	Northfield Square Mall	Bradley	80,535
836	Calumet Center	Calumet City	144,706
848	Carbondale Mall	Carbondale	80,535
043	Pinetree Plaza	Champaign	111,720
870	Neil Street S.C.	Champaign	102,615
856	87th Street Center	Chicago	102,011
885	Elston Center	Chicago	86,894
846	Countryside Plaza	Countryside	117,005
887	Crestwood Center	Crestwood	79,903
891	Crystal Lake S.C.	Crystal Lake	80,390
722	Northland Plaza S.C.	DeKalb	80,562
852	Downers Grove	Downers Grove	141,706
695A	Butterfield Square	Downers Grove	192,639
764	Downers Grove	Downers Grove	144,770
224/387	Town & Country S.C.	Elgin	186,432
881	Belleville Road S.C.	Fairview Heights	192,073
862	Forest Park Mall	Forest Park	98,371
822	Randall S.C.	Geneva	104,688
838	Matteson Center	Matteson	157,885
839	Mount Prospect Center	Mount Prospect	196,289
874	Mundelein S.C.	Mundelein	89,692
863	Naper West Plaza	Naperville	102,327
845	Norridge Center	Norridge	116,914
835	Oak Lawn Center	Oak Lawn	165,337
837	22nd Street Plaza	Oakbrook Terrace	164,903

Site	Center Name	City	GLA
758	Marketplace of Oaklawn	Oaklawn	94,707
809	Orland Park S.C.	Orland Park	131,546
175	Value City S.C.	Ottawa	60,000
832	Evergreen Square	Peoria	156,067
1184	Rockford Crossings	Rockford	89,047
1047	Free State Bowls	Rolling Meadows	37,225
492	Streets of Woodfield	Schaumburg	629,741
694A	East Woodfield Square	Schaumburg	167,690
854	Skokie Pointe	Skokie	58,455
897	Streamwood S.C.	Streamwood	81,000
886	Lake Plaza	Waukegan	90,555
563	Woodgrove Festival	Woodridge	161,272

<b>Indiana</b>			
397	Plaza East	Evansville	192,933
398	Plaza West	Evansville	149,182
132	Felbram S.C.	Felbram	27,400
1170	Greensburg	Greensburg	272,893
153	Greenwood S.C.	Greenwood	168,577
851	Griffith Center	Griffith	114,684
133	Linwood Square	Indianapolis	165,220
388	Target 31 South S.C.	Indianapolis	185,589
145	Lafayette S.C.	Lafayette	90,500
671	Sagamore @ 26 S.C.	Lafayette	98,597
697	Lafayette Marketplace	Lafayette	214,876
732	Lafayette Square	Lafayette	103,161
895	K's S.C.	Mishawaka	82,100
883	Ersrine Plaza	South Bend	81,668
183	Scottsdale Mall	South Bend	13,702
777	South Third Street S.C.	Terre Haute	73,828
1169	Terre Haute	Terre Haute	104,259

<b>Iowa</b>			
250	University Park	Clive	109,434
812	Clive Plaza	Clive	90,000
858	Davenport Center	Davenport	91,035
813	Home Depot S.C.	Des Moines	111,847
757	Home Depot S.C.	Des Moines	156,506
847	Dubuque Center	Dubuque	82,979
811	Waterloo Plaza	Waterloo	104,074

<b>Kansas</b>			
814	Tall Grass Center	East Wichita	96,011
805	Home Depot Center	Overland Park	120,164
736	Topeka S.C.	Topeka	103,161
815	Shopko S.C.	West Wichita	96,319





Site	Center Name	City	GLA
561	Westgate Market	Wichita	133,771
751	Wichita S.C.	Wichita	103,161
<b>Kentucky</b>			
267	Kroger S.C.	Bellevue	53,695
1102A	Turfway Crossing	Florence	99,578
795	Hinkleville Center	Hinkleville	85,229
140	South Park S.C.	Lexington	258,713
<b>Louisiana</b>			
752	Arcadian Village	Baton Rouge	103,161
1183	Hammond Aire Plaza	Baton Rouge	350,116
9009	Coursey Commons S.C.	Baton Rouge	67,755
1025	Centre at Westbank	Harvey	181,660
274	Houma Power Center	Houma	98,586
670A	Acadiana Square	Lafayette	244,733
297	Lake Forest S.C.	New Orleans	190,000
<b>Maine</b>			
200	Bangor S.C.	Bangor	86,422
<b>Maryland</b>			
1085A	York Road Plaza	Baltimore	90,903
1042	Club Centre	Baltimore	44,170
1048A	Fullerton Plaza	Baltimore	152,834
1052	Ingleside S.C.	Baltimore	112,722
1064A	Rolling Road Plaza	Baltimore	49,629
1065	Rosedale Plaza	Baltimore	90,622
1067A	Security Square S.C.	Baltimore	77,287
1084D	Wilkens Beltway Plaza	Baltimore	77,290
1187	Putty Hill Plaza	Baltimore	90,830
1092	Pulaski Industrial Park	Baltimore	-
1050A	Greenbrier S.C.	Bel Air	121,927
1051A	Harford Business Center	Bel Air	26,900
1040	Clinton Bank	Clinton	2,544
1041	Clinton Bowl	Clinton	26,412
222	Wilde Lake	Columbia	23,835
156	Snowden Square S.C.	Columbia	50,000
201	Columbia Crossing	Columbia	73,299
206	Dorsey's Search Village Center	Columbia	86,456
211/A	Hickory Ridge	Columbia	100,521
212	Kings Contrivance	Columbia	86,032
213	Harpers Choice	Columbia	91,165
216	Wilde Lake	Columbia	55,791
231	Oakland Mills Village Center	Columbia	58,224
235	River Hill Village Center	Columbia	105,907

Site	Center Name	City	GLA
1069A	Shoppes at Easton	Easton	113,330
1046A	Enchanted Forest S.C.	Ellicott City	139,898
1088	Villages at Urbana	Frederick County	59,411
463	Gaithersburg S.C.	Gaithersburg	87,061
1037A	Arundel Plaza	Glen Burnie	249,746
1049A	Glen Burnie Village	Glen Burnie	75,185
1053	Little Glen S.C.	Glen Burnie	18,823
221	Hagerstown S.C.	Hagerstown	117,718
1095	New Ridge S.C.	Hanover	-
1068	Shawan Plaza	Hunt Valley	94,653
468	Landover Center	Landover	232,903
214	Laurel Plaza	Laurel	81,550
173	Laurel Plaza	Laurel	75,924
1073	Southwest Property	Linthicum	7,872
1054A	Lutherville Station	Lutherville	163,709
1058A	Orchard Square Prof. Office	Lutherville	12,333
1057A	North East Station	North East	83,690
1056A	New Town Village	Owings Mills	116,303
1059/A	Patriots Office	Pasadena	41,241
1060	Perry Hall Square S.C.	Perry Hall	204,770
1061A	Perry Hall Super Fresh	Perry Hall	67,559
1097	Northwood Industrial Park	Salisbury	-
1077A	Timonium Crossing	Timonium	59,829
1078	Timonium S.C.	Timonium	207,817
1063D-G	Radcliffe Center	Towson	84,280
1104A	Towson Marketplace	Towson	668,259
1079	Waldorf Bowl	Waldorf	26,128
1080	Waldorf Firestone	Waldorf	4,500
1081A	Waverly Woods Village Ctr.	Woodstock	103,547
<b>Massachusetts</b>			
033	Foxborough Plaza	Foxborough	118,844
609	Barrington Plaza	Great Barrington	131,235
1114A	Festival at Hyannis S.C.	Hyannis	225,629
1117A	Shops at the Pond	Marlborough	104,125
1045A	Del Alba Plaza	Pittsfield	72,014
481	Shrewsbury S.C.	Shrewsbury	108,418
<b>Michigan</b>			
667	White Lake Commons	Clarkston	168,102
143	Clawson Center	Clawson	179,572
146	Downtown Farmington Center	Farmington	96,983
138	Maple Hill Mall	Kalamazoo	283,573
747	Southfield S.C.	Lansing	103,161
119	Century Plaza	Livonia	44,185
335	Beltline Plaza	Muskegon	79,215



Site	Center Name	City	GLA
180	Novi S.C.	Novi	60,000
607	Cross Creek S.C.	Taylor	141,549
606	Green Orchard S.C.	Walker	338,928

#### Minnesota

014	Arbor Lakes Retail Center	Maple Grove	466,401
1004	Maplewood Town Center	Maplewood	96,376
552	Ridgedale Festival Center	Minnetonka	120,220
785	Thunderbird Mall	Virginia	63,550

#### Mississippi

1128	Turtle Creek Crossing	Hattiesburg	122,000
157	Rigewood Court	Jackson	50,000

#### Missouri

875	Plaza at De Paul	Bridgeton	101,592
873	West Park Mall	Cape Girardeau	80,803
850	Crystal Center	Crystal City	100,724
154	Shop & Save S.C.	Ellisville	118,080
699	Elm Grove Plaza	Hazelwood	18,450
744	Hub S.C.	Independence	103,161
806	Independence S.C.	Independence	184,870
707	North Point S.C.	Joplin	155,416
889	Joplin Mall	Joplin	80,524
833	Kansas Center	Kansas City	150,381
803	Kirkwood Crossing	Kirkwood	254,638
244	Lemay S.C.	Lemay	41,475
872	Manchester S.C.	Manchester	89,305
789	Primrose Marketplace	Springfield	84,916
625	Primrose Marketplace	Springfield	277,630
869	Springfield S.C.	Springfield	202,926
598	Home Depot Plaza	St. Charles	8,000
798	Center Point S.C.	St. Charles	84,460
162	Gravois Plaza	St. Louis	129,093
804	Kings Highway S.C.	St. Louis	176,273
829	Overland Crossing	St. Louis	131,665
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. Peters	163,853

#### Nebraska

741	Frederick S.C.	Omaha	92,332
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#### Nevada

508	Warm Springs Promenade	Henderson	148,000
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Site	Center Name	City	GLA
1009	Canyon Pointe S.C.	Las Vegas	151,076

#### New Hampshire

1012A	Webster Square	Nashua	179,220
620	Rockingham Mall	Salem	344,076

#### New Jersey

1133	Bayonne Broadway	Bayonne	23,901
573/A	The Promenade	Bridgewater	370,545
306	Super G Plaza	Cherry Hill	124,750
643	Marlton Plaza	Cherry Hill	129,809
1014	Hillview S.C.	Cherry Hill	209,185
945	Cinnaminson S.C.	Cinnaminson	16,556
645	Cinnaminson S.C.	Cinnaminson	121,852
032	Millside Plaza	Delran	161,128
047	East Windsor Village	East Windsor	249,029
587	Franklin Towne Center	Franklin	138,364
441	Hillsborough Promenade	Hillsborough	416,858
1007	Holmdel Towne Center	Holmdel	296,807
1008	Holmdel Commons II	Holmdel	234,869
184	Strauss Auto Plaza	Linden	13,340
1171	Maple Shade	Maple Shade	201,351
617	North Brunswick Plaza	North Brunswick	409,879
558	Piscataway Town Center	Piscataway	97,348
596	Oak Park Commons	Plainfield	136,939
615	Ridgewood S.C.	Ridgewood	24,280
1160	Wayne	Wayne	348,063
614	Westmont Plaza	Westmont	192,254

#### New Mexico

585	Sycamore Plaza	Albuquerque	37,735
586	Plaza Paseo Del Norte	Albuquerque	183,912
591	Juan Tabo Plaza	Albuquerque	59,722

#### New York

1043A	Colonie Plaza	Albany	135,801
332	Tops S.C.	Batavia	78,000
1134	Bay Ridge S.C.	Bay Ridge	21,106
1135	Bellmore S.C.	Bellmore	24,802
360	Bridgehampton Commons	Bridgehampton	287,587
750	Concourse Plaza	Bronx	228,638
030	Mill Basin Plaza	Brooklyn	80,708
1019	Two Guys Auto Glass	Brooklyn	7,500
1020	Genovese Drug Store	Brooklyn	10,000
1130	Kings Highway S.C.	Brooklyn	29,671
1131	Homeport - Ralph Avenue	Brooklyn	41,076



Site	Center Name	City	GLA
453	Elmwood Plaza	Buffalo	141,285
456	Tops Plaza	Buffalo	101,066
605	Centereach Mall	Centereach	380,084
1181	Central Islip Town Center	Central Islip	6,000
575	King Kullen Plaza	Commack	265,409
545	Home Depot Plaza	Copague	163,999
1132	Elmont S.C.	Elmont	27,078
1136	Franklin Square S.C.	Franklin Square	17,864
027	Meadowbrook Commons	Freeport	173,031
025	North Shore Triangle	Glen Cove	49,346
1098	Scotia Crossing	Glenville	-
701	Great Neck Shops	Great Neck	14,385
354	Hampton Bays Plaza	Hampton Bays	70,990
021	Walgreens of Freeport	Hempstead	13,905
1137	Hicksville S.C.	Hicksville	35,581
008	Latham Farms	Latham	616,130
1017/A	Douglaston S.C.	Little Neck	48,275
237	Manhasset Center	Manhasset	188,816
1129	Duane Reade	Maspeth	22,500
028	Merrick Commons	Merrick	107,871
041	Galleria at Crystal Run	Middletown	80,000
020	Munsey Park	Munsey Park	72,748
1145	Smithtown S.C.	Nesconset	55,580
1138	North Massapequa S.C.	North Massapequa	29,610
1018	American Muffler Shop	Oceanside	1,856
116	Manetto Hill Plaza	Plainview	88,222
218	44 Plaza	Poughkeepsie	167,668
1044A	Columbia Plaza	Rensselaer	132,648
105	East End Commons	Riverhead	183,928
149/426	West Gates S.C.	Rochester	185,153
427	Henrietta S.C.	Rochester	1,292,238
031	Forest Avenue S.C.	Staten Island	177,118
601	Richmond S.C.	Staten Island	212,375
674	Greenridge Plaza	Staten Island	101,337
109	Syosset S.C.	Syosset	32,124
1161	Westbury S.C.	Westbury	398,602
1140	White Plains S.C.	White Plains	24,577
026	Yonkers S.C.	Yonkers	56,361
801	Shoprite S.C.	Yonkers	43,560
<b>North Carolina</b>			
941A	Peak Plaza	Apex	58,768
1096	Burlington Commerce Park	Burlington	-
1119	University Commons	Burlington	144,000
002	Centrum @ Crossroads	Cary	315,797
483	Crossroads Plaza	Cary	86,015

Site	Center Name	City	GLA
696	Wellington Park	Cary	102,787
955C	Millpond Village	Cary	13,844
959B	Park Place S.C.	Cary	133,901
144	Woodlawn Marketplace	Charlotte	110,300
192	Independence Square	Charlotte	139,269
380/384	Tyvola Mall	Charlotte	233,082
016	New Hope Commons	Durham	408,292
431	Hope Valley Farms	Durham	97,624
639	Oakcreek Village	Durham	116,186
602	Akers Center	Gastonia	240,957
275	Landmark Station	Greensboro	103,494
550	Wendover Ridge	Greensboro	41,387
1094	Senate/Hillsborough Crossing	Hillsborough	-
1177	Shoppes at Midway Plaza	Knightdale	-
1033	The Centrum	Pineville	269,710
177	Pleasant Valley Promenade	Raleigh	375,211
477	Wakefield Commons II	Raleigh	70,000
479	Edgewater Place	Raleigh	64,000
485	Wakefield Commons I	Raleigh	85,465
1005A	Sutton Square S.C.	Raleigh	101,846
931	Gateway Plaza	Wilson	167,207
126	Cloverdale Plaza	Winston-Salem	137,433
<b>Ohio</b>			
245	Harvest Plaza	Akron	76,438
419	West Market Plaza	Akron	138,363
430	Akron Plaza	Akron	149,054
457	Akron Plaza	Akron	231,754
220	Barberton S.C.	Barberton	87,851
345	Beavercreek Plaza	Beavercreek	148,210
246	Kmart Plaza	Brunswick	171,223
242	Cambridge Square	Cambridge	98,533
188	Belden Village Commons	Canton	172,596
405	Cross Pointe S.C.	Centerville	120,498
513	Ridgewater Plaza	Cincinnati	89,742
017	Colerain Towne Center	Cincinnati	378,901
413	Ridgewater Plaza	Cincinnati	223,731
415	Glenway Plaza	Cincinnati	121,242
420	Cassinelli Square	Cincinnati	308,277
482	Glenway Crossing	Cincinnati	88,317
233	Greenlite S.C.	Cleveland	69,383
019	Georgesville Square	Columbus	254,152
401	Morse Plaza	Columbus	191,089
402	South Hamilton S.C.	Columbus	142,743
403	Olentangy Plaza	Columbus	129,008
407	West Broad Plaza	Columbus	135,650



Site	Center Name	City	GLA
424	South High Plaza	Columbus	99,262
597	North West Square	Columbus	112,862
1013	Market Square at Montrose	Copley	546,875
406	Woodman Plaza	Dayton	116,374
131	Shiloh Springs Plaza	Dayton	165,531
308/310	Oak Creek Plaza	Dayton	213,728
309/11/13	Woodman Plaza	Dayton	119,575
404	Salem Plaza	Dayton	141,616
006	Northpark Center	Huber Heights	318,468
437	Tops Plaza	Kent	106,500
325	Eastgate Plaza	Lima	193,633
399	Mentor Plaza	Mentor	103,910
417	Erie Commons	Mentor	235,577
714	Mallwoods Centre	Miamisburg	6,000
409	Middleburg Heights Plaza	Middleburg Heights	104,342
1172	Middletown	Middletown	126,400
414	Tops Plaza	North Olmstead	99,862
729	Northwood S.C.	Northwood	103,161
486	High Park Center	Orange Township	11,000
276	Sharonville Plaza	Sharonville	130,715
320	Southland 75 S.C.	Springboro Pike	120,522
018	Tri-County Commons	Springdale	253,510
416	Kmart Plaza	Springfield	149,464
130	Arlington Square	Upper Arlington	160,702
178/423	Westerville Plaza	Westerville	242,124
234	Town Square	Wickliffe	128,180
410	Chardon Bishop Plaza	Willoughby Hills	156,219

#### Oklahoma

857	Midwest City S.C.	Midwest City	99,433
001/A	Parkway Plaza	Norman	262,624
555	Centennial Plaza	Oklahoma City	232,635
876	Broadway Plaza	Oklahoma City	103,027
810	Woodlands Marketplace	South Tulsa	4,090

#### Pennsylvania

1173/A	Home Depot Plaza	Bensalem	307,145
649	Center Square S.C.	Blue Bell	120,211
341	Braddock Hills	Braddock Hills	109,717
1075A	Stonehedge Square	Carlisle	86,260
1083A	Wayne Plaza	Chambersburg	122,396
460	Chippewa Plaza	Chippewa	215,206
148	Duquesne Plaza	Duquesne	69,733
223	Ridge Pike Plaza	Eagleville	165,385
312	Norriton Square East	Norriton	136,635
210	Pocono Plaza East	Stroudsburg	168,506

Site	Center Name	City	GLA
661	Eastwick Wellness Center	Eastwick	36,511
469	Acme Supermarket S.C.	Exton	60,685
658	Whiteland Town Center	Exton	85,184
651	Bucks Crossing	Feasterville	86,575
375	Gettysburg Plaza	Gettysburg	30,706
158	Westmoreland Mall South	Greensburg	50,000
326	Hamburg Wellness Center	Hamburg	15,400
193A	Harrisburg East S.C.	Harrisburg	175,917
227	Harrisburg West S.C.	Harrisburg	121,672
656	Township Line S.C.	Havertown	80,938
723	Village Mall	Horsham	105,569
659	Ralph's Corner S.C.	Landsdale	84,470
243	Olmsted Plaza	Middletown	140,481
373	Middletown Plaza	Middletown	38,953
1110	Holiday Center	Monroeville	142,900
049	Montgomery Square	Montgomery	257,565
342	New Kensington S.C.	New Kensington	106,624
294	Cottman & Castor S.C.	Philadelphia	216,263
612	Cottman & Bustleton Center	Philadelphia	277,123
650	Frankford Avenue S.C.	Philadelphia	82,345
660	The Gallery	Philadelphia	133,309
1185	Allegheny Garage	Pittsburgh	467,927
1062A	Pottstown Plaza	Pottstown	161,727
389	Crossroads Plaza	Richboro	110,357
464	Carnegie	Scott Township	69,288
1070A	Shrewsbury Square S.C.	Shrewsbury	94,706
760	Souderton S.C.	Souderton	68,380
288	Springfield S.C.	Springfield	218,907
374	Upper Allen Plaza	Upper Allen	59,470
662	Upper Darby Wellness Center	Upper Darby	48,936
1082A	Wayne Heights Mall	Waynesboro	109,749
249	Kennywood Mall	West Mifflin	193,878
385	Century III Mall	West Mifflin	84,279
653	Whitehall Mall	Whitehall	84,524
370	Eastern Blvd. Plaza	York	61,979
371	Mount Rose Plaza	York	59,016
372	West Market St. Plaza	York	35,500

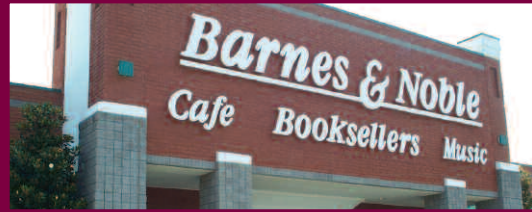
#### Rhode Island

691	Marshall's Plaza	Cranston	129,907
1011	Mashpaug Commons	Providence	71,735

#### South Carolina

254	St. Andrews Center	Charleston	170,630
631	Westwood Plaza	Charleston	186,740
1001	West Ashley Shoppes	Charleston	136,276





Site	Center Name	City	GLA
1174	Rice Creek Village	Columbia	66,471
646	Crossroads Center	Florence	113,922
676	Gallery S.C.	Greenville	148,532
1147	Cherrydale Point	Greenville	295,928
937A	Patriots Plaza	Mt. Pleasant	116,868
622/692	North Rivers Marketplace	North Charleston	267,698
932	Grove Park S.C.	Orangeburg	106,557

#### Tennessee

168	Hamilton Crossing	Chattanooga	50,000
253	Red Bank S.C.	Chattanooga	50,588
007	Northside Marketplace	Madison	189,299
282	Old Towne Village	Madison	176,193
1118	Rivergate Station	Madison	216,701
013	Wolfchase Bed, Bath & Beyond	Memphis	40,000
484	Hickory Ridge Commons	Memphis	87,962
594	Trolley Station	Memphis	167,243
004	Hickory Hollow S.C.	Nashville	99,909
583	Marketplace at Rivergate	Nashville	109,012
588	The Shoppes at Rivergate	Nashville	172,135

#### Texas

879	Westgate Plaza	Amarillo	343,989
879A	Westgate Plaza	Amarillo	142,747
866	Arlington Center	Arlington	96,127
564	Arboretum Crossing	Austin	191,760
589	Center of the Hills	Austin	157,852
1116	Palmer Crossing	Austin	108,028
823	Baytown Village S.C.	Baytown	86,240
444	Dowlen Towne Center	Beaumont	86,000
496	Gateway Station	Burleson	50,000
496B	Gateway Station	Burleson	280,430
1101	South Towne Crossing	Burleson	38,000
712	Cedar Hill Crossing	Cedar Hill	187,800
878	Islands Plaza S.C.	Corpus Christi	125,454
160	Plaza Rios	Dallas	125,195
170	Big Town Mall	Dallas	-
172	Dallas Center	Dallas	50,000
270	Big Town Mall	Dallas	101,040
565	Cityplace Market	Dallas	83,867
816	Accent Plaza East	Plano	100,598
783	Eules Town Center	Eules	61,453
1100	Montgomery Plaza	Fort Worth	-
566	Broadmoor Village	Garland	62,000
820	Broadway Center	Garland	103,600
1122	The Centre at Copperfield	Harris County	144,066

Site	Center Name	City	GLA
042	Fountains on the Lake	Houston	585,901
487	Tomball Crossings	Houston	92,000
567	Center at Baybrook	Houston	434,997
655	Woodforest S.C.	Houston	113,831
719	Sharpstown Court	Houston	84,188
817	Westheimer Plaza	Houston	96,500
1006	Northwest Marketplace	Houston	185,332
1086	Cypress Towne Center	Houston	89,000
1113	Lake Worth Towne Crossing	Lake Worth	85,000
1125	Rio Norte S.C.	Laredo	236,124
569	Shops at Vista Ridge	Lewisville	123,560
590	Shops at Vista Ridge	Lewisville	93,668
568	Shops at Vista Ridge	Lewisville	74,837
678	South Plains Plaza	Lubbock	108,326
256	Kroger Plaza	Mesquite	79,550
570/571	Mesquite Town Centre Plaza	Mesquite	209,766
1016	New Braunfels	New Braunfels	86,479
827	Richland Center	North Richland Hills	92,475
010	Fairway Plaza	Pasadena	169,190
010A	Fairway Plaza	Pasadena	241,157
768	Parker Plaza S.C.	Plano	79,902
572	Richardson Plaza	Richardson	115,579
717/B	Forum at Olympia Parkway	San Antonio	141,000
778	Market Place S.C.	Temple	61,453
1099	Temple Towne Center	Temple	274,786
738	Parkdale S.C.	Waco	101,093
1003	Market Street - The Woodlands	Woodlands	302,000

#### Utah

103	Costco Plaza	Ogden	142,628
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#### Vermont

1120	Manchester S.C.	Manchester	54,504
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#### Virginia

1162	Pentagon Centre	Arlington	337,429
1039A	Burke Town Plaza	Burke	124,976
467	Southpark S.C.	Colonial Heights	60,909
547	Costco Plaza	Fairfax	323,262
1074A	Spotsylvania Crossing	Fredericksburg	141,857
466	Skyline Village Plaza	Harrisonburg	-
944	Dukes Plaza	Harrisonburg	139,956
1071A	Skyline Village	Harrisonburg	150,404
672	Festival at Manassas	Manassas	117,525
1076	Sudley Towne Plaza	Manassas	107,761
930	Food Lion Plaza	Petersburg	50,280



Site	Center Name	City	GLA
462	Westpark Center	Richmond	84,683
800	Burlington Coat Center	Richmond	128,612
9006	Oxbridge Square	Richmond	127,801
952A	Towne Square	Roanoke	302,130
1123	Valley View S.C.	Roanoke	81,789
1021A	Potomac Run Plaza	Sterling	361,375
1175	Dulles Town Crossing	Sterling	737,503
225	Gordon Plaza	Woodbridge	189,563
915-920	Smoketown Station	Woodbridge	494,283
1072A	Smoketown Plaza	Woodbridge	268,974

#### Washington

1188	Factoria Mall	Bellevue	508,909
542	Cordata Center	Bellingham	188,885
035	Pavilions Center	Federal Way	200,126
1029	Triangle Mall	Longview	203,000
167A	Franklin Park Commons	Spokane	129,785
050	Parkway Super Center	Tukwila	459,071
1031	Hazel Dell Towne Center	Vancouver	66,000

#### West Virginia

330	Charles Town Plaza	Charles Town	208,086
322	Rite Aid S.C.	Danville	18,000
285	Huntington Plaza	Huntington	2,400
376	Martin's Food Plaza	Martinsburg	43,212
595	Riverwalk Plaza	South Charleston	188,589

#### Wisconsin

381	Badger Plaza	Racine	157,150
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### Canada

#### Alberta

512	Brentwood Village	Calgary	312,331
509	Shawnessey Centre	Calgary	306,060
510	Shoppes @ Shawnessey	Calgary	163,000
514	South Edmonton Common	Edmonton	414,647
911	Centre Grande Prairie	Grande Prairie	63,413

#### British Columbia

531	Langley Gate	Langley	151,802
519	Abbotsford Power Centre	Abbotsford	198,768
515	Clearbrook Town Square	Abbotsford	188,252
259	Langley Power Centre	Langley	228,314
516	The Junction	Mission	256,592
517	Parkwood Place S.C.	Prince George	372,725

Site	Center Name	City	GLA
518	Peninsula Village S.C.	Surrey	170,545
533	Strawberry Hill S.C.	Surrey	332,817
534	Tillicum Centre	Victoria	457,157
989	Brampton Centre	Brampton	-

#### Ontario

986	Walker Place	Burlington	69,857
981	Dufferin	Dufferin	-
9003	Clarkson Crossing	Mississauga	201,546
988	Grand Park	Mississauga	118,637
537	404 Town Centre	Newmarket	249,272
793	Green Lane Centre	Newmarket	160,952
538	Boulevard S.C. I	Ottawa	91,462
539	Boulevard S.C. II	Ottawa	125,984
791	Boulevard S.C. III	Ottawa	12,058
535	Lincoln Fields S.C.	Ottawa	289,540
797	Centre Sudbury	Sudbury	234,299
9030	Sudbury	Sudbury	-
911	Leaside Centre	Toronto	133,035
980	Shoppers World Danforth	Toronto	328,820
770	The Albion Centre	Toronto	349,399
536	Kendalwood Park Plaza	Whitby	154,445
976	Thickson Ridge Power Centre	Whitby	363,039

#### Prince Edward Island

733	Charlottetown Mall	Charlottetown	389,954
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#### Quebec

610	Centre Regional Chateauguay	Chateauguay	211,695
921	Greenfield Park	Greenfield Park	369,664
985	Centre Jacques-Cartier	Longueuil	212,913

### Mexico

9018	Huehuetoca	Huehuetoca	-
921	Centro Comercial Lopez Mateos	Juarez	235,633
189	Plaza Real Sendero Norte	Monterrey	261,927
9032	Plaza Real Reynosa	Reynosa	-
181	Plaza Real Saltillo	Saltillo	174,631
9008	Plaza San Luis	San Luis	-

**Total Number of Properties  
Owned or Managed**

**722\***

**Total GLA Owned or Managed**

**105,048,552**

\*Total excludes 70 properties in the Kimco Preferred Equity Program

# Reconciliation From Net Income To Funds From Operations

(in thousands, except per share information)

	2004	2003	2002	2001	2000
Net income	<b>\$297,137</b>	\$307,879	\$245,668	\$236,538	\$205,025
Gain on dispositions of operating properties	<b>(15,390)</b>	(50,834)	(12,778)	(3,040)	(3,962)
Gain on disposition of joint venture operating properties	<b>(4,045)</b>	—	—	—	—
Depreciation and amortization	<b>102,872</b>	89,068	76,674	74,209	71,129
Depreciation and amortization—real estate joint ventures	<b>36,400</b>	29,456	17,779	12,718	8,277
Preferred stock redemption costs	<b>—</b>	(7,788)	—	—	—
Preferred stock dividends	<b>(11,638)</b>	(14,669)	(18,437)	(24,553)	(26,328)
<b>Funds from Operations</b>	<b>\$405,336</b>	\$353,112	\$308,906	\$295,872	\$254,141
<b>Per Common Share</b>					
Basic	<b>\$ 3.64</b>	\$ 3.30	\$ 2.96	\$ 3.07	\$ 2.74
Diluted	<b>\$ 3.55 <sup>(1)</sup></b>	\$ 3.23 <sup>(1)</sup>	\$ 2.93 <sup>(2)</sup>	\$ 2.99 <sup>(3)</sup>	\$ 2.69 <sup>(3)</sup>
<b>Weighted Average Shares Outstanding</b>					
Basic	<b>111,430</b>	107,092	104,458	96,317	92,688
Diluted	<b>115,955 <sup>(1)</sup></b>	111,168 <sup>(1)</sup>	105,969 <sup>(1)</sup>	101,163 <sup>(3)</sup>	97,586 <sup>(3)</sup>

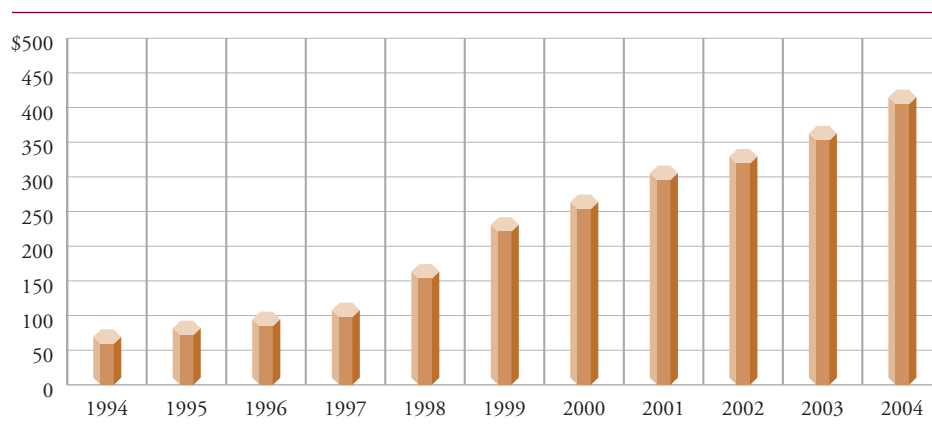
(1) Reflects the potential impact if certain units were converted to common stock at the beginning of the period. Funds from operations (FFO) would be increased by \$6,113, \$5,771, and \$1,423 for the years ended December 31, 2004, 2003, and 2002, respectively.

(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 were 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>	2004	2003	2002	2001	2000
<b>Operating Data:</b>					
Revenues from rental property <sup>(1)</sup>	\$ 516,967	\$ 473,047	\$ 425,710	\$ 422,979	\$ 415,201
Interest expense <sup>(3)</sup>	\$ 107,726	\$ 102,597	\$ 85,323	\$ 87,005	\$ 90,903
Depreciation and amortization <sup>(3)</sup>	\$ 101,773	\$ 84,699	\$ 69,514	\$ 67,145	\$ 64,975
Gain on sale of development properties	\$ 16,835	\$ 17,495	\$ 15,880	\$ 13,418	\$ —
Gain on sale of operating properties <sup>(3)</sup>	\$ —	\$ 3,177	\$ —	\$ 3,040	\$ 3,962
Provision for income taxes	\$ 8,320	\$ 8,514	\$ 12,904	\$ 19,376	\$ —
Income from continuing operations	\$ 281,637	\$ 245,924	\$ 241,514	\$ 214,383	\$ 183,348
Income per common share from continuing operations:					
Basic	\$ 2.42	\$ 2.09	\$ 2.14	\$ 1.97	\$ 1.69
Diluted	\$ 2.38	\$ 2.05	\$ 2.12	\$ 1.94	\$ 1.68
Weighted-average number of shares of common stock:					
Basic	111,430	107,092	104,458	96,317	92,688
Diluted	113,572	108,770	105,461	101,163	93,653
Cash dividends declared per common share	\$ 2.32	\$ 2.19	\$ 2.10	\$ 1.96	\$ 1.81
As of December 31,	2004	2003	2002	2001	2000
<b>Balance Sheet Data:</b>					
Real estate, before accumulated depreciation	\$4,092,222	\$4,174,664	\$3,398,971	\$3,201,364	\$3,114,503
Total assets	\$4,749,597	\$4,641,092	\$3,758,350	\$3,387,342	\$3,175,294
Total debt	\$2,118,622	\$2,154,948	\$1,576,982	\$1,328,079	\$1,325,663
Total stockholders' equity	\$2,236,400	\$2,135,846	\$1,908,800	\$1,892,647	\$1,708,285
Cash flow provided by operating activities	\$ 365,176	\$ 308,632	\$ 278,931	\$ 287,444	\$ 250,546
Cash flow used for investing activities	\$ (303,378)	\$ (642,365)	\$ (396,655)	\$ (157,193)	\$ (191,626)
Cash flow (used for) provided by financing activities	\$ (71,866)	\$ 346,059	\$ 59,839	\$ (55,501)	\$ (67,899)

(1) Does not include (i) revenues from rental property relating to unconsolidated joint ventures, (ii) revenues relating to the investment in retail stores 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 the years ended December 31, 2004, 2003 and 2002 and properties classified as held for sale as of December 31, 2004, which are reflected in discontinued operations in the Consolidated Statements of Income.

(3) Does not include amounts reflected in discontinued 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 bank-

ruptcy, 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.

# 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.

## 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 4, 2005, the Company's portfolio was comprised of 773 property interests, including 696 operating properties primarily consisting of neighborhood and community shopping centers, 32 retail store leases, 35 ground-up development projects and ten undeveloped parcels of land, totaling approximately 113.4 million square feet of leasable space located in 42 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 45 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.

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, as amended ("the 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.

In addition, the Company continues to capitalize on its established expertise in retail real estate by establishing other ventures in which the Company owns a smaller equity interest and provides management, leasing and operational support for those properties. The Company also provides preferred equity capital for real estate entrepreneurs and provides real estate capital and advisory services to both healthy and distressed retailers. The Company also makes selective investments in secondary market opportunities where a

security or other investment is, in management's judgment, priced below the value of the underlying real estate.

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 2004 performance, the Board of Directors increased the quarterly dividend to \$0.61 from \$0.57, effective for the first quarter of 2005.

## Critical Accounting Policies

The Consolidated Financial Statements of the Company include the accounts of the Company, its wholly-owned subsidiaries and all entities in which the Company has a controlling voting interest or has been determined to be a primary beneficiary of a variable interest entity in accordance with the provisions and guidance of Financial Accounting Standards Board ("FASB") Interpretation No. 46 (R), *Consolidation of Variable Interest Entities*. 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 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. Operating expense reimbursements are recognized as earned. 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, real estate taxes and other operating expenses.

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.

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

## Real Estate

The Company's investments in real estate properties are stated 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.

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 ("SFAS") No. 141, *Business Combinations*. 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 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 life.

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

Buildings	15 to 50 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 inventory of neighborhood and community shopping center projects which are subsequently sold 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 of personnel directly involved 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 SFAS 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 2004 to 2003

Revenues from rental property increased \$43.9 million or 9.3% to \$517.0 million for the year ended December 31, 2004, as compared with \$473.1 million for the year ended December 31, 2003. This net increase resulted primarily from the combined effect of (i) acquisitions during 2004 and 2003 providing incremental revenues of \$40.4 million for the year ended December 31, 2004, and (ii) an overall increase in shopping center portfolio occupancy to 93.6% at December 31, 2004, as compared to 90.7% at December 31, 2003 and the completion of certain redevelopment projects and tenant buyouts providing incremental revenues of approximately \$16.6 million for the year ended December 31, 2004, as compared to the corresponding periods last year, offset by (iii) a decrease in revenues of approximately \$13.1 million for the year ended December 31, 2004, as compared to the corresponding period last year, resulting from the sale of certain properties and the transfer of operating properties to various unconsolidated joint venture entities during 2004 and 2003.

Rental property expenses, including depreciation and amortization, increased approximately \$27.1 million or 13.0% to \$235.0 million for the year ended December 31, 2004, as compared with \$207.9 million for the preceding year. These increases are primarily due to operating property acquisitions during 2004 and 2003, which were partially offset by property dispositions and operating properties transferred to various unconsolidated joint venture entities.

Income from other real estate investments increased \$7.3 million to \$30.1 million for the year ended December 31, 2004, as compared to \$22.8 million for the preceding year. This increase is primarily due to increased investment in the Company's Preferred Equity program, which contributed income of \$11.4 million during 2004, as compared to \$4.6 million in 2003.

Mortgage and other financing income decreased \$3.8 million to \$15.0 million for the year ended December 31, 2004, as compared to \$18.8 million for the year ended December 31, 2003. This decrease is primarily due to lower interest and financing income earned related to certain real estate lending activities during 2004, as compared to the preceding year.

Management and other fee income increased approximately \$10.1 million to \$25.4 million for the year ended December 31, 2004, as compared to \$15.3 million in the corresponding period in 2003. This increase is primarily due to incremental fees earned from growth in the co-investment programs and fees earned from disposition services provided to various retailers.

Other income/(expense), net increased approximately \$14.3 million to \$10.4 million for the year ended December 31, 2004, as compared to the preceding year. This increase is primarily due to a prior-year write-down in the carrying value of the Company's equity investment in Frank's Nursery, Inc., offset by increased income in 2004 from other equity investments.

Interest expense increased \$5.1 million or 5.0% to \$107.7 million for the year ended December 31, 2004, as compared to \$102.6 million for the year ended December 31, 2003. This increase is primarily due to an overall increase in average borrowings outstanding during the year ended December 31, 2004, as compared to the preceding year, resulting from the funding of investment activity during 2004.

General and administrative expenses increased approximately \$6.1 million to \$44.6 million for the year ended December 31, 2004, as compared to \$38.5 million in the preceding calendar year. This increase is primarily due to (i) a \$0.9 million increase in professional fees, mainly attributable to compliance with section 404 of the Sarbanes-Oxley Act, (ii) a \$1.6 million increase due to the expensing of the value attributable to stock options granted, (iii) increased staff levels related to the growth of the Company and (iv) other personnel-related costs, associated with a realignment of the Company's regional operations.

During 2003, the Company reached agreement with certain lenders in connection with three individual non-recourse mortgages encumbering three former Kmart Corporation ("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.

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 2004 that its investment in an operating property comprised of approximately 0.1 million square feet of Gross Leasable Area ("GLA"), with a net book value of \$3.8 million, might not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the property, the Company reduced its anticipated holding period of this investment. As a result of the reduction in the anticipated holding period, together with reassessment of the potential future operating cash flow for the property and the effects of current market conditions, the Company determined that its investment in this asset was not fully recoverable and recorded an adjustment of property carrying value of approximately \$3.0 million in 2004.

Equity in income of real estate joint ventures, net increased \$14.1 million to \$56.4 million for the year ended December 31, 2004, as compared to \$42.3 million for the preceding year. This increase is primarily attributable to the equity in income from the increased investment in the RioCan joint venture investment ("RioCan Venture"), the Kimco Retail Opportunity Portfolio joint venture investment ("KROP") and the Company's growth of its various other real estate joint ventures. The Company has made additional capital investments in these and other joint ventures for the acquisition of additional shopping center properties throughout 2004 and 2003.

During 2004, the Company (i) disposed of, in separate transactions, 16 operating properties and one ground lease for an aggregate sales price of approximately \$81.1 million, including the assignment of approximately \$8.0 million of non-recourse mortgage debt encumbering one of the properties; cash proceeds of approximately \$16.9 million from the sale of two of these properties were used in a 1031 exchange to acquire shopping center properties located in Roanoke, VA and Tempe, AZ, (ii) transferred 17 operating properties to KROP for an aggregate price of approximately \$197.9 million and (iii) transferred 21 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30% for an aggregate price of approximately \$491.2 million. For the year ended December 31, 2004, these dispositions resulted in gains of approximately \$15.8 million and a loss on sale from three of the properties of approximately \$5.1 million.

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, (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 and (vi) terminated four leasehold positions in locations where a tenant in bankruptcy had



# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

rejected its lease. These transactions resulted in gains of approximately \$50.8 million.

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, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("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 in the Company's Consolidated Statements of Income.

For those property dispositions for which 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 in the Company's Consolidated Statements of Income.

During 2004, KDI, the Company's wholly-owned development taxable REIT subsidiary, in separate transactions, sold 28 out-parcels, three completed phases of projects and five recently completed projects for approximately \$169.4 million. These sales provided gains of approximately \$12.4 million, net of income taxes of approximately \$4.4 million.

During the year ended December 31, 2003, KDI sold four projects and 26 out-parcels, in separate transactions, for approximately \$134.6 million, which resulted in gains of approximately \$10.5 million, net of income taxes of \$7.0 million.

Income from continuing operations for the year ended December 31, 2004 was \$281.6 million, compared to \$245.9 million for the year ended December 31, 2003. On a diluted per share basis, income from continuing operations improved \$0.33 to \$2.38 for the year ended December 31, 2004, as compared to \$2.05 for the preceding year. This improved performance is primarily attributable to (i) the incremental operating results from the acquisition of operating properties during 2004 and 2003, including the Mid-Atlantic Realty Trust transaction (see Note 3 of the Notes to Consolidated Financial Statements included in this Annual Report), (ii) an increase in equity in income of real estate joint ventures resulting from additional capital investments in the RioCan Venture, KROP and other joint venture investments for the acquisition of additional shopping center properties during 2004 and 2003, (iii) an increase in management and other fee income related to the growth in the co-investment programs, (iv) increased income from other real estate investments and (v) significant leasing within the portfolio, which improved operating profitability.

Net income for the year ended December 31, 2004 was \$297.1 million, compared to \$307.9 million for the year ended December 31, 2003. On a diluted per share basis, net income decreased \$0.11 to \$2.51 for the year ended December 31, 2004, as compared to \$2.62 for the year ended December 31, 2003. This decrease is primarily attributable to lower income from discontinued operations of \$46.5 million for the year ended December 31, 2004 compared to the preceding year due to property sales during 2004 and 2003 and gains on early extinguishment of debt during 2003. In addition, the diluted per share results for the year ended December 31, 2003 were decreased by a reduction in net income available to common stockholders of \$0.07 resulting from the deduction of original issuance costs associated with the redemption of the Company's 7¼% Class A, 8½% Class B and 8¾% Class C Cumulative Redeemable Preferred Stocks during the second quarter of 2003.

## *Comparison 2003 to 2002*

Revenues from rental property increased \$47.3 million or 11.1% to \$473.0 million for the year ended December 31, 2003, as compared to \$425.7 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 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 and subsequent rejection of leases and (v) sales of certain properties and tenant buyouts resulting in a decrease of revenues of approximately \$13.2 million as compared to the preceding year.

Rental property expenses, including depreciation and amortization, increased \$25.5 million or 14.0% to \$207.9 million for the year ended December 31, 2003, as compared to \$182.4 million for the preceding year. The rental property expense components of operating and maintenance and depreciation and amortization increased approximately \$24.3 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 (i) increased investment in the Company's Preferred Equity program contributing \$4.6 million during 2003, as compared to \$1.0 million in 2002, (ii) contribution

of \$12.1 million from the Kimsouth investment resulting from the disposition of 14 investment properties during 2003, offset by (iii) 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 \$17.3 million or 20.2% to \$102.6 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 \$7.0 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 GLA, with an aggregate net book value of approximately \$23.8 million, might 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 determined that its investment in these assets was not fully recoverable and 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 ("KIR") 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.

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

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 \$7.8 million as compared to \$2.3 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 of 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 gains of approximately \$50.8 million.

For those property dispositions for which 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 in 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 in 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 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 in 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 gains of approximately \$10.5 million, net of income taxes of \$7.0 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 profits of \$9.5 million, net of income taxes of \$6.4 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 \$0.47 to \$2.62 for the year ended December 31, 2003, as compared to \$2.15 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 stockholders of \$0.07 resulting from the deduction of original issuance costs associated with the redemption of the Company's 7¼% Class A, 8½% Class B and 8¾% Class C Cumulative Redeemable Preferred Stocks during the second quarter of 2003.



## Tenant Concentration

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, 2004, the Company's five largest tenants were The Home Depot, TJX Companies, Kohl's, Kmart and Wal-Mart, which represented approximately 3.6%, 3.1%, 2.6%, 2.6% and 1.8%, 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.

## 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, 2004, the Company's level of debt to total market capitalization was 24%. 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 capital 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 \$3.6 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 June 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, 2004, there was \$230.0 million outstanding under this credit facility.

During September 2004, the Company entered into a three-year Canadian denominated ("CAD") \$150.0 million unsecured credit facility with a group of banks. This facility bears interest at the CDOR Rate, as defined, plus 0.50%, and is scheduled to expire in September 2007. Proceeds from this facility will be used for general corporate purposes including the funding of Canadian denominated investments. As of December 31, 2004, there was CAD \$62.0 million (approximately USD \$51.7 million) outstanding under this credit facility.

The Company has 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 February 18, 2005, the Company had \$300.0 million available for issuance under the MTN program. (See Note 12 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. As of December 31, 2004, the Company had over 350 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 February 18, 2005, the Company had \$309.7 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 \$265.3 million in 2004, compared to \$246.3 million in 2003 and \$235.6 million in 2002.

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 2005 will be approximately \$60.0 million to \$80.0 million. Additionally, the Company anticipates its capital commitment toward ground-up development during 2005 will be approximately \$160.0 million to \$200.0 million. The proceeds from the sales of development properties and proceeds from construction loans in 2005 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

# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

that cash on hand, borrowings under its revolving credit facilities, 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 were \$365.2 million for 2004, \$308.6 million for 2003 and \$278.9 million for 2002.

## *Contractual Obligations and Other Commitments*

The Company has debt obligations relating to its revolving credit facilities, MTNs, senior notes, mortgages and construction loans with maturities ranging from less than one year to 20 years. As of December 31, 2004, the Company's total debt had a weighted-average term to maturity of approximately 4.2 years. In addition, the Company has non-cancelable operating leases pertaining to its shopping center portfolio. As of December 31, 2004, 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, 2004 (in millions):

	2005	2006	2007	2008	2009	There- after	Total
Long-Term Debt	\$258.7	\$541.9	\$295.2	\$161.9	\$212.8	\$648.1	\$2,118.6
Operating Leases							
Ground Leases	\$ 10.5	\$ 10.3	\$ 9.9	\$ 9.1	\$ 8.6	\$124.5	\$ 172.9
Retail Store Leases	\$ 6.9	\$ 6.0	\$ 4.6	\$ 2.9	\$ 1.6	\$ 1.7	\$ 23.7

The Company has \$200.3 million of medium term notes, \$22.8 million of mortgage debt and \$35.6 million of construction loans maturing in 2005. The Company anticipates satisfying these maturities with a combination of operating cash flows, its unsecured revolving credit facilities and new debt issuances.

The Company has issued letters of credit in connection with completion guarantees for certain construction projects, and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately \$45.9 million.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CAD \$7.0 million (approximately USD \$5.8 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and had approximately CAD \$4.0 million (approximately USD \$3.3 million) outstanding as of December 31, 2004 relating to various development projects. In addition to the letter of credit facility, various additional Canadian development projects in which the Company holds interests ranging from 33⅓% to 50% have letters of credit issued aggregating approximately CAD \$2.2 million (approximately USD \$1.8 million).

During 2004, the Company obtained construction financing on 11 ground-up development projects for an aggregate loan commitment amount of up to \$247.8 million. As of December 31, 2004, the Company had 19 construction loans with total commitments

of up to \$413.3 million, of which \$156.6 million had been funded to the Company. These loans had maturities ranging from 2 to 36 months and interest rates ranging from 4.17% to 4.92% at December 31, 2004.

## **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, the Company's 15% non-controlling interest in Price Legacy and varying non-controlling 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 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, 2004, KIR had interests in 69 properties comprising 14.4 million square feet of GLA. As of December 31, 2004, KIR had 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 4.36% to 8.52%. As of December 31, 2004, the Company's pro-rata share of non-recourse mortgages relating to the KIR joint venture was approximately \$500.0 million. (See Note 7 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, 2004, the RioCan Venture consisted of 33 shopping center properties and three development projects with approximately 7.7 million square feet of GLA. As of December 31, 2004, the RioCan Venture had individual non-recourse mortgage loans on 33 of these properties aggregating approximately CAD \$683.6 million (USD \$569.8 million). These non-recourse mortgage loans have maturities ranging from one year to 29 years and rates ranging from 3.91% to 9.05%. As of December 31, 2004, the Company's pro-rata share of non-recourse mortgage loans relating to the RioCan Venture was approximately CAD \$337.8 million

(USD \$281.6 million). (See Note 7 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, 2004, KROP consisted of 37 shopping center properties with approximately 5.3 million square feet of GLA. As of December 31, 2004, KROP had non-recourse mortgage loans totaling \$454.5 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, 2004, the weighted-average interest rate for all mortgage debt outstanding was 5.33% per annum. As of December 31, 2004, the Company's pro-rata share of non-recourse mortgage loans relating to the KROP joint venture was approximately \$90.9 million. Additionally, the Company and GECRE may provide interim financing. All such financings bear interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% and have maturities of less than a year. As of December 31, 2004, KROP had no outstanding short-term interim financing due to the Company or GECRE. (See Note 7 of the Notes to Consolidated Financial Statements included in this Annual Report.)

During December 2004, the Company acquired the Price Legacy Corporation through a newly formed joint venture, PL Retail LLC ("PL Retail"), in which the Company has a non-controlling 15% interest. In connection with this transaction, the joint venture acquired 33 operating properties, aggregating approximately 7.6 million square feet of GLA located in ten states. As of December 31, 2004, PL Retail had approximately \$850.6 million outstanding in non-recourse mortgage debt, of which approximately \$513.4 million had fixed rates ranging from 4.66% to 9.00% and approximately \$337.2 million had variable rates ranging from 2.54% to 8.00%. The fixed-rate loans have maturities ranging from 4 to 12 years and the variable-rate loans have maturities ranging from 2 to 4 years. Additionally, the Company has provided PL Retail approximately \$30.6 million of secured mezzanine financing. This interest-only loan bears interest at a fixed rate of 7.5% and matures in December 2006. The Company also provided PL Retail a secured short-term promissory note of approximately \$8.2 million. This interest-only note bears interest at LIBOR plus 4.5% and matures on June 30, 2005. As of December 31, 2004, the Company's pro-rata share of non-recourse mortgages relating to PL Retail was approximately \$127.6 million. (See Note 7 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 1% to 50%. As of December 31, 2004, these unconsolidated joint ventures had individual non-recourse mortgage loans aggregating approximately

\$778.0 million. The Company's pro-rata share of these non-recourse mortgages was approximately \$261.1 million. (See Note 7 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 26 properties as of December 31, 2004. As of December 31, 2004, the Kimsouth portfolio was comprised of 12 properties, including the remaining office component of an operating property sold in 2004, totaling 2.1 million square feet of GLA, with non-recourse mortgage debt of approximately \$77.5 million encumbering the properties. All mortgages payable are collateralized by certain properties and are due in monthly installments. As of December 31, 2004, interest rates ranged from 4.06% to 6.68% and the weighted-average interest rate for all mortgage debt outstanding was 5.71% per annum. As of December 31, 2004, the Company's pro-rata share of non-recourse mortgage loans relating to the Kimsouth portfolio was approximately \$34.5 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, the primary term of which 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, 2004, eleven of these properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately \$24.2 million. As of December 31, 2004, the remaining 19 properties were encumbered by third-party non-recourse debt of approximately \$64.9 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.

During 2002, the Company established a Preferred Equity pro-



# Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

gram, which provides capital to developers and owners of shopping centers. The Company accounts for its investments in Preferred Equity investments under the equity method of accounting. As of December 31, 2004, the Company's invested capital in its Preferred Equity investments approximated \$157.0 million relating to 62 shopping centers. As of December 31, 2004, these Preferred Equity investment properties had individual non-recourse mortgage loans aggregating approximately \$548.3 million. Due to the Company's preferred position in these investments, the Company's pro-rata share of each investment is subject to fluctuation and is dependent upon property cash flows. The Company's maximum exposure to losses associated with its Preferred Equity investments is limited to its invested capital.

## 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. The adoption of FIN 46(R) did not have a material impact on the Company's financial position or results of operations.

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 its risk. The Company's exposure to losses associated with its unconsolidated joint ventures is limited to its carrying value in these investments. (See Notes 7 and 8 of the Notes to Consolidated Financial Statements included in this Annual Report.)

In December 2004, the FASB issued SFAS No. 123, (revised 2004) *Share-Based Payment* ("SFAS No. 123(R)"), which supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. SFAS No. 123(R) established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for interim periods beginning after June 15, 2005. The impact of adopting this Statement is not expected to have a material adverse impact on the Company's financial position or results of operations.

In December 2004, the FASB issued Statement No. 153, *Exchange of Non-monetary Assets—an amendment of APB Opinion No. 29* ("SFAS No. 153"). The guidance in APB Opinion No. 29, *Accounting for Non-monetary Transactions*, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion No. 29 to eliminate the exception for non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The impact of adopting this Statement is not expected to have a material adverse impact on the Company's financial position or results of operations.

## Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The following table presents the Company's aggregate fixed-rate and variable-rate debt obligations outstanding as of December 31, 2004, with corresponding weighted-average interest rates sorted by maturity date (in millions).

	2005	2006	2007	2008	2009	2010+	Total	Fair Value
<b>Secured Debt</b>								
Fixed Rate	\$ 1.2	\$ 29.1	\$ —	\$ 61.9	\$ 32.8	\$181.1	\$ 306.1	\$ 328.6
Average Interest Rate	8.28%	8.27%	—	7.15%	7.75%	7.35%	7.44%	
Variable Rate	\$ 57.3	\$ 97.8	\$ 48.5	—	—	—	\$ 203.6	\$ 203.6
Average Interest Rate	4.42%	4.60%	4.35%	—	—	—	4.49%	
<b>Unsecured Debt</b>								
Fixed Rate	\$200.2	\$ 85.0	\$195.0	\$100.0	\$180.0	\$467.0	\$1,227.2	\$1,282.8
Average Interest Rate	7.12%	7.30%	7.14%	3.95%	6.98%	5.43%	6.21%	
Variable Rate	—	\$330.0	\$ 51.7	—	—	—	\$ 381.7	\$ 381.7
Average Interest Rate	—	2.59%	3.08%	—	—	—	2.66%	

As of December 31, 2004, the Company has Canadian investments totaling CAD \$277.6 million (approximately USD \$231.4 million) comprised of real estate joint venture investments and marketable securities. In addition, the Company has Mexican real estate investments of MXN 691.8 million (approximately USD \$61.7 million). The foreign currency exchange risk has been mitigated through the use of local currency denominated debt, 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 entered, and does not plan to enter, into any derivative financial instruments for trading or speculative purposes. As of December 31, 2004, the Company had no other material exposure to market risk.

## Controls and Procedures

### *Evaluation of Disclosure 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.

### *Changes in Internal Control over Financial Reporting*

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 fourth fiscal quarter to which this report relates that have materially affected,

or are reasonable likely to materially affect, the Company's internal control over financial reporting.

### *Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

# Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of Kimco Realty Corporation's 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

### *Consolidated financial statements and financial statement schedules*

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, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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.

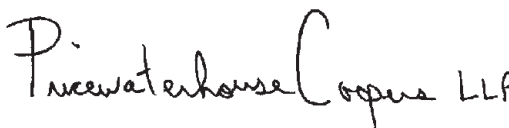
### *Internal control over financial reporting*

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Controls and Procedures in Management's Discussion and Analysis of Financial Condition and Results of Operations, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the COSO. The Company's management is responsible

for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York, New York  
March 3, 2005



# Consolidated Balance Sheets

(in thousands, except share information)

	December 31, 2004	December 31, 2003
<b>Assets:</b>		
Real Estate		
Rental property		
Land	\$ 651,281	\$ 664,069
Building and improvements	3,077,409	3,204,997
	3,728,690	3,869,066
Less, accumulated depreciation and amortization	634,642	568,988
	3,094,048	3,300,078
Real estate under development	362,220	304,286
Undeveloped land parcels	1,312	1,312
Real estate, net	3,457,580	3,605,676
Investment and advances in real estate joint ventures	595,175	487,394
Other real estate investments	188,536	113,085
Mortgages and other financing receivables	140,717	95,019
Cash and cash equivalents	38,220	48,288
Marketable securities	123,771	45,677
Accounts and notes receivable	52,182	57,080
Deferred charges and prepaid expenses	72,653	66,095
Other assets	80,763	122,778
	<b>\$4,749,597</b>	<b>\$4,641,092</b>
<b>Liabilities &amp; Stockholders' Equity:</b>		
Notes payable	\$1,608,925	\$1,686,250
Mortgages payable	353,071	375,914
Construction loans payable	156,626	92,784
Accounts payable and accrued expenses	97,952	92,239
Dividends payable	71,489	65,969
Other liabilities	118,243	92,173
	2,406,306	2,405,329
Minority interests in partnerships	106,891	99,917
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$1.00 par value, authorized 3,600,000 shares		
Class F Preferred Stock, \$1.00 par value, authorized 700,000 shares		
Issued and outstanding 700,000 shares	700	700
Aggregate liquidation preference \$175,000		
Common stock, \$.01 par value, authorized 200,000,000 shares		
Issued and outstanding 112,426,406 and 110,623,967 shares, respectively	1,124	1,106
Paid-in capital	2,200,544	2,147,286
Cumulative distributions in excess of net income	(3,749)	(30,112)
	2,198,619	2,118,980
Accumulated other comprehensive income	37,781	16,866
	<b>2,236,400</b>	<b>2,135,846</b>
	<b>\$4,749,597</b>	<b>\$4,641,092</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,	2004	2003	2002
Revenues from rental properties	\$ 516,967	\$ 473,047	\$425,710
Rental property expenses:			
Rent	11,044	10,843	10,903
Real estate taxes	66,762	59,856	58,540
Operating and maintenance	55,463	52,523	43,455
	133,269	123,222	112,898
	383,698	349,825	312,812
Income from other real estate investments	30,127	22,828	16,038
Mortgage financing income	15,032	18,869	19,412
Management and other fee income	25,445	15,315	12,069
Depreciation and amortization	(101,773)	(84,699)	(69,514)
	352,529	322,138	290,817
Interest, dividends and other investment income	18,756	19,182	18,565
Other income/(expense), net	10,414	(3,887)	2,565
Interest expense	(107,726)	(102,597)	(85,323)
General and administrative expenses	(44,611)	(38,486)	(31,502)
Gain on early extinguishment of debt	—	2,921	19,033
Adjustment of property carrying values	(2,965)	—	(11,000)
	226,397	199,271	203,155
Provision for income taxes	(3,919)	(1,516)	(6,552)
Equity in income of real estate joint ventures, net	56,385	42,276	37,693
Minority interests in income of partnerships, net	(9,660)	(7,781)	(2,310)
Gain on sale of development properties net of tax of \$4,401, \$6,998 and \$6,352, respectively	12,434	10,497	9,528
Income from continuing operations	281,637	242,747	241,514
<b>Discontinued operations:</b>			
Income from discontinued operating properties	4,741	11,554	10,184
Gain on early extinguishment of debt	—	6,760	3,222
Loss on operating properties held for sale/sold	(5,064)	(4,016)	(22,030)
Gain on disposition of operating properties	15,823	47,657	12,778
Income from discontinued operations	15,500	61,955	4,154
Gain on sale of operating properties	—	3,177	—
Net income	297,137	307,879	245,668
Original issuance costs associated with the redemption of preferred stock	—	(7,788)	—
Preferred stock dividends	(11,638)	(14,669)	(18,437)
Net income available to common stockholders	\$ 285,499	\$ 285,422	\$227,231
Per common share:			
Income from continuing operations:			
—Basic	\$ 2.42	\$ 2.09	\$ 2.14
—Diluted	\$ 2.38	\$ 2.05	\$ 2.12
Net income:			
—Basic	\$ 2.56	\$ 2.67	\$ 2.18
—Diluted	\$ 2.51	\$ 2.62	\$ 2.15

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

# Consolidated Statements of Comprehensive Income

(in thousands)

Year Ended December 31,	2004	2003	2002
Net income	<b>\$297,137</b>	\$307,879	\$245,668
Other comprehensive income:			
Change in unrealized gain on marketable securities	<b>28,594</b>	3,798	(4,456)
Change in unrealized gain on interest rate swaps	<b>—</b>	620	3,264
Change in unrealized gain/(loss) on warrants	<b>(8,252)</b>	4,319	1,524
Change in unrealized gain/(loss) on foreign currency hedge agreements	<b>(15,102)</b>	(15,465)	195
Change in foreign currency translation adjustment	<b>15,675</b>	16,193	(436)
Other comprehensive income	<b>20,915</b>	9,465	91
Comprehensive income	<b>\$318,052</b>	\$317,344	\$245,759

# Consolidated Statements of Stockholders' Equity

For the Years Ended December 31, 2004, 2003 and 2002

(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, 2002	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
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
Balance, December 31, 2003	700	700	110,624	1,106	2,147,286	(30,112)	16,866	2,135,846
Net income						297,137		297,137
Dividends (\$2.32 per common share and \$1.6625 per Class F Depositary Share)						(270,774)		(270,774)
Issuance of common stock			113	1	5,420			5,421
Exercise of common stock options			1,690	17	46,040			46,057
Amortization of stock option awards					1,798			1,798
Other comprehensive income							20,915	20,915
<b>Balance, December 31, 2004</b>	<b>700</b>	<b>\$700</b>	<b>112,427</b>	<b>\$1,124</b>	<b>\$2,200,544</b>	<b>\$ (3,749)</b>	<b>\$37,781</b>	<b>\$2,236,400</b>

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

# Consolidated Statements of Cash Flows

(in thousands)

Year Ended December 31,	2004	2003	2002
Cash flow from operating activities:			
Net income	\$ 297,137	\$ 307,879	\$ 245,668
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	102,872	89,068	76,674
Adjustment of property carrying values	2,965	—	33,031
Loss on operating properties held for sale/sold	5,064	4,016	—
Gain on sale of development properties	(16,835)	(17,495)	(15,879)
Gain on sale of operating properties	(15,823)	(50,834)	(12,778)
Gain on early extinguishment of debt	—	(9,681)	(22,255)
Minority interests in income of partnerships, net	9,660	7,781	2,430
Equity in income of real estate joint ventures, net	(56,385)	(42,276)	(37,693)
Income from other real estate investments	(23,571)	(19,976)	(13,222)
Distributions of unconsolidated investments	94,994	67,712	40,275
Change in accounts and notes receivable	(1,742)	(596)	(6,938)
Change in accounts payable and accrued expenses	2,850	(2,545)	12,612
Change in other operating assets and liabilities	(36,010)	(24,421)	(22,994)
Net cash flow provided by operating activities	365,176	308,632	278,931
Cash flow from investing activities:			
Acquisition of and improvements to operating real estate	(351,369)	(917,403)	(244,750)
Acquisition of and improvements to real estate under development	(204,631)	(187,877)	(113,450)
Investment in marketable securities	(70,864)	(23,680)	(39,183)
Proceeds from sale of marketable securities	22,278	62,744	49,396
Proceeds from transferred operating properties	342,496	—	—
Investments and advances to real estate joint ventures	(203,569)	(152,997)	(157,427)
Reimbursements of advances to real estate joint ventures	80,689	93,729	16,665
Other real estate investments	(113,663)	(52,818)	(69,288)
Reimbursements of advances to other real estate investments	34,045	13,264	1,179
Redemption of minority interests in real estate partnerships	(3,781)	(4,729)	—
Investment in mortgage loans receivable	(136,637)	(64,652)	(123,242)
Collection of mortgage loans receivable	103,819	41,529	89,053
Investment in unsecured claims	(1,551)	—	—
Proceeds from sale of mortgage loan receivable	—	36,723	—
Proceeds from sale of operating properties	43,077	423,237	84,139
Proceeds from sale of development properties	156,283	90,565	108,209
Other real estate investments	—	—	2,044
Net cash flow used for investing activities	(303,378)	(642,365)	(396,655)
Cash flow from financing activities:			
Principal payments on debt, excluding normal amortization of rental property debt	(54,322)	(18,326)	(30,689)
Principal payments on rental property debt	(7,848)	(5,813)	(5,931)
Principal payments on construction loan financings	(66,950)	(40,644)	(801)
Proceeds from mortgage/construction loan financings	348,386	110,816	67,773
Borrowings under revolving credit facilities	336,675	195,000	269,000
Repayment of borrowings under revolving credit facilities	(100,000)	(190,000)	(229,000)
Proceeds from senior term loan	—	400,000	—
Proceeds from issuance of unsecured senior notes	200,000	250,000	337,000
Repayment of unsecured senior notes/term loan	(514,000)	(271,000)	(110,000)
Payment of unsecured obligation	—	—	(11,300)
Dividends paid	(265,254)	(246,301)	(235,602)
Proceeds from issuance of stock	51,447	387,327	9,389
Redemption of preferred stock	—	(225,000)	—
Net cash flow (used for) provided by financing activities	(71,866)	346,059	59,839
Change in cash and cash equivalents	(10,068)	12,326	(57,885)
Cash and cash equivalents, beginning of year	48,288	35,962	93,847
Cash and cash equivalents, end of year	\$ 38,220	\$ 48,288	\$ 35,962
Interest paid during the year (net of capitalized interest of \$8,732, \$8,887 and \$9,089, respectively)	\$ 108,117	\$ 97,215	\$ 83,977
Income taxes paid during the period	\$ 10,694	\$ 15,901	\$ 12,035

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 drugstores. 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, as amended (the “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, 2004, the Company’s single largest neighborhood and community shopping center accounted for only 1.2% of the Company’s annualized base rental revenues and only 0.9% of the Company’s total shopping center gross leasable area (“GLA”). At December 31, 2004, the Company’s five largest tenants were The Home Depot, TJX Companies, Kohl’s, Kmart Corporation and Wal-Mart, which represented approximately 3.6%, 3.1%, 2.6%, 2.6% and 1.8%, 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 its principal business 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 entities in which the Company has a controlling interest or has been determined to be a primary beneficiary of a variable interest entity in accordance with the provisions and guidance of Financial Accounting Standards Board (“FASB”) Interpretation No. 46(R), *Consolidation of Variable Interest Entities*. 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*. 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.



# Notes to Consolidated Financial Statements *(continued)*

In allocating the purchase price to identified intangible assets and liabilities of an acquired property, the value of above-market and below-market leases is 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 is 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 50 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 life.

## *Real Estate Under Development*

Real estate under development represents the ground-up development inventory of neighborhood and community shopping center projects which are subsequently sold 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 of personnel directly involved 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 adjusted 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.

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 its risk. The Company's exposure to losses associated with its unconsolidated joint ventures is limited to its carrying value in these investments.

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 of discounts to maturity.



*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 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.

*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 Sections 856 through 860 of the Code.

In connection with the RMA, 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 carryforwards. 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 SFAS 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 Sheets 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 SFAS No. 52, *Foreign Currency Translation*, 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 entered, 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 16).

# Notes to Consolidated Financial Statements *(continued)*

## Earnings Per Share

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):

	2004	2003	2002
<i>Computation of Basic Earnings Per Share:</i>			
Income from continuing operations	\$281,637	\$242,747	\$241,514
Gain on sale of operating properties	—	3,177	—
Original issuance costs associated with the redemption of preferred stock	—	(7,788)	—
Preferred stock dividends	(11,638)	(14,669)	(18,437)
Income from continuing operations applicable to common shares	269,999	223,467	223,077
Income from discontinued operations	15,500	61,955	4,154
Net income applicable to common shares	\$285,499	\$285,422	\$227,231
Weighted-average common shares outstanding	111,430	107,092	104,458
<i>Basic Earnings Per Share:</i>			
Income from continuing operations	\$ 2.42	\$ 2.09	\$ 2.14
Income from discontinued operations	0.14	0.58	0.04
Net income	\$ 2.56	\$ 2.67	\$ 2.18
<i>Computation of Diluted Earnings Per Share:</i>			
Income from continuing operations applicable to common shares <sup>(a)</sup>	\$269,999	\$223,467	\$223,077
Income from discontinued operations	15,500	61,955	4,154
Net income for diluted earnings per share	\$285,499	\$285,422	\$227,231
Weighted-average common shares outstanding—Basic	111,430	107,092	104,458
<i>Effect of dilutive securities<sup>(a)</sup>:</i>			
Stock options/deferred stock awards	2,142	1,678	1,003
Shares for diluted earnings per share	113,572	108,770	105,461
<i>Diluted Earnings Per Share:</i>			
Income from continuing operations	\$ 2.38	\$ 2.05	\$ 2.12
Income from discontinued operations	0.13	0.57	0.03
Net income	\$ 2.51	\$ 2.62	\$ 2.15

(a) 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”), 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 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,		
	2004	2003	2002
Net income, as reported	\$297,137	\$307,879	\$245,668
Add: Stock-based employee compensation expense included in reported net income	1,650	148	—
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(3,316)	(3,095)	(3,153)
Pro Forma Net Income—Basic	\$295,471	\$304,932	\$242,515
<i>Earnings Per Share</i>			
Basic—as reported	\$ 2.56	\$ 2.67	\$ 2.18
Basic—pro forma	\$ 2.55	\$ 2.64	\$ 2.15
Net income for diluted earnings per share	\$285,499	\$285,422	\$227,231
Add: Stock-based employee compensation expense included in reported net income	1,650	148	—
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(3,316)	(3,095)	(3,153)
Pro Forma Net Income—Diluted	\$283,833	\$282,475	\$224,078
<i>Earnings Per Share</i>			
Diluted—as reported	\$ 2.51	\$ 2.62	\$ 2.15
Diluted—pro forma	\$ 2.50	\$ 2.60	\$ 2.12

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 2004, 2003 and 2002 include: (i) weighted-average risk-free interest rates of 3.30%, 2.84% and 3.06%, respectively; (ii) weighted-average expected option lives of 3.72 years, 3.8 years and 4.1 years, respectively; (iii) weighted-average expected volatility of 16.69%, 15.26% and 16.12%, respectively, and (iv) weighted-average expected dividend yield of 5.59%,

6.25% and 6.87%, respectively. The per share weighted-average fair value at the dates of grant for options awarded during 2004, 2003 and 2002 was \$4.27, \$2.35 and \$1.50, respectively.

#### *New Accounting Pronouncements*

In January 2003, the 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. The adoption of FIN 46(R) did not have a material impact on the Company's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123, (revised 2004) *Share-Based Payment* ("SFAS No. 123(R)"), which supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. SFAS No. 123(R) established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for interim periods beginning after June 15, 2005. The impact of adopting this Statement is not expected to have a material adverse impact on the Company's financial position or results of operations.

In December 2004, the FASB issued Statement No. 153, *Exchange of Non-monetary Assets—an amendment of APB Opinion No. 29* ("SFAS No. 153"). The guidance in APB Opinion No. 29, *Accounting for Non-monetary Transactions*, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle.

This Statement amends Opinion No. 29 to eliminate the exception for non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The impact of adopting this Statement is not expected to have a material adverse impact on the Company's financial position or results of operations.

#### *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,	2004	2003
Land	\$ 651,281	\$ 664,069
Buildings and improvements		
Buildings	2,660,262	2,743,111
Building improvements	106,061	51,042
Tenant improvements	263,322	338,205
Fixtures and leasehold improvements	15,697	14,627
Other rental property, net <sup>(1)</sup>	32,067	58,012
	3,728,690	3,869,066
Accumulated depreciation and amortization	(634,642)	(568,988)
Total	\$3,094,048	\$3,300,078

(1) At December 31, 2004 and 2003, Other rental property, net consisted of intangible assets including \$14,232 and \$32,207, respectively, of in-place leases, \$10,188 and \$12,913, respectively, of tenant relationships and \$7,647 and \$12,892, respectively, of above-market leases. In addition, at December 31, 2004 and 2003, the Company had intangible liabilities relating to below-market leases from property acquisitions of approximately \$50.0 million and \$38.1 million, respectively. These amounts are included in the caption Other liabilities in the Company's Consolidated Balance Sheets.

## **3. Property Acquisitions, Developments and Other Investments:**

#### *Operating Properties*

##### *Acquisition of Existing Shopping Centers—*

During the years 2004, 2003 and 2002, the Company acquired operating properties, in separate transactions, at aggregate costs of approximately \$440.5 million, \$293.9 million and \$258.7 million, respectively.

##### *Ground-Up Development—*

During July 2004, the Company acquired land in Huehuetoca, Mexico, through a joint venture in which the Company has a 95% controlling interest, for a purchase price of approximately \$6.9 million. The property will be developed as a grocery-anchored retail center with a projected total cost of approximately \$15.3 million.

During August 2004, the Company acquired land located in San Luis Potosi, Mexico, through a joint venture in which the Company currently has a 64.4% controlling interest, for a purchase

# Notes to Consolidated Financial Statements *(continued)*

price of approximately \$5.8 million. The property was developed into a retail center by the grocery tenant anchoring the project. During December 2004, the Company acquired the completed building improvements from the tenant for a purchase price of approximately 77.2 million pesos ("MXN") (approximately USD \$6.9 million).

During December 2004, the Company acquired land located in Reynosa, Mexico for a purchase price of approximately \$13.8 million. The property will be developed as a grocery-anchored retail center with a projected total cost of approximately \$22.0 million.

## *Other—*

During June 2004, the Company acquired an operating property through the acquisition of a 50% partnership interest in a joint venture in which the Company held a 50% interest. The property, acquired for approximately \$12.5 million, is located in Tempe, AZ and is comprised of 0.2 million square feet of GLA.

During December 2004, the Company acquired a shopping center property through the acquisition of a 50% partnership interest in a joint venture in which the Company held a 50% interest. The property, acquired for approximately \$4.5 million, is located in Tampa, FL and is comprised of 0.1 million square feet of GLA.

Additionally during December 2004, the Company acquired interests in two parking facilities and a medical office building located in Allegheny, PA that are subject to a ground lease, for a purchase price of approximately \$29.8 million.

Additionally during 2004, the Company acquired seven self-storage facilities located in various states through a joint venture in which the Company currently holds a 100% economic interest, for an aggregate purchase price of approximately \$28.5 million. The Company has cross-collateralized these properties with approximately \$20.9 million of non-recourse floating-rate mortgage debt which matures in April 2006 and has an interest rate of LIBOR plus 2.75% (5.17% at December 31, 2004). Based upon the provisions of FIN 46(R), the Company has determined that this entity is a VIE. The Company has further determined that the Company is the primary beneficiary of this VIE and has therefore consolidated this entity for financial reporting purposes. The Company's exposure to losses associated with this entity is limited to the Company's capital investment, which was approximately \$7.5 million at December 31, 2004.

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

## *Merchant Building Inventory—*

Effective January 1, 2001, the Company elected taxable REIT subsidiary status for its wholly-owned development subsidiary, Kimco Developers, Inc. ("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 2004, 2003 and 2002, KDI expended approximately \$205.2 million, \$208.9 million and \$148.6 million, respectively, in connection with the purchase of land and construction costs related to its ground-up development projects.

These merchant building acquisition and development costs have been funded principally through proceeds from sales of completed projects and construction financings.

## *Mid-Atlantic Realty Trust Merger:*

During June 2003, the Company and Mid-Atlantic Realty Trust ("MART") entered into a definitive merger agreement whereby MART would merge with and into a wholly-owned subsidiary of the Company (the "Merger" or "MART Merger"). The Merger required the approval of holders of 66⅔% of MART's outstanding shares. Subject to certain conditions, limited partners in MART'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 MART approved the Merger on September 30, 2003, and the closing occurred on October 1, 2003. MART shareholders received cash consideration of \$21.051 per share. In addition, more than 99.0% of the limited partners in MART'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 other commercial assets. The properties had 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 transferred many of the properties 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. Dispositions of Real Estate:

##### *Operating Real Estate—*

During 2004, the Company (i) disposed of, in separate transactions, 16 operating properties and one ground lease for an aggregate sales price of approximately \$81.1 million, including the assignment of approximately \$8.0 million of non-recourse mortgage debt encumbering one of the properties; cash proceeds of approximately \$16.9 million from the sale of two of these properties were used in a 1031 exchange to acquire shopping center properties located in Roanoke, VA, and Tempe, AZ, (ii) transferred 17 operating properties to KROP, as defined below, for an aggregate price of approximately \$197.9 million and (iii) transferred 21 operating properties, comprising approximately 3.2 million square feet of GLA, to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30% for an aggregate price of approximately \$491.2 million. A significant portion of the properties transferred were acquired in the MART Merger. (See Note 6.)

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, (v) transferred an operating property to a newly formed joint venture in which the Company holds a 10% non-controlling interest for a price of approximately \$21.9 million and (vi) terminated four leasehold positions in locations where a tenant in bankruptcy had rejected its lease. (See Note 6.)

##### *Merchant Building Inventory—*

During 2004, KDI sold, in separate transactions, five of its recently completed projects, three completed phases of projects and 29 out-parcels for approximately \$170.2 million. These sales resulted in pre-tax gains of approximately \$16.8 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 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. These sales resulted in pre-tax gains of approximately \$15.9 million.

#### 5. Adjustment of Property Carry 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 December 2004 that its investment in an operating property comprised of approximately 0.1 million square feet of GLA, with a book value of approximately \$3.8 million, net of accumulated depreciation of approximately \$2.6 million, may not be fully recoverable. Based upon management's assessment of current market conditions and lack of demand for the property, the Company reduced its anticipated holding period of this investment. As a result, the Company determined that its investment in this asset was not fully recoverable and recorded an adjustment of property carrying value of approximately \$3.0 million to reflect the property's estimated fair value. The Company's determination of estimated fair value is based upon third-party purchase offers less estimated closing costs.

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.

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

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"), the Company reports as discontinued operations assets held-for-sale (as defined by SFAS No. 144) as of the end of the current period and assets sold subsequent to the adoption of SFAS No. 144. 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 2004, 2003 and 2002 financial statement amounts.



# Notes to Consolidated Financial Statements *(continued)*

The components of Income from discontinued operations for each of the three years in the period ended December 31, 2004 are shown below. These include the results of operations through the date of each respective sale for properties sold during 2004, 2003 and 2002 and a full year of operations for those assets classified as held-for-sale as of December 31, 2004 (in thousands):

	2004	2003	2002
Discontinued Operations:			
Revenues from rental property	\$ 7,604	\$23,563	\$ 34,394
Rental property expenses	(2,304)	(7,555)	(14,154)
Income from property operations	5,300	16,008	20,240
Depreciation of rental property	(1,098)	(4,368)	(7,160)
Interest expense	(292)	—	(2,360)
Other income/(expense)	831	(86)	(536)
Income from discontinued operating properties	4,741	11,554	10,184
Gain on early extinguishment of debt	—	6,760	3,222
Loss on operating properties held for sale/sold	(5,064)	(4,016)	(22,030)
Gain on disposition of operating properties	15,823	47,657	12,778
Income from discontinued operations	\$15,500	\$61,955	\$ 4,154

During December 2004, the Company reclassified as held-for-sale a shopping center property located in Melbourne, FL, comprising approximately 0.1 million square feet of GLA. The operations associated with this property, for the current and comparative years, have been included in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During March 2004, the Company reclassified as held-for-sale two shopping center properties comprising approximately 0.3 million square feet of GLA. The book value of these properties, aggregating approximately \$8.7 million, net of accumulated depreciation of approximately \$4.2 million, exceeded their estimated fair value. The Company's determination of the fair value of these properties, aggregating approximately \$4.5 million, is based upon contracts of sale with third parties less estimated selling costs. As a result, the Company has recorded a loss resulting from an adjustment of property carrying values of \$4.2 million. During March 2004, the Company completed the sale of one of these properties, comprising approximately 0.1 million square feet of GLA, for a sales price of approximately \$1.1 million. During June 2004, the Company completed the sale of the other property, comprising approximately 0.2 million square feet of GLA, for a sales price of approximately \$3.9 million. The loss associated with these transactions, along with the related property operations for the current and comparative years, has been included in the caption Income from discontinued operations on the Company's Consolidated Statements of Income.

During December 2003, the Company identified two operating properties, comprised of approximately 0.2 million square feet of GLA, as held-for-sale. 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 a loss resulting from 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.

## 7. 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. KIR had 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. During 2004, the KIR partners elected to cancel the remaining unfunded capital commitments of \$99.0 million, including \$42.9 million from the Company. As of December 31, 2004, the Company had a 43.3% non-controlling limited partnership interest in KIR.

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, 2004, 2003 and 2002, the Company (i) earned management fees of approximately \$2.9 million, \$2.9 million and \$2.5 million respectively, (ii) received reimbursement of administrative fees of approximately \$0.4 million, \$0.4 million and \$1.0 million, respectively, and (iii) earned leasing commissions of approximately \$0.3 million, \$0.5 million and \$0.8 million, respectively.

During April 2004, KIR disposed of an operating property located in Las Vegas, NV, for a sales price of approximately \$21.5 million, which approximated its net book value.

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.

As of December 31, 2004, the KIR portfolio was comprised of 69 shopping center properties aggregating approximately 14.4 million square feet of GLA located in 20 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 April 2004, the RioCan Venture acquired an operating property located in Mississauga, Ontario, comprising approximately 0.2 million square feet of GLA, for a purchase price of approximately CAD \$44.2 million (approximately USD \$32.3 million). During August 2004, the RioCan Venture obtained approximately CAD \$28.7 million (approximately USD \$21.6 million) of mortgage debt on this property. The loan bears interest at a fixed rate of

6.37% with payments of principal and interest due monthly. The loan is scheduled to mature in August of 2014.

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 million (approximately USD \$29.0 million) including the assumption of approximately CAD \$28.7 million (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, 2004, the RioCan Venture was comprised of 33 operating properties and three development properties consisting of approximately 7.7 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 2004, GECRE and the Company contributed approximately \$71.4 million and \$17.9 million, respectively, toward their capital commitments. As of December 31, 2004, KROP had unfunded capital commitments of \$55.0 million, including \$11.0 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 financings bear interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% and have maturities of less than one year. As of December 31, 2004, there was no outstanding short-term interim financing due to GECRE or the Company. KROP had outstanding short-term interim financing due to GECRE and the Company totaling \$16.8 million each as of December 31, 2003.

During 2004, KROP acquired 19 operating properties for an aggregate purchase price of approximately \$242.6 million, including the assumption of approximately \$63.5 million of individual non-recourse mortgage debt encumbering eight of the properties.

During 2004, KROP disposed of five operating properties and three out-parcels for an aggregate sales price of approximately \$65.8 million, including the assignment of approximately \$7.2 million of non-recourse mortgage debt encumbering one of the properties. These sales resulted in an aggregate gain of approximately \$20.2 million.

# Notes to Consolidated Financial Statements *(continued)*

During 2004, KROP obtained one non-recourse, cross-collateralized, fixed-rate mortgage aggregating \$30.7 million on four properties with a rate of 4.74% for five years. KROP also obtained individual non-recourse, non-cross-collateralized fixed-rate mortgages aggregating approximately \$22.0 million on two of its previously unencumbered properties with rates ranging from 5.0% to 5.1% with terms of five years.

During 2004, KROP obtained one non-recourse, cross-collateralized, variable-rate mortgage aggregating \$54.4 million on six properties with a rate of LIBOR plus 2.25% with a term of two years. KROP also obtained one non-recourse, non-cross-collateralized variable-rate mortgage for \$23.2 million on one of its previously unencumbered properties with a rate of LIBOR plus 1.8% with a three-year term. 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 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 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.

As of December 31, 2004, the KROP portfolio was comprised of 37 shopping center properties aggregating approximately 5.3 million square feet of GLA located in 15 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 January 2004, the Company acquired a property located in Marlborough, MA, through a joint venture in which the Company

has a 40% non-controlling interest. The property was acquired for a purchase price of approximately \$26.5 million, including the assumption of approximately \$21.2 million of non-recourse mortgage debt encumbering the property.

During September 2004, the Company acquired a property located in Pompano, FL, comprising approximately 0.1 million square feet of GLA, through a newly formed joint venture in which the Company has a 20% non-controlling interest, for approximately \$20.4 million.

During October 2004, the Company transferred 50% of the Company's 90% interest in an operating property located in Juarez, Mexico to a joint venture partner for approximately USD \$5.4 million, which approximated its carrying value. As a result of this transaction, the Company now holds a 45% non-controlling interest in this property and now accounts for its investment under the equity method of accounting.

Additionally during October 2004, the Company acquired an operating property located in Valdosta, GA, comprising approximately 0.2 million square feet of GLA, through a newly formed joint venture in which the Company has a 50% non-controlling interest. The property was acquired for a purchase price of approximately \$10.7 million, including the assumption of approximately \$8.0 million of non-recourse mortgage debt encumbering the property.

During December 2004, a newly formed joint venture in which the Company has a 15% non-controlling interest acquired the Price Legacy Corporation ("Price Legacy"). Price Legacy was acquired for a purchase price of approximately \$1.2 billion, including the assumption of approximately \$328.7 million in existing non-recourse mortgage debt. Simultaneously with the closing of this transaction, the joint venture obtained approximately \$521.9 million of additional non-recourse mortgage debt. The Company's equity investment in this joint venture was approximately \$33.6 million. Additionally, the Company provided approximately \$30.6 million of secured mezzanine financing. This interest only loan bears interest at a fixed rate of 7.5% per annum payable monthly and matures in December 2006. The Company also provided a secured short-term promissory note of approximately \$8.2 million. This interest only note bears interest at LIBOR plus 4.5% payable monthly and matures June 30, 2005. In connection with this transaction, the joint venture acquired 33 operating properties aggregating approximately 7.6 million square feet of GLA located in ten states. Additionally, the Company entered into a management agreement whereby the Company will perform services for fees related to management, leasing, operations, supervision and maintenance of the properties.

Also during December 2004, the Company acquired an operating property located in Bellevue, WA, comprising approximately 0.5 million square feet of GLA, through a joint venture in which the Company has a 50% non-controlling interest, for approximately \$102.0 million.

During 2004, the Company transferred 12 operating properties, comprising approximately 1.5 million square feet of GLA, to a newly formed joint venture in which the Company has a 15% non-controlling interest, for a price of approximately \$269.8 million, including an aggregate \$161.2 million of individual non-recourse mortgage debt encumbering the properties. Simultaneously with the transfer, the Company entered into a management agreement whereby the Company will perform services for fees related to management, leasing, operations, supervision and maintenance of the joint venture properties. In addition, the Company will earn fees related to the acquisition and disposition of properties by the venture. During 2004, the Company earned management fees and acquisition fees of approximately \$1.1 million and \$1.3 million, respectively.

Additionally during 2004, the Company transferred, in separate transactions, eight operating properties comprising approximately 1.5 million square feet of GLA, to newly formed joint ventures in which the Company has non-controlling interests ranging from 10% to 30%, for an aggregate price of approximately \$216.0 million, including the assignment of approximately \$95.5 million of non-recourse mortgage debt and \$24.1 million of downReit units.

During 2003, the Company acquired, in separate transactions, three operating properties through newly formed joint ventures in which the Company has non-controlling interests ranging from 20% to 42.5%, for an aggregate purchase price of approximately \$36.3 million, including the assumption of approximately \$19.3 million of non-recourse mortgage debt encumbering one of the properties.

During August 2003, the Company acquired a property located in Schaumburg, IL, through a joint venture in which the Company has a 45% non-controlling interest. The property was acquired for a purchase price of approximately \$66.6 million. Simultaneously 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.

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,	2004	2003
Assets:		
Real estate, net	\$5,451.0	\$3,313.0
Other assets	200.5	156.2
	<b>\$5,651.5</b>	<b>\$3,469.2</b>
Liabilities and Partners' Capital:		
Mortgages payable	\$3,781.0	\$2,330.0
Notes payable	40.0	33.6
Construction loans	29.1	13.7
Other liabilities	115.5	107.2
Minority interest	36.5	10.8
Partners' capital	1,649.4	973.9
	<b>\$5,651.5</b>	<b>\$3,469.2</b>

Year Ended December 31,	2004	2003	2002
Revenues from rental property	\$ 545.8	\$ 423.3	\$ 309.1
Operating expenses	(155.6)	(119.2)	(76.8)
Interest	(171.0)	(137.9)	(106.3)
Depreciation and amortization	(97.1)	(66.4)	(40.6)
Other, net	(5.8)	(9.3)	(5.2)
	<b>(429.5)</b>	<b>(332.8)</b>	<b>(228.9)</b>
Income from continuing operations	116.3	90.5	80.2
Discontinued Operations:			
Income from discontinued operations	1.8	3.7	1.6
Gain on dispositions of properties	20.2	0.0	0.7
Net income	<b>\$ 138.3</b>	<b>\$ 94.2</b>	<b>\$ 82.5</b>

Other liabilities in the accompanying Consolidated Balance Sheets include accounts with certain real estate joint ventures totaling approximately \$13.7 million and \$11.0 million at December 31, 2004 and 2003, 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, 2004 and 2003, the Company's carrying value in these investments approximated \$595.2 million and \$487.4 million, respectively.

## 8. 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



# Notes to Consolidated Financial Statements *(continued)*

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 expired in December 2004 for the fee owned locations. During the marketing period, the Ward Venture was responsible for all carrying costs associated with the properties until the property was designated to a user. As of December 31, 2004, there was one remaining property which was sold pursuant to an installment sales agreement. Per the agreement, the purchase price for this property will be paid by November 15, 2006.

During 2004, the Ward Venture completed transactions on four properties and the Company recognized pre-tax profits of approximately \$2.5 million.

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 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, the primary term of which 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, four properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately \$9.1 million.

During 2004, an additional three properties were sold, whereby the proceeds from the sales were used to pay down the mortgage debt by approximately \$5.5 million. As of December 31, 2004, the remaining 19 properties were encumbered by third-party non-recourse debt of approximately \$64.9 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, 2004 and 2003, the Company's net investment in the leveraged lease consisted of the following (in millions):

	2004	2003
Remaining net rentals	\$ 72.5	\$ 73.7
Estimated unguaranteed residual value	48.8	53.3
Non-recourse mortgage debt	(58.4)	(66.2)
Unearned and deferred income	(59.1)	(57.2)
Net investment in leveraged lease	\$ 3.8	\$ 3.6

## *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 non-controlling investment in Kimsouth differs from its share of historical net book value of assets and liabilities of Kimsouth. The Company's investment strategy with respect to Kimsouth includes re-tenanting, repositioning and disposition of the properties.

During 2004, Kimsouth disposed of 11 shopping center properties, in separate transactions, for an aggregate sales price of approximately \$110.2 million, including the assignment of approximately \$2.7 million of mortgage debt encumbering one of the properties. During 2004, the Company recognized pre-tax profits from the Kimsouth investment of approximately \$10.6 million, which is included in the caption Income from Other Real Estate Investments on the Company's Consolidated Statements of Income.

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.

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

December 31,	2004	2003
Assets:		
Operating real estate, net	\$ —	\$125.7
Real estate held for sale	111.5	95.5
Other assets	7.6	20.8
	\$119.1	\$242.0
Liabilities and Stockholders' Equity:		
Mortgages payable	\$ 77.5	\$137.0
Other liabilities	1.5	3.6
Stockholders' equity	40.1	101.4
	\$119.1	\$242.0



Year Ended December 31,	2004	2003	2002
Discontinued Operations			
Revenues from rental property	\$ 21.8	\$ 34.4	\$ 39.0
Operating expenses	(7.5)	(10.5)	(12.3)
Interest	(7.9)	(13.7)	(15.6)
Depreciation and amortization	(4.5)	(9.5)	(11.4)
Other, net	(0.4)	(0.1)	(8.7)
	1.5	0.6	(9.0)
Gain on disposition of properties	8.7	12.8	0.2
Gain on disposition of joint ventures	—	—	2.2
Adjustment of property carrying values	(14.3)	—	—
Net income/(loss) from discontinued operations	\$ (4.1)	\$ 13.4	\$ (6.6)

As of December 31, 2004, the Kimsouth portfolio was comprised of 12 properties, including the remaining office component of an operating property sold in 2004, aggregating approximately 2.1 million square feet of GLA located in five states.

#### *Preferred Equity Capital—*

During 2002, the Company established a Preferred Equity program, which provides capital to developers and owners of shopping centers. During 2004 and 2003, the Company provided, in separate transactions, an aggregate of approximately \$101.0 million and \$45.5 million, respectively, in investment capital to developers and owners of 54 shopping centers. As of December 31, 2004, the Company's net investment under the Preferred Equity program was approximately \$157.0 million relating to 62 properties. For the years ended December 31, 2004, 2003 and 2002, the Company earned approximately \$11.4 million, including incentive fees earned from four capital transactions, \$4.6 million, including incentive fees earned from two capital transactions, and \$1.0 million, respectively, from these investments.

The Company accounts for its investments in Preferred Equity investments under the equity method of accounting.

Summarized financial information relating to the Company's Preferred Equity investments is as follows (in millions):

December 31,	2004	2003
Assets:		
Real estate, net	\$715.5	\$326.3
Other assets	29.3	18.8
	\$744.8	\$345.1
Liabilities and Partners' Capital:		
Notes and mortgages payable	\$548.3	\$245.4
Other liabilities	15.4	6.5
Partners' capital	181.1	93.2
	\$744.8	\$345.1

Year Ended December 31,	2004	2003
Revenues from rental property	\$ 61.6	\$ 38.8
Operating expenses	(19.4)	(12.2)
Interest	(21.2)	(16.1)
Depreciation and amortization	(9.6)	(5.3)
Other, net	(0.3)	—
	(50.5)	(33.6)
	11.1	5.2
Gain on disposition of properties	4.4	0.8
Net income	\$ 15.5	\$ 6.0

The Company's maximum exposure to losses associated with its Preferred Equity investments is limited to its invested capital. As of December 31, 2004 and 2003, the Company's invested capital in its Preferred Equity investments approximated \$157.0 million and \$66.4 million, respectively.

#### *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, 2004, 2003 and 2002 was approximately \$3.9 million, \$0.3 million and \$0.8 million, respectively. These amounts represent sublease revenues during the years ended December 31, 2004, 2003 and 2002 of approximately \$13.3 million, \$12.3 million and \$13.9 million, respectively, less related expenses of \$8.0 million, \$10.6 million and \$11.7 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 non-cancelable 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): 2005, \$9.5 and \$6.9; 2006, \$8.8 and \$6.0; 2007, \$7.1 and \$4.6; 2008, \$4.6 and \$2.9; 2009, \$2.9 and \$1.6 and thereafter, \$5.4 and \$1.7, respectively.

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

During May 2002, the Company provided a secured \$15 million three-year term loan and a secured \$7.5 million revolving credit facility to Frank's Nursery & Crafts, Inc. ("Frank's"), at an interest rate of 10.25% per annum collateralized by 40 real estate interests. Interest is payable quarterly in arrears. During 2003, the revolving credit facility was amended to increase the total borrowing capacity to \$17.5 million. During January 2004, the revolving loan was further amended to provide up to \$33.75 million of borrowings from the Company. During September 2004, Frank's filed

# Notes to Consolidated Financial Statements *(continued)*

for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company committed to provide an additional \$27.0 million of Debtor-in-Possession financing with a term of one year at an interest rate of Prime plus 1.00% per annum. As of December 31, 2004, the aggregate outstanding loan balance on these facilities was approximately \$23.3 million.

During March 2002, the Company provided a \$15.0 million three-year term loan to Gottchalks, Inc., at an interest rate of 12.0% per annum collateralized by three properties. The Company received principal and interest payments on a monthly basis. During March 2004, Gottchalks, Inc., elected to prepay the remaining outstanding loan balance of approximately \$13.2 million in full satisfaction of this loan.

During 2003, the Company provided a five-year \$3.5 million term 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 received principal and interest payments on a monthly basis. During May 2004, Grass America elected to prepay the remaining outstanding loan balance of approximately \$3.5 million in full satisfaction of this loan.

During April 2004, the Company provided a \$2.7 million term loan at a fixed rate of 11.0% and a \$4.1 million revolving line of credit at a fixed rate of 12.0% to a retailer. Both facilities are interest only, payable monthly and mature May 1, 2007. As of December 31, 2004, the aggregate outstanding loan balance of these facilities was approximately \$4.7 million.

During May 2004, the Company provided a construction loan commitment of up to MXN 51.5 million (approximately USD \$4.7 million) to a developer for the construction of a retail center in Cancun, Mexico. The loan bears interest at a fixed rate of 11.25% and provides for an additional 20% participation of property cash flows, as defined. This facility is initially interest only and then converts to an amortizing loan at the earlier of 120 days after construction completion or upon opening of the grocery anchor tenant. This facility is collateralized by the related property and matures in May 2014. As of December 31, 2004, there was approximately MXN 41.2 million (USD \$3.7 million) outstanding on this loan.

During July 2004, the Company provided an \$11.0 million five-year term loan to a retailer at a floating interest rate of Prime plus 3.00% per annum or, at the borrower's election, LIBOR plus 5.5% per annum. The facility is interest only, payable monthly in arrears and is collateralized by certain real estate interests of the borrower. As of December 31, 2004, the outstanding loan balance was approximately \$11.0 million.

During September 2004, the Company acquired a \$3.5 million mortgage receivable for \$2.7 million. The interest rate on this mortgage loan is Prime plus 1.0% per annum with principal and interest paid monthly. This loan matures in February 2006 and is

collateralized by a shopping center comprising 0.3 million square feet of GLA in Wilkes-Barre, PA. As of December 31, 2004, the outstanding loan balance was approximately \$3.4 million.

During December 2004, the Company provided a \$5.2 million interest-only five-year term loan to a grocery chain. The interest rate on this loan is Prime plus 6.50% per annum payable monthly in arrears and is collateralized by certain real estate interests of the borrower. As of December 31, 2004, the outstanding loan balance was approximately \$5.2 million.

Additionally during December 2004, the Company acquired a \$3.3 million, 6.9% mortgage receivable for \$2.2 million. This mortgage loan pays principal and interest quarterly and matures in February 2019 and is collateralized by a medical office facility in Somerset, PA.

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 was collateralized by the real estate interests of Spartan, with the Company receiving principal and interest payments monthly. During December 2004, Spartan elected to prepay the remaining outstanding loan balance of approximately \$7.6 million in full satisfaction of this loan.

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.

## 10. 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) includes tenants' security deposits, escrowed funds and other restricted deposits approximating \$0.5 million and \$0.1 million at December 31, 2004 and 2003, respectively.

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.

## 11. Marketable Securities:

The amortized cost and estimated fair values of securities available-for-sale and held-to-maturity at December 31, 2004 and 2003 are as follows (in thousands):

	December 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:				
Equity securities	\$61,042	\$36,808	\$ (87)	\$ 97,763
Held-to-maturity:				
Other debt securities	26,008	2,166	(30)	28,144
Total marketable securities	\$87,050	\$38,974	\$(117)	\$125,907

	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
Total marketable securities	\$36,886	\$11,989	\$(302)	\$ 48,573

As of December 31, 2004, the contractual maturities of Other debt securities classified as held-to-maturity are as follows: within one year, \$2.8 million; after one year through five years, \$0.0; after five years through 10 years, \$14.9 million and after 10 years, \$8.3 million. Actual maturities may differ from contractual maturities as issuers may have the right to prepay debt obligations with or without prepayment penalties.

## 12. 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 cost and (ii) managing the Company's debt maturities.

As of December 31, 2004, a total principal amount of \$807.25 million in senior fixed-rate MTNs was outstanding. These fixed-rate notes had maturities ranging from four months to nine years as of December 31, 2004 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. Proceeds from these issuances were primarily used 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.

During July 2004, the Company issued \$100.0 million of floating-rate unsecured senior notes under its MTN program. This floating-rate MTN matures August 1, 2006 and bears interest at LIBOR plus 20 basis points per annum, payable quarterly in arrears commencing November 1, 2004. The proceeds from this MTN issuance were primarily used for the repayment of the Company's \$85.0 million floating-rate unsecured notes due August 2, 2004, which bore interest at LIBOR plus 50 basis points per annum. Remaining proceeds were used for general corporate purposes.

During August 2004, the Company issued \$100.0 million of fixed-rate unsecured senior notes under its MTN program. This fixed-rate MTN matures in August 2011 and bears interest at 4.82% per annum, payable semi-annually in arrears. The proceeds from this MTN issuance were used to repay the Company's \$50.0 million, 7.62% fixed-rate unsecured senior notes that matured in October 2004 and the Company's \$50.0 million, 7.125% senior notes which matured in June 2004.

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, 7¼% 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 \$100.0 million, 6.5% fixed-rate unsecured senior notes that matured October 1, 2003.

During October 2003, the Company obtained a \$400.0 million unsecured bridge facility that bore interest at LIBOR plus 0.55%. The Company utilized these proceeds to partially fund the MART transaction. This facility was scheduled to mature on September 30, 2004; however, the facility was fully repaid and was terminated as of June 30, 2004.

As of December 31, 2004, the Company had a total principal amount of \$420.0 million in fixed-rate unsecured senior notes. These fixed-rate notes had maturities ranging from four months to nine years as of December 31, 2004, 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.

# Notes to Consolidated Financial Statements *(continued)*

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 whereby 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, 2004, there was \$230.0 million outstanding under this Credit Facility.

During September 2004, the Company entered into a three-year Canadian denominated \$150.0 million unsecured revolving credit facility with a group of banks. This facility bears interest at the CDOR Rate, as defined, plus 0.50%, and is scheduled to expire in September 2007. Proceeds from this facility will be used for general corporate purposes including the funding of Canadian denominated investments. As of December 31, 2004, there was CAD \$62.0 million (approximately USD \$51.7 million) outstanding under this 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.

The scheduled maturities of all unsecured senior notes payable as of December 31, 2004 were approximately as follows (in millions): 2005, \$200.3; 2006, \$415.0; 2007, \$246.7; 2008, \$100.0; 2009, \$180.0 and thereafter, \$466.9.

## 13. Mortgages Payable:

During 2004, the Company (i) obtained an aggregate of approximately \$217.6 million of individual non-recourse mortgage debt on 15 operating properties, (ii) assumed approximately \$158.0 million of individual non-recourse mortgage debt relating to the acquisition of 12 operating properties, including approximately \$6.0 million of fair value debt adjustments, (iii) assigned approximately \$323.7 million of individual non-recourse mortgage debt relating to the transfer of 24 operating properties to various co-investment ventures in which the Company has non-controlling interests ranging from 10% to 30%, (iv) paid off approximately \$47.9 million of individual non-recourse mortgage debt that encumbered four operating properties and (v) assigned approximately \$9.3 million of non-recourse mortgage debt relating to the sale of one operating property.

During October 2003, in connection with the MART 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.

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.

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 2027. Interest rates range from approximately 4.42% to 9.75% (weighted-average interest rate of 7.08% as of December 31, 2004). The scheduled principal payments of all mortgages payable, excluding unamortized fair value debt adjustments of approximately \$13.6 million, as of December 31, 2004, were approximately as follows (in millions): 2005, \$22.8; 2006, \$68.2; 2007, \$8.1; 2008, \$60.0; 2009, \$20.6 and thereafter, \$159.8.

One of the Company's properties was encumbered by approximately \$6.4 million in floating-rate, tax-exempt mortgage bond financing. The rate on these bonds was reset annually, at which time bondholders had the right to require the Company to repurchase the bonds. The Company had engaged a remarketing agent for the purpose of offering for resale the bonds in the event they were tendered to the Company. All bonds tendered for redemption in the past were remarketed and the Company had 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. During 2004, the Company fully paid the outstanding balance of this tax-exempt mortgage bond financing.



#### 14. Construction Loans Payable:

During 2004, the Company obtained construction financing on 11 ground-up development projects for an aggregate loan commitment amount of up to \$247.8 million, of which approximately \$63.2 million was funded for the year ended December 31, 2004. As of December 31, 2004, the Company had a total of 19 construction loans with total commitments of up to \$413.3 million, of which \$156.6 million had been funded. These loans had maturities ranging from 2 to 36 months and variable interest rates ranging from 4.17% to 4.92% at December 31, 2004. 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, 2004 were approximately as follows (in millions): 2005, \$35.6; 2006, \$72.5 and 2007, \$48.5.

#### 15. 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 and minority interests relating to mandatorily redeemable non-controlling interests associated with finite-lived subsidiaries of the Company 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. The following are financial instruments for which the Company's estimate of fair value differs from the carrying amounts (in thousands):

	December 31,			
	2004		2003	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Marketable Securities	\$ 123,771	\$ 125,907	\$ 45,677	\$ 48,573
Notes Payable	\$1,608,925	\$1,663,474	\$1,686,250	\$1,756,834
Mortgages Payable	\$ 353,071	\$ 375,566	\$ 375,914	\$ 421,123
Mandatorily Redeemable Minority Interests (termi- nation dates ranging from 2019–2027)	\$ 2,057	\$ 3,842	\$ 1,797	\$ 3,906

#### 16. 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 periodically 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 2003.

The swap agreement relating to the Company's \$85.0 million floating-rate MTN matured in November 2003. This MTN matured and was paid in full during August 2004.

For the year ended December 31, 2003, the change in the fair value of the interest-rate swaps was \$0.6 million, which was recorded in OCI, a component of stockholders' equity, with a corresponding liability reduction for the same amount. The Company had no interest-rate swaps outstanding during 2004.

As of December 31, 2004 and 2003, respectively, 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 foreign currency forward contracts and a cross-currency swap with an aggregate notional amount of approximately MXN 82.4 million and MXN 381.8 million (approximately USD \$7.4 million and \$34.0 million) designated as hedges of its Mexican real estate investments at December 31, 2004 and 2003, respectively. 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, 2004 and 2003, the Company had remaining Mexican net investment hedges outstanding with notional amounts of approximately MXN 82.4 million and MXN 224.9 million, respectively.

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 2004 and 2003, \$15.1 million and \$15.5 million, respectively, of unrealized losses and \$0.0 and \$0.2 million, respectively, of unrealized gains were



# Notes to Consolidated Financial Statements *(continued)*

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 2.5 million shares of common stock of a Canadian REIT. The Company designated the warrants as a cash flow hedge of the variability in expected future cash outflows upon purchasing the common stock. The Company exercised its warrants in October 2004.

For the year ended December 31, 2004, the change in fair value of the warrants exercised resulted in a reduction of the unrealized gain of approximately \$8.3 million. For the year ended December 31, 2003, the change in fair value of the warrants resulted in an increase in the unrealized gain of approximately \$6.0 million. These changes were recorded in OCI with a corresponding change 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, 2004 and 2003:

<b>As of December 31, 2004</b>				
Hedge Type	Notional Value	Rate	Maturity	Fair Value (in millions)
Foreign currency forwards—net investment	<b>CAD \$184.6 million</b>	<b>1.4013–1.6194</b>	<b>1/05–7/06</b>	<b>\$(37.5)</b>
MXN cross-currency swap—net investment	<b>MXN 82.4 million</b>	<b>7.227</b>	<b>10/07</b>	<b>\$ 0.3</b>
Foreign currency forwards—fair value	<b>CAD \$5.0 million</b>	<b>1.5918</b>	<b>4/05</b>	<b>\$ (1.0)</b>

<b>As of December 31, 2003</b>				
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, 2004 and 2003, these derivative instruments were reported at their fair value as other liabilities of \$38.5 million and \$25.1 million, respectively, and other assets of \$0.3 million and \$8.3 million, respectively. The Company does not expect to reclassify to earnings any of the current balance during the next 12 months.

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

At January 1, 2003, 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, or \$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 at 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.

## 18. 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, 2004, 2003 and 2002 (in thousands):

	2004	2003	2002
Acquisition of real estate interests by assumption of mortgage debt	\$151,987	\$180,893	\$ 3,477
Acquisition of real estate interest by issuance of downREIT units	\$ 28,349	\$ —	\$80,000
Acquisition of real estate through purchase of partnership interests	\$ —	\$ —	\$ 6,638
Disposition of real estate interests by assignment of downREIT units	\$ 24,114	\$ —	\$ —
Acquisition of real estate interests through proceeds held in escrow	\$ 69,681	\$ —	\$ —
Disposition/transfer of real estate interests by assignment of mortgage debt	\$320,120	\$ 23,068	\$28,747
Proceeds held in escrow through sale of real estate interests	\$ 9,688	\$ 41,194	\$ 5,433
Notes received upon disposition of real estate interests	\$ 6,277	\$ 14,490	\$ —
Notes received upon exercise of stock options	\$ —	\$ 100	\$ 555
Declaration of dividends paid in succeeding period	\$ 71,497	\$ 65,969	\$59,646

## 19. 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 bore interest at rates ranging from LIBOR plus 4.0% to LIBOR plus 5.25% for the years ended December 31, 2004 and 2003. KROP had outstanding short-term interim financing due to GECRE and the Company totaling \$16.8 million each as of December 31, 2003 and no outstanding short-term interim financing due to GECRE or the Company as of December 31, 2004. The Company earned \$0.2 million and \$1.0 million during 2004 and 2003, 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 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.

In December 2004, in conjunction with the Price Legacy transaction, the Company, which holds a 15% non-controlling interest,

# Notes to Consolidated Financial Statements *(continued)*

provided the acquiring joint venture approximately \$30.6 million of secured mezzanine financing. This interest-only loan bears interest at a fixed rate of 7.5% per annum, payable monthly in arrears, and matures in December 2006. The Company also provided the joint venture a short-term secured promissory note for approximately \$8.2 million. This interest-only note bears interest at LIBOR plus 4.5%, payable monthly in arrears, and matures on June 30, 2005.

Reference is made to Notes 7 and 8 for additional information regarding transactions with related parties.

## 20. 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, 2004, 2003 and 2002.

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): 2005, \$377.6; 2006, \$345.2; 2007, \$313.4; 2008, \$274.5; 2009, \$242.0 and thereafter, \$1,412.7.

Minimum rental payments under the terms of all non-cancelable operating leases pertaining to the Company's shopping center portfolio for future years are approximately as follows (in millions): 2005, \$10.5; 2006, \$10.3; 2007, \$9.9; 2008, \$9.1; 2009, \$8.6 and thereafter, \$124.5.

The Company has issued letters of credit in connection with completion guarantees for certain development projects, and guaranty of payment related to the Company's insurance program. These letters of credit aggregate approximately \$45.9 million.

Additionally, the RioCan Venture, an entity in which the Company holds a 50% non-controlling interest, has a CAD \$7.0 million (approximately USD \$5.8 million) letter of credit facility. This facility is jointly guaranteed by RioCan and the Company and had approximately CAD \$4.0 million (approximately USD \$3.3 million) outstanding as of December 31, 2004, relating to various development projects. In addition to the letter of credit facility, various additional Canadian development projects in which the Company holds interests ranging from 33⅓% to 50% have letters of credit issued aggregating approximately CAD \$2.2 million (approximately USD \$1.8 million).

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. During 2004, the KIR partners elected to cancel the remaining unfunded capital commitments.

## 21. Incentive Plans:

The Company maintains a stock option plan (the "Plan") pursuant to which a maximum of 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 at 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, 2004, 2003 and 2002 is as follows:

	Shares	Weighted-Average Exercise Price Per Share
Options outstanding, January 1, 2002	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
Options outstanding, December 31, 2003	7,555,805	\$31.24
Exercised	(1,689,874)	\$27.25
Granted	1,943,750	\$55.44
Forfeited	(189,895)	\$38.50
<b>Options outstanding, December 31, 2004</b>	<b>7,619,786</b>	<b>\$38.12</b>
Options exercisable—		
December 31, 2002	3,298,417	\$24.06
December 31, 2003	3,619,774	\$26.47
<b>December 31, 2004</b>	<b>4,067,881</b>	<b>\$29.90</b>

The exercise prices for options outstanding as of December 31, 2004 ranged from \$16.61 to \$58.49 per share. The weighted-average remaining contractual life for options outstanding as of December 31, 2004 was approximately 7.7 years. Options to purchase 3,166,133, 5,109,883 and 1,731,321 shares of the Company's common stock were available for issuance under the Plan at December 31, 2004, 2003 and 2002, 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 (capped at \$170,000), was

fully vested and funded as of December 31, 2004. The Company contributions to the plan were approximately \$1.0 million, \$0.8 million and \$0.7 million for the years ended December 31, 2004, 2003 and 2002, respectively.

## 22. 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, 2004, 2003 and 2002 (in thousands):

	2004 (Estimated)	2003 (Actual)	2002 (Actual)
GAAP net income	\$297,137	\$307,879	\$245,668
Less: GAAP net income of taxable REIT subsidiaries	(19,396)	(12,814)	(23,573)
GAAP net income from REIT operations <sup>(a)</sup>	277,741	295,065	222,095
Net book depreciation in excess of (less than) tax depreciation	961	(36,663)	(2,501)
Deferred and prepaid rents	(7,200)	(6,000)	(5,944)
Exercise of non-qualified stock options	(29,673)	(11,370)	(2,151)
Book/tax differences from investments in real estate joint ventures	(2,472)	(2,472)	(12,361)
Book/tax difference on sale of real property	(18,159)	(32,319)	(13,346)
Valuation adjustment of foreign currency contracts	(19,901)	(15,466)	—
Adjustment of property carrying values	2,965	4,016	33,030
Other book/tax differences, net	15,913	(6,747)	11,719
Adjusted taxable income subject to 90% dividend requirements	\$220,175	\$188,044	\$230,541

*Certain amounts in the prior periods have been reclassified to conform to the current year presentation.*

*(a) 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 years ended December 31, 2004 and 2003 and amounted to \$265,254 and \$246,301, respectively. For the year ended December 31, 2002, cash dividends paid were equal to the dividends paid deduction and amounted to \$235,602.

### *Characterization of Distributions:*

The following characterizes distributions paid for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	2004	2003	2002
Preferred Dividends			
Ordinary income	\$ 11,638 100%	\$ 13,169 84%	\$ 17,935 96%
Capital gain	— —	2,451 16%	764 4%
	\$ 11,638 100%	\$ 15,620 100%	\$ 18,699 100%
Common Dividends			
Ordinary income	\$215,573 85%	\$171,071 74%	\$208,040 96%
Capital gain	— —	31,840 14%	8,863 4%
Return of capital	38,043 15%	27,770 12%	— —
	\$253,616 100%	\$230,681 100%	\$216,903 100%
Total dividends distributed	\$265,254	\$246,301	\$235,602

### *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 SFAS 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, 2004, 2003 and 2002, are summarized as follows (in thousands):

	2004	2003	2002
TRS income before income taxes	\$27,716	\$21,328	\$36,477
Less provision for income taxes:			
Federal	6,939	7,104	10,538
State and local	1,381	1,410	2,366
Total tax provision	8,320	8,514	12,904
TRS net income	\$19,396	\$12,814	\$23,573

Deferred tax assets of approximately \$11.8 million and \$11.0 million and deferred tax liabilities of approximately \$7.3 million and \$7.5 million are included in the captions Other assets and Other liabilities on the accompanying Consolidated Balance Sheets at December 31, 2004 and 2003, respectively. These deferred tax assets and liabilities relate primarily to differences in the timing of the recognition of income/(loss) between the GAAP and tax basis of accounting for (i) real estate joint ventures, (ii) other real estate investments and (iii) other deductible temporary differences.



# Notes to Consolidated Financial Statements *(continued)*

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):

	2004	2003	2002
Federal provision at statutory tax rate (35%)	<b>\$ 9,700</b>	\$7,465	\$12,767
State and local taxes, net of federal benefit	<b>1,801</b>	1,049	2,010
Other	<b>(3,181)</b>	—	(1,873)
	<b>\$ 8,320</b>	\$8,514	\$12,904

## 23. Supplemental Financial Information:

The following represents the results of operations, expressed in thousands except per share amounts, for each quarter during the years 2004 and 2003:

	2004 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property <sup>(1)</sup>	<b>\$139,872</b>	<b>\$129,728</b>	<b>\$122,661</b>	<b>\$124,706</b>
Net income	<b>\$ 71,389</b>	<b>\$ 71,430</b>	<b>\$ 78,511</b>	<b>\$ 75,807</b>
Net income per common share:				
Basic	<b>\$ .62</b>	<b>\$ .62</b>	<b>\$ .68</b>	<b>\$ .65</b>
Diluted	<b>\$ .61</b>	<b>\$ .61</b>	<b>\$ .67</b>	<b>\$ .64</b>
	2003 (Unaudited)			
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property <sup>(1)</sup>	\$117,847	\$113,461	\$116,770	\$124,969
Net income	\$ 70,961	\$ 61,346	\$ 91,504	\$ 84,068
Net income per common share:				
Basic	\$ .63	\$ .47	\$ .82	\$ .73
Diluted	\$ .63	\$ .46	\$ .81	\$ .72

*(1) All periods have been adjusted to reflect the impact of operating properties sold during 2004 and 2003, and properties classified as held for sale as of December 31, 2004, 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 \$8.7 million and \$9.7 million at December 31, 2004 and 2003, respectively.

## 24. 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 2004. 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, 2004 and 2003, adjusted to give effect to these transactions as of January 1, 2003.

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, 2003, 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,	2004	2003
Revenues from rental property	<b>\$514.5</b>	\$496.4
Net income	<b>\$285.5</b>	\$256.7
Net income per common share:		
Basic	<b>\$ 2.46</b>	\$ 2.19
Diluted	<b>\$ 2.41</b>	\$ 2.15



# 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) whereby 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 up to 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, the provisions of which 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.

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## Revolving Credit Facility

Credit agreement with a lending institution or institutions, whereby the Company may borrow funds as needed at a variable rate of interest.

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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 market price of Kimco stock to a level proportionate to the pre-split price.

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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

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## Executive Offices

3333 New Hyde Park Road  
Suite 100  
New Hyde Park, NY 11042  
516-869-9000  
[www.kimcorealty.com](http://www.kimcorealty.com)

## Regional Offices

### *Leasing*

Phoenix, AZ  
602-230-8852

Los Angeles, CA  
949-252-3880

Sacramento, CA  
916-349-7474

San Diego, CA  
858-613-1520

San Francisco, CA  
925-977-9011

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

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: [Shareowners@bankofny.com](mailto:Shareowners@bankofny.com)

## Stock Listings

NYSE—Symbols KIM, KIMprF

On May 27, 2004, the Company's Chief Executive Officer submitted to the New York Stock Exchange the annual certification required by Section 303A.12(a) of the NYSE Company Manual. In addition, the Company has filed with the Securities and Exchange Commission as exhibits to its Form 10-K for the fiscal year ended December 31, 2004 the certifications, required pursuant to Section 302 of the Sarbanes-Oxley Act, of its Chief Executive Officer and Chief Financial Officer relating to the quality of its public disclosure.

## 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 2005 Annual Meeting of Stockholders scheduled to be held on May 17, 2005, at 270 Park Avenue, New York, NY, Floor 11, 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

## Holders of Record

Holders of record of the Company's common stock, par value \$.01 per share, totaled 2,232 as of March 22, 2005.

## Stock Price and Dividend Information

	Stock Price		Dividends Paid Per Common Share <sup>(1)</sup>
	High	Low	
<b>2004:</b>			
First Quarter	<b>\$51.32</b>	<b>\$43.75</b>	<b>\$0.57</b>
Second Quarter	<b>\$51.19</b>	<b>\$39.53</b>	<b>\$0.57</b>
Third Quarter	<b>\$51.80</b>	<b>\$44.83</b>	<b>\$0.57</b>
Fourth Quarter	<b>\$59.28</b>	<b>\$50.53</b>	<b>\$0.57</b>
<b>2003:</b>			
First Quarter	\$36.00	\$30.25	\$0.54
Second Quarter	\$39.45	\$34.47	\$0.54
Third Quarter	\$43.35	\$37.21	\$0.54
Fourth Quarter	\$45.86	\$40.26	\$0.54

(1) The Company has determined that the \$2.28 dividend per common share paid during 2004 represented 85% ordinary income and a 15% return of capital to its stockholders, or approximately \$1.93 represented ordinary income and \$0.35 represented a return of capital. The \$2.16 dividend per common share paid during 2003 represented 74% ordinary income, 14% capital gain and 12% return of capital to its stockholders. 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.



# 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.

## **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 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 and Co-Chairman of the Board of certain Merrill Lynch Mutual Funds and Director Emeritus of 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**

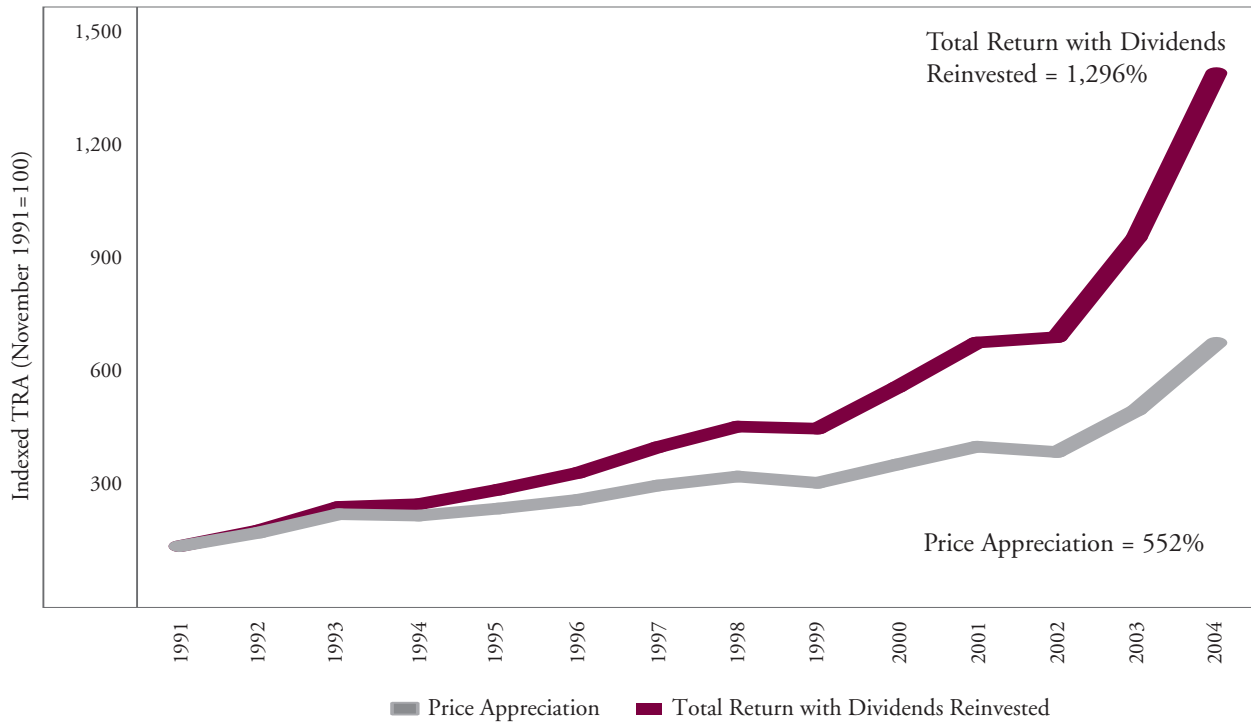
Director of the Company since December 1991. Executive Vice President of J.P. Morgan Chase & Co. since 1990. Senior Vice President of J.P. Morgan Chase for more than five years prior to that time.

## **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

## Experience the Power of Dividend Reinvestment



**Call today to learn how to reinvest your dividends or purchase shares directly from Kimco.**

# 1.866.557.8695

The Company's Direct Stock Purchase and Dividend Reinvestment Plan provides investors with the following advantages:

- a low-cost method to acquire Kimco common stock
- an efficient way to reinvest dividends in Kimco stock to acquire additional shares without a brokerage commission
- account credited with both full and fractional shares
- simplified record-keeping with easy-to-read account statements

Simply call the number listed above to enroll today.



## Kimco Realty Corporation

3333 New Hyde Park Road, Suite 100  
New Hyde Park, NY 11042  
Tel: 516-869-9000 Fax: 516-869-9001  
[www.kimcorealty.com](http://www.kimcorealty.com)