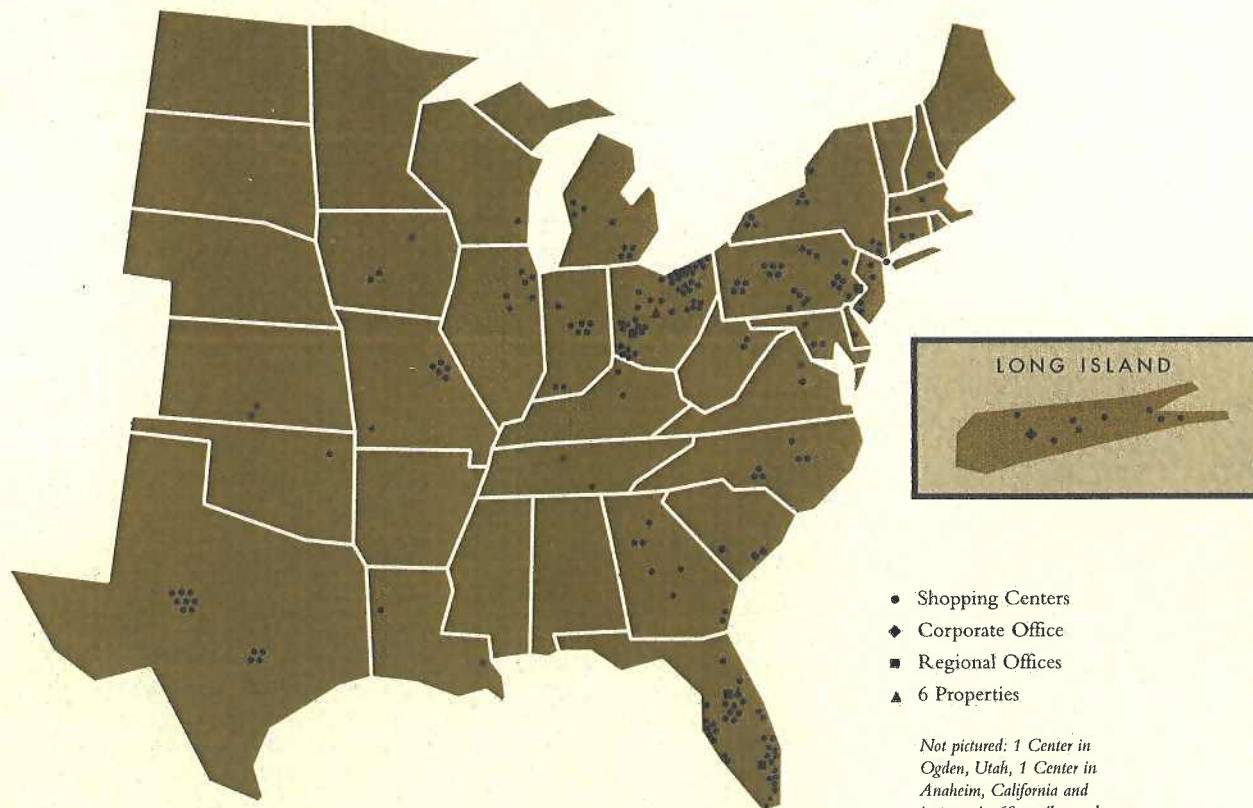


KIMCO REALTY CORPORATION
SHOPPING CENTERS AND CORPORATE
AND REGIONAL OFFICES



C O M P A N Y P R O F I L E

Kimco Realty Corporation owns and operates the nation's largest publicly-traded portfolio of neighborhood and community shopping centers with interests in 253 properties comprising approximately 31 million square feet of leasable area in 38 states. The Company also manages an additional 27 properties comprising approximately 4 million square feet of leasable area. Since incorporation in 1966, the Company has specialized in the acquisition, development, and management of well-

located centers with strong growth potential. Self-administered and self-managed, the Company's focus is to increase the cash flow and enhance the value of its shopping center properties through strategic re-tenanting, redevelopment, renovation and expansion, and to make selective acquisitions of neighborhood and community shopping centers which have below-market rate leases or other cash flow growth potential. The Company's common shares are traded on the New York Stock Exchange under the symbol KIM.

P O R T F O L I O O F P R O P E R T I E S C

City	Center Name	GLA
C A L I F O R N I A		
anaheim	Anaheim S.C.	15,306
C O N N E C T I C U T		
amden	Hamden Mart	341,502
waterbury	Bradlees Plaza	136,153
D E L A W A R E		
smere	Value City S.C.	111,600
F L O R I D A		
Altamonte Springs	Oshmans S.C.	94,193
Ocala Raton	Camino Square S.C.	73,549
Bradenton	Lakeside Plaza	26,700
Oral Springs	Coral Square Promenade	41,063
San. Pierce	Kmart Plaza	210,460
Homestead	Homestead Towne Square	140,605
Orlando Beach	Marketplace Square	169,589
Orlando	Vine Street Square	130,983
Orlando	Miami Subs	2,800
Orlando (West)	Wal-Mart Plaza	150,240
Orlando (East)	Tri-City Plaza	215,036
Orlando (Central)	East Bay Junction	56,355
Orlando	Reef Plaza	107,514
Orlando	Baby Superstore Plaza	179,706
Orlando	Leesburg Shops	13,468
Orlando	Peppertree Plaza	257,638
Orlando	NASA Plaza	168,797
Orlando (North)	Northgate S.C.	132,468
Orlando	Grove Gate S.C.	104,968
Orlando	Coral Way Plaza	162,278
Orlando (SW Dade)	Miller Road S.C.	81,780
Orlando	Honey Hill S.C.	133,340
Orlando	Port Richey S.C.	9,000
Orlando	Century Plaza	129,036
Orlando (Central)	Grant Square	103,480
Orlando (East)	Sports Authority Plaza	124,798
Orlando (West)	Sun Plaza	114,434
Orlando (NE)	Fern Park Plaza	131,630
Orlando (South)	Sand Lake Plaza	232,554
Orlando	Big Lots Plaza	75,296
Orlando	Park Blvd. Promenade	119,355
Orlando	Bread of Life Center	60,414
Orlando	Sample Plaza	63,838
Orlando	Riviera Square	46,390
Orlando	Seminole Center	301,406
Orlando	South East Plaza	109,138
Orlando	Tuttle Bee Plaza	103,260
Orlando	South Miami S.C.	62,083
Orlando	Oak Tree Plaza	115,681
Orlando	Baby Superstore Plaza	69,875
Orlando	Belmont Plaza	74,326
Orlando	Chain O'Lakes Plaza	88,400
G E O R G I A		
Augusta	Augusta Square	119,930
Atlanta	Atlanta	165,314
Atlanta	Forest Park Plaza	100,452
Atlanta	Gainesville Towne Center	142,288
Atlanta	Macon Plaza	127,260
Atlanta	Savannah Square	88,480
Atlanta	Savannah Center	187,302
Atlanta	Robins Plaza	101,230
I L L I N O I S		
Addison	Lake Street Plaza	93,289
Bloomington	Bloomington Commons	175,530
Bradley	Northfield Square Mall	80,300
Elgin	Town & Country S.C.	178,539
Geneva	Venture S.C.	104,000

City	Center Name	GLA	City
Ottawa	Value City S.C.	60,000	Plain
I N D I A N A			Pough
Eagledale	Eagledale S.C.	79,416	River
Evansville	Plaza East	186,496	Rochester
Evansville	Plaza West	147,775	Rochester
Greenwood	Greenwood S.C.	157,160	Rochester
Indianapolis	Felbram S.C.	27,400	Rochester
Indianapolis	Linwood Square	166,104	State
Indianapolis	Target 31 South S.C.	177,558	Syos
Lafayette	Lafayette S.C.	90,500	Water
I O W A			Yonk
Clive	Venture S.C.	90,400	Chas
Des Moines	Venture S.C.	96,400	Chas
Waterloo	Venture S.C.	96,000	Chas
K A N S A S			Durk
E. Wichita	Venture S.C.	96,100	Gast
W. Wichita	Venture S.C.	97,000	Rale
K E N T U C K Y			Win
Bellevue	Kroger S.C.	53,695	Akro
Lexington	South Park S.C.	260,086	Akro
L O U I S I A N A			Akro
New Orleans	Lake Forest S.C.	190,000	Akro
Shreveport	Shreveport Plaza	27,104	Akro
M A R Y L A N D			Bart
Hagerstown	Hagerstown Plaza	115,718	Beav
Laurel	Laurel S.C.	75,882	Bed
Laurel	Laurel Plaza	81,550	Broo
M A S S A C H U S E T T S			Brui
Leominster	Searstown Mall	597,052	Can
Great Barrington	Barrington Plaza	134,768	Can
M I C H I G A N			Can
Clawson	Clawson Center	169,604	Can
Farmington	Farmington Center	97,085	Can
Flint	Hallwood Plaza	377,802	Can
Grand Haven	South Shore Plaza	88,721	Cin
Livonia	Livonia S.C.	44,185	Cin
Muskegon	Beltline Plaza	70,523	Cin
Walker	Green Orchard S.C.	285,035	Cle
Taylor	Cross Creek S.C.	121,500	Col
M I S S O U R I			Col
Ellisville	Shop & Save S.C.	118,080	Col
Hazelwood	Kmart Shopping Center	130,780	Col
Jennings	Jennings S.C.	155,095	Col
Lemay	Lemay S.C.	73,281	Col
Springfield	Primrose Marketplace	260,180	Day
St. Louis	Gravois Plaza	164,464	Day
N E W H A M P S H I R E			Day
Salem	Rockingham Plaza	330,584	Ely
N E W J E R S E Y			Ken
Cherry Hill	Fashion Square	153,858	Ket
N. Brunswick	Fashion Plaza	400,832	Lim
Ridgewood	Ridgewood S.C.	24,280	Mas
Westmont	Westmont Plaza	195,824	Mei
N E W Y O R K			Mei
Bridgehampton	Bridgehampton Cmns.	280,489	Mic
Buffalo	Elmwood Plaza	141,070	No
Buffalo	Shops @ Seneca	153,500	Sha
Buffalo, Amherst	Tops Plaza	101,066	Spr
Carle Place	Voice Road Plaza	132,359	Spr
Centereach	Centereach S.C.	369,505	Tro
Great Neck	Great Neck Shops	14,385	Up
Hampton Bays	Hampton Bays S.C.	70,990	Wes
Nanuet	Nanuet Mall South	70,896	Wic
			Wil

CENTERS OWNED OR MANAGED

City	Center Name	GLA
NEW YORK (CONT'D)		
Plainview	Manetto Hill Plaza	74,972
Poughkeepsie	44 Plaza	180,250
Riverhead	East End Commons	107,806
Rochester	Irondequoit S.C.	105,000
Rochester	Henrietta S.C.	105,000
Rochester	West Gates S.C.	185,145
Staten Island	Richmond S.C.	210,990
Syosset	Syosset S.C.	32,124
Watertown	Watertown Plaza	69,571
Yonkers	Shoprite S.C.	43,560

NORTH CAROLINA		
Charlotte	Woodlawn Marketplace	110,300
Charlotte	Independence Square	135,222
Charlotte	Tyvola Mall	226,295
Durham	Oakcreek Village S.C.	116,195
Gastonia	Akers Center	227,882
Raleigh	Pleasant Valley Promenade	366,774
Winston-Salem	Cloverdale S.C.	133,059

OHIO		
Akron	Harvest Plaza	56,975
Akron	West Market Plaza	138,363
Akron	Hills Plaza	149,054
Akron	Hills Plaza	116,656
Barberton	Barberton S.C.	119,975
Beavercreek	Beavercreek Plaza	126,137
Bedford	Meadowbrook Square	133,147
Brooklyn	Hills Plaza	133,563
Brunswick	Kmart Plaza	168,443
Cambridge	Cambridge Square	95,955
Canton	Canton Hills S.C.	99,267
Canton	Canton Hills Plaza	63,816
Canton	Hills Plaza	150,900
Canton	Canton Commons	159,975
Centerville	Cross Pointe S.C.	123,938
Cincinnati	Ridge Plaza	142,949
Cincinnati	Glenway Plaza	128,950
Cincinnati	Cassinelli Square	314,987
Cleveland	Greenlite S.C.	82,411
Columbus	S. Hamilton S.C.	140,999
Columbus	S. High Plaza	99,262
Columbus	Olentangy Plaza	129,830
Columbus	Morse Plaza	191,789
Columbus	West Broad Plaza	134,644
Columbus	Whitehall S.C.	112,813
Dayton	Salem Plaza	128,458
Dayton	Woodman Plaza	117,760
Dayton	Shiloh Springs Plaza	163,431
Dayton	Oak Creek Plaza	215,891
Elyria	Kmart Plaza	103,400
Kent	Hills Plaza	103,500
Kettering	Value City Plaza	123,098
Lima	Eastgate Plaza	194,130
Massillon	Hills Plaza	102,632
Mentor	Hills Plaza	103,871
Mentor	Erie Commons	251,298
Middleburg Hgts.	Hills Plaza	104,342
North Olmsted	Hills Plaza	99,862
Sharonville	Kmart Plaza	130,715
Springboro Pike	Southland 75 S.C.	98,736
Springfield	Kmart Plaza	131,628
Troy	Sherwood S.C.	87,660
Upper Arlington	Arlington Square	149,470
Westerville	Westerville Plaza	237,946
Wickliffe	Town Square	128,180
Willoughby Hills	Willoughby Plaza	140,185

City	Center Name	GLA
OKLAHOMA		
S. Tulsa	Venture S.C.	96,100
PENNSYLVANIA		
Braddock Hills	Braddock Hills S.C.	109,717
Eagleville	Ridge Pike Plaza	151,237
E. Stroudsburg	Pocono Plaza	167,654
E. Norriton	Norriton Square	113,560
Erie	Erie Mini Mart	3,000
Gettysburg	Gettysburg Plaza	30,706
Harrisburg	Harrisburg East S.C.	178,317
Harrisburg	Harrisburg West S.C.	152,689
Middletown	Middletown Plaza	35,747
Middletown	Olmsted Plaza	144,226
New Kensington	New Kensington S.C.	106,624
Penn Hills	Hills Plaza	110,517
Philadelphia	Cottman-Castor S.C.	215,196
Philadelphia	Cottman-Bustleton Center	212,159
Richboro	Crossroads Plaza S.C.	80,739
Springfield	Springfield S.C.	219,083
Upper Allen	Upper Allen Plaza	59,470
West Mifflin	Kennywood Mall	203,566
West Mifflin	Kennywood Plaza	69,733
West Mifflin	Century III Mall	84,279
York	Eastern Blvd. Plaza	61,979
York	Mount Rose Plaza	53,011
York	W. Market Street Plaza	35,500

SOUTH CAROLINA		
Aiken	Heritage Square	132,345
Charleston	St. Andrews Center	164,057
Charleston	Westwood Plaza	182,237

TENNESSEE		
Chattanooga	Red Bank S.C.	44,288
Madison	Old Towne Village	177,146

TEXAS		
Baytown	Baytown Village S.C.	103,800
Dallas	Big Town Mall	564,192
Dallas	Big Town Center	101,040
Duncanville	Venture S.C.	96,500
E. Plano	Venture S.C.	96,700
Ft. Worth	Venture S.C.	106,000
Garland	Venture S.C.	103,600
Houston	Beltway Plaza Center	106,000
Houston	Kroger S.C.	45,494
Mesquite	Kroger Plaza	79,550
N. Arlington	Venture S.C.	97,000
W. Oaks	Venture S.C.	96,500

UTAH		
Ogden	Kmart S.C.	121,425
VIRGINIA		
Richmond	Burlington Center	121,550
Woodbridge	Gordon Plaza	186,202

WEST VIRGINIA		
Charles Town	Charles Town Plaza	115,621
Martinsburg	Martin's Food Plaza	43,212

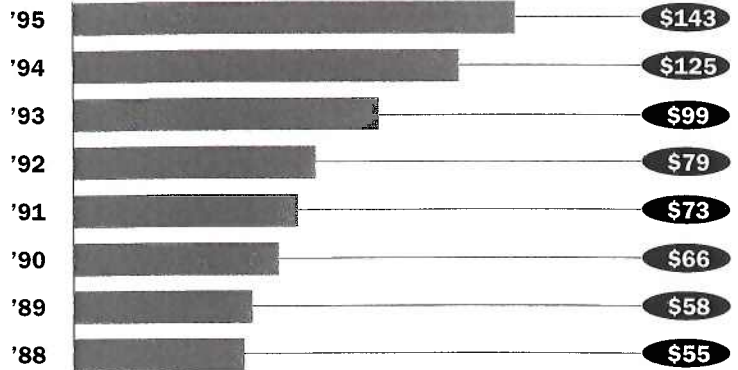
WISCONSIN		
Racine	Badger Plaza	151,430

TOTAL NUMBER OF CENTERS 220*

TOTAL GLA 29,148,370*

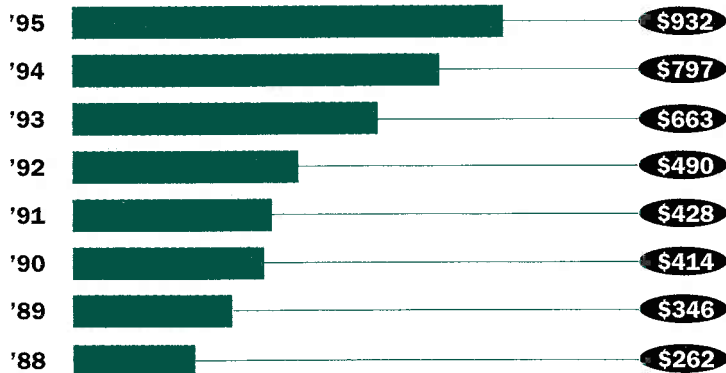
*In addition to its shopping center portfolio, the Company holds interests in retail store leases relating to approximately 5.4 million square feet of anchor store premises in 60 neighborhood and community shopping centers located in 24 states. These premises are substantially subleased to national retailers currently operating in these stores.

Revenues from Rental Properties (Millions)



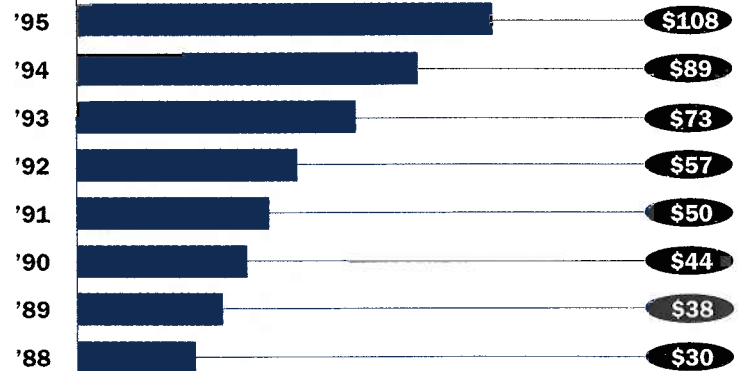
Fiscal years ended April 30, 1988 through 1991 and calendar years 1992 through 1995.

Real Estate Assets, Before Depreciation (Millions)



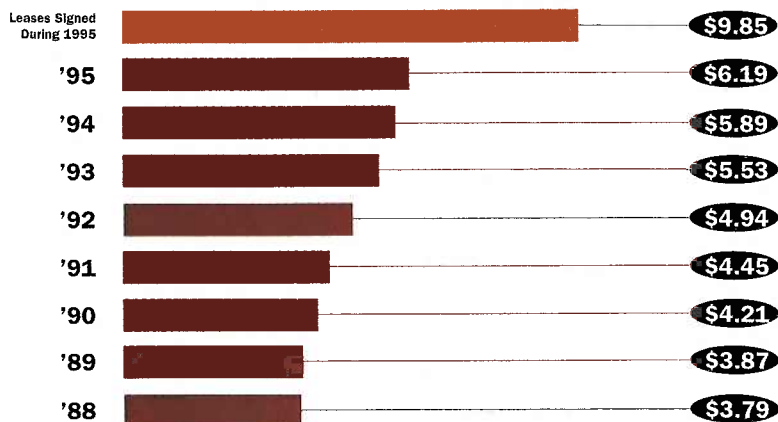
As of April 30, 1988 through 1991 and December 31, 1992 through 1995.

Net Operating Income Growth (Millions)



Fiscal years ended April 30, 1988 through 1991 and calendar years 1992 through 1995. Net operating income is defined as total revenues less operating expenses excluding depreciation and amortization and interest expense, plus income from investment in retail store leases.

Average Annual Base Rent Growth (Per Sq. Ft.)



As of April 30, 1988 through 1991 and December 31, 1992 through 1995.

We've come a long way together since our initial public offering, and time does seem to fly. I can't believe this is my fourth Annual Report to you. Let me briefly review the highlights of 1995 and discuss our strategy for the future.

I am pleased that despite the very difficult climate in 1995 our Funds from Operations (FFO) per share increased by 9.1% from \$1.98 to \$2.16. This increase came about from a combination of internal growth, acquisitions and redevelopment projects. Lou Petra, our Chief Financial Officer, will review in detail the 1995 financial results in his presentation to you. Lou has done a great job in monitoring our capital structure and keeping a sharp eye on costs. Somehow the more we grow, the more time Lou seems to have in a relaxed fashion to handle all of your questions. He still amazes me. David Samber, our President and Chief Operating Officer, will cover the acquisitions and redevelopments completed by the Company this past year. A great deal of credit for the results belongs to David and his team.

Two transactions were a particular source of pride to me, as they illustrate how a REIT which seeks to be more than a portfolio of properties can create significant additional value for its shareholders.

One was our acquisition of 60 leaseholds from the Woolworth organization in July 1995. F.W. Woolworth Co. many years ago discontinued operations of its Woolco discount department stores. Favorable provisions in many of its below-market rate store leases permitted that company to sublet its Woolco premises to other national retailers at substantial profits. With F.W. Woolworth having recently decided to divest its non-essential real estate assets, we bought, for \$23 million, its interest in approximately 5.4 million square feet of 98%-subleased retail premises in 60 neighborhood and community shopping centers located

throughout 24 states, the majority of which represented markets in which we presently operated. This was a complex transaction, requiring creativity and due diligence on 60 locations in a compressed time frame. We believe that this deal will provide us with a substantial return on our investment and be a gateway to other profitable transactions both within our Woolworth portfolio and with other retailers.

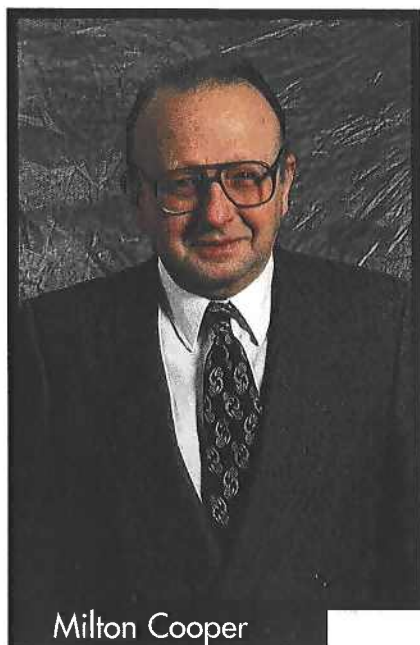
The other major transaction was our purchase of 16 properties from Venture Stores for \$40 million in a sale-leaseback transaction. The terms we agreed to were very attractive but, like the Woolworth transaction, it was complex and had to be completed under intense time pressure. The handshake on the Venture deal was made on January 11, 1996 and the deal closed on January 27, 1996; our associates worked through many nights with hurry-up huddles, fabulous teamwork and kept their focus on the goal line throughout. Kudos to our in-house Legal Department who with great skill and speed handled all of the legal work, thus avoiding the expense of outside counsel. We believe that we purchased these properties at a

very attractive price, which should provide us with a strong return on our investment even though the properties are being leased to Venture at very reasonable rental rates.

We paid four dividends of \$.36 each during the year and, on November 30, 1995 declared an increase in our dividend to \$.39 per share. We have continued to reduce the percentage of FFO that we distribute to ourselves as shareholders. Our reason is simple: the more cash we can retain for growth, the less capital we have to raise through expensive and time-consuming public offerings.

We determined that we would like to have a better balance in our shareholder constituency between individual shareholders and institutions, and felt it important to make our stock more accessible to non-institutional shareholders. This was the reason for the 3 for 2 stock split approved by our Board on November 30, 1995.

Since our IPO we have doubled the number of our shopping center interests from 126 to 253, we have doubled our square footage from approximately 16 million to 31 million, and we have tripled our market cap and FFO. We have been able to manage this growth primarily by adding new associates with skills in specific areas such as construction, leasing and legal. We felt that it was important for growth in our core business and for the consideration of possible growth strategies outside of our core business to also add to our senior management team. We were delighted that Mike Flynn accepted our offer of the new position of Vice Chairman of the Board. We know Mike well, as he had previously been a full-time associate with the Company and has continued to be associated with us in various capacities for over 25 years. He is familiar with our business culture and our long-term objectives, and has an extensive background in real estate and construction.



Milton Cooper

Our Strategy for the Future

We've enjoyed marvelous growth! For those of you who purchased shares in our initial public offering in November 1991 and reinvested the dividends, the total return has been over 150%. However, I continue to worry about our ability to sustain our dramatic growth in this anemic retail climate. In my letter to you last year I said, "Let me also share with you my concerns for the future. Simply put, the U.S.A. is over-stored. Many retailers are increasing their square footage without any regard for the relationship of space to the increase in population or disposable income. The "shop 'till you drop" attitude of the 1980's is over." The situation, obviously, hasn't changed.

This concern is old hat with us. Keep in mind that from 1966 to 1980 almost all of our growth, as a private company, came from ground-up developments. We stopped developing in 1980 because we were worried about excessive retail credit, and our concern continues. Our growth since 1980 has been principally through the acquisition of attractively-priced properties with below-market rents.

The unfortunate aspect of retailers overextending themselves is that when difficulties arise many have no moral compunction with respect to the filing of a Chapter 11 bankruptcy proceeding.

We will not be exempt from this trend. There will be more bankruptcies. Nevertheless, the overall rent structure within our portfolio is such that in the long run we will do fine. There may be some short-term loss of rent, but we should never make decisions or base our strategy on short-term earnings prospects. If we can seize an outstanding, long-range opportunity to enhance our cash flow by acquiring properties with below-market rents in excellent locations, we must be ready to commit to the purchase, notwithstanding there may be a period of time

Our strategy is to
be in the real estate
business and not
the credit or retail
business, and must
always remain so.

where the cash flow is diminished or ceases while we re-tenant a property.

We will continue to base our property investments upon inherent real estate values rather than the financial strength of a tenant or its profitability at any particular time. Our strategy is to be in the real estate business and not the credit or retail business, and must always remain so.

We will also continue to invest in technology under the guidance of Alex Weiss, who makes technology so friendly for all of us at Kimco. He even makes things simple for those of us who are over 50 and weren't part of the computer age in high school.

Future growth in our business will require us to be open-minded and innovative with respect to new opportunities. We are a large owner of commercially-zoned property on busy thoroughfares. We will have to be very skilled at developing supplemental non-retail uses, perhaps adding customer-friendly health care facilities to certain of our properties. We will also need to be very quick to respond to opportunities, and keep our balance sheet strong so that we will always have access to capital to take advantage of unique situations

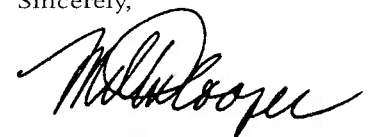
such as the Woolworth and Venture Stores transactions.

Since our IPO we have acquired approximately 15 million square feet of property. As a REIT it is very difficult for us to retain earnings and we have been forced to raise capital, in part, through common stock offerings. Except for those compelling opportunities which are too good to pass up, we will continue to look at strategies designed to enable us to grow our FFO without the diversion and cost of equity offerings.

This is not an easy time. While we have tremendous strengths, including a sound balance sheet, an excellent and dedicated team of associates, access to capital and significant opportunities which may be available to us, we do worry about the scope of potential tenant bankruptcies. My job is to guide us between the Scylla of paralytic pessimism and the Charybdis of ill-founded optimism. In this regard it's a great comfort to have the input and guidance of our sound and sage directors Marty Kimmel, Dick Dooley and Frank Lourenso, who continually provide us with new ideas and perspectives.

Most important, we must continue to stimulate, motivate and challenge our people and rely on them to help us in our growth. We must maintain our culture of doing right by all those who do business with us. Our growth will come from the contagious passion of our people to make things happen. I would like to thank all of our associates and friends for their help in accomplishing the results for the year and look forward to their continued support in building our future.

Sincerely,



Milton Cooper
Chairman

Our forecast for the retail climate of 1995 was accurate. Unfortunately, that forecast called for a blizzard of problems for our tenants. Not being surprised by these events, we were able to continue this past year with our efforts to position the portfolio for the difficult times at hand and use our financial strength and real estate acumen to seize opportunities created by this turbulence.

Our theme for many years has been to limit our exposure to individual tenant failures by acquiring and nurturing a portfolio of well-located, neighborhood and community shopping centers with below-market rents or other cash flow growth potential. The result is that we have assembled a portfolio of properties with an average base rent per square foot of \$5.96 and with no tenant providing more than 4.3% of our rental revenues. To put this portfolio rent in perspective, it should be

the future stars of retailing as they emerge while providing enough diversity to allow for the inevitable surprises down the road.

We have continued our program of redeveloping well-located but tired properties. In 1995, we opened the largest individual store in our history, a 151,067 square foot Wal★Mart as part of the redevelopment of a mini-mall in Centereach, New York. In Carle Place, New York, we completed the transformation of a mixed-use, industrial/retail property into a modern, convenient shopping center in the main retail corridor of Long Island's Nassau County. Other shopping center redevelopment projects completed during 1995 include: Lauderhill, Florida; North Brunswick, New Jersey; Westerville, Ohio; and Westmont, New Jersey.

Shown in the photographs next to this letter is our Primrose Marketplace in Springfield, Missouri, which we acquired in December

We will aggressively pursue growth within our portfolio and through acquisitions we consider to be opportunistic based upon conservative assumptions about future conditions.



David M. Samber

noted that despite the pressure on a number of segments of the retail industry, the average base rent per square foot on new leases signed by your Company during 1995 was \$9.85—a level 65% above our portfolio average base rent. The relationship of contractual lease rents in place to current market rents is a major consideration in our acquisition analysis. In 1995, our acquisition activity actually lowered the average base rent in our portfolio by \$.03 as our acquired properties had an average rent of only \$5.86 per square foot.

While apparel retailers in particular are having a difficult time, there continues to be demand for the so-called “big boxes” from both the traditional, household-name retailers and the newer, entrepreneurial companies which have shown an ability to focus on a very narrow market segment yet create exciting, value-driven concepts. Our job is to pick

1994. We were attracted to this property, notwithstanding its recent construction, because of (i) location—Primrose is across the street from the area's dominant regional mall; (ii) price—since one of the anchor tenants was in bankruptcy, competition from buyers who required institutional financing was eliminated enabling our purchase price to be lower; (iii) expansion potential—we had learned that three of the major tenants in occupancy would expand their stores if adjacent residential land could be acquired and rezoned; and (iv) market strength—we were confident that an aggressive leasing campaign would result in the ability to tenant available space which was not valued in the acquisition price.

In the 15 months since acquiring Primrose, we have replaced the bankrupt anchor with one of only four JCPenney home stores in the United States; acquired and rezoned the



residential land permitting the expansion of Best Buy, OfficeMax and TJMaxx, each of which has been completed; increased occupancy to 98%; and raised the cash flow 36%.

While results as timely and dramatic as these are difficult to achieve, they represent the type of value-enhancing activity performed by our associates.

For all of 1995, your Company acquired interests in 18 shopping centers containing nearly 2 million square feet of leasable space at a cost of approximately \$83 million. Included were 9 properties acquired from KC Holdings, Inc.

As part of our commitment to be the low-cost producer in our industry, in 1995 we consolidated into the home office the preparation of all lease documentation. In addition to the cost savings that centralizing this process has achieved, we feel there will be advantages in efficiency and quality control. Our Legal Department, which to date has so skillfully handled our purchase and sale agreements, major tenant leases, and our other day-to-day business, will now handle all our small store lease preparation. Our strong commitment to technology enables us to keep on top of the hundreds of lease documents per year that are required to support our sizeable portfolio.

In the coming year, we will continue to search for opportunities—many of which we expect to be available due to the dislocation in the retail industry. While the pressure among our tenants to deliver value to their customers and earnings to their shareholders is greater than ever, the demand for well-located and well-managed, retail space will not disappear. With the skill and spirit of our associates and the strength of our balance sheet, we will aggressively pursue growth within our portfolio and through acquisitions we consider to be opportunistic based upon conservative assumptions about future conditions.

David M. Samber
President and Chief Operating Officer



Strategic shopping center acquisitions, our investment in the F.W. Woolworth retail store leases, well-executed property redevelopments and sustained leasing activity in the core portfolio propelled our continued cash flow growth and earnings momentum throughout 1995. Funds from Operations available to our common shareholders increased to \$72.1 million, or \$2.16 per share, from the 1994 level of \$59.6 million, or \$1.98 per share. Net income similarly increased by \$18 per share between years rising from \$40.2 million, or \$1.15 per share, to \$51.9 million, or \$1.33 per share. This improved operating profitability translated into a total

return to our shareholders of approximately 14% for 1995, a level on par with the industry composite returns for real estate investment trusts generally, yet substantially in excess of the returns generated by retail-oriented REIT's in particular.

Capitalization of this growth in our business has continued on a "conservatively aggressive" path—conservative in that we have foregone the intoxicating yields associated with higher

leverage but aggressive in that our total debt and market capitalization has nearly tripled in the short, four and one-half years we've been a public company. With debt currently comprising only 24% of our total \$1.6 billion capital structure, it is my sense that we are prudently insured against the downside risks, yet poised to exploit the unique opportunities, which may result from today's unsettled retail environment. During the past fifteen months we have secured public capital through

the total capital raised by our Company in the public debt and equity markets to over \$1 billion. Sincere thanks and appreciation are due to our investment bankers, agents, consultants and friends whose expertise and support have permitted us to reach this threshold and successfully introduce new financial products for public real estate companies.

Finally, a brief note with regard to the new definition of Funds from Operations promulgated by NAREIT

Our plan...is simply to achieve a well-balanced capital base that will afford those who have invested with us security, liquidity and the benefits associated with unrestricted access to the most flexible and cost-efficient forms of financing.

the issuance of medium-term notes, perpetual preferred stock and common equity generating in excess of \$300 million for property acquisitions, expansion and redevelopment. Our plan through this diversification is simply to achieve a well-balanced capital base that will afford those who have invested with us security, liquidity and the benefits associated with unrestricted access to the most flexible and cost-efficient forms of financing.

Completion of our April 1996 preferred stock offering has brought

and effective for financial reporting beginning January 1, 1996. Within the parameters of generally accepted accounting principles, we have consistently determined Funds from Operations so as to have this reported measure of performance track as close as possible to the actual cash flow from operations in our business. Consequently, implementation of the new definition will have an immaterial impact and we do not intend to restate previously reported data.



Lou Petra

As a result of the continuing growth in our Company's portfolio of properties, the Management Information Systems (MIS) team was presented with a formidable challenge; that is, to deliver an acceptable level of data processing support and services to facilitate this growth while minimizing both the human and capital resources required to administer the ever growing universe of tenants, vendors and other parties associated with our shopping center business. This challenge was met through continuing improvements to our existing systems, including reviewing and streamlining all existing procedures, and through developing new tools to further increase the productivity of our associates. We also devoted time and energy to increase the reliability, safety and

stability of our existing systems.

During the year, we implemented a pilot program to evaluate the economic implications of using the INTERNET in our day-to-day

activities. In order to limit our exposure and the costs associated with developing our own home page, we retained a partner in this experiment. Our World Wide Web address is <http://www.centernet.com/kimco.htm> and our EMAIL address is kimco-aw@ix.netcom.com. Although to date we have only a brief description of our Company and have profiled just a few properties on the system, we will continue to explore all practical applications for our business. Please visit our home page and feel free to drop us a line. We would love to hear from you!

Our goal for the upcoming year is to continue to harness the power of evolving computer technologies in order to increase the productivity of our associates. This will likely necessitate a transfer of computer power from one centralized pool to the actual point of interaction with our users. To this end, we are reviewing the opportunities available to us through local and wide area networking. The MIS team goal remains that of providing our associates with the tools and information needed to maximize their capabilities and talents.



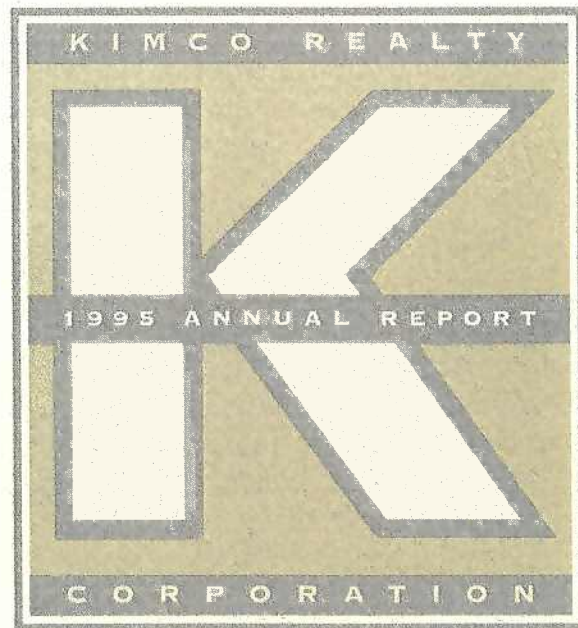
Alex Weiss

BOARD OF DIRECTORS



Left to right (top): Milton Cooper, David M. Samber, Frank Lourenso.
Left to right (bottom): Martin S. Kimmel, Richard G. Dooley, Michael J. Flynn

F I N A N C I A L R E V I E W



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 appearing elsewhere 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.

RESULTS OF OPERATIONS

Comparison of 1995 to 1994

Revenues from rental property increased approximately \$17.8 million, or 14.3%, to \$143.1 million for the year ended December 31, 1995, as compared with \$125.3 million for the year ended December 31, 1994. This increase resulted primarily from the combined effect of shopping center acquisitions during the respective periods (18 properties in 1995 and 11 properties in 1994) as well as new leasing and re-tenanting within the portfolio at improved rental rates.

Rental property expenses, including depreciation and amortization, increased approximately \$8.4 million, or 10.3%, to \$88.9 million for the calendar year ended December 31, 1995, as compared with \$80.5 million for the preceding calendar year. This increase is primarily due to the property acquisitions and renovations within the existing portfolio during the periods which gave rise to an overall increase in real estate taxes and depreciation and amortization expenses. Interest charges increased approximately \$5.1 million between periods reflecting the higher average outstanding borrowings and the rise in short-term interest rates during 1995 as compared with 1994.

During July 1995, certain subsidiaries of the Company obtained interests in 60 retail store leases relating to the anchor store premises in neighborhood and community shopping centers. These premises have been substantially sublet to retailers which lease the stores pursuant to net lease agreements. Income from the investment in retail store leases during the year ended December 31, 1995 was \$1.8 million.

During 1994, the Company and certain of its subsidiaries repaid various mortgage loans outstanding with banks and other financial institutions resulting in an extraordinary loss of approximately \$.8 million. This loss represents the net amount of discounts received, premiums paid and deferred financing and other costs written off in connection with the early satisfaction of these mortgage loans.

Net income for the year ended December 31, 1995 of approximately \$51.9 million, represented an improvement of approximately \$11.6 million, as compared with net income of approximately \$40.3 million for the preceding calendar year. Adjusting for the effect of the extraordinary item during 1994, net income for 1995 increased by \$10.8 million, or \$.16 per share, compared to 1994. This substantially improved performance was primarily attributable to property acquisitions and redevelopments, the investment in retail store leases and sustained leasing activity which strengthened operating profitability.

Comparison of 1994 to 1993

Revenues from rental property increased approximately \$26.4 million, or 26.7%, to \$125.3 million for the year ended December 31, 1994, as compared with \$98.9 million for the year ended December 31, 1993. This increase resulted primarily from the combined effect of shopping center acquisitions during the respective periods (11 properties in 1994 and 21 properties in 1993) and the Company's re-tenanting and lease renewal efforts which resulted in higher minimum rentals on new and renegotiated leases.

Rental property expenses, including depreciation and amortization, increased approximately \$17.1 million, or 27%, to \$80.5 million for the calendar year ended December 31, 1994, as compared with \$63.4 million for the preceding calendar year. This increase is primarily due to the property acquisitions during the periods which gave rise to an overall increase in real estate taxes, operating and maintenance and depreciation and amortization expenses. Interest charges increased approximately \$3.3 million between periods reflecting the higher average outstanding borrowings and the rise in short-term interest rates during 1994 as compared with 1993.

Equity in income (losses) of real estate joint ventures, net decreased approximately \$2.8 million between periods as the 1993 total included an approximate \$2.4 million non-recurring gain related to amounts received by a joint venture in connection with a damage claim.

In February, 1993, the Company disposed of a property in New Port Richey, Florida. Proceeds from the disposition totaled \$3.7 million cash, resulting in a gain of approximately \$1.1 million. Such proceeds, together with an additional \$4.8 million cash, were used to acquire an exchange shopping center property located in Lexington, Kentucky.

During years 1994 and 1993, the Company and certain of its subsidiaries repaid various mortgage loans outstanding with banks and other financial institutions resulting in extraordinary losses of approximately \$.8 and \$.6 million, respectively, or \$.02 per share in each year. These losses represent the net amount of discounts received, premiums paid and deferred financing and other costs written off in connection with the early satisfaction of these mortgage loans.

Net income for the year ended December 31, 1994 of approximately \$40.3 million, represented an improvement of approximately \$5.7 million, as compared with net income of approximately \$34.6 million for the preceding calendar year. Adjusting for the effects of non-recurring gains and extraordinary items during the respective periods, net income for 1994 increased by \$9.4 million, or \$.12 per share, compared to 1993. This substantially improved performance was attributable to property acquisitions and increased leasing activity which strengthened operating profitability.

LIQUIDITY AND CAPITAL RESOURCES

Completion of the Company's November 1991 initial public stock offering, which resulted in net cash proceeds of approximately \$116 million, permitted the Company to significantly deleverage its real estate portfolio and has made available the public debt and equity markets as the Company's principal source of capital for the future. A \$100 million, unsecured

revolving credit facility established in June 1994, which is scheduled to expire in June 1998, replaced the Company's \$50 million secured acquisition line and has made available funds to both finance the purchase of properties and meet any short-term working capital requirements. (See Note 6 of the Notes to Consolidated Financial Statements included in this Annual Report.) The Company has also implemented a \$150 million medium-term notes 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 and redevelopment costs and (ii) better managing the Company's debt maturities, including its mortgage maturities beginning in 1996.

Since the IPO, the Company has completed additional offerings of its public unsecured debt and equity raising in the aggregate over \$850 million for the purposes of repaying secured indebtedness, acquiring neighborhood and community shopping centers and for expanding and improving properties in the portfolio.

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 and growth in rental revenues in the existing portfolio and from other sources. 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 as suitable opportunities arise, and such other factors as the Board of Directors considers appropriate.

Although the Company receives most of its rental payments on a monthly basis, it 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.

It is management's intention that the Company continually have access to the capital resources necessary to expand and develop its business. Accordingly, the Company may seek to obtain funds through additional equity offerings or debt financing in a manner consistent with its intention to operate with a conservative debt capitalization policy.

The Company anticipates that adequate cash will be available from operations to fund its operating and administrative expenses, regular debt service obligations and the payment of dividends in accordance with REIT requirements in both the short-term and long-term.

EFFECTS OF INFLATION

Substantially all of the Company's leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions include clauses enabling the Company to receive percentage rents based on tenants' gross sales, which generally

increase as prices rise, and/or escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses are often related to increases 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 upon renewal to market rates. Most of the Company's leases require the tenant to pay an allocable share of operating expenses, including common area maintenance, 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 will, from time to time, enter into interest rate protection agreements which mitigate, but do not eliminate, the effect of changes in interest rates on its floating-rate loans.

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of KIMCO REALTY CORPORATION (the "Company") and SUBSIDIARIES as of December 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995. 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 in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kimco Realty Corporation and Subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.



COOPERS & LYBRAND L.L.P.

New York, New York

March 1, 1996

CONSOLIDATED BALANCE SHEETS

	December 31, 1995	December 31, 1994
ASSETS:		
Real Estate (Notes 1, 2, 7 and 17):		
Rental property		
Land	\$143,716,163	\$126,081,765
Buildings and improvements	787,287,971	669,301,798
	931,004,134	795,383,563
Less, accumulated depreciation and amortization	156,131,718	132,556,084
	774,872,416	662,827,479
Undeveloped land	1,386,127	1,227,700
Real estate, net	776,258,543	664,055,179
Investment in retail store leases (Note 3)	22,127,786	—
Investments and advances in real estate joint ventures (Notes 1 and 4)	12,626,831	9,707,103
Cash and cash equivalents (Note 5)	16,164,666	10,944,226
Accounts and notes receivable (Note 16)	16,146,808	15,206,552
Deferred charges and prepaid expenses (Note 1)	17,465,734	16,408,602
Other assets	23,451,766	20,386,844
	\$884,242,134	\$736,708,506
LIABILITIES & STOCKHOLDERS' EQUITY:		
Notes payable (Note 6)	\$325,250,000	\$305,200,000
Mortgages payable (Note 7)	63,972,735	67,799,204
Accounts payable and accrued expenses	19,253,444	18,091,038
Dividends payable	14,217,726	10,851,841
Other liabilities (Note 4)	10,100,578	9,308,051
	432,794,483	411,250,134
Minority interests in partnerships	4,297,191	4,746,572
Commitments and contingencies (Notes 3 and 14)		
Stockholders' equity (Notes 1, 6, 11, 13, 15 and 17)		
Preferred Stock, \$1 par value, authorized 1,850,000 shares		
Class A Preferred Stock, authorized 345,000 shares		
Issued and outstanding 300,000 shares	300,000	300,000
Aggregate liquidation preference \$75,000,000		
Class B Preferred Stock, authorized 230,000 shares		
Issued and outstanding 200,000 shares	200,000	—
Aggregate liquidation preference \$50,000,000		
Common stock, \$.01 par value, authorized 50,000,000 shares		
Issued and outstanding 33,731,348 and 30,097,896 shares, respectively	337,313	300,979
Paid-in capital	562,311,822	430,935,721
Cumulative distributions in excess of net income	(114,665,183)	(109,335,607)
	448,483,952	322,201,093
Notes receivable from officer stockholders	(1,333,492)	(1,489,293)
	447,150,460	320,711,800
	\$884,242,134	\$736,708,506

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

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1995	1994	1993
Revenues from rental property (Notes 1 and 14)	\$143,132,165	\$125,272,037	\$98,854,328
Rental property expenses:			
Rent (Notes 13 and 14)	1,301,340	1,289,777	1,355,072
Real estate taxes	16,869,710	16,214,776	11,813,420
Interest (Notes 6 and 7)	25,585,063	20,482,687	17,203,397
Operating and maintenance	18,935,374	19,097,677	13,177,666
Depreciation and amortization (Note 1)	26,187,794	23,477,865	19,897,940
	88,879,281	80,562,782	63,447,495
Income from rental property	54,252,884	44,709,255	35,406,833
Income from investment in retail store leases (Note 3)	1,810,505	—	—
	56,063,389	44,709,255	35,406,833
Management fee income (Notes 9 and 13)	3,736,062	2,970,512	2,788,039
General and administrative expenses (Note 15)	(8,831,626)	(8,511,622)	(7,903,265)
Equity in income (losses) of real estate joint ventures, net (Notes 1 and 4)	(288,582)	(74,101)	2,721,148
Minority interests in income of partnerships, net	(215,656)	(114,929)	(309,105)
Other income, net	1,458,212	2,092,223	1,342,243
Income before gain on sale of shopping center and extraordinary items	51,921,799	41,071,338	34,045,893
Gain on sale of shopping center (Note 12)	—	—	1,113,219
Income before extraordinary items	51,921,799	41,071,338	35,159,112
Extraordinary items (Note 8)	—	(824,635)	(586,197)
Net income	\$ 51,921,799	\$ 40,246,703	\$34,572,915
Net income applicable to common shares	\$ 44,291,243	\$ 34,434,203	\$32,990,790
Per common share (Notes 1 and 11):			
Income before extraordinary items	\$1.33	\$1.17	\$1.17
Net income	\$1.33	\$1.15	\$1.15

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1995, 1994 and 1993

(Notes 1, 6, 11, 13, 15 and 17)

	Preferred Stock		Common Stock		Paid-in	Cumulative	Valuation	Notes	Total
	Issued	Amount	Issued	Amount	Capital	Distributions in Excess of Net Income	Allowance	Receivable	Stockholders' Equity
Balance, December 31, 1992			24,884,693	\$248,847	\$247,393,182	(\$90,534,604)	(\$467,000)	(\$1,840,000)	\$154,800,425
Net income						34,572,915			34,572,915
Dividends (\$1.25 per common share and \$.2799 per Class A Depositary Share)						(36,864,608)			(36,864,608)
Issuance of preferred stock	300,000	\$300,000			71,884,475				72,184,475
Issuance of common stock			5,132,250	51,323	110,441,434				110,492,757
Exercise of common stock options			26,355	263	378,905				379,168
Net change in unrealized loss on securities							467,000		467,000
Collection of notes receivable								180,091	180,091
Balance, December 31, 1993	300,000	300,000	30,043,298	300,433	430,097,996	(92,826,297)	—	(1,659,909)	336,212,223
Net income						40,246,703			40,246,703
Dividends (\$1.69 per common share and \$1.9375 per Class A Depositary Share)						(56,756,013)			(56,756,013)
Exercise of common stock options			54,598	546	837,725				838,271
Collection of notes receivable								170,616	170,616
Balance, December 31, 1994	300,000	300,000	30,097,896	300,979	430,935,721	(109,335,607)	—	(1,489,293)	320,711,800
Net income						51,921,799			51,921,799
Dividends (\$1.47 per common share, \$1.9375 and \$.99757 per Class A and Class B Depositary Shares, respectively)						(57,251,375)			(57,251,375)
Issuance of preferred stock	200,000	200,000			47,975,027				48,175,027
Issuance of common stock			3,592,871	35,929	82,724,947				82,760,876
Exercise of common stock options			40,581	405	676,127				676,532
Collection of notes receivable								155,801	155,801
Balance, December 31, 1995	500,000	\$500,000	33,731,348	\$337,313	\$562,311,822	(\$114,665,183)	\$ —	(\$1,333,492)	\$447,150,460

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1995	1994	1993
Cash flow from operating activities:			
Net income	\$ 51,921,799	\$ 40,246,703	\$ 34,572,915
Adjustments for noncash items—			
Depreciation and amortization	26,187,794	23,477,865	19,897,940
Extraordinary items	—	824,635	586,197
Gain on sale of shopping center	—	—	(1,113,219)
Minority interests in income of partnerships, net	215,656	114,929	309,105
Equity in (income) losses of real estate joint ventures, net	288,582	74,101	(2,721,148)
Change in accounts and notes receivable	(940,256)	(4,201,513)	1,796,700
Change in accounts payable and accrued expenses	1,162,406	5,137,747	2,398,891
Change in other operating assets and liabilities	(4,602,986)	(2,741,867)	(841,493)
Net cash flow provided by operations	74,232,995	62,932,600	54,885,888
Cash flow from investing activities:			
Acquisition of and improvements to real estate	(105,139,671)	(133,736,793)	(123,464,959)
Investment in retail store leases	(23,026,673)	—	—
Acquisition of real estate through joint venture investment	(6,523,502)	—	—
Investment in marketable equity securities	(2,470,990)	—	—
Construction advances to real estate joint ventures	(1,870,500)	(8,445,819)	—
Reimbursement of construction advance to real estate joint venture	6,794,928	—	—
Proceeds from sale of shopping center	4,975,582	—	3,677,000
Net cash flow used for investing activities	(127,260,826)	(142,182,612)	(119,787,959)
Cash flow from financing activities:			
Principal payments on debt, excluding normal amortization of rental property debt	(29,037,746)	(122,138,914)	(195,995,686)
Principal payments on rental property debt, net	(1,221,912)	(948,303)	(2,112,030)
Change in notes payable	20,050,000	205,200,000	161,300,000
Dividends paid	(53,885,490)	(45,904,172)	(36,864,608)
Proceeds from issuance of stock	122,343,419	838,271	183,056,400
Net cash flow provided by financing activities	58,248,271	37,046,882	109,384,076
Increase (decrease) in cash and cash equivalents	5,220,440	(42,203,130)	44,482,005
Cash and cash equivalents, beginning of year	10,944,226	53,147,356	8,665,351
Cash and cash equivalents, end of year	\$ 16,164,666	\$ 10,944,226	\$ 53,147,356
Supplemental schedule of noncash investing/financing activity:			
Acquisition of real estate interests by issuance of common stock and assumption of debt	\$ 38,714,717	—	\$ 52,379,481
Declaration of dividends paid in succeeding year	\$ 14,217,726	\$ 10,851,841	—

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"), 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. Additionally, the Company provides management services for shopping centers owned by affiliated entities and various real estate joint ventures.

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties and a large tenant base, avoiding dependence on any single property or tenant. At December 31, 1995, the Company's single largest community shopping center and tenant accounted for only 3.0% and 3.3%, respectively, of the Company's annualized base rental revenues.

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 majority-owned partnerships. All significant intercompany balances and transactions have been eliminated in consolidation.

Generally accepted accounting principles 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. Actual results may differ from such estimates.

Real Estate

Real estate assets are stated at cost, less accumulated depreciation. Such carrying amounts would be adjusted, if necessary, to reflect an impairment in the value of the assets. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	15 to 39 years
Fixtures and leasehold improvements	Terms of leases or useful lives, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations are capitalized.

Investments in Joint Ventures

Investments in real estate joint ventures are accounted for on the equity method.

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

Minimum revenues from rental property are recognized on a straight-line basis over the terms of the related leases.

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 Real Estate Investment Trust (a "REIT") for Federal income tax purposes. Accordingly, the Company generally will not be subject to Federal income tax, provided that distributions to stockholders equal at least the amount of its REIT taxable income as defined under the Code.

Per Share Data

On November 30, 1995, the Company's Board of Directors declared a three-for-two split (the "Stock Split") of the Company's Common Stock which was effected in the form of a stock dividend paid on December 21, 1995 to stockholders of record on December 12, 1995. All share and per share data included in the accompanying Consolidated Financial Statements and Notes thereto have been adjusted to reflect this Stock Split.

Income per share of common stock is based upon 33,388,004, 30,072,486 and 28,657,379 weighted average numbers of common shares outstanding during years 1995, 1994, and 1993, respectively.

Reclassifications

Certain account balances in the accompanying Consolidated Financial Statements have been reclassified to conform with the current year presentation.

2. PROPERTY ACQUISITIONS:

During the years 1995, 1994 and 1993 certain subsidiaries of the Company acquired real estate interests in various shopping center properties at aggregate costs of approximately \$83 million, \$89 million and \$164 million, respectively. These acquisitions have been funded principally through the application of proceeds from the Company's public unsecured debt and equity offerings. (See Notes 13 and 17.)

3. INVESTMENT IN RETAIL STORE LEASES:

During July 1995, certain subsidiaries of the Company obtained interests in 60 retail store leases relating to approximately 5.4 million square feet of anchor store premises in neighborhood and community shopping centers for an aggregate price of approximately \$23 million. These premises have been substantially sublet to retailers which lease the stores pursuant to net lease agreements. Income from the investment in these retail store leases during the year ended December 31, 1995 was approximately \$1.8 million. The amount represents sublease revenues of approximately \$8.7 million less related expenses of \$6.0 million and an amount, which in management's estimate, reasonably provides for the recovery of the \$23 million investment over a ten-year period. The Company's future minimum revenues under the terms of all noncancellable tenant subleases and future minimum obligations through the remaining primary terms of its retail store leases are as follows (in millions of dollars): 1996, \$18.8 and \$14.8; 1997, \$18.4 and \$14.5; 1998, \$17.2 and \$12.9; 1999, \$13.1 and \$10.1; 2000, \$9.3 and \$7.3; and thereafter \$14.4 and \$10.3, respectively.

4. INVESTMENTS AND ADVANCES IN REAL ESTATE JOINT VENTURES:

The Company and its subsidiaries have investments in and advances to various real estate joint ventures. These joint ventures are engaged in the operation of shopping centers which are either owned or held under long-term operating leases. Summarized financial information for the recurring operations of these joint ventures is as follows (in millions of dollars):

	December 31,		
	1995	1994	
Assets:			
Real estate, net	\$40.0	\$19.6	
Other assets	5.3	4.4	
	<u>\$45.3</u>	<u>\$24.0</u>	
Liabilities and Partners' Capital (Deficit):			
Mortgages payable	\$31.2	\$28.0	
Other liabilities	13.2	3.5	
Partners' capital (deficit)	.9	(7.5)	
	<u>\$45.3</u>	<u>\$24.0</u>	
	1995	1994	1993
Revenues from rental property	\$8.3	\$7.5	\$7.8
Operating expenses	(2.1)	(1.7)	(1.7)
Mortgage interest	(2.4)	(1.8)	(2.2)
Depreciation and amortization	(2.0)	(1.6)	(1.6)
Other, net	(1.2)	(1.3)	(1.1)
Net income	<u>\$.6</u>	<u>\$1.1</u>	<u>\$1.2</u>

Other liabilities in the accompanying Consolidated Balance Sheets include accounts with certain real estate joint ventures totaling approximately \$4.7 and \$5.4 million at December 31, 1995 and 1994, respectively. The Company and its subsidiaries have varying equity interests in these joint ventures which may differ from their proportionate share of net income or loss recognized in accordance with generally accepted accounting principles.

5. 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 \$1 million at December 31, 1995 and 1994, 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.

6. NOTES PAYABLE:

During April 1995, the Company implemented a \$150 million medium-term notes ("MTN") program pursuant to which it may from time to time offer for sale its senior unsecured debt for any general corporate purposes, including (i) funding specific liquidity requirements in its business, including property acquisition and redevelopment costs, and (ii) better managing the Company's debt maturities, including its mortgage maturities beginning in 1996.

As of December 31, 1995, a total principal amount of \$60.25 million in fixed rate senior unsecured notes had been issued under the MTN program for the acquisition of neighborhood and community shopping centers and the expansion and improvement of properties in the Company's portfolio. These notes have maturities ranging from ten to twelve years and bear interest at rates ranging from 6.70% to 7.91%. Interest on these fixed rate senior unsecured notes is payable semi-annually in arrears.

During February 1994, the Company raised \$100 million through a public offering of 5-year, floating rate senior unsecured notes. These Floating Rate Senior Notes due 1999 bear interest at LIBOR plus .5% (6.4% at December 31, 1995) and were sold at a price of 99.774%. Concurrently, the Company also raised an additional \$50 million through a public offering of 4-1/4 year, floating rate senior unsecured notes. These Floating Rate Senior Notes due 1998, redeemable at par at the option of the Company after May 11, 1996, bear interest at LIBOR plus .5% (6.4% at December 31, 1995) and were sold at par. Interest on these floating-rate, senior unsecured note issues resets and is payable quarterly in arrears. The proceeds from these offerings have been utilized for the retirement of then outstanding, floating-rate secured

indebtedness, the acquisition of neighborhood and community shopping centers and the expansion and improvement of properties in the Company's portfolio.

During October 1993, the Company completed the sale of \$100 million aggregate principal amount of its 6.5%, unsecured Senior Notes due 2003. Interest on these senior unsecured notes is payable semi-annually in arrears. The net cash proceeds to the Company of approximately \$97.8 million have been utilized to acquire neighborhood and community shopping centers and to expand and improve properties in the portfolio.

In accordance with the terms of the Indenture 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 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 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 Company maintains a \$100 million, unsecured revolving credit agreement with a group of banks. Borrowings under this facility are available for general corporate purposes, including property acquisitions and redevelopment. Interest on borrowings accrues at a spread (currently .75%) to LIBOR which fluctuates in accordance with changes in the Company's senior debt ratings. The applicable spreads to LIBOR increase by .25% when outstanding borrowings exceed \$50,000,000. A fee approximating .18% per annum is payable on that portion of the facility which remains unused. Pursuant to the terms of the agreement, the Company, among other things, is (a) subject to maintaining certain maximum leverage ratios on both senior corporate and secured debt, a minimum debt service coverage ratio and minimum unencumbered asset and equity levels, and (b) restricted from paying dividends in amounts that exceed 90% of funds from operations, as defined, plus 10% of the Company's stockholders' equity determined in accordance with generally accepted accounting principles. Borrowings outstanding under this facility totaled \$15 million at December 31, 1995. This revolving credit facility is scheduled to expire in June 1998.

7. MORTGAGES PAYABLE:

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 2007. Interest rates range from approximately 6.8% to 12.9% (averaging 8.6% as of December 31, 1995). The scheduled maturities of all mortgages payable as of December 31, 1995, are approximately as follows (in millions of dollars): 1996, \$8.6; 1997, \$5.7; 1998, \$5.7; 1999, \$19.8; 2000, \$7.0; and thereafter, \$17.2.

Three of the Company's properties are encumbered by approximately \$14.2 million in floating-rate, tax-exempt mortgage bond financing. The rates on the bonds are reset annually, at which time bondholders have the right to require the Company to repurchase the bonds. The Company has engaged a remarketing agent for the purpose of offering for resale those bonds that are tendered to the Company. All bonds tendered for redemption in the past have been remarketed and the Company has arrangements, including letters of credit, with banks to both collateralize the principal amount and accrued interest on such bonds and to fund any repurchase obligations.

8. EXTRAORDINARY ITEMS:

The Consolidated Statements of Income for years 1994 and 1993 include approximately \$.8 million and \$.6 million, respectively, or \$.02 per share in each year, representing the net amount of discounts received, premiums paid and deferred financing and other costs written-off in connection with the early satisfaction of mortgage debt.

9. KC HOLDINGS, INC.:

To facilitate the Company's November 1991 initial public stock offering (the "IPO"), forty-six shopping center properties and certain other assets, together with indebtedness related thereto, were transferred to subsidiaries of KC Holdings, Inc. ("KC Holdings"), a newly-formed corporation that is owned by the stockholders of the Company prior to the IPO. The Company continues to manage eighteen of these shopping center properties and was granted ten-year, fixed-price options to reacquire the real estate assets owned by KC Holdings' subsidiaries, subject to any liabilities outstanding with respect to such assets at the time of an option exercise. As of December 31, 1995, KC Holdings' subsidiaries had conveyed 14 shopping centers back to the Company and had disposed of ten additional centers in transactions with third parties. The members of the Company's Board of Directors who are not also shareholders of KC Holdings unanimously approved the purchase of each of the 14 shopping centers that have been reacquired by the Company from KC Holdings. (See Note 13.)

The summarized financial position for the twenty-two properties owned by KC Holdings' subsidiaries as of December 31, 1995, is as follows (in millions of dollars):

	December 31,
	1995
Real estate:	
Land	\$ 8.0
Buildings and improvements	63.7
	71.7
Less, accumulated depreciation and amortization	14.9
Real estate, net	56.8
Other assets	6.3
Notes and mortgages payable	(66.6)
Accounts payable and accrued expenses	(3.1)
Other liabilities	(1.5)
Net liabilities	<u>\$(8.1)</u>

Condensed operating information for KC Holdings' real estate subsidiaries for the year ended December 31, 1995, is as follows:

Revenues from rental property	\$12.0
Rental property expenses, including depreciation and amortization of \$2.2	(12.3)
Loss from rental operations	<u>\$(.3)</u>

10. 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 (including discounted cash flow analyses with regard to fixed rate debt) considered appropriate, reasonably approximate their fair values. Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Company's financial instruments.

11. PREFERRED AND COMMON STOCK:

On July 26, 1995, the Company completed a public offering of 2,000,000 Depositary Shares (the "Class B Depositary Shares") at \$25.00 per share, each such Class B Depositary Share representing 1/10 of a share of the Company's 8-1/2% Class B Cumulative Redeemable Preferred Stock (the "Class B Preferred Stock"), par value \$1.00 per share. The cash proceeds to the Company, net of related transaction costs of

approximately \$1.8 million, totaling approximately \$48.2 million, have been used for the acquisition of interests in neighborhood and community shopping centers, and the redevelopment, expansion and improvement of properties in the Company's portfolio.

Dividends on the Class B Depositary Shares are cumulative and payable quarterly in arrears at the rate of 8-1/2% per annum based on the \$25 per share initial offering price, or \$2.125 per share. The Class B Depositary Shares are redeemable for cash, in whole or in part, on or after July 15, 2000 at the option of the Company at a redemption price of \$25 per share, plus any accrued and unpaid dividends thereon. The redemption price of the Class B Preferred Stock may be paid solely from the sale proceeds of other capital stock of the Company, which may include other classes or series of preferred stock. The Class B Depositary Shares are not convertible or exchangeable for any other property or securities of the Company. The Class B Preferred Stock (represented by the Class B Depositary Shares outstanding) ranks *pari passu* with the Company's 7-3/4% Class A Cumulative Redeemable Preferred Stock as to voting rights, priority for receiving dividends and liquidation preferences as set forth below.

On September 23, 1993, the Company sold 3,000,000 Depositary Shares (the "Class A Depositary Shares") to the public at \$25.00 per share, each such Class A Depositary Share representing 1/10 of a share of the Company's 7-3/4% Class A Cumulative Redeemable Preferred Stock (the "Class A Preferred Stock"), par value \$1.00 per share. The cash proceeds to the Company, net of related transaction costs of \$2.8 million, totaling approximately \$72.2 million, have been used to repay certain then outstanding secured indebtedness.

Dividends on the Class A Depositary Shares are cumulative and payable quarterly in arrears at the rate of 7-3/4% per annum based on the \$25 per share initial offering price, or \$1.9375 per share. The Class A Depositary Shares are redeemable for cash, in whole or in part, on or after September 23, 1998 at the option of the Company, at a redemption price of \$25 per share, plus any accrued and unpaid dividends thereon. The Class A Depositary Shares are not convertible or exchangeable for any other property or securities of the Company. The Class A Preferred Stock (represented by the Class A Depositary Shares outstanding) ranks *pari passu* with the Company's Class B Preferred Stock as to voting rights, priority for receiving dividends and liquidation preferences as set forth below.

Voting Rights—As to any matter on which the Class A Preferred Stock and Class B Preferred Stock (collectively, the "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 A and each Class B 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 per Class A and Class B Depositary Share, respectively), 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 Common Stock or any other capital stock that ranks junior to the Preferred Stock as to liquidation rights.

On January 24, 1995, the Company completed a primary public stock offering with the sale of 2,700,000 shares of Common Stock at \$24.17 per share. Effective January 31 and February 16, 1995, the Company sold an additional 225,000 and 129,300 shares, respectively, of Common Stock at \$24.17 per share pursuant to elections by the underwriters to exercise, in part, their over-allotment option. The cash proceeds to the Company from these sales of Common Stock, net of related transaction costs of approximately \$4.3 million, totaling approximately \$69.5 million, have been used to (a) repay \$20.8 million in debt assumed in connection with the acquisition of nine shopping centers from a subsidiary of KC Holdings, (b) temporarily repay borrowings under the Company's revolving credit facility, and (c) expand and improve properties in the Company's portfolio. (See Note 13.)

On April 7, 1993, the Company completed a primary public stock offering with the sale of 4,500,000 shares of Common Stock at \$22.83 per share. Effective April 19, 1993, the Company sold an additional 632,250 shares of Common Stock at \$22.83 per share pursuant to an election by the underwriters to exercise, in part, their over-allotment option. The proceeds from these sales of Common Stock, net of related transaction costs of approximately \$6.7 million, totaling approximately \$110.5 million, have been used primarily to acquire neighborhood and community shopping centers and to expand and improve properties in the Company's portfolio.

12. DISPOSITIONS OF REAL ESTATE:

During March 1995, a subsidiary of the Company disposed of a property in Vernon, Connecticut. Cash proceeds from the disposition totaled approximately \$5.0 million, and the purchaser acquired the property subject to approximately \$3.0 million in mortgage debt. The cash proceeds, together with approximately \$4.7 million in cash, have been used to acquire exchange shopping centers located in Richmond, Virginia and South Miami, Florida.

During February 1993, the Company disposed of a property in New Port Richey, Florida. Proceeds from the disposition totaled approximately \$3.7 million cash, resulting in a gain of approximately \$1.1 million. Such proceeds, together with an additional \$4.8 million cash, were used to acquire an exchange shopping center property located in Lexington, Kentucky.

13. TRANSACTIONS WITH RELATED PARTIES:

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. The Consolidated Statements of Income include management fee income from KC Holdings of approximately \$.6 million, \$.8 million, and \$.9 million during years 1995, 1994, and 1993, respectively.

During January 1995, the Company exercised its option to acquire nine shopping center properties from a subsidiary of KC Holdings. These shopping centers, comprising approximately 1.2 million square feet of gross leasable area, were acquired for an aggregate option purchase price of approximately \$39 million, paid \$9.3 million in shares of the Company's Common Stock (valued at \$24.17 per share) and \$29.7 million through the assumption of debt encumbering the properties. Approximately \$20.8 million of the debt assumed in connection with the acquisition of these properties was repaid by the Company immediately following the purchase with proceeds from its January 1995, Common Stock offering. The members of the Company's Board of Directors who are not also shareholders of KC Holdings unanimously approved the Company's purchase of these nine shopping centers.

During 1995, 1994 and 1993, certain subsidiaries of the Company operated shopping centers pursuant to long-term lease agreements with joint ventures in which certain stockholders of the Company had economic interests. Annual rent expenses paid to these joint ventures amounted to less than \$.2 million for 1995, 1994 and 1993, respectively.

Reference should be made to Notes 4 and 9 for further information regarding transactions with related parties.

14. COMMITMENTS AND CONTINGENCIES:

The Company and its subsidiaries are engaged in the operation of shopping centers which are either owned or held under long-term leases which expire at various dates through 2076. The companies 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 97%, 97% and 96% of total revenues from rental property during years 1995, 1994 and 1993, respectively.

The future minimum revenues from rental property under the terms of all noncancellable tenant leases, assuming no new or renegotiated leases are executed for such premises, for future years are approximately as follows (in millions of dollars): 1996, \$117.6; 1997, \$109.4; 1998, \$101.4; 1999, \$93.4; 2000, \$81.1; and thereafter, \$613.1.

Minimum rental payments under the terms of all non-cancellable operating leases pertaining to its shopping center portfolio for future years are approximately as follows (in millions of dollars): 1996, \$1.3; 1997, \$1.1; 1998, \$1.1; 1999, \$1.1; 2000, \$1.1; and thereafter, \$37.7.

15. INCENTIVE PLANS:

The Company maintains a stock option plan (the "Plan") pursuant to which a maximum 3,000,000 shares of Common Stock may be issued for qualified and non-qualified options. Options granted under the Plan generally vest ratably over a three-year term, expire ten years from the date of grant and are exercisable at the market price on the date of grant, unless otherwise determined by the Board in its sole discretion.

In December 1992, the Executive Compensation Committee of the Board authorized the acceleration of exercisability of options to acquire 240,000 shares of Common Stock at \$13.33 per share held by certain executive officers of the Company. Loans aggregating approximately \$1.8 million were extended by the Company to these executive officers to supplement available margin loans and partially fund the purchase of a total 300,000 shares of Common Stock held under vested options by these individuals. The loans bear interest at 6% per annum, are collateralized by the shares of Common Stock purchased and are repayable over an average term of approximately eight years.

Information with respect to stock options granted during 1995, 1994 and 1993 is as follows:

	Shares	Weighted Average Exercise Price Per share
Options outstanding, December 31, 1992	478,560	\$16.66
Exercised	(26,355)	\$14.39
Granted	442,537	\$21.19
Options outstanding, December 31, 1993	894,742	\$18.97
Exercised	(54,598)	\$15.35
Granted	229,125	\$22.35
Options outstanding, December 31, 1994	1,069,269	\$19.87
Exercised	(40,581)	\$16.67
Granted	423,540	\$24.96
Options outstanding, December 31, 1995	1,452,228	\$21.44
Options exercisable — December 31, 1993	233,076	\$16.75
December 31, 1994	484,968	\$18.32
December 31, 1995	762,204	\$19.45

Options to purchase 1,115,873, 39,413 and 268,538 shares of Common Stock were available for issuance under the Plan at December 31, 1995, 1994 and 1993, respectively.

The Company maintains a 401(k) retirement plan covering substantially all officers and employees which permits participants to defer up to a maximum 10% of their compensation. This deferred compensation, together with Company matching contributions which generally equal employee deferrals up to a maximum of 5%, is fully vested and funded as of December 31, 1995. Company contributions to the plan totaled less than \$.2 million for each of years 1995, 1994 and 1993.

16. SUPPLEMENTAL FINANCIAL INFORMATION:

The following summary represents the results of operations, expressed in thousands except per share amounts, for each quarter during years 1995 and 1994.

1995 (Unaudited)				
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property	\$34,448	\$36,454	\$35,958	\$36,272
Income before extraordinary items	\$12,005	\$12,860	\$13,875	\$13,182
Net income	\$12,005	\$12,860	\$13,875	\$13,182
Income before extraordinary items, per common share	\$.32	\$.34	\$.35	\$.32
Net income, per common share	\$.32	\$.34	\$.35	\$.32

1994 (Unaudited)				
	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues from rental property	\$30,058	\$31,124	\$32,006	\$32,084
Income before extraordinary items	\$10,222	\$10,117	\$10,269	\$10,463
Net income	\$ 9,398	\$10,117	\$10,269	\$10,463
Income before extraordinary items, per common share	\$.29	\$.29	\$.29	\$.30
Net income, per common share	\$.27	\$.29	\$.29	\$.30

Interest paid during years 1995, 1994 and 1993 approximated \$25.0 million, \$19.3 million and \$15.8 million, respectively.

Accounts and notes receivable in the accompanying Consolidated Balance Sheets are net of estimated unrecoverable amounts of approximately \$1.4 million and \$1.0 million at December 31, 1995 and 1994, respectively.

17. SUBSEQUENT EVENTS:

On February 2, 1996, the Company completed a primary public stock offering with the sale of 2,200,000 shares of Common Stock at \$26.50 per share. The proceeds from this sale of Common Stock, net of related transaction costs of approximately \$3.4 million, totaling approximately \$55.0 million, have been used primarily for the acquisition of neighborhood and community shopping centers.

During January 1996, the Company entered into two sale-leaseback transactions pursuant to which it acquired fee title to 16 retail properties located in Texas, Iowa, Oklahoma, Illinois and Kansas for a purchase price of \$40 million. Simultaneously, the Company executed two long-term net leases covering the 16 locations pursuant to which the seller/tenant may remain in occupancy and continue to conduct business in these premises.

18. PRO FORMA FINANCIAL INFORMATION (UNAUDITED):

The Company and certain of its subsidiaries acquired and disposed of interests in shopping center properties during 1995. The pro forma financial information set forth below is based upon the Company's historical Consolidated Statements of Income for years 1995 and 1994, adjusted to give effect to these acquisitions as of January 1, 1994.

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 acquisitions occurred on January 1, 1994, nor does it purport to represent the results of operations for future periods. (Amounts presented in millions of dollars, except per share figures.)

Year Ended December 31	1995	1994
Revenues from rental property	\$147.8	\$136.1
Income before extraordinary items	\$53.2	\$45.5
Income before extraordinary items, per common share	\$1.39	\$1.28

C O R P O R A T E D I R E C T O R Y

Directors

Martin S. Kimmel
Chairman (Emeritus) of the Board

Milton Cooper
Chairman of the Board

Michael J. Flynn
Vice Chairman of the Board

David M. Samber
President and Chief Operating Officer

Richard G. Dooley
Executive Vice President and
Chief Investment Officer—Retired
Massachusetts Mutual
Life Insurance Company

Frank Lourenso
Executive Vice President
Chemical Bank, N.A.

Officers

Milton Cooper
Chairman

Michael J. Flynn
Vice Chairman

David M. Samber
President and Chief Operating Officer

Louis J. Petra
Chief Financial Officer

Joseph V. Denis
Vice President, Construction

Bruce M. Kauderer
Vice President, Legal

Robert P. Schulman
General Counsel and Secretary

Alex Weiss
Vice President,
Management Information Systems

Executive Offices

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516-869-9000

Regional Offices

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Philadelphia, PA
215-322-2750

Counsel

Latham & Watkins
New York, NY

Auditors

Coopers & Lybrand L.L.P.
New York, NY

Registrar and Transfer Agent

The First National Bank of Boston
Blue Hills Office Park
150 Royall Street
Canton, MA 02021
617-575-2669

Stock Listing

NYSE — Symbols KIM, KIMprA, KIMprB, KIMprC

10-K Report

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

Investor Relations
Kimco Realty Corporation
3333 New Hyde Park Road
Suite 100
New Hyde Park, NY 11042

Annual Meeting of Stockholders

Stockholders of Kimco Realty Corporation are cordially invited to attend the Annual Meeting of Stockholders scheduled for Wednesday, May 22, 1996, at 270 Park Avenue, New York City, New York, 11th floor, Room C at 2:00 p.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 and/or optional cash investments 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 First National Bank of Boston
Dividend Reinvestment Dept.
Mail Stop 45-01-06
P.O. Box 1681
Boston, MA 02105-1681

Taxability of Dividends

The Company has determined that all dividends paid to its common and preferred stockholders during calendar year 1995 represent ordinary dividend income.

Market for the Registrant's Common Equity
and Related Shareholder Matters

Market Information The Company completed its IPO on November 22, 1991. Shares of Common Stock were sold for cash or exchanged for mortgage debt and equity interests in certain of the Company's shopping center properties based upon an initial public offering price of \$13.33 per share. Additional primary public stock offerings were completed in June 1992, April 1993, and January 1995, wherein shares of Common Stock were sold for cash or exchanged for equity interests in shopping center properties based upon \$16.92, \$22.83 and \$24.17 per share offering prices, respectively. The fifth and most recent primary public offering of the Company's Common Stock was completed in February 1996, wherein shares were sold for cash based upon a \$26.50 per share offering price.

The high and low closing sales prices for the Company's Common Stock, which is currently traded on the New York Stock Exchange under the trading symbol "KIM", for each quarter during the two years ended December 31, 1995, were as follows:

<u>Period</u>	<u>Stock Price</u>	
	<u>High</u>	<u>Low</u>
Jan. 1, 1994 - Mar. 31, 1994	25.92	22.50
Apr. 1, 1994 - June 30, 1994	24.92	23.42
July 1, 1994 - Sept. 30, 1994	25.25	23.83
Oct. 1, 1994 - Dec. 31, 1994	25.50	22.17
Jan. 1, 1995 - Mar. 31, 1995	26.00	23.75
Apr. 1, 1995 - June 30, 1995	26.67	24.83
July 1, 1995 - Sept. 30, 1995	27.50	25.25
Oct. 1, 1995 - Dec. 31, 1995	28.17	23.92

Holdings The approximate number of holders of record of the Company's Common Stock, par value \$.01 per share, was 414 as of March 1, 1996.

Dividends Since the IPO, the Company has paid regular quarterly dividends to its stockholders.

Quarterly dividends at the rate of \$.333 per share were declared and paid during 1994 on January 14 and February 15, April 15 and May 16, July 15 and August 15 and October 14 and November 15, respectively. Quarterly dividends at the increased rate of \$.36 per share were declared and paid on November 29, 1994 and January 17, 1995, March 15, 1995 and April 17, 1995, June 15, 1995 and July 17, 1995 and September 15, 1995 and October 16, 1995, respectively. On November 30, 1995, the Company declared its dividend payable during the first quarter of 1996 at the increased rate of \$.39 per share due January 16, 1996 to shareholders of record on January 2, 1996. This \$.39 per share dividend, if annualized, would equal \$1.56 per share, or an annual yield of approximately 5.7% based on the closing price of the Company's Common Stock on the New York Stock Exchange as of March 1, 1996.

The Company has determined that 100% of the total \$1.44 and \$1.33 per share in dividends paid during 1995 and 1994, respectively, represented ordinary dividend income to its stockholders.

While the Company intends to continue paying regular quarterly dividends, future dividend declarations will be at the discretion of the Board of Directors and will depend on the actual cash flow of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Directors deems relevant. The actual cash flow available to pay dividends will be affected by a number of factors, including the revenues received from rental properties, the operating expenses of the Company, the interest expense on its borrowings, the ability of lessees to meet their obligations to the Company and any unanticipated capital expenditures.

In addition to its Common Stock offerings, the Company has capitalized the growth in its business through the issuance of medium-term notes, fixed and floating-rate underwritten bonds and perpetual preferred stock. Borrowings under the Company's revolving credit facility have also been an interim source of funds to both finance the purchase of properties and meet any short-term working capital requirements. The various instruments governing the Company's issuance of its unsecured public debt, bank debt and preferred stock impose certain restrictions on the Company with regard to dividends, voting, liquidation and other preferential rights available to the holders of such instruments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 6 and Note 11 of the Notes to Consolidated Financial Statements included in the 1995 Annual Report.

The Company does not believe that the preferential rights available to the holders of its Class A and Class B Preferred Stock, the financial covenants contained in its public bond Indenture and its revolving credit agreement, will have any adverse impact on the Company's ability to pay dividends in the normal course to its common stockholders or to distribute amounts necessary to maintain its qualification as a REIT.

The Company maintains a dividend reinvestment program pursuant to which common and preferred stockholders may elect to automatically reinvest their dividends in shares of Common Stock. The Company may, from time to time, either (i) repurchase shares of Common Stock in the open market, or (ii) issue new shares of Common Stock, for the purpose of fulfilling its obligations under this dividend reinvestment program.

Selected Financial Data

The following table sets forth selected, historical consolidated financial data for the Company and should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto included in the 1995 Annual Report. This financial information does not include (except as relates to shopping centers that have been repurchased by the Company from KC Holdings) the assets and liabilities of the Company that were transferred to subsidiaries of KC Holdings as part of the Company's reorganization effected in connection with its IPO. All per share information set forth in the table has been restated to reflect a stock split and recapitalization effected immediately prior to completion of the IPO and the Stock Split effected in December 1995.

Prior to consummation of its IPO, the Company was a privately-held taxable corporation and operated in a manner so as to minimize net taxable income. As a result, although the Company's properties have consistently generated positive net cash flow, the Company incurred net losses during fiscal periods preceding 1992.

The Company believes that the book value of its real estate assets, which reflects the historical costs of such real estate assets less accumulated depreciation, is not indicative of the current market value of its properties. Historical operating results are not necessarily indicative of future operating performance.

	Year Ended December 31,				Eight Months Ended December 31, 1991	Year Ended April 30, 1991
	1995	1994	1993	1992		
	(in thousands, except per share data)					
Operating Data:						
Revenues from rental property ⁽¹⁾	\$143,132	\$125,272	\$98,854	\$78,769	\$48,408	\$73,361
Depreciation and amortization	\$26,188	\$23,478	\$19,898	\$16,829	\$10,744	\$16,010
Loss from operations transferred to KC Holdings	--	--	--	--	(\$3,714)	(\$7,107)
Income (loss) before extraordinary items	\$51,922	\$41,071	\$35,159 (4)	\$18,964	(\$860)	(\$16,222)
Income (loss) per common share, before extraordinary items	\$1.33	\$1.17	\$1.17 (4)	\$0.83	(\$.07)	(\$1.68)
Funds from operations ⁽²⁾ (3)	\$72,128	\$59,638	\$50,869	\$36,625	\$10,799	\$6,890
Interest expense	\$25,585	\$20,483	\$17,203	\$18,217	\$21,983	\$38,293
Weighted average number of shares of common stock outstanding	33,388	30,072	28,657	22,709	12,254	9,654
Cash dividends per common share	\$1.44	\$1.33	\$1.25	\$0.99	--	--
Balance Sheet Data:						
Real estate, before accumulated depreciation	\$932,390	\$796,611	\$662,874	\$490,367	\$440,894	\$427,949
Total assets	\$884,242	\$736,709	\$652,823	\$453,330	\$408,523	\$398,217
Total debt	\$389,223	\$372,999	\$290,886	\$278,026	\$291,763	\$408,729

(1) Does not include revenues from rental property relating to unconsolidated joint ventures.

(2) Industry analysts generally consider funds from operations to be an appropriate measure of the performance of an equity REIT. Funds from operations is defined as net income (loss) before depreciation and amortization, extraordinary items, loss from operations transferred to KC Holdings, gains or losses on sales of real estate, gains or losses on investments in marketable securities and benefit for income taxes, plus funds from operations of unconsolidated joint ventures determined on a consistent basis, less preferred stock dividends. Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and therefore should not be considered a substitute for net income as a measure of results of operations, or for cash flows from operations calculated in accordance with generally accepted accounting principles as a measure of liquidity.

(3) Funds from operations for the fiscal year ended April 30, 1991 have been reduced by approximately \$1 million representing non-recurring property expenditures.

(4) Includes approximately \$3.4 million, of \$.12 per share, in non-recurring gains related to the sale of a shopping center and a casualty claim related to a joint venture property.