NOTE 1: BACKGROUND

Alexandria Real Estate Equities, Inc. is a real estate investment trust ("REIT") formed in 1994. We are engaged primarily in the owner-ship, operation, management, acquisition, expansion and selective redevelopment and development of properties containing a combi-nation of office and laboratory space. We refer to these properties as "life science facilities." Our life science facilities are designed and improved for lease primarily to pharmaceutical, biotechnology, life science product and service companies, not-for-profit scientific research institutions, universities and related government agencies. As of December 31, 2003, our portfolio consisted of 89 properties in nine states with approximately 5,669,000 rentable square feet, compared to 89 properties in nine states with approximately 5,740,000 rentable square feet as of December 31, 2002.

NOTE 2: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Alexandria and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and lia-bilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following (in thousands):

December 31,	2003	2002
Unrealized gain on marketable securities	$ 824	$ 214
Unrealized loss on interest rate swap agreements	(6,299)	(9,038)
	$ (5,475)	$ (8,824)