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MISSION WEST PROPERTIES INC

Form 8-K

October 17, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of report (date of earliest event reported): October 15, 2003

MISSION WEST PROPERTIES, INC.  
(Exact name of registrant as specified in its charter)

Maryland ----- (State or other jurisdiction of incorporation)	Commission File Number:  1-8383	95-2635431 ----- (I.R.S. Employer Identification)
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10050 Bandlely Drive, Cupertino, California 95014  
(Address of principal executive offices)

(408) 725-0700  
(Registrant's telephone number, including area code)

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ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS.

(a) The following information is being furnished by the Company as required for Item 12(a) of this report and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934:

On October 15, 2003, the Company issued a press release announcing its earnings results for the quarter ended September 30, 2003. The press release is attached to this Current Report as Exhibit 99.1 and is incorporated by reference in response to Item 12(a) of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MISSION WEST PROPERTIES, INC.

Date: October 16, 2003

By: /s/ Wayne N. Pham

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Wayne N. Pham  
Vice President of Finance and Controller

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Exhibit 99.1

[GRAPHIC OMITTED]

PRESS RELEASE

For Immediate News Release  
October 15, 2003

MISSION WEST PROPERTIES, INC. ANNOUNCES THIRD QUARTER 2003 EARNINGS RESULTS

"WE BUILD THE BUILDINGS FOR THE HIGH TECH COMPANIES THAT BUILD THE INTERNET"

CUPERTINO, CA - MISSION WEST PROPERTIES, INC. (AMEX/PCX: MSW) reported today that Funds From Operations ("FFO") for the quarter ended September 30, 2003 was \$29,214,000 or \$0.28 per diluted common share (considering the potential effect of all O.P. units being exchanged for shares of the Company's common stock) as compared to \$29,051,000 or \$0.28 per diluted common share for the same period in 2002. On a sequential quarter basis, FFO per diluted common share remained the same compared to the previous quarter ended June 30, 2003.

Net income to common stockholders per diluted share was \$0.22 for the quarter ended September 30, 2003 compared to \$0.26 for the same period in 2002. For the nine months ended September 30, 2003, net income to common stockholders per diluted share was \$0.68, down from \$0.77 per diluted share from one year ago, which included \$0.06 from the sale of real estate included in discontinued operations.

COMPANY PROFILE

Mission West Properties, Inc. operates as a self-managed, self-administered and

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fully integrated REIT engaged in the management, leasing, marketing, development and acquisition of commercial R&D properties, primarily located in the Silicon Valley portion of the San Francisco Bay Area. Currently, the Company manages 108 properties totaling approximately 7.8 million square feet. For additional information, please contact Investor Relations at 408-725-0700.

The matters described herein contain forward-looking statements. Such statements can be identified by the use of forward-looking terminology such as "will", "anticipate", "estimate", "expect", "intends", or similar words. Forward-looking statements involve a number of risks, uncertainties or other factors beyond the Company's control, which may cause material differences in actual results, performance or other expectations. These factors include, but are not limited to, the ability to complete acquisitions under the Berg Land Holdings Option Agreement with the Berg Group and other factors detailed in the Company's registration statements, and periodic filings with the Securities & Exchange Commission.

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### MISSION WEST PROPERTIES, INC. SELECTED FINANCIAL DATA

(In thousands, except share, per share and property data amounts)

	Three Months Ended Sept 30, 2003	Three Months Ended Sept 30, 2002	Nine Mon Ended Sept 30,
	-----	-----	-----
<b>REVENUES:</b>			
Rental revenues from real estate	\$33,782	\$32,165	\$ 98,40
Tenant reimbursements	4,796	5,219	14,36
Other income, including interest	567	487	1,87
	-----	-----	-----
Total revenues	39,145	37,871	114,63
	-----	-----	-----
<b>EXPENSES:</b>			
Operating expenses	2,555	1,974	5,96
Real estate taxes	2,876	3,091	9,39
Depreciation & amortization of real estate	5,797 (2)	4,552	15,75
General and administrative	360	386	1,03
Interest	4,335	2,413	12,09
Interest (related parties)	280	861	83
	-----	-----	-----
Total expenses	16,203	13,277	45,08
	-----	-----	-----
Income before minority interests & equity in earnings of unconsolidated joint venture	22,942	24,594	69,55
Equity in earnings of unconsolidated joint venture	599	-	3,35
	-----	-----	-----
Income before minority interests	23,541	24,594	72,91
Minority interests	19,598	20,036	60,78
	-----	-----	-----
Income from continuing operations	3,943	4,558	12,13
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Discontinued operations, net of minority interests:

Gain from disposal of discontinued operations	-	-	
Income attributable to discontinued operations	-	-	
	-----	-----	-----
Income from discontinued operations	-	-	
	-----	-----	-----
Net income to common stockholders	\$3,943	\$4,558	\$12,13
	=====	=====	=====
Net income to minority interests	\$19,598	\$20,036	\$60,78
	=====	=====	=====
Income per share from continuing operations:			
Basic	\$0.22	\$0.26	\$0.6
	=====	=====	=====
Diluted	\$0.22	\$0.26	\$0.6
	=====	=====	=====
Income per share from discontinued operations:			
Basic	-	-	
	=====	=====	=====
Diluted	-	-	
	=====	=====	=====
Net income per share to common stockholders:			
Basic	\$0.22	\$0.26	\$0.6
	=====	=====	=====
Diluted	\$0.22	\$0.26	\$0.6
	=====	=====	=====
Weighted average shares of common stock (basic)	17,747,293	17,467,329	17,69
	=====	=====	=====
Weighted average shares of common stock (diluted)	17,817,917	17,856,688	17,75
	=====	=====	=====
Weighted average O.P. units outstanding	86,498,064	86,494,032	86,50
	=====	=====	=====
<b>FUNDS FROM OPERATIONS</b>			
Funds from operations	\$29,214	\$29,051	\$8
	=====	=====	=====
Funds from operations per share (3)	\$ 0.28	\$ 0.28	\$
	=====	=====	=====
Outstanding common stock	17,754,691	17,467,329	17,75
	=====	=====	=====
Outstanding O.P. units	86,498,064	86,494,032	86,49
	=====	=====	=====
Weighted average O.P. units & common stock outstanding (diluted)	104,315,981	104,350,720	104,26
	=====	=====	=====

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	Three Months Ended Sept 30, 2003	Three Months Ended Sept 30, 2002	Nine Months Ended Sept 30,
	-----	-----	-----
<b>FUNDS FROM OPERATIONS CALCULATION</b>			
Net income	\$ 3,943	\$ 4,558	\$12,13
Add:			
Minority interests (4)	19,474	19,941	60,33
Depreciation and amortization of real estate	5,797	4,552	15,75
Less:			
Gain on sale of JV assets / assets	-	-	1,40
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Funds from operations	\$29,214	\$29,051	\$86,82
	=====	=====	=====

Funds From Operations ("FFO") is a non-GAAP financial measurement used by real estate investment trusts to measure and compare operating performance. As defined by NAREIT, FFO represents net income (loss) before minority interest of unit holders (computed in accordance with GAAP, accounting principles generally accepted in the United States of America), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs, amortization of commission and depreciation of non-real estate assets) and after adjustments for unconsolidated partnerships and joint ventures. Management considers FFO an appropriate measure of performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of our ability to incur and service debt, and make capital expenditures. FFO should not be considered as an alternative for net income as a measure of profitability or is it comparable to cash flows provided by operating activities determined in accordance with GAAP. FFO is not comparable to similarly entitled items reported by other REITs that do not define them exactly as we define FFO.

PROPERTY AND OTHER DATA:	Three Months Ended Sept 30, 2003	Three Months Ended Sept 30, 2002	Nine Mon Ended Sept 30,
	-----	-----	-----
Total properties, end of period	108	101	10
Total square feet, end of period	7,788,742	7,163,930	7,788,74
Average monthly rental revenue per square foot(5)	\$1.81	\$1.72	\$1.7
Average occupancy	78.4%	88.3%	81.3
Actual occupancy	78.3%	85.8%	78.3
Straight-line rent	\$596	(\$484)	\$1,04
Capital expenditures	\$492	\$586	\$1,90

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BALANCE SHEET

	Sept 30, 2003	December 31, 2002
	-----	-----
Assets:		
Land	\$ 276,405	\$234,707
Buildings and improvements	777,156	726,581
Real estate related intangible assets	18,284(6)	-
	-----	-----
Total investments in properties	1,071,845	961,288
Less accumulated depreciation	(82,318)	(66,560)
	-----	-----
Net investments in properties	989,527	894,728
Investments in unconsolidated joint venture	2,258	-

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Net investments in real estate assets	991,785	894,728
Cash	5,096	4,479
Deferred rent	18,047	17,001
Other assets	15,463	13,198
Total assets	\$1,030,391	\$929,406
Liabilities:		
Line of credit - related parties	\$ 769	\$ 58,792
Revolving line of credit	19,966	23,839
Loan payable	-	20,000
Mortgage notes payable	301,115	125,062
Mortgage notes payable - related parties	10,843	11,078
Interest payable	335	337
Security deposits	10,389	11,184
Prepaid rental income	15,003	9,876
Dividend/distribution payable	25,021	24,951
Accounts payable and accrued expenses	7,471	4,698
Total liabilities	390,912	289,817
Minority interests	527,023	528,768
Stockholders' equity:		
Common stock, \$.001 par value	18	17
Paid in capital	130,552	128,295
Accumulated deficit	(18,114)	(17,491)
Total stockholders' equity	112,456	110,821
Total liabilities and stockholders' equity	\$1,030,391	\$929,406

- (1) The Company recorded an adjustment of \$1.4 million to establish a reserve relating to the recapture of straight-line revenues and other tenant related items for the quarter ended March 31, 2002.
- (2) Includes approximately \$912 and \$1,385 in amortization expense for the three and nine months ended September 30, 2003, respectively, for the amortization of the origination value and fair market value of acquired leases of the San Tomas property pursuant to Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations."
- (3) Calculated on a fully diluted basis. Assumes conversion of O.P. units outstanding into the Company's common stock.
- (4) The minority interest for unrelated third parties has been deducted from total minority interest in calculating FFO.
- (5) Average monthly rental revenue per square foot has been determined by taking the cash base rent for the period divided by the number of months in the period, and then divided by the average occupied square feet in the period.
- (6) The Company applied the provisions of SFAS No. 141 to the San Tomas Technology Park acquisition. The amount allocated to intangible assets pursuant to SFAS No. 141 was approximately \$18.3 million, which will be amortized over the remaining lease terms.

