

Creating Great Places to LIVE...





...Work & Invest



**MID-AMERICA APARTMENT COMMUNITIES** (MAA:NYSE) is a publicly traded real estate investment trust which currently owns or has ownership interest in 36,712 apartment homes throughout the southeast and south central United States.





Stability

Consistency

Regional Focus



## FOCUSED on Operations...

Paramount to Mid-America's success is a company culture of supporting our associates working at the properties. We have a firm understanding that in addition to having superior properties and locations, ultimately, the act of actually "minding the store" is what matters. All of us at Mid-America are actively involved in supporting our associates working on the front line at the properties. We are constantly focused on searching for new and creative ways to drive more productivity and efficiency into our operation. This focus is a prominent component of our company's philosophy. During 2004 we will be implementing a new web-based revenue and property management system. This new capability will provide an efficient platform for introducing more "pricing points" in Mid-America's overall pricing structure, create enhanced capabilities for more aggressive inventory management practices and generate more efficiencies in both on-site and corporate level payables and bookkeeping operations.





The Open Arms Foundation is Mid-America's corporate charity. Since 1994, Open Arms has provided a home away from home for families in medical crisis by offering fully-furnished and equipped two-bedroom apartment homes free of charge to families with long-term hospital care needs away from their normal residence. In 2003, Open Arms gave 6,734 nights of comfort to families in need.

# Financial HIGHLIGHTS

	Years Ended December 31		
	2003	2002	2001
<i>(Dollars and shares in thousands, except per share data)</i>			
Net income	\$ 20,206	\$ 16,141	\$ 28,698
Preferred dividend distribution	(15,419)	(16,029)	(16,113)
Premiums and original issuance costs associated with the redemption of preferred stock <sup>(1)</sup>	(5,987)	(2,041)	—
Net income (loss) available for common shareholders	(1,200)	(1,929)	12,585
Depreciation and amortization real estate assets	57,645	53,753	51,332
Depreciation and amortization real estate assets of unconsolidated entities	2,345	1,430	1,268
Minority interest in operating partnership income	1,360	388	2,417
Net gain on insurance settlement proceeds and disposition of assets	(2,942)	(397)	(11,933)
(Gain) loss on sale of non-depreciable assets	—	(45)	229
Depreciation and amortization real estate assets of discontinued operations	78	153	125
Gain on sale of discontinued operations	(1,919)	—	—
Funds from operations	\$ 55,367	\$ 53,353	\$ 56,023
Weighted average shares, diluted <sup>(2)</sup>	18,374	17,561	17,532
Net income (loss) available for common shareholders, diluted <sup>(2)</sup>	\$ (0.07)	\$ (0.11)	\$ 0.72
Weighted average shares and units, diluted	21,354	20,613	20,464
Funds from operations per shares and units, diluted	\$ 2.59	\$ 2.59	\$ 2.74
Dividends per share	\$ 2.34	\$ 2.34	\$ 2.34
Real estate owned, at cost	\$1,695,111	\$1,478,793	\$1,449,720
Capital improvements in progress <sup>(3)</sup>	\$ 7,335	\$ 3,223	\$ 10,915
Investment in real estate joint ventures	\$ 12,620	\$ 15,000	\$ 7,045
Total debt	\$ 951,941	\$ 803,703	\$ 779,664
Shareholders' equity and minority interest	\$ 393,313	\$ 371,576	\$ 442,260
Market capitalization, shares and units	\$ 939,581	\$ 673,431	\$ 709,224
Number of properties, including ownership interest <sup>(4)</sup>	127	123	122
Number of apartment units, including ownership interest <sup>(4)</sup>	35,734	33,923	33,411

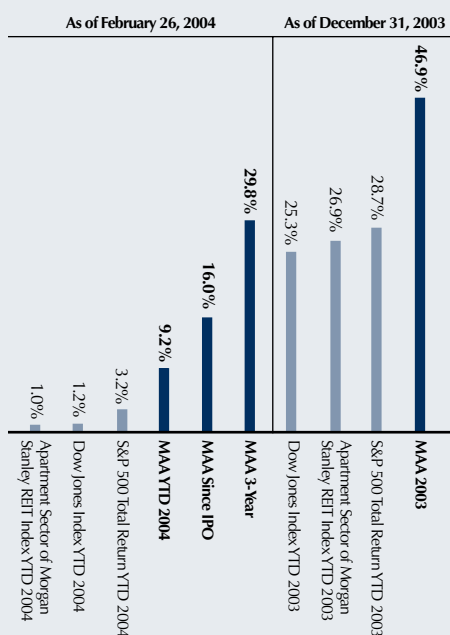
(1) Original issuance costs represent non-cash charges.

(2) For periods where the Company reported a net loss available for common shareholders, the effect of dilutive shares has been excluded from net loss available for common shareholders per common shares computations because including such shares would be anti-dilutive.

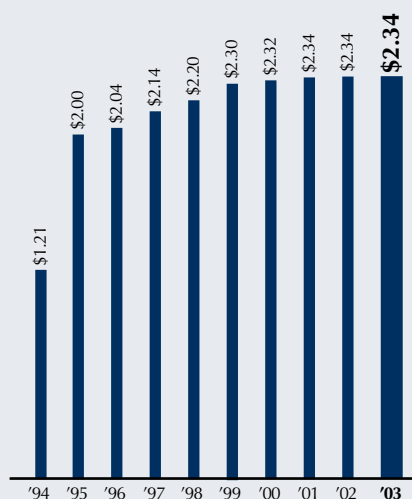
(3) Total for 2001 includes construction in progress.

(4) Years prior to the period in which the sale of a community classified it as a discontinued operation do not exclude the property from property and apartment unit totals.

## ANNUALIZED COMMON SHAREHOLDER RETURNS



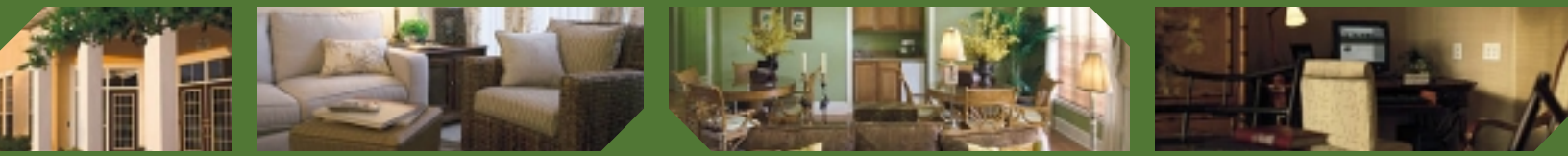
## DIVIDEND PER COMMON SHARE (in dollars)





Creating Great Places to Live...





## Through STABILITY

Mid-America out-performed the apartment REIT sector last year, as well as over 3-year, 5-year and 10-year timeframes, as a result of several factors: A diversified regional approach, an appealing product, an intense focus on property management operations—what we call “minding the store”—and a conservative business strategy.

In the last few years Mid-America has concentrated on the acquisition—not the development—of apartment properties. We know that new development is inherently more risky and less predictable. We will continue to introduce new properties into the portfolio, but we will do so through opportunistically acquiring them rather than building them. Our concentration on owning and buying established properties assures our shareholders a more predictable cash flow and enables us to generate more stable returns to investors with lower risk.

Mid-America’s apartment product focus is moderate to slightly higher-priced rental housing

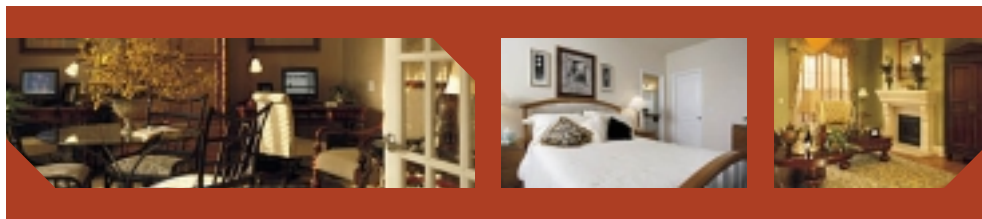
located in desirable neighborhoods, which targets the largest segment of the rental market. By offering a rental product catering to the large middle market segment, avoiding the risks and volatility at both the low end and the very upper end product spectrum, we maintain more stability in portfolio performance and greater capability to compete in all market environments.

Another important aspect of ensuring stable performance is our focus on property operations and our constant push for new productivity and efficiencies. In addition to the new web-based revenue and property management system, this year we are also rolling out a new on-line marketing and advertising program focused on leveraging greater use of the internet and our e-commerce platform. We believe finding new ways to reach out to new and existing residents, and making their communication and transaction interface with our properties easier, will continue to deliver stable, positive results.

“MID-AMERICA  
OUT-PERFORMED THE  
APARTMENT REIT  
SECTOR LAST YEAR, AS  
WELL AS OVER 3-YEAR,  
5-YEAR AND 10-YEAR  
HORIZONS”



# Creating Great Places to Live...



Mid-America properties continued to earn numerous civic and industry accolades throughout 2003, supporting our belief that the Mid-America portfolio of properties represents one of the highest quality portfolios among the apartment REIT sector. Mid-America's portfolio has an average age of 12.9 years; one of the newer portfolios of any apartment REIT. Over the course of the last five years Mid-America has added \$267 million of new properties to the portfolio while selling \$126 million of properties with an average age of 21.7 years. Additionally, we have maintained a very disciplined and steady program of maintenance and capital reinvestment into our properties.

During 2003 we completed new "revenue enhancing" projects of \$9.5 million throughout the portfolio, with another \$5.4 million slated to be completed in 2004. This consistent focus on protecting and upgrading property quality helps to ensure that Mid-America's properties will continue

to compete well in these highly competitive markets, but also ensures that as market conditions improve, our properties will be well poised to recapture, and then exceed, historically higher financial performance levels.

"OUR CONSISTENT  
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COMPETE WELL"



Through  
CONSISTENCY



# Creating Great Places to Live...



Mid-America's portfolio of properties is diversified across the strongest and most stable job growth sector of the country...the southeast and south central region states. While this region has certainly felt pressure from the weak economy of the last couple of years, the southeastern job markets can be counted on to bounce back sooner and stronger when compared to other regions of the country. Job formation, immigration growth and migration trends will continue to significantly favor the southeastern and south central markets.

Mid-America's overall portfolio of investments is well diversified in not only larger metropolitan markets, but also in more stable mid-size and small-tier markets. These three market segments each provide different performance and value creation opportunities, thus driving an overall more stable and higher risk-adjusted portfolio performance. By maintaining a well-diversified focus on each of the market segments, we have demonstrated an ability to deliver a more predictable, stable and higher risk-adjusted performance through the full real estate and market cycle. We are currently over-weighting new growth in the larger metro markets as we expect these markets will offer attractive year-over-year growth prospects for the next five years as the economy begins to pick up steam. We believe that the net result of this new growth will be an even more balanced portfolio allocation and higher levels of stable operating performance for Mid-America.



**Alabama**

**Arkansas**

**Florida**

**Georgia**

**Kentucky**

**Mississippi**

**North Carolina**

**Ohio**

**South Carolina**

**Tennessee**

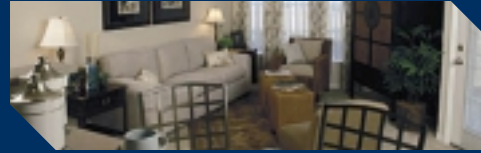
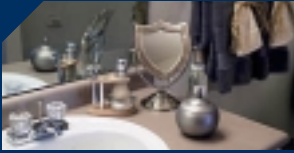
**Texas**

**Virginia**





# Through REGIONAL FOCUS



Birmingham, Huntsville 2, Montgomery

Little Rock 3

Daytona Beach, Gainesville, Jacksonville 11, Lakeland, Melbourne, Ocala, Orlando, Panama City Beach, Tallahassee, Tampa Metro 4

Athens, Atlanta Metro 8, Augusta 3, Brunswick, Columbus 2, La Grange, Macon/Warner Robins 4, Savannah, St. Simons Island, Thomasville, Valdosta

Bowling Green, Florence, Lexington 4, Louisville

Grenada, Jackson 6, Southaven 2

Greensboro, Raleigh, Winston-Salem

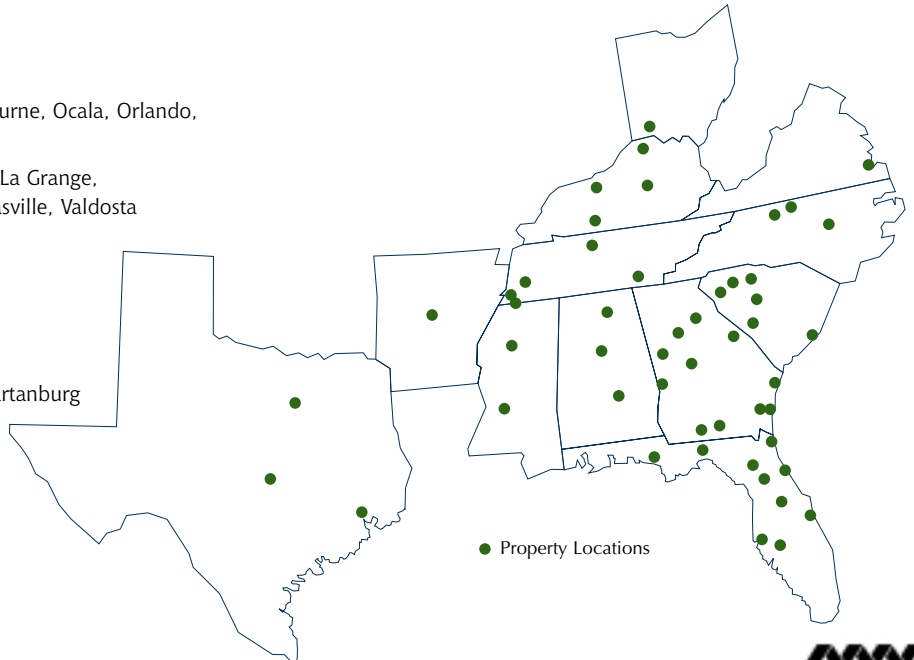
Cincinnati

Aiken 2, Anderson, Charleston, Columbia 2, Greenville 5, Spartanburg

Chattanooga 4, Jackson 5, Memphis 10, Nashville 5

Austin 4, Dallas 10, Houston 5

Hampton







## TO MY FELLOW SHAREHOLDERS:

**A DECADE OF DISTINCTION.** January, 2004 marked a significant milestone for Mid-America Apartment Communities: The 10th anniversary of the company's initial public offering. As we move forward with our strategy and plans to create new value for Mid-America shareholders, we have a strong sense of pride in the accomplishments that describe our past and enthusiasm for the opportunities that will define our future. The annual compounded total investment return of 16% produced over the last ten years for Mid-America shareholders; the high-quality, well located and award-winning properties of our company; the enthusiastic and

professional service delivered to Mid-America residents by our associates and the many families that have found assistance and comfort through Mid-America's Open Arms™ Program represent just some of the things that we all take pride in at our company. And while we reflect on this foundation of performance, we understand that our energy must be forward-focused. Our eye is securely on the future and all Mid-America associates are working hard to exceed the expectations of those we serve and to achieve another decade of distinction.

**OUT-PERFORMING.** The weak job market, along with a very attractive home buying environment, continued to temporarily dampen demand for apartment housing last year. The low interest-rate environment also helped fuel a robust pace of new apartment construction, further pressuring apartment owners' ability to achieve occupancy and revenue growth performance in line with historical norms. And while our portfolio of properties did not fully escape the market pressures, Mid-America's "recession resistant" portfolio and operating strategy did come through. Your company delivered one of the apartment REIT sector's top operating performances in 2003. In addition, Mid-America shareholders captured one of the best total investment returns of any REIT in 2003 at 46.9%. While we were pleased in the strength of our relative performance during 2003, we believe that the opportunities to recapture higher performance levels in a return to more normal market conditions, coupled with our improved platform for generating steady new growth, will continue to deliver attractive returns for our shareholders.

**STABLE AND WELL POSITIONED.** Despite the challenging operating environment, your company made significant progress in 2003. Over this past year Mid-America completed a number of equity and debt financings on advantageous terms, which improved coverage ratios, lowered borrowing costs, lowered preferred stock financing costs and improved the flexibility of our balance sheet. And importantly, in this very competitive leasing environment, our property management group protected your property values by remaining committed to Mid-America's resident qualifying standards, protecting rent pricing levels and maintaining the high-quality condition of our portfolio through steady capital spending and improvement. We believe these actions and results will be very beneficial as market conditions begin to strengthen.

**BALANCE SHEET STRENGTHENED.** There were a significant number of refinancing transactions and improvements made to our balance sheet during 2003. In terms of fixed charge coverage ratios and loan covenant compliance, Mid-America's balance sheet is stronger now than it has been in over five years. Approximately 80% of our debt cost is now fixed, swapped, forward-swapped or capped. During 2004 we will be refinancing another \$192 million of debt and expect to reduce borrowing costs another \$4–\$5 million on an annualized basis. After the planned 2004 refinancing transactions, we will have future maturities laddered in such a way as to have no more than ten percent of our total debt exposed to high cost refinancing over the next five years.

During the course of 2003 we were also successful in raising \$51.4 million in new common equity capital that was immediately invested in new earnings growth that met our stringent investment hurdle requirements. This new capital investment provided current earnings and dividend coverage improvement for existing shareholders.

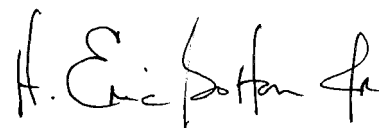
**DISCIPLINED GROWTH.** We were successful in acquiring \$252 million of real estate in 2003; including the buy-out of the joint venture that we had with Blackstone Realty Advisors. The market for acquiring good-quality apartment properties remains very competitive as investment capital continues to be very attracted to the sector. Long-term demographics and other macro-economic factors are expected to generate strong operating and investment performance results for the multi-family sector over the next decade and thus the strong attraction for investment capital. We remain disciplined in our underwriting and acquisition operations. A key requirement to effectively compete against periodic new construction pressures is to ensure that Mid-America's investment basis in each of our properties is appropriate for the market...in other words, it is crucial that we have not over-paid for an apartment property. We understand this principal and remain disciplined with our shareholders' capital.

**STRONG GOVERNANCE.** You should take pride in the very strong and experienced group of independent directors comprising Mid-America's Board of Directors. Your Board possesses extensive experience in apartment operations, real estate investment, public company governance and capital market transactions. Mid-America's Board is active in review of our strategic plan, operating results and capital deployment transactions. The Board's Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee are active in their oversight and specific responsibilities. As significant owners of the company themselves, our directors take their responsibilities seriously and I am grateful for their insight and guidance.

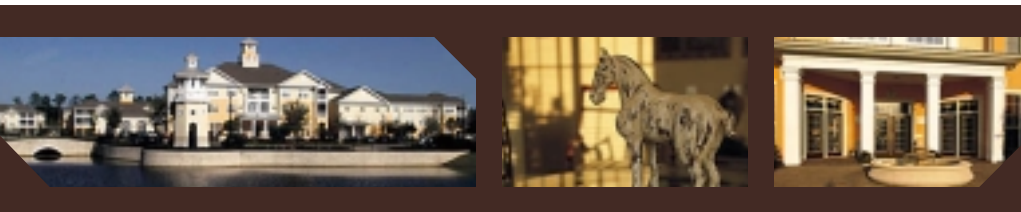
**POSITIONED FOR GROWTH.** While we all take pride in Mid-America's record of performance over the last ten years, we understand our responsibilities are forward-focused. We continue to believe that the economy and job growth will gain traction late this year and into next year. There are early signs of such recovery in our larger markets which felt the full effect of the market slow down. We are encouraged by the strengthening performance of our properties and operations. We believe the southeastern and south central states will generate some of the best apartment markets in the country as recovery takes hold. By remaining well diversified across this solid growth region, Mid-America will be both well positioned for a continuation of steady results in a very competitive apartment leasing environment, while also being well poised for market recovery.

Thank you for your support and confidence in our team. We look forward to another decade of exceeding the expectations of those we serve.

Sincerely,



H. Eric Bolton, Jr.  
Chairman and  
Chief Executive Officer



## MANAGEMENT DISCUSSION AND ANALYSIS

**question** ▲ WHAT ARE YOUR PLANS FOR RAISING THE DIVIDEND?

**answer** ▲ "Despite a very challenging operating environment, we have made steady progress over the last two years in strengthening the current dividend. As market conditions improve, we expect that internal earnings growth from our same store portfolio will quickly recover and strengthen. We see this component of our earnings stream as largely the "recurring" source of funding for a steady and growing dividend. A combination of improving leasing conditions, new ancillary revenue opportunities and growing operating efficiencies will drive higher levels of profitability from this portfolio. We are of course also focused on adding new earnings through growing our existing portfolio of properties. While the timing is difficult to pinpoint, we fully intend to position Mid-America's balance sheet and operation to support a steady and growing dividend through full market cyclicality."

SIMON WADSWORTH, EXECUTIVE VICE-PRESIDENT AND CFO

# QUESTIONS

**question** ▲ MID-AMERICA'S PORTFOLIO IS UNIQUE AMONG MOST IN THE APARTMENT REIT SECTOR DUE TO A LARGE ALLOCATION TO SECONDARY AND SOME TERTIARY MARKETS. LATELY, YOU HAVE BEEN MORE ACTIVE WITH ACQUISITIONS IN THE LARGE METRO MARKETS OF THE SOUTHEAST. IS THIS A CHANGE IN PORTFOLIO STRATEGY OR DIRECTION?

**answer** ▲ "No, we intend to remain committed to our diversified portfolio strategy based on allocating capital to all three market segments...large, secondary and select tertiary markets. We believe that our focus on delivering a steady, growing and low-risk dividend stream, through full economic and market cycles, is based to a large degree on our unique market diversification strategy. As a result of several property sales and our acquisition of the Flournoy portfolio several years back, we have carried a slight overweight in smaller markets for the last several years. Our recent acquisitions reflect a move back towards a more equally weighted market segment allocation."

AL CAMPBELL, SENIOR VICE-PRESIDENT, TREASURER AND DIRECTOR OF FINANCIAL PLANNING

**question** ▲ WHAT EARNINGS UPSIDE IS "EMBEDDED" IN THE CURRENT PORTFOLIO THAT YOU EXPECT TO RECAPTURE AS MARKET CONDITIONS IMPROVE?

**answer** ▲ "Our same store portfolio generated approximately \$134 million of net operating income in 2001, as compared to \$125 million in 2003's weaker market environment. We believe that most markets are slowly trending towards historically normal market conditions as the economy continues to recover. The weaker leasing environment of the last two years drove leasing concessions and vacancy loss higher, with some pressure also felt in collections. And while the Mid-America portfolio was able to avoid some of the pressure felt by other REITs to aggressively reduce rents, it is clear that rent growth has been anemic at our properties over the last two years. Overall, it will take a resumption of job growth in the economy and a rising interest rate environment to generate a trend towards normal market conditions. In that environment, we expect to see occupancy levels move towards a range of 94% to 95%, concessions fall and rent growth resume."

TOM GRIMES, SENIOR VICE-PRESIDENT, DIRECTOR OF PROPERTY MANAGEMENT

**question** ▲ HOW WILL A RISING INTEREST RATE ENVIRONMENT IMPACT MID-AMERICA?

**answer** ▲ "We have taken advantage of the low interest rate environment of the last couple of years to refinance a total of over \$430 million of our capital structure. In 2004 we plan to refinance an additional \$192 million. Upon completion of the planned refinancings in 2004, we will have lowered our cost of capital by a total of \$15.2 million of FFO on an annualized basis. At this point, we feel that the balance sheet is well positioned for a rising rate environment. Currently, we have 80% of our debt structure with interest cost that is fixed, swapped, forward-swapped or capped. In addition, our future debt maturities have been effectively laddered such that we have no more than 10% of our debt structure exposed to refinancing in a rising rate environment for each of the next 5 years. Further, a rising rate environment will serve to reduce some of the operating pressure we have felt at the properties due to the very attractive home buying environment fueled by the low mortgage rate environment."

SIMON WADSWORTH, EXECUTIVE VICE-PRESIDENT AND CFO

**question** ▲ HOW HAVE VARIOUS ASPECTS OF MID-AMERICA'S OPERATIONS CHANGED OVER THE LAST YEAR OR SO AS A RESULT OF NEW TECHNOLOGIES AND THE EXPANDING USE OF THE INTERNET?

**answer** ▲ "We have a significant focus in our company on constantly pushing for improvements in productivity. Advances in technology and the internet have allowed us to continue to raise the bar and achieve improvement in service and responsiveness for our residents, while also driving greater efficiency into our operation. The internet serves as a platform for our lease application credit screening and background check policies. We are able to process applications in a matter of minutes, instead of several hours. Our use of the internet for attracting and capturing potential renters has also grown tremendously over the last couple of years. During 2004 we will be rolling out a new web-based revenue and property management system that will open up exciting new opportunities in pricing, asset management practices and back-room processing."

ERIC BOLTON, CHAIRMAN AND CEO

**question** ▲ SARBANES-OXLEY AND NEW CORPORATE GOVERNANCE GUIDELINES HAVE IMPACTED ALL PUBLIC COMPANIES IN THE LAST YEAR OR SO IN VARIOUS WAYS. HOW HAS MID-AMERICA RESPONDED TO THESE NEW GUIDELINES?

**answer** ▲ "Mid-America has always maintained a Board of Directors comprised of a majority of independent directors, encompassing significant experience in real estate, public capital markets and public company governance, thus no changes to the actual membership were necessary. We have of course implemented all of the new regulatory requirements established by both the SEC and NYSE following Sarbanes-Oxley. Our Board of Directors maintains an active Nominating and Corporate Governance Committee, an Audit Committee and a Compensation Committee. Each of these committees has charters and evaluation processes, as does the overall Board of Directors. While we have always had a significant focus on internal controls and various checks and balances in our reporting processes, in compliance with the NYSE we will also be formalizing an Internal Audit function in 2004 with direct reporting responsibility to the Audit Committee. You can find more information relating to our corporate governance guidelines in the Corporate Governance section of our Investors page on our web-site at [www.maac.net](http://www.maac.net)."

ERIC BOLTON, CHAIRMAN AND CEO

# ANSWERS

Seated left to right:

TOM GRIMES, SENIOR VICE PRESIDENT, DIRECTOR OF PROPERTY MANAGEMENT

AL CAMPBELL, SENIOR VICE PRESIDENT, TREASURER AND DIRECTOR OF FINANCIAL PLANNING

SIMON WADSWORTH, EXECUTIVE VICE PRESIDENT AND CFO

Standing left to right:

JAMES MACLIN, VICE PRESIDENT, DIRECTOR OF ASSET MANAGEMENT

NANCY ROBERTS, SENIOR VICE PRESIDENT, DIRECTOR OF ORGANIZATIONAL DEVELOPMENT

KEVIN PERKINS, VICE PRESIDENT, DIRECTOR OF CAPITAL IMPROVEMENTS AND MAINTENANCE OPERATIONS

ERIC BOLTON, CHAIRMAN AND CEO

GINNY DOANE, SENIOR VICE PRESIDENT, OPERATIONS DIRECTOR

DAVID NISCHWITZ, VICE PRESIDENT, DIRECTOR OF LANDSCAPING





## 2003 CIVIC AND INDUSTRY AWARDS

MID-AMERICA APARTMENT COMMUNITIES  
Finalist—Property Management Company of the Year  
Pillars of the Industry Awards (National Association of Home Builders), January

JACKIE MELNICK  
EAST REGION  
Regional/Multi-Site Manager of the Year  
Pillars of the Industry Awards (National Association of Home Builders) March 23

NANCY NANCE  
FLORIDA REGION  
Regional Property Manager of the Year, conventional communities  
Jacksonville Apartment Alliance, February 13

THE PADDOCK CLUB  
MANDARIN, FLORIDA  
Gold Award, Jacksonville Apartment Association, March 13

WOODBIDGE AT THE LAKE  
JACKSONVILLE, FLORIDA  
Silver Award, Jacksonville Apartment Alliance, March 13

HUNTER'S RIDGE  
JACKSONVILLE, FLORIDA  
Silver Award, Jacksonville Apartment Alliance, March 13

WOODHOLLOW  
JACKSONVILLE, FLORIDA  
Silver Award, Jacksonville Apartment Alliance, March 13

LAKESIDE APARTMENTS  
JACKSONVILLE, FLORIDA  
Bronze Award, Jacksonville Apartment Alliance, March 13

MARSH OAKS  
ATLANTIC BEACH, FLORIDA  
Bronze Award, Jacksonville Apartment Alliance, March 13

PARK PLACE  
SPARTANBURG, SOUTH CAROLINA  
First Place Award, Garden Club of Spartanburg/Chamber of Commerce, May 21

WESTSIDE CREEK  
LITTLE ROCK, ARKANSAS  
Runner up, "Best of Arkansas," Arkansas Times, June

NAPA VALLEY  
LITTLE ROCK, ARKANSAS  
Runner up, "Best of Arkansas," Arkansas Times, June

MID-AMERICA APARTMENT COMMUNITIES, INC.  
2002 ANNUAL REPORT  
Gold Award, League of American Communications Professional Vision Awards Competition, June 27

GEORGETOWN GROVE  
SAVANNAH, GEORGIA  
Platinum Award, Savannah Apartment Association, July 8

KIRBY STATION  
MEMPHIS, TENNESSEE  
First Place, Plant the Town Red Competition, City of Memphis, July 10

PARK ESTATE  
MEMPHIS, TENNESSEE  
First Place, Plant the Town Red Competition, City of Memphis, July 10

EAGLE RIDGE  
BIRMINGHAM, ALABAMA  
Beautification Award, Greater Birmingham Association of Home Builders Multi-family Council Beautification Awards, July 10

EAGLE RIDGE  
BIRMINGHAM, ALABAMA  
Best Seasonal Color Program, Greater Birmingham Association of Home Builders Multi-family Council Beautification Awards, July 10

EAGLE RIDGE  
BIRMINGHAM, ALABAMA  
Best Seasonal Color Program Manager, Greater Birmingham Association of Home Builders Multi-family Council Beautification Awards, July 10

ABBINGTON PLACE  
HUNTSVILLE, ALABAMA  
Beautification Award, City of Huntsville, July 16

THE PADDOCK CLUB  
HUNTSVILLE, ALABAMA  
Beautification Award, City of Huntsville, July 16

MID-AMERICA APARTMENT COMMUNITIES, INC.  
COMMUNITY OUTREACH DEPARTMENT, OPEN ARMS FOUNDATION  
Finalist for the Memphis Business Journal's "Health Heroes" Awards for Community Outreach, July

WOODS OF POST HOUSE  
JACKSON, TENNESSEE  
City Beautiful Award, City of Jackson Beautification Committee, July

POST HOUSE NORTH  
JACKSON, TENNESSEE  
Honorable Mention, City of Jackson Beautification Committee, July

TOWNSHIP IN HAMPTON WOODS  
HAMPTON, VIRGINIA  
Best Overall Apartment Community, Peninsula Apartment Association, August 16

AMY ARNETT  
TOWNSHIP IN HAMPTON WOODS  
Leasing Professional of the Year, Peninsula Apartment Association, August 16

STONEMILL VILLAGE  
LOUISVILLE, KENTUCKY  
First Place, Louisville and Jefferson County Beautification League, October 15

CROSSWINDS  
JACKSON, MISSISSIPPI  
First Place Beautification Award, Mississippi Multifamily Council Beautification Showcase Awards, October 21

REFLECTION POINTE  
JACKSON, MISSISSIPPI  
First Place Beautification Award, Mississippi Multifamily Council Beautification Showcase Awards, October 21

LAKESHORE LANDING  
JACKSON, MISSISSIPPI  
First Place Beautification Award, Mississippi Multifamily Council Beautification Showcase Awards, October 21

PEAR ORCHARD  
JACKSON, MISSISSIPPI  
Second Place Beautification Award, Mississippi Multifamily Council Beautification Showcase Awards, October 21

WOODRIDGE  
JACKSON, MISSISSIPPI  
Third Place Beautification Award, Mississippi Multifamily Council Beautification Showcase Awards, October 21

CROSSWINDS  
JACKSON, MISSISSIPPI  
Best Playground, Mississippi Multifamily Council Beautification Showcase Awards, October 21

MID-AMERICA APARTMENT COMMUNITIES, INC.  
Property Management Company of the Year, Lexington Apartment Association Crowne Excellence Awards Gala, November 1

GRAND RESERVE  
LEXINGTON, KENTUCKY  
Triple Crowne Award, Lexington Apartment Association Crowne Excellence Awards Gala, November 1

THE MANSION  
LEXINGTON, KENTUCKY  
Triple Crowne Award, Lexington Apartment Association Crowne Excellence Awards Gala, November 1

LAKEPOINTE  
LEXINGTON, KENTUCKY  
Triple Crowne Award, Lexington Apartment Association Crowne Excellence Awards Gala, November 1

THE VILLAGE  
LEXINGTON, KENTUCKY  
Keeneland Award, Lexington Apartment Association Crowne Excellence Awards Gala, November 1

SHARON CLARK  
THE VILLAGE  
Best Support Manager, Lexington Apartment Association Crowne Excellence Awards Gala, November 1

JEFF MCKINNEY  
THE MANSION  
Best Lead Service Technician, Lexington Apartment Association Crowne Excellence Awards Gala, November 1

LISA ADAMS  
SOUTH REGION  
Multi-Site Manager of the Year, Atlanta Apartment Association, November 20

THE PADDOCK CLUB  
MURFREESBORO, TENNESSEE  
First Place Beautification Award, Rutherford County Apartment Association, November 21

BRENTWOOD DOWNS  
NASHVILLE, TENNESSEE  
Second Place Beautification Award, Greater Nashville Apartment Association, November 22

GRANDE VIEW  
NASHVILLE, TENNESSEE  
Second Place Beautification Award, Greater Nashville Apartment Association, November 22

THE PADDOCK CLUB  
MURFREESBORO, TENNESSEE  
First Place Beautification Award, Greater Nashville Apartment Association, November 22

PARK HAYWOOD  
GREENVILLE, SOUTH CAROLINA  
First Place for Floral Design, Upper State Apartment Association Crowne Excellence Awards, December 2

PARK PLACE  
GREENVILLE, SOUTH CAROLINA  
First Place for Floral Design, Upper State Apartment Association Crowne Excellence Awards, December 2

## SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data)	Year Ended December 31				
	2003	2002	2001	2000	1999
<b>OPERATING DATA:</b>					
Total revenues	\$ 240,906	\$ 233,044	\$ 232,642	\$ 227,022	\$ 225,745
Expenses:					
Property operating expenses	100,526	92,530	89,224	86,038	84,641
Depreciation and amortization	59,018	55,110	51,925	51,719	49,788
Property management and general and administrative expenses	15,670	15,298	16,083	14,826	14,479
Interest	46,032	49,448	52,598	50,736	48,302
Loss (gain) on debt extinguishment	(111)	1,444	1,189	243	79
Amortization of deferred financing costs	2,062	2,712	2,352	2,758	2,854
Income from continuing operations before minority interest in operating partnership income, loss from investments in unconsolidated entities and net gain on insurance settlement proceeds and disposition of assets	17,709	16,502	19,271	20,702	25,602
Minority interest in operating partnership income	(1,360)	(388)	(2,417)	(2,587)	(2,485)
Loss from investments in unconsolidated entities	(949)	(532)	(296)	(157)	(31)
Net gain on insurance settlement proceeds and disposition of assets	2,942	397	11,933	11,587	10,237
Income from continuing operations	18,342	15,979	28,491	29,545	33,323
Discontinued operations:					
Property operations	(55)	162	207	242	249
Gain on sale	1,919	—	—	—	—
Net income	20,206	16,141	28,698	29,787	33,572
Preferred dividend distribution	15,419	16,029	16,113	16,114	16,114
Premiums and original issuance costs associated with the redemption of preferred stock <sup>(1)</sup>	5,987	2,041	—	—	—
Net income available for common shareholders	\$ (1,200)	\$ (1,929)	\$ 12,585	\$ 13,673	\$ 17,458
<b>PER SHARE DATA:</b>					
Basic and diluted:					
Net income available per common share	\$ (0.07)	\$ (0.11)	\$ 0.72	\$ 0.78	\$ 0.93
Dividends declared	\$ 2.340	\$ 2.340	\$ 2.340	\$ 2.325	\$ 2.305
<b>BALANCE SHEET DATA:</b>					
Real estate owned, at cost	\$1,695,111	\$1,478,793	\$1,449,720	\$1,430,378	\$1,396,743
Real estate owned, net	\$1,351,849	\$1,192,539	\$1,216,933	\$1,244,475	\$1,248,051
Total assets	\$1,406,533	\$1,239,467	\$1,263,488	\$1,303,771	\$1,298,823
Total debt	\$ 951,941	\$ 803,703	\$ 779,664	\$ 781,089	\$ 744,238
Minority interest	\$ 32,019	\$ 33,405	\$ 43,902	\$ 50,020	\$ 55,550
Shareholders' equity	\$ 361,294	\$ 338,171	\$ 398,358	\$ 435,356	\$ 464,394
Weighted average common shares (000's):					
Basic	18,374	17,561	17,427	17,544	18,784
Diluted	18,374	17,561	17,532	17,597	18,808
<b>OTHER DATA (AT END OF PERIOD):</b>					
Market capitalization (shares and units)	\$ 939,581	\$ 673,431	\$ 709,224	\$ 634,903	\$ 639,095
Ratio of total debt to total capitalization <sup>(2)</sup>	50.3%	54.4%	52.4%	55.2%	53.8%
Number of properties, including joint venture ownership interest <sup>(3)</sup>	127	123	122	124	129
Number of apartment units, including joint venture ownership interest <sup>(3)</sup>	35,734	33,923	33,411	33,612	33,901

<sup>(1)</sup>Original issuance costs represent non-cash charges.

<sup>(2)</sup>Total capitalization is total debt and market capitalization of preferred shares (value based on \$25 per share liquidation preference), common shares and partnership units (value based on common stock equivalency).

<sup>(3)</sup>Years prior to the period in which the sale of a community classified it as a discontinued operation do not exclude the property from property and apartment unit totals.

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	December 31	
	2003	2002
<b>ASSETS:</b>		
Real estate assets:		
Land	\$ 142,416	\$ 124,130
Buildings and improvements	1,481,854	1,290,478
Furniture, fixtures and equipment	38,812	34,531
Capital improvements in progress	7,335	3,223
	1,670,417	1,452,362
Less accumulated depreciation	(339,704)	(283,277)
	1,330,713	1,169,085
Land held for future development	1,366	1,366
Commercial properties, net	7,150	7,088
Investment in and advances to real estate joint venture	12,620	15,000
Real estate assets, net	1,351,849	1,192,539
Cash and cash equivalents	10,152	10,594
Restricted cash	10,728	7,463
Deferred financing costs, net	13,185	10,296
Other assets	14,857	12,813
Goodwill, net	5,762	5,762
Total assets	\$1,406,533	\$1,239,467
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Liabilities:		
Notes payable	\$ 951,941	\$ 803,703
Accounts payable	1,696	464
Accrued expenses and other liabilities	54,547	55,372
Security deposits	5,036	4,406
Deferred gain on disposition of properties	—	3,946
Total liabilities and deferred gain	1,013,220	867,891
Minority interest	32,019	33,405
Shareholders' equity:		
Preferred stock, \$.01 par value, 20,000,000 shares authorized, \$176,862,500 or \$25 per share liquidation preference:		
0 and 2,000,000 shares at 9.5% Series A Cumulative on December 31, 2003 and 2002, respectively	—	20
0 and 1,938,830 shares at 8.875% Series B Cumulative on December 31, 2003 and 2002, respectively	—	19
0 and 2,000,000 shares at 9.375% Series C Cumulative on December 31, 2003 and 2002, respectively	—	20
474,500 shares at 9.25% Series F Cumulative	5	5
400,000 shares at 8.625% Series G Cumulative	4	4
6,200,000 and 0 shares of 8.30% Series H Cumulative on December 31, 2003 and 2002, respectively	62	—
Common stock, \$.01 par value (authorized 50,000,000 shares; issued 20,031,614 and 17,840,183 shares at December 31, 2003 and 2002, respectively)	200	178
Additional paid-in capital	622,406	558,479
Other	(3,711)	(4,299)
Accumulated distributions in excess of net income	(232,224)	(188,155)
Accumulated other comprehensive loss	(25,448)	(28,100)
Total shareholders' equity	361,294	338,171
Total liabilities and shareholders' equity	\$1,406,533	\$1,239,467



## CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(Dollars in thousands, except per share data)</i>	Year Ended December 31		
	2003	2002	2001
<b>Revenues:</b>			
Rental revenues	\$230,762	\$223,497	\$222,798
Other property revenues	8,483	8,035	7,779
<b>Total property revenues</b>	<b>239,245</b>	<b>231,532</b>	<b>230,577</b>
Interest and other non-property income	839	737	1,310
Management and fee income, net	822	775	755
<b>Total revenues</b>	<b>240,906</b>	<b>233,044</b>	<b>232,642</b>
<b>Expenses:</b>			
Property operating expenses:			
Personnel	28,046	26,166	24,624
Building repairs and maintenance	9,342	9,340	9,405
Real estate taxes and insurance	31,839	28,845	26,491
Utilities	12,262	11,334	11,875
Landscaping	6,556	6,194	6,262
Other operating	12,481	10,651	10,567
Depreciation and amortization	59,018	55,110	51,925
	159,544	147,640	141,149
Property management expenses	8,435	8,633	9,561
General and administrative expenses	7,235	6,665	6,522
Interest expense	46,032	49,448	52,598
Loss (gain) on debt extinguishment	(111)	1,444	1,189
Amortization of deferred financing costs	2,062	2,712	2,352
<b>Total expenses</b>	<b>223,197</b>	<b>216,542</b>	<b>213,371</b>
Income before minority interest in operating partnership income, loss from investments in unconsolidated entities, net gain on insurance settlement proceeds and disposition of assets, and discontinued operations	17,709	16,502	19,271
Minority interest in operating partnership income	(1,360)	(388)	(2,417)
Loss from investments in unconsolidated entities	(949)	(532)	(296)
Net gain on insurance settlement proceeds and disposition of assets	2,942	397	11,933
<b>Income from continuing operations</b>	<b>18,342</b>	<b>15,979</b>	<b>28,491</b>
Discontinued operations:			
Property operations	(55)	162	207
Gain on sale of discontinued operations	1,919	—	—
<b>Net income</b>	<b>20,206</b>	<b>16,141</b>	<b>28,698</b>
Preferred dividend distribution	15,419	16,029	16,113
Premiums and original issuance costs associated with the redemption of preferred stock <sup>(1)</sup>	5,987	2,041	—
<b>Net income (loss) available for common shareholders</b>	<b>\$ (1,200)</b>	<b>\$ (1,929)</b>	<b>\$ 12,585</b>
Net income (loss) available per common share:			
Basic (in thousands):			
Average common shares outstanding	18,374	17,561	17,427
Net income (loss) available per common share—Basic	\$ (0.07)	\$ (0.11)	\$ 0.72
Diluted (in thousands):			
Average common shares outstanding	18,374	17,561	17,427
Effect of dilutive stock options	—	—	105
<b>Average dilutive common shares outstanding</b>	<b>18,374</b>	<b>17,561</b>	<b>17,532</b>
<b>Net income (loss) available per common share—Diluted</b>	<b>\$ (0.07)</b>	<b>\$ (0.11)</b>	<b>\$ 0.72</b>

<sup>(1)</sup>Original issuance costs represent non-cash charges.

## INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS  
MID-AMERICA APARTMENT COMMUNITIES, INC.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Mid-America Apartment Communities, Inc. and subsidiaries (the "Company") as of December 31, 2003, and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003 (not presented herein); and in our report dated February 9, 2004, we expressed an unqualified opinion on those consolidated financial statements. As described in Note 1 to those consolidated financial statements, the consolidated financial statements reflect the Company's adoption of Statements of Financial Standards No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*.

In our opinion, the information set forth in the accompanying consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

### KPMG LLP

Memphis, Tennessee  
February 9, 2004

## CORPORATE INFORMATION

### ANNUAL SHAREHOLDERS MEETING

Mid-America Apartment Communities, Inc. will hold its 2004 annual meeting of shareholders on Monday, May 24th, at 4:00 p.m. CST in the clubhouse at The Reserve at Dexter Lake, Memphis, TN.

### ANNUAL REPORT AND FORM 10-K

A copy of Mid-America's Annual Report and Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission, will be sent without charge upon written request to the corporate headquarters address, attention Investor Relations, and is available on our web site at [www.maac.net](http://www.maac.net).

### TRANSFER AGENT AND REGISTRAR

Wachovia Bank  
Shareholders who have questions about their accounts or who wish to change ownership or address of stock; to report lost, stolen or destroyed certificates; or wish to sign up for our dividend reinvestment plan, should contact the stock transfer agent at 800-829-8432.  
Limited partners wishing to convert units into shares should contact Mid-America directly at the corporate headquarters.

### INDEPENDENT AUDITORS

KPMG LLP, Memphis, TN

### GENERAL COUNSEL

Bass, Berry & Sims, Memphis, TN

### STOCK LISTING AND COMMON STOCK PRICE

Mid-America's stock is traded on the New York Stock Exchange. Its common stock is listed under the stock symbol MAA. Its Cumulative Preferred Stock is under the symbols MAA Pr F, and MAA Pr H

FISCAL 2003	Sales Prices		Dividends Declared
	High	Low	
First Quarter	\$24.98	\$23.10	\$0.585
Second Quarter	\$27.45	\$23.67	\$0.585
Third Quarter	\$31.45	\$26.74	\$0.585
Fourth Quarter	\$34.29	\$30.02	\$0.585

FISCAL 2002	Sales Prices		Dividends Declared
	High	Low	
First Quarter	\$26.75	\$25.10	\$0.585
Second Quarter	\$27.42	\$25.51	\$0.585
Third Quarter	\$26.90	\$22.25	\$0.585
Fourth Quarter	\$25.44	\$22.00	\$0.585

## BOARD OF DIRECTORS

### **H. ERIC BOLTON, JR.**

Mr. Bolton has served as a director since February 1997. Mr. Bolton is our Chairman of the Board of Directors, President and Chief Executive Officer. Mr. Bolton joined us in 1994 as Vice President of Development and was named Chief Operating Officer in February 1996 and promoted to President in December 1996. Mr. Bolton assumed the position of Chief Executive Officer following the retirement of George E. Cates in October 2001 and became Chairman of the Board in September 2002. Mr. Bolton was with Trammell Crow Company for more than five years, and prior to joining us was Executive Vice President and Chief Financial Officer of Trammell Crow Realty Advisors.

### **SIMON R. C. WADSWORTH**

Mr. Wadsworth has been Executive Vice President, Chief Financial Officer and a director since March 1994. Prior to his position with Mid-America, Mr. Wadsworth owned a distribution company in the Memphis area from 1982 until its successful sale in 1993.

### **GEORGE E. CATES**

Mr. Cates has served as a director since 1994 and served as Chairman of the Board of Directors from the time of its initial public offering in February 1994 until September 2002. Mr. Cates served as our President and Chief Executive Officer from February 1994 until his planned retirement in October 2001. Mr. Cates was President and Chief Executive Officer of The Cates Company from 1977 until its merger with us in February 1994. Mr. Cates also serves as a director for First Tennessee National Corporation and The Marketing Alliance.

### **JOHN F. FLOURNOY**

Mr. Flournoy has served as a director since November 1997. Mr. Flournoy has been the Chairman and Chief Executive Officer of Flournoy Development Company for 36 years. Flournoy Development Company has been in multi-family housing development and construction primarily in the Southeastern United States for over 30 years. Mr. Flournoy also serves as a director of the W.C. Bradley Company and the Columbus Bank and Trust Company.

### **ROBERT F. FOGELMAN**

Committees: Compensation, Nominating and Corporate Governance  
Mr. Fogelman has served as a director since July 1994 and has been the President of Fogelman Investment Company, a privately owned investment firm, for more than seven years.

### **ALAN B. GRAF, JR.**

Committees: Audit (Chairman)  
Mr. Graf has served as a director since June 2002. Mr. Graf is the Executive Vice President and Chief Financial Officer of FedEx Corporation, a position he has held since 1998 and is a member of FedEx Corporation's Executive Committee. Prior to that time, he was Executive Vice President and Chief Financial Officer for FedEx Express, FedEx's predecessor, from 1991 to 1998. Mr. Graf joined FedEx in 1980. He serves as a director for NIKE Inc. and Kimball International, Inc.

### **JOHN S. GRINALDS**

Committees: Audit, Compensation, Nominating and Corporate Governance  
General Grinalds has served as a director since November 1997. General Grinalds became the President of The Citadel in Charleston, South Carolina in 1997. Prior to assuming the presidency of The Citadel, General Grinalds was the headmaster of Woodberry Forest School in Virginia. From 1989 to 1991, General Grinalds held the rank of Major General and was the commanding general of the Marine Corps Recruit Depot in San Diego, California.

### **RALPH HORN**

Committees: Compensation (Chairman), Nominating and Corporate Governance (Chairman)  
Mr. Horn has served as a director since April 1998. Mr. Horn was elected President, Chief Operating Officer, and a director of First Tennessee National Corporation ("FTNC") in July 1991 and Chief Executive Officer in April 1994. Mr. Horn was elected Chairman of the Board of FTNC in January 1996. Mr. Horn served as Chief Executive Officer and President of FTNC until July 2002, and as Chairman of the Board through December 2003. Mr. Horn is also a director of Harrah's Entertainment, Inc., Gaylord Entertainment Corporation and The Church Health Center.

### **MICHAEL S. STARNES**

Committees: Audit, Compensation, Nominating and Corporate Governance  
Mr. Starnes has served as a director since July 1998. Mr. Starnes founded M.S. Carriers, Inc., a truckload transportation and logistics company, in 1978 and served as Chairman and Chief Executive Officer until its merger with Swift Transportation Co., Inc. in June 2001. Since June 2001, Mr. Starnes has served as President of M.S. Carriers, a subsidiary of Swift Transportation Co., Inc. He is also a director of Swift Transportation Co., Inc. and Union Planters Corporation.



**MID-AMERICA APARTMENT COMMUNITIES, INC.**

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