

Capitol Research Division
SNL Financial
1-800-969-4121

CEDAR INCOME FUND, LTD.

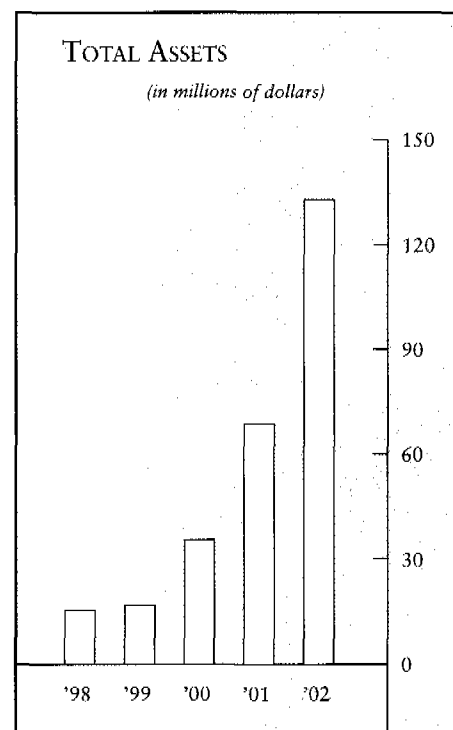
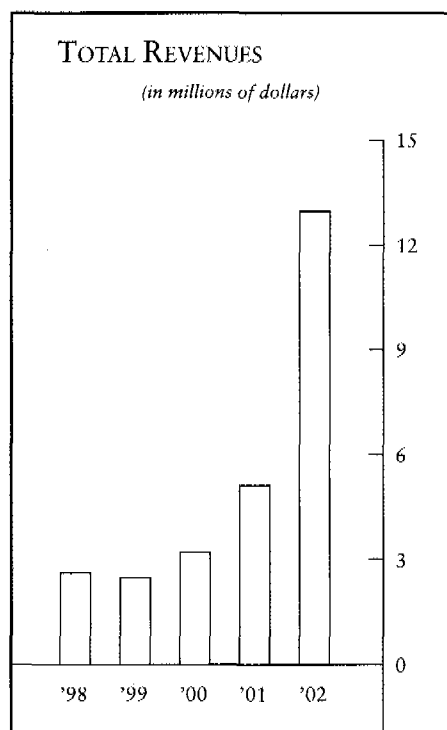
2002 Annual Report

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

The Company has devoted the past two years to the implementation of a new business plan involving the sale of all the office and office/distribution properties, together with a one-half interest in a shopping center, which were included in the Company's asset portfolio from the commencement of its operations in 1984 until 2001–2002. The focus of the Company has thus been redirected entirely to a retail shopping center portfolio, and within that sector further focused specifically on primarily supermarket-anchored community shopping centers in eastern Pennsylvania and southern New Jersey. The Company's properties, now numbering twelve, are generally located at this time in two "hubs", the greater Harrisburg/Williamsport corridor and the city of Philadelphia and environs. The properties are generally located in mature communities with stable demographics, very substantial traffic counts and excellent road access, and a mix of tenancies, in addition to the supermarkets, appropriate to centers of these types. We believe this to be perhaps the most conservative end of the real estate investment spectrum. We also believe that through the type of intensive and thoughtful management which the management companies have brought to bear on the real estate investment properties, the Company will benefit from increased and enhanced tenancies and effective rental income from the properties.

The Company has grown dramatically during the past couple of years, as evidenced by the materials below and our most recent quarterly and annual reports. The Company expects to continue to grow at a similar or perhaps even greater rate during the coming years, continuing to focus on its primary product and geographic areas while endeavoring to enhance shareholder value and income.

GROWTH



To Our Shareholders:

Your Company's 10-K for the year ended December 31, 2002, which has been filed with the SEC and is enclosed herein, describes an extremely eventful year. In addition to a number of property acquisitions and the sale of the Company's last remaining non-core property, the year's activities reflect an expanded management team and one additional member of the Board of Directors. The 10-K also reflects new financial reporting requirements for the Company, management, our outside auditors and the audit committee pursuant to the Sarbanes-Oxley Act of 2002, related rules of the SEC and NASDAQ, as well as new accounting rules promulgated by the Financial Accounting Standard Boards.

During 2002, the Company continued the substantial growth in its portfolio, focusing on supermarket-anchored shopping centers. The growth in the Company's asset base represents nearly a ten-fold increase during the past two years from the asset base of the Company when founded in 1984 and when acquired by present management and its affiliates in 1998. We believe that such growth reflects not only an absolute increase in assets, but also a continued commitment to the acquisition of excellent properties within the Company's geographic and product focus.

Such growth has been made possible, in part, by the extraordinarily favorable debt markets during the past year, which have permitted the Company to acquire properties on very favorable financing terms for a preponderance of the acquisition costs. We have also been fortunate to work with excellent joint venture partners and a mezzanine lender to permit us to acquire controlling interests in such properties with modest commitments of the Company's available cash albeit at a higher cost of capital than, for example, generally prevailing first mortgage interest rates.

The Company expects to continue to grow its asset base during the coming year, again availing itself, at least temporarily, of the attractive interest rate debt markets. On a long-term basis, however, the Company will seek to reduce its debt levels so that the Company's balance sheet will reflect a more favorable balance between debt and equity.

The Company has had the benefit of a new Chief Financial Officer whose abilities and capacities closely mirror the Company's desire and need to improve its balance sheet while continuing the growth in its asset base. Also, the Company has benefited from a new Director of Leasing who enhances the Company's ability to deal with its increasing inventory of retail space.

The year 2003, building on last year's growth, should constitute a watershed for the Company and its future. As always, we hope that we can look forward to your continued support.

For the Board of Directors,

A handwritten signature in dark ink, appearing to read "Leo S. Ullman". The signature is fluid and cursive, with the first name "Leo" and last name "Ullman" clearly distinguishable.

LEO S. ULLMAN

*President,
March 28, 2003*

HISTORY & DEVELOPMENT

Cedar Income Fund, Ltd. was incorporated and qualified to operate as a real estate investment trust ("REIT") in 1984. In June 1998, following a tender offer completed in April 1998, the Company was reorganized as a Maryland corporation and included in an "umbrella partnership REIT" structure through the contribution of substantially all of its assets to a Delaware limited partnership.

During the years 2000 and 2001, the Company sold all four of its original properties, which it had held for approximately 15 years, and reinvested the net proceeds together with newly-borrowed funds into a portfolio of supermarket-anchored shopping centers. This marked a change of focus from office/warehouse properties to retail properties, primarily supermarket-anchored shopping centers located in Pennsylvania and New Jersey.

Cedar represents essentially a new fast growth model. While our Fund has been in existence for nearly 20 years, and has evidenced an unblemished existence during its entire history, the Company has embarked on a significant and highly-focused growth pattern.

To date, the Company has joint ventured with several partners and utilized mezzanine and property specific first mortgage financing to acquire its retail assets. The Company's gross real estate assets have grown from approximately \$14 million in 1998 to approximately \$150 million as of the end of the first quarter of 2003. Correspondingly, the Company's gross revenues have grown from approximately \$2.5 million in 1998 to an annualized level of approximately \$21 million.

If we as management proceed within our specific focus, relying on our experience and knowledge that we have developed over the past 25 years, if we listen carefully to our Board of Directors, our auditors and our counsel, and if we continue to use common sense and work hard, we believe that we will build a company of which we and our shareholders can be justly proud.

Locations & Properties

We are very much committed to the thoughtful pursuit of additional acquisition opportunities for the Company. In this regard, we believe that we have developed an excellent network of relationships with colleagues in the real estate business, based on a history of honorable, fair and effective dealings, which will continue to provide an excellent source of additional deal flow.



THE POINT SHOPPING CENTER

Location

The subject property is located at the intersection of Interstate Route 83 and Union Deposit Road on the east shore of the Susquehanna River in the city of Harrisburg, Pennsylvania, approximately 120 miles west of Philadelphia and 90 miles north of Baltimore, Maryland.

Description

This property, which is owned in fee, is a retail center measuring approximately 260,000 rentable square feet situated on 25 acres of land. The center was originally constructed in 1972. In 2000-2001 the center was substantially redeveloped including construction of a new Giant supermarket, a new

Staples, a new bank outparcel, newly configured parking lots, a new traffic light at the entrance, and a new facade. A two-level internal mall area of more than 100,000 square feet was eliminated as part of such redevelopment.

ACADEMY PLAZA

Location

The subject property is located at the intersection of Academy and Red Lion Roads in the northeast section of Philadelphia, Pennsylvania.

Description

This property, situated on approximately 9.86 acres, owned in fee, is a multi-tenant retail center with approximately 154,836 square feet of rentable retail space. The center underwent a major renovation in 1998, which included construction of an expanded Acme supermarket and new (pylon) signage.



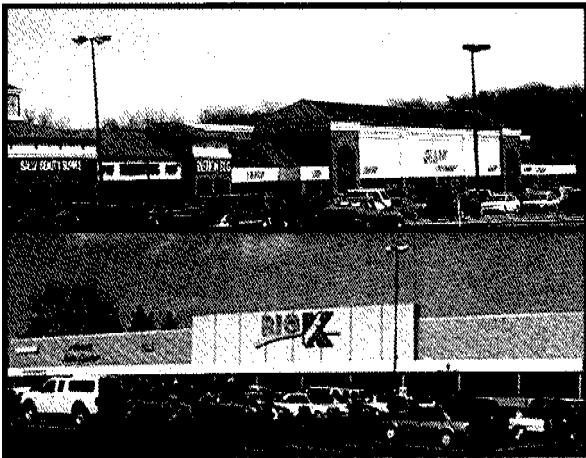
LOYAL PLAZA SHOPPING CENTER

Location

The subject property is located on 1875 East Third Street at the intersection of Interstate 180 in the city of Williamsport, Pennsylvania, approximately 95 miles north of Harrisburg.

Description

This property, which is owned in fee, is a multi-tenant retail shopping center measuring approximately 293,270 rentable square feet and situated on 29 acres of land. The center was originally constructed in 1969, and was substantially redeveloped in 1999 and 2000, including construction of a new Giant supermarket that opened in March 2001.



RED LION SHOPPING CENTER

Location

Red Lion Shopping Center is located at the southwest quadrant of the intersection of Roosevelt Boulevard (US Route 1) and Red Lion Road in Northeast Philadelphia.

Description

The subject, which is owned in fee, is a community-strip shopping center situated on 18.72 acres of land consisting of 217,874 square feet of rentable area. Expansions of 13,500 sf and 11,000 sf were completed in October 1999 and July 2000, respectively, to provide new stores for Pets Plus and Staples. The improvements were built in 1972 and since then were substantially rehabbed in 1990, expanded for the Best Buys tenancy in 1998 and again in 1999 and 2000 as discussed above.



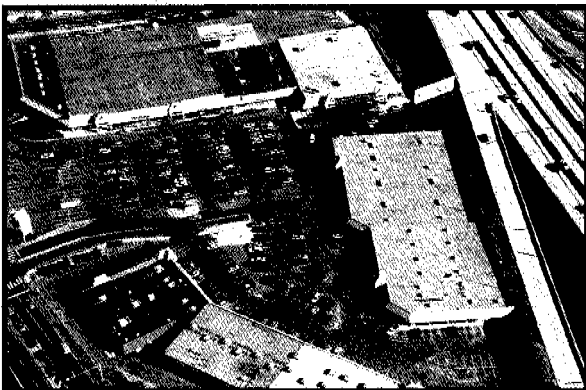
PORT RICHMOND VILLAGE

Location

The subject property is located at the intersection of Aramingo Avenue and York Street in the Port Richmond section of Philadelphia, Pennsylvania.

Description

This property, originally constructed in 1988 on 10.55 acres of land owned in fee, is a multi-tenant retail center measuring approximately 156,502 square feet of retail space. Approximately 4 acres of land are leased for additional parking.



WASHINGTON CENTER

Location

The subject property is located at the crossroads of Egg Harbor Road (County Route 630) and Greentree Road (County Route 651) in Washington Township, New Jersey.

Description

This property, which is owned in fee, is a multi-tenant retail center measuring approximately 157,146 square feet situated on 28.27 acres of land. The center, originally constructed in 1979, underwent a major expansion and renovation in 1995, which included a new facade, roofs, lighting, pylon sign and a re-paved and re-stripped parking lot. The anchor tenant is Acme supermarket, which has a 66,000-square-foot state-of-the-art superstore.



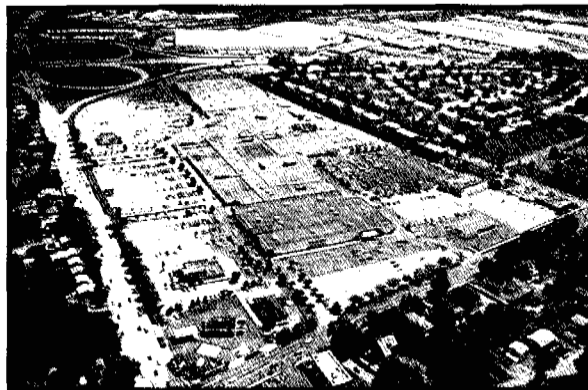
CAMP HILL MALL

Location

The subject property is located in the "West Shore" trade area of the Harrisburg metro market at routes 11/15 & 581 in Camp Hill, Cumberland County, Pennsylvania. The Susquehanna River, which divides the Harrisburg trade area, lies approximately three miles to the east of the property.

Description

This property, which is owned in fee, is an enclosed, one-level regional shopping mall with several outparcels situated on approximately 44.32 acres of land consisting of approximately 527,629 square feet of rentable area. The major portions of the center were constructed in 1958 and redeveloped in 1986. A 90,000 sf addition was constructed in 1991. The anchor tenants are Boscov's and a Giant supermarket.



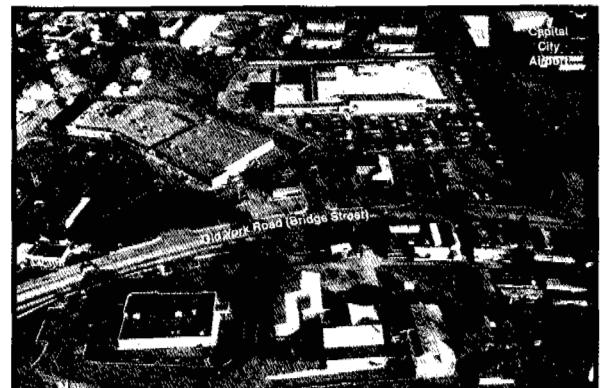
FAIRVIEW PLAZA

Location

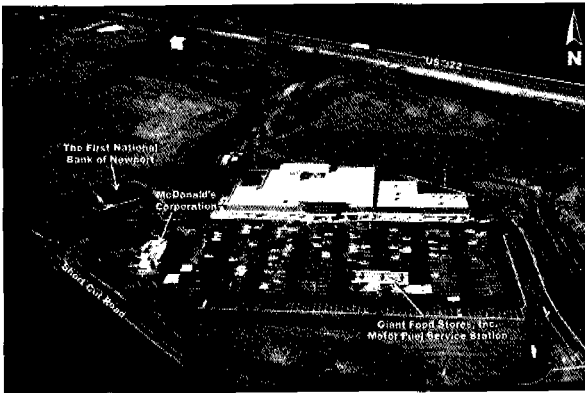
The subject property is located at 120-132 Old York Road in New Cumberland, Pennsylvania, on the west shore of the Harrisburg, Pennsylvania trade area.

Description

This property, which is owned in fee, is a retail center measuring approximately 69,579 rentable square feet situated on 6.77 acres of land. The center was originally constructed in 1992. The primary tenant is a Giant supermarket.



NEWPORT PLAZA



Location

The subject property is located at Route 34 and US-322 in Newport, Pennsylvania, approximately 23 miles northwest of Harrisburg, Pennsylvania.

Description

This property, which is owned in fee, is a retail center measuring approximately 66,789 rentable square feet situated on 12.10 acres of land. The center was originally constructed in 1996. The primary tenant is a Giant supermarket.

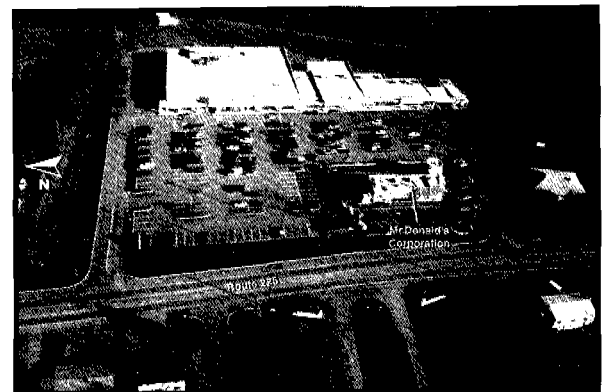
HALIFAX PLAZA

Location

The subject property is located on Peters Mountain Road (Route 225) in Halifax, Pennsylvania, approximately 14 miles north of Harrisburg, Pennsylvania.

Description

This property, which is owned in fee, is a retail center measuring approximately 54,150 rentable square feet, situated on 8.5 acres of land. The center was originally constructed in 1994. The primary tenant is a Giant supermarket.



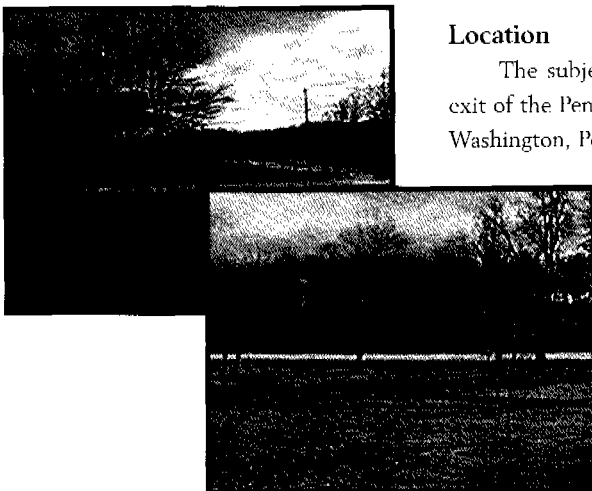
L.A. FITNESS FACILITY

Location

The subject property is located at the Virginia Drive (new "slip" ramp exit) exit of the Pennsylvania Turnpike servicing the Fort Washington Office Park in Fort Washington, Pennsylvania.

Description

The property, which is owned in fee, will contain a free-standing L.A. Fitness facility measuring approximately 41,000 square feet on approximately 7 acres of land. Construction of the L.A. Fitness facility is in progress and is expected to be completed in the summer of 2003.



Corporate Information

Leo S. Ullman,
Chairman of the Board,
President and Director

President
Cedar Bay Realty Advisors, Inc.

Chief Executive Officer
Cedar Bay Company

President
SKR Management Corp.

Chairman
Brentway Management LLC

J.A.M.H. der Kinderen,
Director

(retired) Director of Investments
Rabobank Pension Fund
The Netherlands

Everett B. Miller III,
Director

Director
(retired) Chief Operating Officer
Commonfund Realty, Inc.
Wilton, CT 06897

James J. Burns,
Director

Senior Vice President and
Chief Financial Officer
Wellsford Real Properties, Inc.
New York, NY 10022

Brenda J. Walker,
Vice President and
Director

President
Brentway Management LLC

Vice President
Cedar Bay Company

Vice President
SKR Management Corp.

Vice President
Cedar Bay Realty Advisors, Inc.

Frank W. Matheson,
Director

President
Homburg Canada Inc.
Nova Scotia, Canada

Richard Homburg,
Director

Chairman
Homburg Uni-Corp. Inc.

President
Homburg Invest Inc.

Former Chairman
Uni-Invest N.V.

Thomas J. O'Keeffe,
Chief Financial Officer

Former Chief Financial Officer
R.M. Bradley & Company, Inc.
and Bradley Real Estate, Inc.

Stuart H. Widowski,
Secretary

Advisor
Cedar Bay Realty Advisors, Inc.
44 S. Bayles Avenue
Port Washington, NY 11050

Property Manager
Brentway Management LLC
44 S. Bayles Avenue
Port Washington, NY 11050

Stock Transfer Agent
American Stock Transfer and
Trust Company
59 Maiden Lane
New York, NY 10038
1-800-937-5449

