

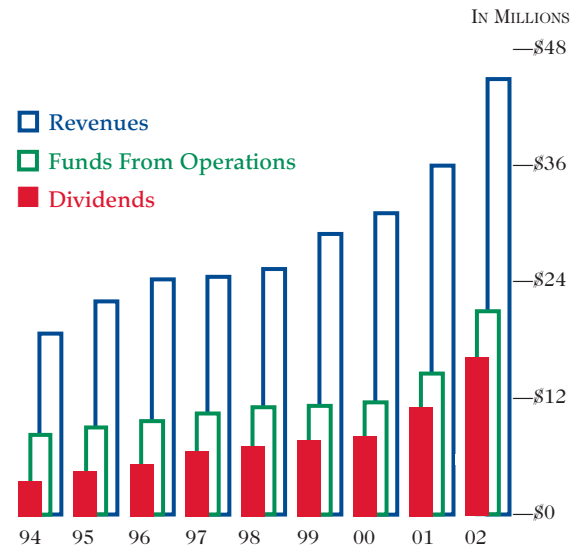
# URSTADT BIDDLE PROPERTIES INC.

## 2002 ANNUAL REPORT

**DIVIDENDS\$!    DIVIDENDS\$!    DIVIDENDS\$!**

OVER THE LAST NINE YEARS:

- **DIVIDENDS PER SHARE INCREASED AN AVERAGE OF 4% EACH YEAR**
- **TOTAL FUNDS FROM OPERATIONS INCREASED AN AVERAGE OF 13%**
- **TOTAL REVENUES INCREASED AN AVERAGE OF 11%**



Ridgeway Shopping Center, Stamford, Connecticut (Acquired June, 2002)

# URSTADT BIDDLE PROPERTIES INC.

Urstadt Biddle Properties Inc. (UBP) is a self-administered publicly held real estate investment trust providing investors with a means of participating in the ownership of income-producing properties. UBP's core properties consist of neighborhood and community shopping centers in the suburban areas of the northeastern United States with a primary concentration in Fairfield County, Connecticut and Westchester and Putnam Counties, New York. Non-core assets consist of office and retail buildings, industrial properties and mortgages.

Class A Common Shares and Common Shares of the Company trade on the New York Stock Exchange under the symbols "UBP.A" and "UBP."

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## SELECTED FINANCIAL DATA

(In thousands, except per share data)

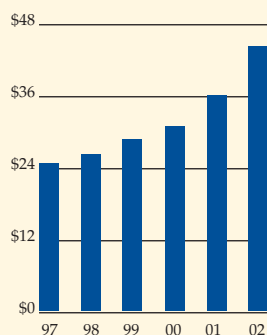
Year Ended October 31,	2002	2001	2000	1999	1998	1997
<b>Balance Sheet Data:</b>						
Total Assets	\$353,633	\$218,352	\$180,792	\$183,774	\$165,039	\$137,430
Mortgage Notes Payable	\$106,429	\$ 47,115	\$ 51,903	\$ 51,263	\$ 32,900	\$ 43,687
Preferred Stock	\$ 14,341	\$ 33,462	\$ 33,462	\$ 33,462	\$ 33,462	—
<b>Operating Data:</b>						
Total Revenues	\$ 44,340	\$ 36,093	\$ 31,009	\$ 29,430	\$ 25,385	\$ 24,719
Total Operating Expenses	\$ 29,438	\$ 26,154	\$ 23,281	\$ 21,596	\$ 17,252	\$ 16,238
Net Income Applicable to Common and Class A Common Stockholders	\$ 16,080	\$ 10,540	\$ 5,442	\$ 6,043	\$ 5,615	\$ 8,589
<b>Other Data:</b>						
Funds from Operations (Note 1)	\$ 21,073	\$ 14,611	\$ 11,914	\$ 11,878	\$ 11,782	\$ 10,189
Net Cash Provided by Operating Activities	\$ 18,532	\$ 21,308	\$ 14,262	\$ 14,423	\$ 13,901	\$ 14,755
Net Cash Used in Investing Activities	\$(64,960)	\$(11,394)	\$ (3,713)	\$ (10,556)	\$(31,130)	\$ (7,460)
Net Cash Provided by (Used in) Financing Activities	\$ 59,023	\$ 22,040	\$(11,436)	\$ (5,009)	\$ 19,207	\$ (7,192)
<b>Per Share Data:</b> (Note 2)						
Net Income – Basic:						
Class A Common Stock	\$ .89	\$1.01	\$ .55	\$ .62	\$ .57	\$ .87
Common Stock	\$ .80	\$ .91	\$ .50	\$ .55	\$ .52	\$ .80
Net Income – Diluted:						
Class A Common Stock	\$ .87	\$ .97	\$ .55	\$ .61	\$ .57	\$ .86
Common Stock	\$ .78	\$ .88	\$ .49	\$ .54	\$ .52	\$ .79
Cash Dividends on:						
Class A Common Stock	\$ .82	\$ .80	\$ .78	\$ .76	\$ .19	—
Common Stock	\$ .74	\$ .72	\$ .70	\$ .68	\$1.13	\$1.26
	<u>\$1.56</u>	<u>\$1.52</u>	<u>\$1.48</u>	<u>\$1.44</u>	<u>\$1.32</u>	<u>\$1.26</u>
Cash Dividends on Common and Class A Common Stock as a Percentage of Funds from Operations						
	<u>71%</u>	<u>60%</u>	<u>65%</u>	<u>63%</u>	<u>58%</u>	<u>63%</u>

Note (1): The Company considers Funds from Operations (FFO) to be a supplemental measure of operating performance. FFO is calculated as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of properties and debt restructuring, plus depreciation and amortization, and after adjustments for unconsolidated joint ventures. FFO does not represent cash flows from operations as defined by GAAP and should not be considered an alternative to net income as an indication of the Company's operating performance or for cash flows as a measure of liquidity or its dividend paying capacity. Furthermore, FFO as disclosed by other REITs may not be comparable to the Company's calculation of FFO. For a further discussion of FFO, see Management's Discussion and Analysis on page 31.

Note (2): In August 1998, the Company declared a one-for-one stock dividend effected in the form of a new issue of Class A Common Stock.

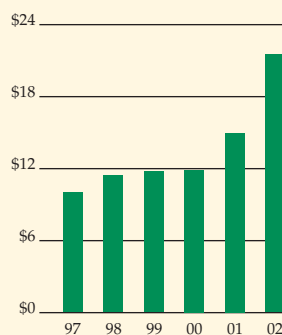
### Total Revenues

(In millions)



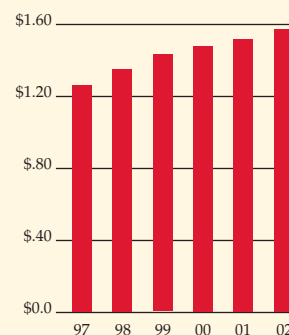
### Total Funds From Operations

(In millions)



### Combined Dividends Paid on Common and Class A Common Shares (Note 2)

(In dollars per share)



# TO OUR STOCKHOLDERS

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SIMPLY STATED —  
2002 WAS A GREAT YEAR FOR  
YOUR COMPANY!

All of the Company's principal financial indicators rose in 2002. Our Total Assets increased 62%, Stockholders Equity increased 74%, Total Revenues increased 23%, Net Income increased 53%, Funds From Operations increased 44% and, **most importantly, our dividends increased for the ninth straight year.** Funds From Operations per share experienced

al economy was struggling and for the third straight year the major stock averages were down.

As we stated in last year's annual report, our biggest challenge in 2002 was to quickly and profitably use the \$47 million raised from the sale of 5.5 million shares of Class A Common Stock in 2001. Not only were we successful in putting that money to work but, we raised another \$82 million this year through the sale of an additional 8.05 million Class A Shares, bringing the total new

this letter. We have signed contracts to acquire another two shopping centers for \$33 million. We expect these new properties to contribute to our Funds From Operations in 2003 and thereafter.

This year's news was filled with stories about "lack of investor confidence" in corporate America which has caused some dramatic changes in regulations affecting public companies. The Sarbanes-Oxley Law will result in some added costs for public companies of which UBP is no exception. Our business is relatively simple and fairly easy to understand. Our names are "on the door" of this Company, our Board of Directors and management team have a significant investment and, as a result, we are especially dedicated to making certain that the Company complies with the new laws. During the year we replaced Arthur Andersen LLP, who had served as our Company's auditors for many years, with Ernst & Young LLP. We are pleased to say that the

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*We strive to be judged on the facts — namely — increased profits and thus consistent, well-covered dividends to our stockholders.*

Charles J. Urstadt, *Chairman*

a temporary decline as a result of the issuance of new shares. For calendar 2002, UBP's Class A Common Stock yielded a total return of 15.8% which exceeded the NAREIT All-REIT index average of 5.2%. We achieved these results at a time when the nation-

capital raised to \$129 million in under 15 months, more than doubling the equity base of the Company. Our acquisition team met the challenge and invested \$148 million in four shopping center properties totaling 656,000 square feet through the date of

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*Despite the softening U.S. economy, we were able to maintain a 95% leased rate in our properties.*

Willing L. Biddle, *President*

transition has been smooth thanks to the cooperation of everyone concerned.

On the topic of our stock prices, we would like to point out that we have no control over prevailing stock market attitudes or interest rates, both of which can have a profound influence on our stock price. Wall Street now seems to be focusing on dividends. We have long felt “**stock prices are opinions, but dividends are facts.**” And so, we strive to be judged on the facts — namely — increased profits and thus consistent, well-covered dividends to our stockholders. Therefore, we believe that this new emphasis on dividends should make our stock appeal to long term investors as opposed to traders seeking quick returns.

## FUNDS FROM OPERATIONS

For the ninth consecutive year, the Company reported an increase in its Funds From Operations (FFO), a supplemental measure of operating performance used by REITs. **Total FFO increased this year to \$21 million from \$14.6 million last year** and is the result of new property acquisitions, higher occupancies and new tenant leasing. However, as the stock sale proceeds were temporarily invested in low-yielding cash investments during the year, the Company’s FFO per share was affected by the dilution caused from the more than 13 million new Class A shares added over the past fifteen months. Recent acquisitions which will earn substantially more than the cash yields on short term invest-

ments, should correct this temporary imbalance in 2003 and thereafter.

## DIVIDENDS

For more than 33 years, the Company has paid uninterrupted dividends. We are proud to state that the January quarterly payments will be the Company’s 133rd consecutive quarterly dividends.

We are also pleased to report that for the ninth consecutive year, **the Board of Directors in December 2002, approved an increase in the quarterly dividend rates.** Our dividends are well covered by our Funds From Operations. At 71% of our 2002 Funds from Operations, our dividend payout rate is among the lowest in the REIT industry.

The President recently released his new tax proposals concerning the elimination of the double taxation of dividends. While it is still too early to tell what the effect on REITS may be,

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*The Company’s capital base more than doubled as a result of the sale of more than 13 million shares of Class A Common stock since June 2001.*

James R. Moore, *Chief Financial Officer*

## TO OUR STOCKHOLDERS

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we believe that investors interested in more reliable cash yields should continue to be attracted to REITS and because of the importance that real estate plays in diversified portfolios, REIT shares will remain attractive to the investing public.

### OPERATIONS

The success at our properties is largely due to our capable, hardworking acquisition, management and leasing staff.

Despite the softening U.S. economy, **we were able to maintain a 95% leased rate in our properties.** However, due to the downsizing of a large office tenant at our Southfield, Michigan property earlier this year, our overall leased rate dropped from last year. During the year, we completed a number of property renovations and new tenant installations. We added depth to our manage-

ment and leasing staff to enable us to continue to intensively manage and add value to our growing portfolio. Please read the "Portfolio Review" section (pages 5-9) of this Annual Report for more detail.

### CAPITAL

**The Company's capital base more than doubled as a result of the sale of more than 13 million shares of Class A Common stock since June 2001.** We also have strong banking relationships and have available approximately \$40 million in bank credit lines which can be drawn upon to meet liquidity needs. Our mortgage debt is modest for a real estate company. At year end, debt comprised less than a third of the Company's total book capitalization and all of our mortgages have fixed rates of interest and long maturities. More than half our properties are free of debt.

### OUTLOOK

We feel that of all property types, retail centers, are the most stable in uncertain times. While we are cautious given the state of the economy and the effect it can have on our tenants, we are optimistic because our properties are primarily grocery anchored centers located in excellent locations with high barriers to entry. We will continue our proven strategy and we have the team in place to enable the company to grow and improve despite the economy as evidenced by our results.

We thank our outstanding board of Directors and our hard working dedicated staff for contributing to the Company's continued success this year and we extend our gratitude to our old and new shareholders for their support of our team's efforts.

Sincerely yours,

Charles J. Urstadt



Chairman

Willing L. Biddle



President

January 16, 2003

## PORTFOLIO REVIEW

Our strategy is to concentrate our portfolio of properties in a geographic area close to our headquarters and primarily in one property type — grocery-anchored shopping centers. Our focus is on well-located neighborhood shopping centers leased to retailers who deliver basic services and products to consumers. We are also receptive to



*Urstadt Biddle Properties  
Executive Offices  
Greenwich, Connecticut*

acquiring well-located high yield office properties near our executive offices in Greenwich, Connecticut.

## PORTFOLIO REVIEW

### ACQUISITIONS

Clearly, the past 15 months has seen the greatest dollar volume of acquisitions (\$148 million) in the company's history. In July 2002, we purchased the 360,000 square foot **Ridgeway Shopping Center**, located in the heart of Stamford, Connecticut. Ridgeway, which is on the cover of this annual report, is the largest open-air community shopping center in Fairfield County, Connecticut and contains such well-known national retailers as Stop & Shop Supermarket, Bed Bath & Beyond, Marshalls, Staples, Old Navy and Michael's Crafts. Many of these stores perform in the top 10% of their chains in terms of sales per square



*Ridgeway  
Shopping Center  
Stamford, Connecticut  
(above and right)*







foot. Earlier in the year, we purchased **Airport Plaza Shopping Center**, a 33,000 square foot shopping center located across the road from our Danbury Square Shopping Center in Danbury, Fairfield County, Connecticut. Shortly after the end of our fiscal

year, we purchased the 185,000 square foot **Westchester Pavilion Shopping Center** located in the center of White Plains, Westchester County, New York and the 78,000 square foot **Orange Meadows Shopping Center** located on the busy Route 1 corridor



*Airport Plaza  
Danbury, Connecticut*



*Orange Meadows Shopping Center  
Orange, Connecticut*



## PORTFOLIO REVIEW

in Orange, Connecticut. The Pavilion, which is 100% leased, contains well known national retailers such as Toys R Us, Office Max, Sports Authority, Borders Books and Outback Steakhouse, many of which stores also perform in the top 10% of their chains in terms of sales per square foot. Orange Meadows is 85% leased and its tenant roster con-



Westchester Pavilion Shopping Center, White Plains, New York (above and below)



sists of national and local retailers including Trader Joe's (a specialty supermarket), Talbots, Seamans Furniture and Thomasville Furniture. These four properties added over 656,000 square feet of prime retail property to our portfolio in our target market at an approximate cost of \$148 million. In addition, we have two additional properties in contract for a cost of approximately \$33 million which we expect to close in the

next several months. Your company has a strong management and leasing team in place to handle these new properties and our acquisition team continues to proactively uncover attractive shopping center investments in our target market.

### LEASING

In 2002 we continued our success in leasing vacant space and positioning our properties for future growth. Overall, we signed new

leases and negotiated lease renewals totaling 236,000 square feet of space, about 10% of the company's core property total leasable area. The percentage of our total portfolio leased dropped slightly over the year from 98% to 95% due primarily to a vacancy in our Southfield, Michigan office building. At **Townline Square**, Burlington Coat, Michaels Crafts and Chuck E. Cheese opened for business during the year completing the re-tenanting of this prop-

erty. At **Newington Park**, JoAnn Fabrics (22,500 sf) renewed their lease and Outback Steakhouse (6,500 sf) opened for business. We completed a façade renovation of the **Eastchester Mall** and added an additional 2,500 square feet of leasable space in the process. At the **Goodwives Shopping Center**, we extended the lease with our anchor grocer Shaws (42,000 sf),

and increased their leased square footage to accommodate the store's anticipated expansion and renovation. At **Five Town Plaza**, we re-leased the 115,390 sf former Spag's space to Burlington Coat Factory and World Gym both of whose stores will open in 2003. In **Tempe, Arizona** 99¢ Stores opened for business but in our **Southfield, Michigan** office prop-

erty a tenant downsized resulting in a 61,600 sf vacancy which we are marketing. We have a number of anchor grocer expansions in negotiation at our core properties. Our leasing challenges this year will be to lease the vacant Michigan office space and approximately 40,000 sf of office and retail space available at the Ridgeway Shopping Center.



*Goodwives Shopping Center  
Darien, Connecticut*



*Townline Square  
Meriden, Connecticut*

# URSTADT BIDDLE PROPERTIES INC.

*Arcadian Shopping Center  
Briarcliff Manor, New York*



*Towne Centre Shopping Center  
Somers, New York*



*Carmel ShopRite Center  
Carmel, New York*



*Chilmark Shopping Center  
Briarcliff Manor, New York*



*Heritage 202 Center  
Somers, New York*

*25 Valley Drive  
Greenwich, Connecticut*



*7 Riversville Road  
Greenwich, Connecticut*



*530 Old Post Road  
Greenwich, Connecticut*



*Westchester Pavilion Shopping Center  
White Plains, New York*



*Eastchester Mall  
Eastchester, New York*



**URSTADT  
BIDDLE  
PROPERTIES**  
Greenwich,  
Connecticut

*Valley Ridge Shopping Center  
Wayne, New Jersey*



*Bi-County Shopping Center  
Farmingdale, New York*



*Five Town Plaza  
Springfield, Massachusetts*



*Newington Park  
Newington, New Hampshire*

*Danbury Square  
Danbury, Connecticut*



*Airport Plaza  
Danbury, Connecticut*



*Townline Square  
Meriden, Connecticut*



*Ridgefield Center  
Ridgefield, Connecticut*



*Goodwives Shopping Center  
Darien, Connecticut*

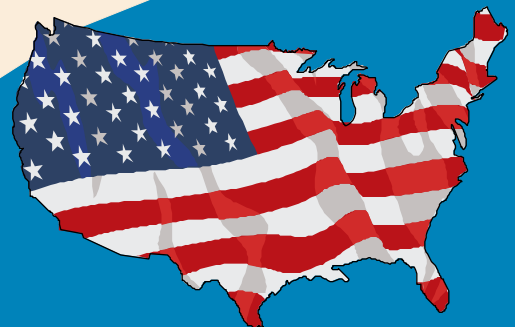


*Orange Meadows Shopping Center  
Orange, Connecticut*

*Ridgeway Shopping Center  
Stamford, Connecticut*



# CORE PROPERTIES



# INVESTMENT PORTFOLIO

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## URSTADT BIDDLE PROPERTIES INC.

### CORE PROPERTIES

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UBP owns or has interests in nineteen shopping centers and five office buildings which total 2,479,000 square feet.

Location	Square Feet	Principal Tenants	Property Type
Stamford, Connecticut	360,000	Stop & Shop, Bed Bath & Beyond	Shopping center
Springfield, Massachusetts	316,000	A&P, Burlington Coat, Toy Works	Shopping center
Meriden, Connecticut	313,000	ShopRite, Old Navy, Linens 'N Things	Shopping center
Danbury, Connecticut	194,000	Barnes & Noble, Christmas Tree Shops	Shopping center
Briarcliff Manor, New York	190,000	Stop & Shop, Toy Works	Shopping center
White Plains, New York*	185,000	Toys R Us, The Sports Authority	Shopping center
Carmel, New York	126,000	ShopRite, Eckerd Drugs	Shopping center
Wayne, New Jersey	102,000	A&P, PNC Bank	Shopping center
Newington, New Hampshire	102,000	Linens 'N Things	Shopping center
Darien, Connecticut	95,000	Shaw's Supermarket	Shopping center
Somers, New York	78,000	Gristede's, US Post Office	Shopping center
Orange, Connecticut*	78,000	Trader Joe's Food Market, Seamans Furniture	Shopping center
Farmingdale, New York	70,000	King Kullen, Eckerd Drugs	Shopping center
Eastchester, New York	70,000	Food Emporium (A&P)	Shopping center
Ridgefield, Connecticut	51,000	Chico's	Shopping center
Briarcliff Manor, New York	38,000	Dress Barn, Radio Shack	Shopping center
Danbury, Connecticut	33,000	Gateway	Shopping center
Somers, New York	19,000	Putnam County Savings Bank	Shopping center
Greenwich, Connecticut	59,000	Greenwich Hospital, Urstadt Biddle Properties (Executive Offices)	5 Office buildings

\*Acquired-12/02

### NON-CORE PROPERTIES

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UBP owns one office building containing 202,000 square feet, one retail property containing 126,000 square feet and two industrial properties with a total of 447,000 square feet. The Company also holds long-term mortgages.

Location	Square Feet	Principal Tenant	Property Type
Southfield, Michigan	202,000	Arcadis/Giffels	Office building
Tempe, Arizona	126,000	Mervyn's	Shopping center
Dallas, Texas	255,000	DaimlerChrysler	Parts distribution facility
St. Louis, Missouri	192,000	DaimlerChrysler	Parts distribution facility

# FINANCIALS

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## CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	October 31,	
	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
Real Estate Investments:		
Core properties — at cost, net of accumulated depreciation	\$252,711	\$160,152
Non-core properties — at cost, net of accumulated depreciation	11,944	11,039
Mortgage notes and other receivable	3,447	3,507
	<u>268,102</u>	<u>174,698</u>
Cash and cash equivalents	46,342	33,747
Restricted cash	514	333
Short-term investments	25,145	—
Tenant receivables, net of allowances	5,695	3,826
Deferred charges, net of accumulated amortization	3,294	3,477
Prepaid expenses and other assets	4,541	2,271
	<u>\$353,633</u>	<u>\$218,352</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Mortgage notes payable	\$106,429	\$47,115
Accounts payable and accrued expenses	1,021	2,670
Deferred officers' compensation	287	230
Other liabilities	4,218	4,142
	<u>111,955</u>	<u>54,157</u>
Minority Interests	<u>7,320</u>	<u>4,365</u>
Preferred Stock, par value \$.01 per share; 20,000,000 shares authorized; 8.99% Series B Senior Cumulative Preferred stock, (liquidation preference of \$100 per share); 150,000 and 350,000 shares issued and outstanding in 2002 and 2001, respectively	<u>14,341</u>	<u>33,462</u>
Commitments and Contingencies		
<b>Stockholders' Equity:</b>		
Excess stock, par value \$.01 per share; 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, par value \$.01 per share; 30,000,000 shares authorized; 6,578,572 and 6,242,139 issued and outstanding shares in 2002 and 2001, respectively	66	62
Class A Common stock, par value \$.01 per share; 40,000,000 shares authorized; 18,449,472 and 9,600,019 issued and outstanding shares in 2002 and 2001, respectively	185	96
Additional paid in capital	254,266	162,763
Cumulative distributions in excess of net income	(30,487)	(31,654)
Unamortized restricted stock compensation and notes receivable from officers/stockholders	(4,013)	(4,899)
	<u>220,017</u>	<u>126,368</u>
	<u>\$353,633</u>	<u>\$218,352</u>

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



**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	Year Ended October 31,		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Revenues</b>			
Operating leases	\$42,206	\$34,209	\$30,242
Lease termination income	765	1,137	—
Interest and other	1,369	747	767
	<u>44,340</u>	<u>36,093</u>	<u>31,009</u>
<b>Operating Expenses</b>			
Property expenses	12,781	11,502	10,413
Interest	5,584	4,456	4,245
Depreciation	7,547	6,697	5,638
Amortization	517	871	669
General and administrative expenses	2,836	2,484	2,152
Directors' fees and expenses	173	144	164
	<u>29,438</u>	<u>26,154</u>	<u>23,281</u>
<b>Operating Income</b>	<u>14,902</u>	<u>9,939</u>	<u>7,728</u>
<b>Equity in Earnings of Unconsolidated Joint Venture</b>	—	3,864	245
<b>Minority Interests in Results of Consolidated Joint Ventures</b>	(395)	(432)	(451)
<b>Gains on Sales of Real Estate Investments</b>	—	316	1,067
<b>Net Income</b>	<u>14,507</u>	<u>13,687</u>	<u>8,589</u>
Preferred Stock Dividends	(1,498)	(3,147)	(3,147)
Excess of Carrying Value over Cost to Repurchase Preferred Shares	3,071	—	—
<b>Net Income Applicable to Common and Class A Common Stockholders</b>	<u>\$16,080</u>	<u>\$10,540</u>	<u>\$5,442</u>
<b>Basic Earnings Per Share:</b>			
Common	<u>\$ .80</u>	<u>\$ .91</u>	<u>\$ .50</u>
Class A Common	<u>\$ .89</u>	<u>\$ 1.01</u>	<u>\$ .55</u>
<b>Weighted Average Number of Shares Outstanding:</b>			
Common	<u>6,089</u>	<u>5,881</u>	<u>5,351</u>
Class A Common	<u>12,615</u>	<u>5,182</u>	<u>5,059</u>
<b>Diluted Earnings Per Share:</b>			
Common	<u>\$ .78</u>	<u>\$ .88</u>	<u>\$ .49</u>
Class A Common	<u>\$ .87</u>	<u>\$ .97</u>	<u>\$ .55</u>
<b>Weighted Average Number of Shares Outstanding:</b>			
Common and Common Equivalent	<u>6,432</u>	<u>6,038</u>	<u>5,433</u>
Class A Common and Class A Common Equivalent	<u>13,136</u>	<u>5,606</u>	<u>5,532</u>
<b>Dividends Per Share:</b>			
Common	<u>\$ .74</u>	<u>\$ .72</u>	<u>\$ .70</u>
Class A Common	<u>\$ .82</u>	<u>\$ .80</u>	<u>\$ .78</u>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended October 31,		
	2002	2001	2000
<b>Operating Activities:</b>			
Net income	\$14,507	\$13,687	\$8,589
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,064	7,568	6,307
Restricted stock compensation	942	769	630
Recovery of investment in properties owned subject to financing leases	—	191	1,214
Equity in income of unconsolidated joint venture	—	(3,864)	(245)
Minority interests in results of consolidated joint ventures	395	432	451
Gains on sales of real estate investments	—	(316)	(1,067)
Increase in restricted cash	(181)	(174)	(81)
(Increase) decrease in tenant receivables	(1,871)	98	(481)
(Decrease) increase in accounts payable and accrued expenses	(1,649)	1,448	(684)
(Increase) decrease in other assets and other liabilities, net	(1,675)	1,469	(371)
<b>Net Cash Provided by Operating Activities</b>	<b>18,532</b>	<b>21,308</b>	<b>14,262</b>
<b>Investing Activities:</b>			
Purchase of short term investments	(25,145)	—	—
Acquisitions of properties	(34,785)	(5,606)	(1,627)
Acquisition of minority interest	(1,258)	(1,013)	—
Improvements to properties and deferred charges	(2,814)	(11,695)	(6,642)
Investment in unconsolidated entity	—	(480)	(535)
Net proceeds from sales of properties	275	1,216	3,921
Distributions to limited partners of consolidated joint venture	(395)	(432)	(451)
Distributions received from unconsolidated joint venture	—	6,544	1,500
Payments to limited partners of unconsolidated joint venture	(600)	—	—
Payments received on mortgage notes and other receivables	62	72	121
Deposits on acquisitions of properties	(300)	—	—
<b>Net Cash Used in Investing Activities</b>	<b>(64,960)</b>	<b>(11,394)</b>	<b>(3,713)</b>
<b>Financing Activities:</b>			
Sales of additional Common and Class A Common shares	88,523	42,959	2,713
Proceeds from mortgage notes payable and bank loans	17,200	26,250	6,500
Payments on mortgage notes payable and bank loans	(17,256)	(35,190)	(7,861)
Dividends paid – Common and Class A Common shares	(14,913)	(8,797)	(7,712)
Dividends paid – Preferred Stock	(1,498)	(3,147)	(3,147)
Purchases of Common and Class A Common shares	—	(35)	(1,929)
Repurchase of preferred shares	(16,050)	—	—
Repayments of notes from officers	3,017	—	—
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>59,023</b>	<b>22,040</b>	<b>(11,436)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>12,595</b>	<b>31,954</b>	<b>(887)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>33,747</b>	<b>1,793</b>	<b>2,680</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$46,342</b>	<b>\$33,747</b>	<b>\$1,793</b>

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except shares and per share data)

	Common Stock		Class A Common Stock			(Cumulative Distributions In Excess of Net Income)	Unamortized Restricted Stock Compensation and Notes Receivable	Total
	Outstanding Number of Shares	Par Value	Outstanding Number of Shares	Par Value	Additional Paid In Capital			
<b>Balances — October 31, 1999</b>	5,531,845	\$55	5,184,039	\$52	\$120,964	\$(31,127)	\$(1,907)	\$88,037
Net income applicable to Common and Class A Common stockholders	—	—	—	—	—	5,442	—	5,442
Cash dividends paid:								
Common stock (\$.70 per share)	—	—	—	—	—	(3,748)	—	(3,748)
Class A Common stock (\$.78 per share)	—	—	—	—	—	(3,964)	—	(3,964)
Sale of additional shares	64,400	—	256,400	3	2,406	—	—	2,409
Sale of additional shares under dividend reinvestment plan	21,367	—	22,035	—	304	—	—	304
Shares issued under restricted stock plan	48,375	1	48,375	1	700	—	(702)	—
Amortization of restricted stock compensation	—	—	—	—	—	—	630	630
Purchases of shares	(108,600)	(1)	(154,600)	(2)	(1,926)	—	—	(1,929)
<b>Balances — October 31, 2000</b>	5,557,387	55	5,356,249	54	122,448	(33,397)	(1,979)	87,181
Net Income applicable to Common and Class A Common stockholders	—	—	—	—	—	10,540	—	10,540
Cash dividends paid:								
Common stock (\$.72 per share)	—	—	—	—	—	(4,487)	—	(4,487)
Class A common stock (\$.80 per share)	—	—	—	—	—	(4,310)	—	(4,310)
Sale of additional shares	200,000	2	4,805,000	48	42,521	—	—	42,571
Sale of additional shares under dividend reinvestment plan	18,652	—	23,257	—	343	—	—	343
Shares issued under restricted stock plan	48,000	—	48,000	—	686	—	(686)	—
Amortization of restricted stock compensation	—	—	—	—	—	—	769	769
Purchases of shares	(900)	—	(2,800)	—	(35)	—	—	(35)
Exercises of stock options	419,000	5	24,859	—	3,043	—	—	3,048
Note from officer upon exercise of stock options	—	—	—	—	—	—	(3,003)	(3,003)
Deemed repurchase of Class A common Stock	—	—	(654,546)	(6)	(6,243)	—	—	(6,249)
<b>Balances — October 31, 2001</b>	6,242,139	62	9,600,019	96	162,763	(31,654)	(4,899)	126,368
Net income applicable to Common and Class A common stockholders	—	—	—	—	—	16,080	—	16,080
Cash dividends paid:								
Common stock (\$.74 per share)	—	—	—	—	—	(4,750)	—	(4,750)
Class A common stock (\$.82 per share)	—	—	—	—	—	(10,163)	—	(10,163)
Sales of Class A common shares	—	—	8,749,222	88	87,835	—	—	87,923
Sales of additional shares under dividend reinvestment plan	14,296	—	19,494	—	364	—	—	364
Shares issued under restricted stock plan	110,375	2	43,425	1	1,577	—	(1,580)	—
Amortization of restricted stock compensation	—	—	—	—	—	—	942	942
Exercises of stock options	211,762	2	37,312	—	1,727	—	—	1,729
Notes from officers upon exercises of stock options	—	—	—	—	—	—	(1,493)	(1,493)
Repayments of notes receivable from officers	—	—	—	—	—	—	3,017	3,017
<b>Balances — October 31, 2002</b>	<u>6,578,572</u>	<u>\$66</u>	<u>18,449,472</u>	<u>\$185</u>	<u>\$254,266</u>	<u>\$(30,487)</u>	<u>\$(4,013)</u>	<u>\$220,017</u>

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Business**

Urstadt Biddle Properties Inc. (Company), a real estate investment trust (REIT), is engaged in the acquisition, ownership and management of commercial real estate, primarily neighborhood and community shopping centers in the northeastern part of the United States. Other assets include office and retail buildings and industrial properties. The Company's major tenants include supermarket chains and other retailers who sell basic necessities. At October 31, 2002, the Company owned or had interests in 26 properties containing a total of 3.0 million square feet of leasable area.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and entities in which the Company has the ability to control the affairs of the venture. Prior to September 2001, the Company had an investment in an unconsolidated joint venture which was accounted for by the equity method of accounting. Under the equity method, only the Company's net investment and proportionate share of income or loss of the unconsolidated joint venture is reflected in the financial statements. All significant intercompany transactions and balances have been eliminated in consolidation.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make use of estimates and assumptions that affect amounts reported in the financial statements as well as certain disclosures. Actual results could differ from those estimates.

### **Reclassifications**

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

### **Federal Income Taxes**

The Company has elected to be treated as a real estate investment trust under Sections 856-860 of the Internal Revenue Code (Code). Under those sections, a REIT, that among other things, distributes at least 90% of real estate trust taxable income and meets certain other qualifications prescribed by the Code will not be taxed on that portion of its taxable income which is distributed. The Company believes it qualifies as a REIT and will distribute all of its taxable income for the fiscal years through 2002 in accordance with the provisions of the Code. Accordingly, no provision has been made for Federal income taxes in the accompanying consolidated financial statements.

### **Depreciation and Amortization**

The Company uses the straight-line method for depreciation and amortization. Core and non-core properties are depreciated over the estimated useful lives of the properties, which range from 30 to 40 years. Property improvements are depreciated over the estimated useful lives which range from 10 to 20 years. Tenant improvements are amortized over the life of the related leases.

### **Deferred Charges**

Deferred charges consist principally of leasing commissions which are amortized ratably over the life of the tenant leases and financing fees which are amortized over the terms of the respective agreements. Deferred charges in the accompanying consolidated balance sheets are shown at cost, net of accumulated amortization of \$1,437,000 and \$1,786,000 as of October 31, 2002 and 2001, respectively.

### **Real Estate Investment Impairment**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. It is the Company's policy to reclassify properties as assets to be disposed of upon determination that such properties will be sold within one year.

**Capitalization**

Acquisition of real estate investments, including brokerage, legal and other external costs incurred in acquiring new properties are capitalized as incurred. Additions, renovations and improvements that enhance and/or extend the useful life of a property are also capitalized. Expenditures for ordinary maintenance, repairs and improvements that do not materially prolong the normal useful life of an asset are charged to operations as incurred.

**Revenue Recognition**

Revenues from operating leases include revenues from core properties and non-core properties. Rental income is generally recognized based on the terms of leases entered into with tenants. Minimum rental income from leases with scheduled rent increases is recognized on a straight-line basis over the lease term. At October 31, 2002 and 2001, approximately \$3,743,000 and \$1,970,000 has been recognized as straight-line rents receivable (representing the current net cumulative rents recognized prior to when billed and collectible as provided by the terms of the leases), all of which is included in tenant receivables in the accompanying consolidated financial statements. Percentage rent is recognized when a specific tenant's sales breakpoint is achieved. Property operating cost recoveries from tenants of common area maintenance, real estate taxes, and other recoverable costs are recognized in the period the related expenses are incurred. Lease termination fees received by the Company from its tenants are recognized as income in the period received. Interest income is recognized as it is earned. Gains and losses on sales of properties are recorded when the criteria for recognizing such gains or losses under generally accepted accounting principles have been met.

The Company provides an allowance for doubtful accounts against the portion of tenant accounts receivable (including straight-line rents receivable) which is estimated to be uncollectible. Such allowances are reviewed periodically. At October 31, 2002 and 2001, tenant receivables in the accompanying consolidated balance sheets are shown net of allowances for doubtful accounts of \$1,169,000 and \$411,000, respectively.

**Cash and Cash Equivalents**

The Company considers highly liquid investments with original maturities of 90 days or less when purchased to be cash equivalents.

**Restricted Cash**

Restricted cash consists of those tenant security deposits which are required to be held in separate bank accounts.

**Short-Term Investments**

Short-term investments consist of investments with original maturities of greater than three months when purchased and are carried at cost plus accrued interest (which approximates fair value). At October 31, 2002, short-term investments consists principally of shares of a mutual fund which invests primarily in fixed income securities with an average duration of between three and thirteen months.

**Fair Value of Financial Instruments**

The carrying values of cash and cash equivalents, short-term investments, rent receivable, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

The estimated fair value of mortgage notes receivable collateralized by real property is based on discounting the future cash flows at a year-end risk adjusted lending rate that the Company would utilize for loans of similar risk and duration. At October 31, 2002 and 2001, the estimated aggregate fair value of the mortgage notes receivable was \$3,542,000 and \$3,594,000, respectively.

The estimated fair value of mortgage notes payable was \$118,000,000 and \$49,000,000 at October 31, 2002 and 2001, respectively. The estimated fair value of mortgage notes payable is based on discounting the future cash flows at a year-end risk adjusted lending rate currently available to the Company for issuance of debt with similar terms and remaining maturities.

Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Earnings Per Share

The Company calculates basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings Per Share." Basic earnings per share ("EPS") excludes the impact of dilutive shares and is computed by dividing net income applicable to Common and Class A Common stockholders by the weighted number of Common shares and Class A Common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue Common shares or Class A Common shares were exercised or converted into Common shares or Class A Common shares and then shared in the earnings of the Company. Since the cash dividends declared on the Company's Class A Common stock are higher than the dividends declared on the Common Stock, basic and diluted EPS have been calculated using the "two-class" method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to the weighted average of the dividends declared, outstanding shares per class and participation rights in undistributed earnings.

The following table sets forth the reconciliation between basic and diluted EPS (in thousands):

	2002	2001	2000
<b>Numerator</b>			
Net income applicable to common stockholders – basic	\$4,880	\$5,326	\$2,650
Effect of dilutive securities:			
Operating partnership units	<u>160</u>	<u>(32)</u>	<u>28</u>
Net income applicable to common stockholders – diluted	<u>\$5,040</u>	<u>\$5,294</u>	<u>\$2,678</u>
<b>Denominator</b>			
Denominator for basic EPS – weighted average common shares	6,089	5,881	5,351
Effect of dilutive securities:			
Stock options and awards	288	157	82
Operating partnership units	<u>55</u>	<u>—</u>	<u>—</u>
Denominator for diluted EPS – weighted average common equivalent shares	<u>6,432</u>	<u>6,038</u>	<u>5,433</u>
<b>Numerator</b>			
Net income applicable to Class A common stockholders – basic	\$11,200	\$5,214	\$2,792
Effect of dilutive securities:			
Operating partnership units	<u>202</u>	<u>246</u>	<u>246</u>
Net income applicable to Class A common stockholders – diluted	<u>\$11,402</u>	<u>\$5,460</u>	<u>\$3,038</u>
<b>Denominator</b>			
Denominator for basic EPS – weighted average Class A common shares	12,615	5,182	5,059
Effect of dilutive securities:			
Stock options and awards	211	135	90
Operating partnership units	<u>310</u>	<u>289</u>	<u>383</u>
Denominator for diluted EPS – weighted average Class A common equivalent shares	<u>13,136</u>	<u>5,606</u>	<u>5,532</u>

The weighted average Common equivalent shares and Class A common equivalent shares for the years ended October 31, 2001 and 2000 exclude 54,553 Common and 54,553 Class A partnership units which are exchangeable into shares. These shares were not included in the calculation of diluted EPS because the effect would be anti-dilutive.

**Recently Issued Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) has issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long Lived Assets" which updates and clarifies the accounting and reporting for impairment of assets held in use and to be disposed of. The Statement, among other things, will require the Company to classify the operations and cash flow of properties to be disposed of as discontinued operations. The Company will adopt the provisions of the Statement in fiscal 2003, and does not expect the Statement to have a material impact on the Company's financial position or results from operations.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123. Adoption of the provisions of the Statement in fiscal 2003 will not have an impact since the Company will continue to use the intrinsic value method as set forth in APB No. 25.

**Segment Reporting**

The Company operates in one industry segment, ownership of commercial real estate properties which are located principally in the northeastern United States. Management reviews operating and financial data for each property separately and independently from all other properties when making resource allocation decisions and measuring performance.

**(2) REAL ESTATE INVESTMENTS**

The Company's investments in real estate, net of depreciation, were composed of the following at October 31, 2002 and 2001 (in thousands):

	Core Properties	Non-core Properties	Mortgage Notes and Other Receivables	2002 Totals	2001 Totals
Retail	\$244,384	\$1,920	\$3,447	\$249,751	\$145,289
Office	8,023	8,240	—	16,263	27,071
Industrial	—	1,784	—	1,784	2,034
Undeveloped Land	304	—	—	304	304
	<u>\$252,711</u>	<u>\$11,944</u>	<u>\$3,447</u>	<u>\$268,102</u>	<u>\$174,698</u>

The Company's investments at October 31, 2002, consisted of equity interests in 26 properties, which are located in various regions throughout the United States and mortgage notes. The Company's primary investment focus is neighborhood and community shopping centers located in the northeastern United States. These properties are considered core properties of the Company. The remaining properties are located outside of the northeastern United States and are considered non-core properties. As a significant concentration of the Company's properties are in the northeast, market changes in this region could have an effect on the Company's leasing efforts and ultimately its overall results of operations. The following is a summary of the geographic locations of the Company's investments at October 31, 2002 and 2001 (in thousands):

	2002	2001
Northeast	\$253,432	\$160,897
Southeast	1,196	1,200
Midwest	9,048	8,064
Southwest	4,426	4,537
	<u>\$268,102</u>	<u>\$174,698</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (3) CORE PROPERTIES

The components of core properties were as follows (in thousands):

	2002	2001
Land	\$53,021	\$32,524
Buildings and improvements	<u>236,362</u>	<u>159,650</u>
	289,383	192,174
Accumulated depreciation	<u>(36,672)</u>	<u>(32,022)</u>
	<u>\$252,711</u>	<u>\$160,152</u>

Space at the Company's core properties is generally leased to various individual tenants under short and intermediate term leases which are accounted for as operating leases.

Minimum rental payments on non-cancelable operating leases become due as follows: 2003 – \$31,861,000; 2004 – \$30,677,000; 2005 – \$28,608,000; 2006 – \$26,645,000; 2007 – \$24,711,000 and thereafter – \$134,255,000.

Certain of the Company's leases provide for the payment of additional rent based on a percentage of the tenant's revenues. Such additional percentage rents are included in operating lease income and were approximately \$47,000, \$70,000, and \$148,000, in 2002, 2001 and 2000, respectively.

In fiscal 2002 and 2001, the Company received net proceeds of \$765,000 and \$1,137,000, respectively, in satisfaction of all claims against former tenants in negotiated settlements of the tenants lease obligations. The settlement amounts are reflected in revenues in the accompanying consolidated statements of income as lease termination income in the years ended October 31, 2002 and 2001.

The Company is the general partner in an entity that owns the Eastchester Mall in Eastchester, New York. The limited partner is entitled to preferential distributions of cash flow from the property and may put its interest in the entity to the Company for a fixed number of shares of Common Stock and Class A Common stock of the Company. The Company, at its option, may redeem the limited partner's interest for cash. The Company also has an option to purchase the limited partner's interest after a certain period.

The Company is also the general partner in an entity that owns the Arcadian Shopping Center in Briarcliff Manor, New York. The limited partners contributed the property, subject to a \$6.3 million first mortgage, in exchange for operating partnership units (OPU's) of the entity. The OPU's are exchangeable into an equivalent number of shares of the Company's Class A Common Stock. The limited partners are entitled to preferential distributions of cash flow from the property and may put their partnership interests to the Company for cash or Class A Common Stock of the Company at a unit price as defined in the partnership agreement. The Company, at its option, may redeem the limited partners' interest for cash. The Company also has the option to purchase the limited partners' interest for cash after a certain period. In fiscal 2001, the Company redeemed, at net book value, 127,548 OPU's for cash of \$1.0 million. At October 31, 2002 and 2001 there were 255,097 OPU's outstanding.



In June 2002, UB Stamford, LP, a newly formed limited partnership in which the Company has a 90% general partner interest, acquired the Ridgeway shopping center, a 360,000 square foot shopping center in Fairfield County, Connecticut for a total purchase price of \$89.99 million, including transaction costs of \$708,000 and the assumption of an existing first mortgage loan on the property of \$57,369,000 at a fixed interest rate of 7.54%. The partnership agreement provides for the partners to receive an annual cash preference from available cash of the partnership. Any unpaid preferences accumulate and are paid from future available cash, if any. The limited partners' cash preferences are paid after the general partner's preferences are satisfied. The balance of available cash, if any, is distributed in accordance with the respective partners' interests. Upon liquidation, proceeds from the sale of partnership assets are to be distributed in accordance with the respective partners' interests. The partners are not obligated to make any additional capital contributions to the partnership. The Company has retained an affiliate of one of the limited partners to provide management and leasing services to the property at an annual fee of \$125,000 for a period of five years ending in June 2007. The assumption of the first mortgage loan represents a non-cash financing activity and is therefore not included in the accompanying 2002 consolidated statement of cash flows.

The limited partnership interests in the partnerships are reflected in the accompanying consolidated financial statements as Minority Interests.

In March 2002, the Company acquired a shopping center in Danbury, Connecticut for \$7.0 million subject to a first mortgage loan of \$2.0 million at a fixed interest rate of 8.375%. The assumption of the first mortgage represents a non-cash financing activity and is therefore not included in the accompanying 2002 consolidated statement of cash flows.

In fiscal 2001, the Company purchased an office property in Greenwich, Connecticut and a 38,000 square foot shopping center in Westchester County, New York in separate transactions for a total purchase price of \$9.5 million. In connection with the acquisition of the shopping center, the Company assumed a first mortgage of \$4.2 million. The assumption of the first mortgage represents a non-cash financing activity and is therefore not included in the accompanying 2001 consolidated statement of cash flows.

In fiscal 2000, the Company purchased one office property for \$1.65 million.

#### (4) NON-CORE PROPERTIES

The Board of Directors has authorized a plan to sell all of the non-core properties of the Company over a period of several years. At October 31, 2002, the non-core properties consist of two distribution and service properties, one office building and one retail property located outside of the Northeast region of the United States.

The components of non-core properties were as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Land	\$1,943	\$1,493
Buildings and improvements	<u>19,321</u>	<u>17,970</u>
	21,264	19,463
Accumulated depreciation	<u>(9,320)</u>	<u>(8,424)</u>
	<u>\$11,944</u>	<u>\$11,039</u>

Minimum rental payments on non-cancelable operating leases of the non-core properties become due as follows: 2003 – \$4,822,000; 2004 – \$4,956,000; 2005 – \$4,497,000; 2006 – \$4,572,000; 2007 – \$4,284,000 and thereafter \$3,695,000.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (4) NON-CORE PROPERTIES (continued)

#### Sales of Properties

In fiscal 2002, the Company sold undeveloped land for a net loss on sale of \$6,200.

In fiscal 2001, the Company sold a non-core property for \$100,000. There was no gain or loss on the sale. The Company also sold undeveloped land for a net gain on the sale of the property of \$316,000.

In fiscal 2000, the Company sold two of its non-core properties for net gains on the sales of \$1,067,000.

The operating income of the properties sold during each of the years ended October 31, 2002, 2001 and 2000 was less than 1% of the consolidated operating income in each of the years then ended.

Prior to December 2001, the Company was the sole general partner in Countryside Square Limited Partnership (the "Partnership"), which owned the Countryside Square Shopping Center in Clearwater, Florida. Upon the formation of the Partnership in 1997, the Company contributed the property and the limited partners contributed 600,000 Common shares of the Company. In 1998, the Partnership received 600,000 Class A Common shares pursuant to a stock dividend and in 1999, exchanged 600,000 Common shares with an affiliate for an equivalent number of Class A Common shares. After the exchange, the Partnership owned 1,200,000 shares of Class A Common stock of the Company. The Company accounted for its proportionate interest in the Class A Common shares owned by the Partnership as a deemed repurchase of 545,454 Class A Common shares and reduced its investment in the unconsolidated joint venture and stockholders' equity in an amount equal to the fair value of the shares repurchased.

In September 2001, the property was sold by the Partnership. Prior to the sale of the property, the Company accounted for its interest in the Partnership under the equity method. Accordingly, through the date of sale in fiscal 2001, the Company recorded \$3,864,000 as its proportionate share of the income of the joint venture including earnings from the sale of the property. The Company's equity in earnings of the Partnership was reflected after eliminating its proportionate share of dividend income in the Class A Common shares of the Company recorded by the Partnership.

Upon the Partnership's sale of the property, the Company effectively gained control of the Partnership and as a result, the Partnership's accounts, which included \$1.2 million in notes issued by the purchaser of the property and 1,200,000 shares of the Company's Class A Common stock held by the Partnership, were thereafter consolidated with the Company. Upon consolidation, the remaining 654,546 shares of Class A Common stock held by the Partnership were retired. In December 2001, the Partnership was liquidated.

### (5) MORTGAGE NOTES AND OTHER RECEIVABLE

The components of the mortgage notes and other receivables at October 31, 2002 and 2001 were as follows (in thousands):

	2002	2001
Remaining principal balance	\$2,685	\$2,786
Unamortized discounts to reflect market interest rates at time of acceptance of notes	(434)	(479)
	2,251	2,307
Promissory note receivable	1,196	1,200
	<u>\$3,447</u>	<u>\$3,507</u>

Mortgage notes receivable consist of two fixed rate mortgages with contractual interest rates of 9% and 12%. The promissory note is due in 2004, bears interest at 12.5% and is collateralized by a security interest in the ownership interest of the purchaser of the Clearwater, Florida property. See Note 4.

At October 31, 2002, principal payments on mortgage notes and promissory note become due as follows: 2003 - \$163,000; 2004 - \$1,261,000; 2005 - \$130,000; 2006 - \$142,000; 2007 - \$156,000 and thereafter - \$2,029,000.

## (6) MORTGAGE NOTES PAYABLE AND LINES OF CREDIT

At October 31, 2002, the Company had ten non-recourse first mortgage notes payable totaling \$106,429,000 (\$47,115,000 at October 31, 2001) due in installments over various terms extending to fiscal year 2011 at fixed rates of interest ranging from 6.29% to 8.375%. The mortgage notes payable are collateralized by real estate investments having a net carrying value of approximately \$170,000,000 as of October 31, 2002.

Scheduled principal payments during the next five years and thereafter are as follows: 2003 – \$1,840,000; 2004 – \$1,985,000; 2005 – \$2,139,000; 2006 – \$8,928,000; 2007 – \$11,225,000 and thereafter – \$80,312,000.

At October 31, 2002, the Company had a secured revolving line of credit with a bank which allows for borrowings up to \$18.75 million. The agreement which expires in October 2005 is secured by first mortgage liens on two properties. Interest on outstanding borrowings is at a variable rate of prime + 1/2% or LIBOR + 1.5%. The Company can elect a fixed rate option at any time prior to the last year of the agreement. The agreement requires the Company to maintain certain debt service coverage ratios during its term and provides for a permanent reduction in the revolving credit loan amount of \$625,000 annually. At October 31, 2002 and 2001, the Company had no outstanding borrowings under this revolving credit agreement. The Company pays annual fees of 1/4% on the unused portion of this credit facility.

At October 31, 2002 and 2001, the Company had an outstanding letter of credit of \$139,295 which expires in fiscal 2003.

The Company also has a \$20 million unsecured line of credit arrangement with the same bank. The line of credit expires in fiscal 2003 and, is available to acquire real estate, refinance indebtedness and for working capital needs. Extensions of credit under the arrangement are at the bank's discretion and subject to the bank's satisfaction of certain conditions. Outstanding borrowings bear interest at the prime rate + 1/2% or LIBOR + 2.5%. The Company pays an annual fee of 1/4% on unused amounts. There were no borrowings outstanding under this line of credit at October 31, 2002 and 2001.

Interest paid for the years ended October 31, 2002, 2001, and 2000 was \$5,584,000, \$4,456,000 and \$4,245,000, respectively.

## (7) PREFERRED STOCK

The Series B Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into other securities or property of the Company. On or after January 8, 2008, the Series B Preferred Stock may be redeemed by the Company at its option, in whole or in part, at a redemption price of \$100 per share, plus all accrued dividends. Upon a change in control of the Company (as defined), (i) each holder of Series B Preferred Stock shall have the right, at such holder's option, to require the Company to repurchase all or any part of such holder's Series B Preferred Stock for cash at a repurchase price of \$100 per share, plus all accrued and unpaid dividends, and (ii) the Company shall have the right, at the Company's option, to redeem all or any part of the Series B Preferred Stock at (a) prior to January 8, 2008, the Make-Whole Price (as defined) and (b) on or subsequent to January 8, 2008, the redemption price of \$100 per share, plus all accrued and unpaid dividends. Holders of the Series B Preferred Stock are entitled to receive cumulative preferential cash dividends equal to 8.99% per annum, payable quarterly in arrears and subject to adjustments under certain circumstances.

The Series B Preferred Stock contains covenants which require the Company to maintain certain financial coverages relating to fixed charge and capitalization ratios. Shares of the Series B Preferred Stock are non-voting; however, under certain circumstances (relating to non-payment of dividends or failure to comply with the financial covenants) the preferred stockholders will be entitled to elect two directors. The Company was in compliance with such covenants at October 31, 2002 and 2001.

In fiscal 2002, the Company repurchased 200,000 shares of its Series B Preferred Stock for a purchase price of \$16,050,000 in a negotiated transaction with a holder of the preferred shares. The Company has recorded the excess of the carrying value over the cost to repurchase the preferred shares as an increase in net income applicable to Common and Class A Common stockholders.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (8) STOCKHOLDERS' EQUITY

In fiscal 2002, the Company completed a secondary offering of 8,050,000 shares of its Class A Common Stock in an underwritten public offering. The net proceeds to the Company (after deducting underwriting fees and expenses) were \$81,854,000. In November 2001, the Company also sold 699,222 shares to its underwriters to cover over allotments in connection with the Company's secondary stock offering of 4,800,000 shares in fiscal 2001. Net proceeds to the Company amounted to \$6,069,000.

In fiscal 2001, the Company sold 4,800,000 shares of its Class A Common Stock in an underwritten public offering. The net proceeds to the Company (after deducting underwriting fees and expenses) were \$41,136,000. The Company also sold 200,000 shares of Common Stock and 5,000 shares of Class A Common Stock for total proceeds of \$1,435,000 in a private placement offering with two entities controlled by an officer of the Company.

Underwriting commissions and costs incurred in connection with the Company's stock offerings are reflected as a reduction of additional paid in capital.

In fiscal 1998, the Board of Directors declared and paid a special stock dividend on the Company's Common Stock consisting of one share of a newly created class of Class A Common Stock, par value \$.01 per share, for each share of the Company's Common Stock. The Class A Common Stock entitles the holder to 1/20 of one vote per share. Each share of Common Stock and Class A Common Stock have identical rights with respect to dividends except that each share of Class A Common Stock will receive not less than 110% of the regular quarterly dividends paid on each share of Common Stock.

The Company has a stockholders rights agreement, which expires on November 12, 2008. The rights are not currently exercisable. When they are exercisable, the holder will be entitled to purchase from the Company one one-hundredth of a share of a newly-established Series A Participating Preferred Stock at a price of \$65 per one one-hundredth of a preferred share, subject to certain adjustments. The distribution date for the rights will occur 10 days after a person or group either acquires or obtains the right to acquire 10% ("Acquiring Person") or more of the combined voting power of the Company's Common Shares, or announces an offer the consummation of which would result in such person or group owning 30% or more of the then outstanding Common Shares. Thereafter, shareholders other than the Acquiring Person will be entitled to purchase original common shares of the Company having a value equal to two times the exercise price of the right.

If the Company is involved in a merger or other business combination at any time after the rights become exercisable, and the Company is not the surviving corporation or 50% or more of the Company assets are sold or transferred, the rights agreement provides that the holder other than the Acquiring Person will be entitled to purchase a number of shares of common stock of the acquiring company having a value equal to two times the exercise price of each right.

The Company's articles of incorporation provide that if any person acquires more than 7.5% of the outstanding shares of any class of stock, except, among other reasons, as approved by the Board of Directors, such shares in excess of this limit shall automatically be exchanged for an equal number of shares of Excess Stock. Excess Stock have limited rights, may not be voted and are not entitled to any dividends.

In fiscal 1996, the Company's Board of Directors authorized a program to purchase up to 500,000 shares each of the Company's Common Stock and Class A Common Stock. As of October 31, 2002, the Company purchased and retired a total of 224,500 Common shares and 214,100 Class A Common shares under this program (none in 2002).

**(9) STOCK OPTION AND OTHER BENEFIT PLANS**

The Company has a stock option plan, whereby 824,093 Common shares and 743,003 Class A Common shares were reserved for issuance to key employees and non-employee Directors of the Company. Options are granted at fair market value on the date of the grant, have a duration of ten years from the date of grant and are generally exercisable in installments over a maximum period of four years from the date of grant.

A summary of stock option transactions during the periods covered by these financial statements is as follows:

Year ended October 31,	2002		2001		2000	
	Number	Weighted Average Exercise Prices	Number	Weighted Average Exercise Prices	Number	Weighted Average Exercise Prices
<b>Common stock:</b>	<u>of Shares</u>	<u>Prices</u>	<u>of Shares</u>	<u>Prices</u>	<u>of Shares</u>	<u>Prices</u>
Balance at beginning of period	315,060	\$7.00	739,958	\$6.91	736,843	\$7.04
Granted	—	—	—	—	593,000	\$6.81
Exercised	(211,762)	\$6.88	(419,000)	\$6.83	—	—
Canceled/Forfeited	(11,728)	\$7.03	(5,898)	\$7.54	(589,885)	\$6.91
Balance at end of period	91,570	\$7.50	315,060	\$7.00	739,958	\$6.91
Exercisable	91,570		222,060		146,958	
<b>Class A Common Stock:</b>						
Balance at beginning of period	314,605	\$7.50	739,464	\$7.48	732,482	\$7.10
Granted	—	—	—	—	593,000	\$7.13
Exercised	(37,312)	\$7.26	(24,859)	\$7.38	—	—
Canceled/Forfeited	(210,483)	\$7.16	(400,000)	\$7.13	(586,018)	\$6.96
Balance at end of period	66,810	\$7.71	314,605	\$7.50	739,464	\$7.48
Exercisable	66,810		221,605		146,464	
Weighted average fair value per share of an option granted during the year						
– Common Stock	—		—		\$0.18	
– Class A Common Stock	—		—		\$0.12	

At October 31, 2002, exercise prices of shares of Common Stock and Class A Common Stock under option ranged from \$6.60 to \$9.03, for the Common Stock and \$6.65 to \$9.09, for the Class A Common Stock. Option expiration dates range for both classes of stock from April 2003 through April 1, 2009 and the weighted average remaining contractual life of these options is 3.5 years.

As of October 31, 2002, outstanding options to acquire approximately 44,000 shares each of Common Stock and Class A Common stock permit the optionee to elect to receive either shares of Common stock, Class A Common Stock or a combination of both. Upon an election to exercise shares of a class of common stock by the optionee, a comparable number of shares of the class of common stock not elected by such optionee is deemed cancelled and no longer available for future grants.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (9) STOCK OPTION AND OTHER BENEFIT PLANS (continued)

The fair value of the Company's stock options granted in fiscal 2000 were estimated as of the date of grant using a Black-Scholes option pricing model using the following assumptions (there were no grants in fiscal 2002 and 2001).

Year Ended October 31,	2000
Risk-free interest rate	6.17%
Expected dividend yields	9.8%-10.9%
Expected volatility	15.1%
Weighted average option life	10 Years

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). Accordingly, no compensation expense has been recognized for stock options granted under the plan. Had compensation cost for stock options granted been determined based on the fair value on the grant date consistent with the provisions of SFAS 123, the effect on the Company's net income and earnings per share for the three years ended October 31, 2002 would have been immaterial.

Certain officers of the Company exercised stock options to purchase shares of Common Stock and Class A Common Stock. In connection with the share exercises, the officers executed full recourse promissory notes in favor of the Company for the purchase price of the shares. In October 2002, an officer prepaid \$3,017,000 in outstanding stock loans. At October 31, 2002, notes from officers totaled \$1,746,000 (\$3,270,000 at October 31, 2001). The notes have 10 year terms and bear fixed rates of interest ranging from 6.8% to 8%. The shares have been pledged as additional collateral for the notes. Interest is payable quarterly. The exercise of the stock options and the issuance of the notes from officers represent non-cash financing activities and are therefore not included in the accompanying consolidated statements of cash flows.

The Company has a restricted stock plan for key employees and directors of the Company. The plan, which was amended in 2002, authorizes grants of restricted stock of up to 1,050,000 shares (350,000 shares each of Common Stock and Class A Common Stock and 350,000 shares which, at the discretion of the Company's compensation committee, may be awarded in any combination of Common Stock or Class A Stock). As of October 31, 2002, the Company has awarded 350,000 shares of Common Stock and 186,300 shares of Class A Common Stock to participants as an incentive for future services. The shares vest between five and ten years after the date of grant (3,500 shares each of Common Stock and Class A Common Stock were vested at October 31, 2002 (none at October 31, 2001)). Dividends on vested and non-vested shares are paid as declared. The market value of shares awarded has been recorded as unamortized restricted stock compensation and is shown as a separate component of stockholders' equity. Unamortized restricted stock compensation is being amortized to expense over the vesting period. For the years ended October 31, 2002, 2001 and 2000 amounts charged to expense totaled \$942,000, \$769,000 and \$630,000, respectively.

The Company has a profit sharing and savings plan (the "401K Plan") which permits all eligible employees to defer a portion of their compensation in accordance with the Internal Revenue Code. Under the 401K Plan, the Company may make discretionary contributions on behalf of eligible employees. For the years ended October 31, 2002, 2001 and 2000, the Company made contributions to the 401K Plan of \$93,000, \$88,000 and \$95,000, respectively. The Company also has an Excess Benefits and Deferred Compensation Plan which allows eligible employees to defer benefits in excess of amounts provided under the Company's 401K Plan and a portion of the employees current compensation.

### (10) PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The unaudited pro forma financial information set forth below is based upon the Company's historical consolidated statements of income for the year ended October 31, 2002 and 2001 adjusted to give effect to the acquisition of the Ridgeway shopping center (see Note 3) as though it was completed on November 1, 2000.

The unaudited 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 transaction occurred as of November 1, 2000. Unaudited pro forma amounts in thousands are as follows (except per share data).

	Year ended October 31,	
	2002	2001
Revenues:	\$50,066	\$46,717
Net income applicable to Common and Class A Common Stockholders:	\$16,191	\$9,843
Earnings per share:		
Basic:		
Common	\$.81	\$.85
Class A Common	\$.89	\$.94
Diluted:		
Common	\$.79	\$.82
Class A Common	\$.87	\$.91

### (11) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The unaudited quarterly results of operations for the years ended October 31, 2002 and 2001 are as follows (in thousands, except per share data):

	Year Ended October 31, 2002				Year Ended October 31, 2001			
	Quarter Ended				Quarter Ended			
	Jan 31	Apr 30	July 31	Oct 31	Jan 31	Apr 30	July 31	Oct 31
Revenues	<u>\$10,014</u>	<u>\$9,971</u>	<u>\$11,223</u>	<u>\$13,132</u>	<u>\$8,281</u>	<u>\$8,702</u>	<u>\$9,983</u>	<u>\$9,127</u>
Net Income (1)	\$3,508	\$3,368	\$3,295	\$4,336	\$1,932	\$2,276	\$3,211	\$6,268
Preferred Stock Dividends	(487)	(337)	(337)	(337)	(786)	(787)	(787)	(787)
Excess of carrying value over cost of Preferred Shares Repurchased	<u>3,071</u>	—	—	—	—	—	—	—
Net Income Applicable to Common and Class A Common Stockholders	<u>\$6,092</u>	<u>\$3,031</u>	<u>\$2,958</u>	<u>\$3,999</u>	<u>\$1,146</u>	<u>\$1,489</u>	<u>\$2,424</u>	<u>\$5,481</u>
<b>Basic Earnings per Share:</b>								
Common	\$.36	\$.18	\$.15	\$.15	\$.10	\$.13	\$.21	\$.47
Class A Common	\$.40	\$.20	\$.17	\$.17	\$.11	\$.14	\$.24	\$.52
<b>Diluted Earnings per Share:</b>								
Common	\$.35	\$.17	\$.15	\$.15	\$.10	\$.12	\$.21	\$.45
Class A Common	\$.38	\$.19	\$.16	\$.17	\$.11	\$.14	\$.23	\$.49

(1) Quarter ended October 31, 2001 includes a gain on sale of real estate investments of \$316,000 and the Company's proportionate share of the earnings of an unconsolidated joint venture of \$3,884,000.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (12) SUBSEQUENT EVENTS, COMMITMENTS AND CONTINGENCIES

On December 23, 2002, the Company acquired the Westchester Pavilion Shopping Center in White Plains, New York, a 185,000 square foot shopping center for \$39.9 million in an all cash transaction.

On December 20, 2002, the Company acquired the Orange Meadows Shopping Center in Orange, Connecticut, a 78,000 square foot retail property for \$11.2 million in an all cash transaction.

The Company has also contracted to purchase two retail properties totaling 169,000 square feet under separate agreements for an aggregate purchase price of approximately \$33 million.

In the normal course of business, from time to time, the Company is involved in legal actions relating to the ownership and operations of its properties. In management's opinion, the liabilities, if any that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

### REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of Urstadt Biddle Properties Inc.:

We have audited the accompanying consolidated balance sheet of Urstadt Biddle Properties Inc. (the "Company") as of October 31, 2002, and the related consolidated statements of income, cash flows and stockholders' equity for the year then ended. 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 audit. The financial statements of Urstadt Biddle Properties Inc. as of October 31, 2001 and for each of the two years in the period October 31, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated December 12, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides 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 Urstadt Biddle Properties Inc. at October 31, 2002 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

New York, New York  
December 11, 2002, except for the first  
two paragraphs in Note 12 as to which  
the date is December 23, 2002



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## GENERAL

Urstadt Biddle Properties Inc. (Company), a real estate investment trust (REIT), is engaged in the acquisition, ownership and management of commercial real estate, primarily neighborhood and community shopping centers in the northeastern part of the United States. Other assets include office and retail buildings and industrial properties. The Company's major tenants include supermarket chains and other retailers who sell basic necessities. At October 31, 2002, the Company owned or had interests in 26 properties containing a total of 3.0 million square feet of leasable area.

This report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), expansion and other development trends of the real estate industry, business strategies, expansion and growth of the Company's operations and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. Any such statements are not guarantees of future performance and actual results or developments may differ materially from those anticipated in the forward-looking statements.

## LIQUIDITY AND CAPITAL RESOURCES

### *Sources of Capital*

The Company's sources of liquidity and capital resources include its cash and cash equivalents, proceeds from bank borrowings and long-term mortgage debt, capital financings and sales of real estate investments. Payments of expenses related to real estate operations, debt service, management and professional fees, and dividend requirements place demands on the Company's short-term liquidity. The Company expects to meet its short-term liquidity requirements primarily by generating net cash from the operations of its properties. The Company

believes that its net cash provided by operations will be sufficient to fund its short-term liquidity requirements for fiscal 2003 and to meet its dividend requirements necessary to maintain its REIT status. In fiscal 2002, 2001 and 2000, net cash provided by operations amounted to \$18.5 million, \$21.3 million and \$14.3 million, respectively. Dividends paid to stockholders of the Company in fiscal 2002, 2001 and 2000, amounted to \$16.4 million, \$11.9 million and \$10.9 million, respectively. The Company derives substantially all of its revenues from tenants under existing leases at its properties. The Company's operating cash flow therefore depends on the rents that it is able to charge to its tenants, and the ability of its tenants to make rental payments. The Company believes that the nature of the properties in which it typically invests — primarily grocery-anchored neighborhood and community shopping centers — provides a more stable revenue flow in uncertain economic times, in that consumers still need to purchase basic staples and convenience items. However, even in the geographic areas in which the Company owns properties, general economic downturns may adversely impact the ability of the Company's tenants to make lease payments and the Company's ability to re-lease space as leases expire. In either of these cases, the Company's cash flow could be adversely affected.

The Company expects to fund its long-term liquidity requirements such as property acquisitions, repayment of indebtedness and capital expenditures through other long-term indebtedness (including indebtedness assumed in acquisitions), proceeds from sales of non-core properties and/or the issuance of equity securities. The Company believes that these sources of capital will continue to be available to it in the future to fund its long-term capital needs; however, there are certain factors that may have a material adverse effect on its access to capital sources. The Company's ability to incur additional debt is dependent upon its existing leverage, the value of its unencumbered assets and borrowing limitations imposed by existing lenders. The Company's ability to raise funds through sales of equity securities is dependent on, among other things, general market conditions for REITs, market perceptions about the Company and its stock price in the market. The Company's ability to sell properties in the future to raise cash will be dependent upon market conditions at the time of sale.

At October 31, 2002, the Company had cash and cash equivalents of \$46.3 million compared to \$33.7 million in 2001. The Company also had \$25.1 million in liquid short-term investments as of October 31, 2002. The Company's cash positions and short-term investments reflect the temporary investment of the net proceeds received from the sales of the Company's Class A Common shares during fiscal 2002 and 2001.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *Financings*

In fiscal 2002, the Company completed an underwritten public offering of 8,050,000 shares of its Class A Common stock. The net proceeds to the Company (after deducting underwriting fees and expenses) was \$81.9 million. A portion of the proceeds was used to repay \$16 million of outstanding revolving credit line indebtedness. The balance of the net proceeds of the offering is expected to be used to acquire properties. In December 2002, the Company acquired two properties utilizing approximately \$51 million in cash. In November 2001, the Company also sold 699,222 shares to its underwriters to cover over allotments in connection with the Company's stock offering of 4,800,000 shares in fiscal 2001. Net proceeds to the Company amounted to \$6,069,000.

In fiscal 2001, the Company completed an underwritten public offering of 4,800,000 shares of its Class A Common stock. The net proceeds to the Company (after deducting underwriting fees and expenses) was \$41.1 million. The Company also sold 200,000 shares of Common stock and 5,000 shares of Class A Common stock in a private placement for total proceeds of \$1,435,000. The Company used the proceeds of these offerings to complete the acquisitions of two properties, repay outstanding credit line borrowings and repurchase 200,000 shares of its Series B preferred stock at a cost of \$16.1 million.

At October 31, 2002, the Company had a \$18.75 million secured revolving credit facility with a bank which expires in fiscal 2005 and a conditional \$20 million unsecured revolving line of credit with the same bank which expires in fiscal 2003. The revolving credit lines are available to finance the acquisition, management and/or development of commercial real estate, refinance indebtedness and for working capital purposes. Extensions of credit under the unsecured credit line are at the bank's discretion and subject to the bank's satisfaction of certain conditions. During 2002, the Company borrowed \$16 million on the secured credit line to complete the acquisition of the Ridgeway Shopping Center, Stamford, Connecticut (see below). Borrowings were fully repaid from the proceeds of the sale of equity securities in fiscal 2002. There were no borrowings during the year under the unsecured credit line and there were no outstanding borrowings on either line of credit at October 31, 2002.

The Company is exposed to interest rate risk primarily through its borrowing activities. There is inherent rollover risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements.

At October 31, 2002, the Company's contractual obligations for borrowings are as follows:

Payments Due by Period	Amount
Less than 1 year	\$1,840,000
1 to 3 years	\$4,124,000
4 to 5 years	\$20,153,000
After 5 years	\$80,312,000

Borrowings consist of \$106,429,000 of fixed rate mortgage loan indebtedness with a weighted average interest rate of 7.53% at October 31, 2002. The mortgage loans are secured by fourteen properties and have fixed rates of interest ranging from 6.29% to 8.375%. The Company expects to refinance certain of these borrowings, at or prior to maturity, through new mortgage loans on real estate. The ability to do so, however, is dependent upon various factors, including the income level of the properties, interest rates and credit conditions within the commercial real estate market. Accordingly, there can be no assurance that such refinancings can be achieved.

### *Capital Expenditures*

The Company invests in its existing properties and regularly incurs capital expenditures in the ordinary course of business to maintain its properties. The Company believes that such expenditures enhance the competitiveness of its properties. In fiscal 2002, the Company spent approximately \$2.8 million for capital expenditures including \$1.5 million related to tenant allowances and commissions in connection with the Company's leasing activities. The amounts of these expenditures can vary significantly depending on tenant negotiations, market conditions and rental rates. The Company has budgeted an additional \$3.3 million for known capital improvements and leasing costs in fiscal 2003. These expenditures are generally funded from operating cash flows or borrowings on its credit facilities.

### *Acquisitions and Sales*

During fiscal 2002, the Company acquired a 90% general partner interest in a shopping center in Stamford, Connecticut for \$86.8 million (including transaction costs of \$708,000). The property was acquired subject to a \$57.4 million first mortgage loan, utilizing available cash of approximately \$13.4 million and revolving credit line borrowings of \$16 million. The Company also purchased a shopping center in Danbury, Connecticut for \$7.0 million subject to a first mortgage loan of \$2.0 million and acquired the remaining 15% interest in the Giffels Building in Southfield, Michigan that it did not own for a purchase price of \$1.25 million.

In December 2002, the Company acquired two properties in separate transactions for an aggregate

purchase price of approximately \$51 million. The acquisitions were funded from available cash.

As of October 31, 2002, the Company had contracted to purchase two additional shopping center properties for an aggregate purchase price of approximately \$33 million. The properties are located in the Company's preferred geographic area of Westchester County, New York and Fairfield County, Connecticut. The transactions are expected to close during the first half of fiscal 2003.

In fiscal 2001, the Company acquired two properties for \$9.5 million. One property was acquired subject to a first mortgage loan of \$4.2 million. The purchases were financed from available cash and borrowings under the Company's revolving credit lines.

In a prior year, the Company's Board of Directors expanded and refined the strategic objectives of the Company to refocus its real estate portfolio into one of self-managed retail properties located in the northeast and authorized a plan to sell the non-core properties of the Company in the normal course of business over a period of several years. The Company intends to sell the non-core properties as opportunities become available. The Company has selectively effected asset sales to generate cash proceeds over the last several years. The Company's ability to generate cash from asset sales is dependent upon market conditions and will necessarily be limited if market conditions make such sales unattractive. In fiscal 2001, the Company sold two non-core properties for \$1.2 million and a shopping center for \$16 million. At October 31, 2002, the remaining non-core properties total four properties with a net book value of approximately \$12 million and consist of two distribution service facilities, one office building and one retail property (all of which are located outside of the northeast region of the United States).

## FUNDS FROM OPERATIONS

The Company considers Funds from Operations ("FFO") to be one supplemental financial measure of an equity REIT's operating performance. FFO is calculated as net income (computed in accordance with generally accepted accounting principles (GAAP)), plus depreciation and amortization, excluding gains (or losses) from sales of property and debt restructuring, and after adjustments for unconsolidated joint ventures. The Company considers recoveries of investments in properties subject to finance leases to be analogous to amortization for purposes of calculating FFO. FFO does not represent cash flows from operations as defined by GAAP and should not be considered an alternative to net income as an indication of the Company's operating performance or for cash flows as a measure of liquidity or its dividend paying capacity. Furthermore, FFO as disclosed by other REITs may not be comparable to the Company's calculation of FFO.

The table below provides a reconciliation of net income in accordance with GAAP to FFO for each of the years ended October 31, 2002, 2001 and 2000 (amounts in thousands).

	2002	2001	2000
Net Income Applicable to Common and Class A Common Stockholders	\$16,080	\$10,540	\$5,442
Plus: Real property depreciation	5,459	4,463	4,571
Amortization of tenant improvements and allowances	2,088	2,234	1,067
Amortization of deferred leasing cost	517	851	545
Recoveries of investments in properties subject to finance leases	—	91	822
Adjustments for unconsolidated joint venture	—	(3,252)	534
Less: Excess of carrying value over cost to repurchase preferred shares	(3,071)	—	—
Gains on sales of real estate investments	—	(316)	(1,067)
Funds from Operations	<u>\$21,073</u>	<u>\$14,611</u>	<u>\$11,914</u>
Net Cash Provided by Operating Activities	<u>\$18,532</u>	<u>\$21,308</u>	<u>\$14,262</u>
Net Cash Used in Investing Activities	<u>\$(64,960)</u>	<u>\$(11,394)</u>	<u>\$(3,713)</u>
Net Cash Provided by (Used in) Financing Activities	<u>\$59,023</u>	<u>\$22,040</u>	<u>\$(11,436)</u>

## RESULTS OF OPERATIONS

### Fiscal 2002 vs. Fiscal 2001

#### Revenues

Revenues from operating leases increased 23.4% to \$42.2 million in fiscal 2002 compared to \$34.2 million in fiscal 2001. The increase in operating lease revenues resulted from additional rental revenues from new properties acquired during both years and leasing of previously vacant space at the Company's core properties. During fiscal 2002 and 2001, the Company acquired four properties containing 442,000 square feet of space. Rents from recently acquired properties increased operating lease income by approximately \$5.5 million in fiscal 2002. In the current year the

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company renewed or signed new leases totaling 236,000 square feet of space at its core properties. In fiscal 2002, the overall leasing levels at the Company's properties decreased to 95% compared to 98% leased in the year ago period. Additionally, the Company's total property occupancy levels decreased to 92% in fiscal 2002 from 98% in fiscal 2001. The decrease in leasing and occupancy levels was principally caused by the loss of a tenant occupying 115,390 square feet at the Company's Five Town Plaza shopping center and a tenant occupying 94,000 square feet at the Company's office property in Southfield, Michigan who re-leased 32,400 square feet of its previously occupied space. The balance of the office space remains vacant at October 31, 2002. The Company re-leased the 115,390 square feet of space at Five Town Plaza.

Lease termination income of \$765,000 in fiscal 2002 represents lease cancellation payments from tenants who terminated two leases early during the year. One of the vacant spaces was re-leased during the year.

Interest income increased in fiscal 2002 from the investment of cash proceeds during the year into short-term investments at generally lower yields and the addition of a new \$1.2 million promissory note receivable (interest at 12.5% per annum).

### *Expenses*

Total expenses increased to \$29.4 million from \$26.2 million in fiscal 2001. Property expenses increased 11.1% to \$12.8 million from \$11.5 million principally from the incremental expense of recently acquired properties, which increased property expenses by \$1.4 million in fiscal 2002. Property expenses for properties owned during 2002 and 2001 were generally unchanged. Snow removal costs decreased by approximately \$250,000 which was largely offset by increases in property taxes and insurance costs.

Interest expense increased principally from new mortgage loans totaling \$59.4 million assumed in connection with recent acquisitions. The increase in interest expense was partially offset by the repayments of outstanding bank credit line borrowings. The Company also repaid approximately \$6 million in mortgage notes payable which matured during fiscal 2001.

Depreciation expense increased by \$850,000 principally due to the additional expense incurred from current year property acquisitions. Amortization expense decreased by \$354,000 principally from the write-off in fiscal 2001 of unamortized leasing commissions related to tenants who vacated during the year.

General and administrative expenses increased to \$2.8 million or 14.2% in fiscal 2002 as compared to \$2.5 million in fiscal 2001. The increase is due primarily to increased compensation costs.

In fiscal 2002, the Company repurchased 200,000 shares of its Series B Preferred Stock for a purchase price of \$16,050,000 in a negotiated transaction with a

holder of the preferred shares. The Company has recorded the excess of the carrying value over the cost to repurchase the preferred shares of \$3,071,000 as an increase in net income applicable to Common and Class A Common stockholders.

### **Fiscal 2001 vs. Fiscal 2000**

#### *Revenues*

Property occupancy levels increased to 98% from 97% in fiscal 2000. Operating lease revenues increased 13.1% to \$34.2 million in fiscal 2001 compared to \$30.2 million in fiscal 2000. The increase in operating lease revenues resulted from leasing of previously vacant space, higher tenant base rent renewal rates at certain of the Company's properties and higher recoveries of property operating, property tax and other recoverable costs. Operating lease income also increased by \$682,000 from the reclassification of three net leases previously accounted for as direct finance leases in accordance with generally accepted accounting principles. During the year, one of the properties was sold and the net leases of the remaining two properties expired. The new leases were classified as operating leases.

Lease termination income of \$1,137,000 represents a settlement of the Company's claims against a former tenant arising from the tenant's bankruptcy and rejection of its lease at one of the Company's properties.

The Company had an investment in an unconsolidated joint venture which was accounted for under the equity method. The joint venture owned the Countryside Square shopping center in Clearwater, Florida. In fiscal 2001, the property was sold and the Company recorded \$3,864,000 as its proportionate share of the income of the joint venture including its earnings from the sale of the property as compared to earnings of \$245,000 in fiscal 2000.

In 2001, the Company sold two non-core properties for net gains of \$316,000 as compared to net gains on sales of \$1,067,000 in fiscal 2000.

#### *Expenses*

Total expenses increased to \$26.2 million from \$23.3 million in fiscal 2000. Property expenses increased by 10.5% in fiscal 2001 principally from higher snow removal costs, maintenance and repairs and property taxes. These items increased property expenses by \$1,046,000 in fiscal 2001 and resulted from higher than normal snowfall amounts during the period and increased property tax assessments at the Company's core properties.

Interest expense increased from borrowings of \$16.5 million on the Company's revolving credit lines during the year. The increase in interest expense was partially offset by mortgage loans repaid during the year.

Depreciation and amortization expense increased to \$7.6 million from \$6.3 million in fiscal 2000 from the

expenditure of \$11.7 million for property improvements, tenant allowances and leasing costs during the year. The Company also wrote off \$287,000 of unamortized tenant allowances related to former tenants who vacated space during the year.

## APPLICATION OF CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both important to the presentation of the Company's financial condition and results of operations and require management's most difficult, complex or subjective judgments. The Company's critical accounting policies are those applicable to the evaluation of the collectibility of accounts and notes receivable and the evaluation of impairment of long-term assets.

The allowance for doubtful accounts and notes receivable is established based on quarterly analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past-due accounts and considers information such as the nature and age of the receivables, the payment history of the tenants or other debtors, the financial condition of the tenants and management's assessment of their ability to meet their lease obligations, the basis for any disputes and the status of related negotiations, among other things. Management's estimates of the required allowance is subject to revision as these factors change and is sensitive to the effects of economic and market conditions on tenants, particularly those at retail centers.

Rental revenue is recognized on a straight-line basis over the term of the lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in tenant receivables on the accompanying balance sheets. It is the Company's policy to maintain an allowance for future tenant credit losses of approximately 10% of the deferred straight line rent receivable balance.

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties and mortgage notes receivable may be impaired. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the property over the fair value of the asset. Management does not believe that the value of any of its rental properties or mortgage notes receivable is impaired at October 31, 2002.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long Lived Assets" which updates and clarifies the accounting and reporting for impairment of assets held in use and to be disposed of. The Statement,

among other things, will require the Company to classify the operations and cash flow of properties to be disposed of as discontinued operations. The Company will adopt the provisions of the Statement in fiscal 2003, and does not expect the Statement to have a material impact on the Company's financial position or results of operations. In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123. Adoption of the provisions of the Statement in fiscal 2003 will not have any impact since the Company will continue to use the intrinsic value method as set forth in APB #25.

## INFLATION

The Company's long-term leases contain provisions to mitigate the adverse impact of inflation on its operating results. Such provisions include clauses entitling the Company to receive (i) scheduled base rent increases and (ii) percentage rents based upon tenants' gross sales, which generally increase as prices rise. In addition, many of the Company's non-anchor leases are for terms of less than ten years, which permits the Company to seek increases in rents upon renewal at then current market rates if rents provided in the expiring leases are below then existing market rates. Most of the Company's leases require tenants to pay a share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation.

## ENVIRONMENTAL MATTERS

Based upon management's ongoing review of its properties, management is not aware of any environmental condition with respect to any of the Company's properties which would be reasonably likely to have a material adverse effect on the Company. There can be no assurance, however, that (i) the discovery of environmental conditions which were previously unknown, (ii) changes in law, (iii) the conduct of tenants or (iv) activities relating to properties in the vicinity of the Company's properties, will not expose the Company to material liability in the future. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of the Company's tenants, which would adversely affect the Company's financial condition and results of operations.

## TAX STATUS

The Company has elected to be treated as a real estate investment trust under the Internal Revenue Code. Thus, generally it will be subject to Federal income taxes only on that part of its taxable income not distributed as dividends so long as 90% of such taxable income is distributed. The Company intends to distribute all of its taxable income for fiscal 2002 and, accordingly, no provision has been made for Federal income taxes.

### INCOME TAX INFORMATION

The tax status for Federal income tax purposes of the dividends paid by the Company during fiscal 2002 is as follows:

Dividend Payment Date	Common Share			Class A Common Share		
	Gross Dividend Paid Per Share	Ordinary Income Distribution	Capital Gain Distribution	Gross Dividend Paid Per Share	Ordinary Income Distribution	Capital Gain Distribution
January 18, 2002	\$0.185	\$0.135	\$0.05	\$0.205	\$0.15	\$0.055
April 19, 2002	\$0.185	\$0.135	\$0.05	\$0.205	\$0.15	\$0.055
July 21, 2002	\$0.185	\$0.135	\$0.05	\$0.205	\$0.15	\$0.055
October 18, 2002	\$0.185	\$0.135	\$0.05	\$0.205	\$0.15	\$0.055
Total	\$0.74	\$0.54	\$0.20	\$0.82	\$0.60	\$0.22

## MARKET PRICE RANGES

The following sets forth, for the fiscal years ended October 31, 2002 and 2001, the low and high closing sales price per Common Share and Class A Common Share as quoted on The New York Stock Exchange.

Shares trade on the New York Stock Exchange under the Symbols: UBP and UBPA.

	Fiscal 2002		Fiscal 2001	
	Low	High	Low	High
Common Shares				
First Quarter	\$8.60	\$10.65	\$6.35	\$7.27
Second Quarter	\$10.25	\$12.28	\$6.99	\$7.85
Third Quarter	\$9.95	\$12.80	\$7.64	\$8.66
Fourth Quarter	\$10.77	\$11.60	\$8.02	\$8.93
Class A Common Shares				
First Quarter	\$9.35	\$10.28	\$6.39	\$7.64
Second Quarter	\$9.88	\$12.00	\$7.35	\$8.54
Third Quarter	\$10.60	\$12.00	\$8.12	\$9.28
Fourth Quarter	\$10.80	\$11.97	\$8.55	\$9.75

## DIRECTORS

CHARLES J. URSTADT  
Chairman, Urstadt Biddle Properties Inc.

ROBERT R. DOUGLASS  
Vice Chairman, Urstadt Biddle Properties Inc.  
Of Counsel, Milbank, Tweed, Hadley and McCloy

WILLING L. BIDDLE  
President, Urstadt Biddle Properties Inc.

E. VIRGIL CONWAY  
Retired Chairman, New York State Metropolitan  
Transportation Authority

PETER HERRICK  
Retired Vice Chairman, The Bank of New York

GEORGE H.C. LAWRENCE  
Chairman and Chief Executive Officer  
Lawrence Properties

CHARLES D. URSTADT  
President, Urstadt Property Co, Inc.

GEORGE J. VOJTA  
Retired Vice Chairman  
Bankers Trust Company

## Directors Emeriti

GEORGE T. CONKLIN, JR.  
GEORGE M. HUBBARD, JR.  
JAMES O. YORK

## Officers

CHARLES J. URSTADT  
Chairman and Chief Executive Officer

WILLING L. BIDDLE  
President and Chief Operating Officer

JAMES R. MOORE  
Executive Vice President, Chief Financial Officer  
and Treasurer

RAYMOND P. ARGILA  
Senior Vice President, Legal and Assistant Secretary

THOMAS D. MYERS  
Senior Vice President and Secretary

JOHN C. MERRITT  
Vice President, Acquisitions

LINDA L. LACEY  
Vice President, Leasing

JAMES M. ARIES  
Vice President, Acquisitions and Leasing

JOSEPH V. LoPARRINO  
Vice President, Controller

WAYNE W. WIRTH  
Vice President, Construction

HEIDI R. BRAMANTE  
Assistant Vice President and Assistant Controller

CHARLES R. DAVIS, JR.  
Assistant Vice President, Leasing

## Securities Traded

New York Stock Exchange  
Symbols: UBPA and UBP  
Stockholders of Record as of January 10, 2003:  
Common Stock: 1,453 and Class A Common Stock: 1,459

## Annual Meeting

The annual meeting of stockholders will be held at 11:00 A.M. March 12, 2003 at The Hyatt Regency Greenwich, Old Greenwich, Connecticut.

## Form 10-K

A copy of the Company's 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained by stockholders without charge by writing to the Secretary of the Company at its executive office.

## Shareholder Information and Dividend Reinvestment Plan

Inquiries regarding stock ownership, dividends or the transfer of shares can be addressed to our Transfer Agent, The Bank of New York, Shareholder Relations Department-11E, P.O. Box 11258, Church Street Station, New York, NY 10286-1258 or call toll-free at 1-800-524-4458. The Company has a dividend reinvestment plan which provides stockholders with a convenient means of increasing their holdings without incurring commissions or fees. For information about the plan, stockholders should contact the Transfer Agent. Other shareholder inquiries should be directed to Thomas D. Myers, Secretary, telephone (203)-863-8200.

## Investor Relations

Investors desiring information about the Company can contact James R. Moore, Executive Vice President, telephone (203) 863-8200. Investors are also encouraged to visit our web site at: [www.ubproperties.com](http://www.ubproperties.com)

## Auditors

Ernst & Young LLP

## General Counsel

Coudert Brothers

## Executive Office of the Company

321 Railroad Avenue  
Greenwich, CT 06830  
Tel: (203) 863-8200  
Fax: (203) 861-6755  
Website: [www.ubproperties.com](http://www.ubproperties.com)

## Memberships

National Association of Real Estate Investment Trusts, Inc. (NAREIT)  
International Council of Shopping Centers (ICSC)

 **URSTADT BIDDLE**  
**PROPERTIES INC.**

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321 RAILROAD AVENUE  
GREENWICH, CONNECTICUT 06830

**still**  
**We are the RIGHT Company.**  
**In the RIGHT Business.**  
**In the RIGHT Place.**  
**At the RIGHT Time.**

