

2002 ANNUAL REPORT & FORM 10-K

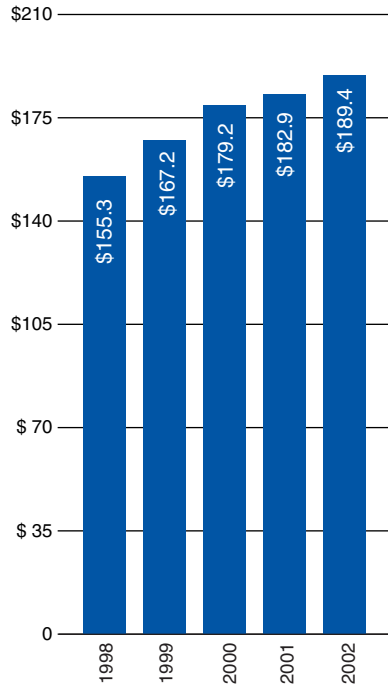


CROWN AMERICAN REALTY TRUST

FINANCIAL HIGHLIGHTS

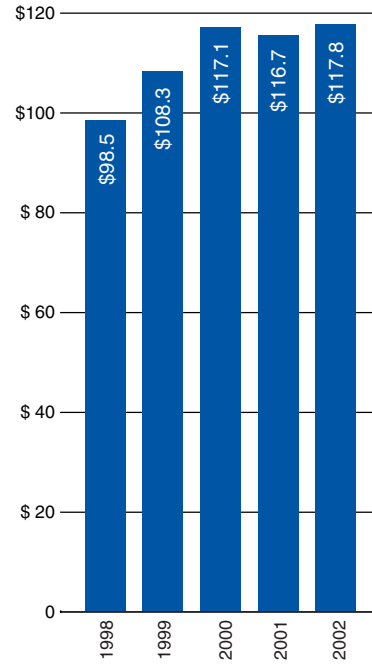
Total Revenues

In Millions



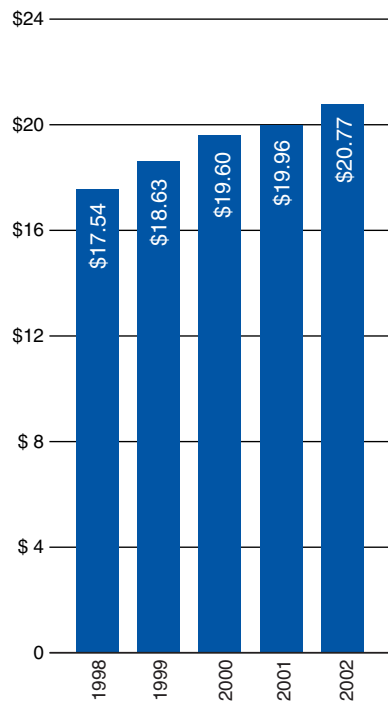
EBITDA

In Millions



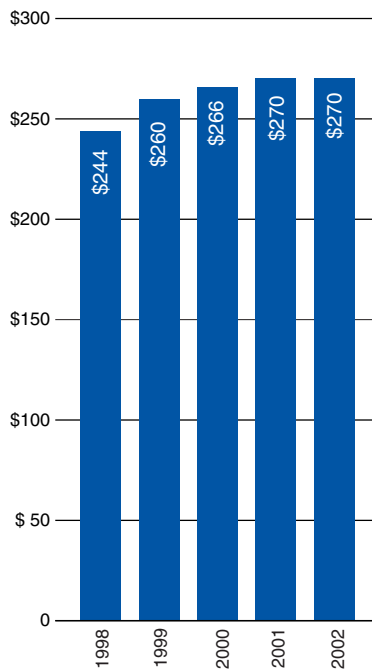
Average Mall Shop Base Rent

Per Square Foot



Comparable Mall Shop Tenant Sales

Per Square Foot



DEAR FELLOW SHAREHOLDERS:

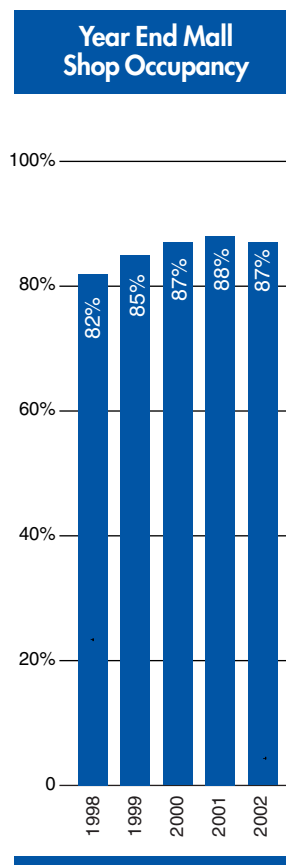
I am pleased to report that the Company continued to grow and that our portfolio of enclosed regional malls expanded and improved during 2002. The Company's common shares generated a 29% total return for shareholders during 2002, which followed a 64% total return performance in 2001. The year 2002 presented a challenging ongoing environment in terms of the economy and the retail industry. However, we undertook several initiatives during the year to enhance the Company's portfolio and to continue to increase financial flexibility.

Year 2002 Highlights:

- Completion of a successful secondary common share offering in June
- Acquisition of two regional shopping malls in September and November
- Disposition of a non-strategic asset
- Solid financial performance

Refining the Portfolio

A pioneer within the retail industry, Crown American Realty Trust is also a dominant player today. Our 27 wholly-owned and one 50% owned enclosed regional mall properties comprised 17.2 million square feet of gross leasable area as of year end 2002 and provide attractive and affordable retail venues for tenants. Our middle market mall properties are also the dominant retail venues in their respective trade areas.

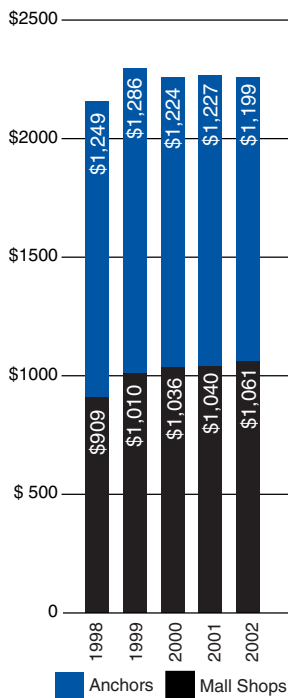


Within a difficult economic environment, our malls have proven resilient with consumers. In fact, customer traffic counts in 22 of Crown American's mall properties continue to outpace the National Retail Traffic Index. Our traffic counts were down only 0.3% in 2002 compared to a 3.7% decline reported for more than 200 malls across the country.

In June 2002 we completed a secondary common offering of 5.75 million common shares at a public offering price of \$8.75 per share, and raised \$47.2 million after underwriters' discounts and offering expenses. We used the proceeds initially to paydown the Company's line of credit with the intent of later re-borrowing amounts from the line to help fund potential property acquisitions or for other general Company purposes.

Later in 2002 we acquired two mall properties: Valley View Mall in LaCrosse, Wisconsin, and Wiregrass Commons Mall in Dothan, Alabama. Both

Aggregate Tenant Sales Volume in Millions



properties are the only enclosed malls within large trade areas. Both have a solid and diversified tenant mix, and each extends our geographical reach. With size and other characteristics similar to Crown American's other mall properties, Valley View Mall and Wiregrass Commons Mall are excellent fits for our portfolio.

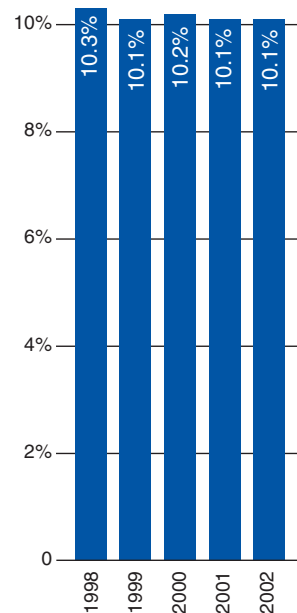
Carlisle Plaza Mall was sold in October 2002 and, while not occurring in 2002, Oak Ridge Mall was sold in March 2003. These two malls were our poorest performing properties with low occupancies. Selling these assets improves the overall quality of the remaining portfolio.

Today, Crown American's malls are bearing the fruits of past capital improvements. With the enhancements that we have effected over the last five years, our malls have improved tenant mix, credit quality and diversity. Top revenue-generating anchor tenants in 2002 included Sears, Roebuck & Co., J.C. Penney, May Department Stores and Bon-Ton.

The recent wave of discount department store bankruptcies has had a minimal effect on Crown American. Two Phar-Mor stores closed in 2002 in South Mall (Allentown, PA) and Schuylkill Mall (Frackville, PA), one Ames store in Washington Crown Center (Washington, PA) and one Kmart in Phillipsburg Mall (Phillipsburg, NJ). We have

executed a lease agreement with outdoor retailer Gander Mountain to replace the Ames store location in Washington Crown Center. This is a superstore concept and the first Gander Mountain to be located as an in-mall anchor. We are also in final negotiations with a national department store company to replace the vacant Kmart at Phillipsburg Mall. We have a temporary tenant already in place at the former Phar-Mor location at South Mall and are actively seeking permanent replacement tenants for both Phar-Mor locations.

Year End Mall Shop Occupancy Costs

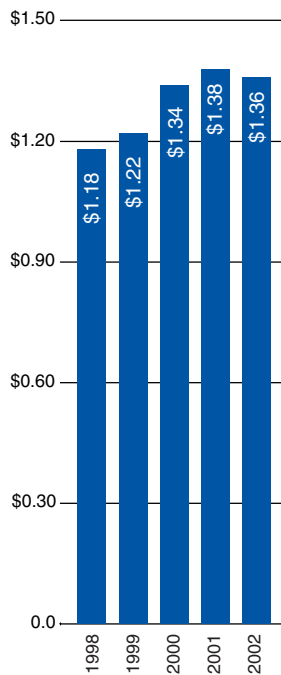


Our top revenue-generating specialty tenants in 2002 included The Gap, The Limited Stores and the Venator Group (Foot Locker). The Gap's return in 2002 to its classic roots of casual American sportswear should result in improved performance results for this specialty retailer. We are also pleased with the success of our 'concept retailers' such as Christopher and Banks, Aeropostale and Kirkland's, who are growing their presence in our malls.

In addition to a strong anchor base and diversified specialty tenants, we continue to seek creative revenue enhancements to maximize cash flow, such as partnership marketing and sponsorship opportunities and alternative uses for vacant space. We continue to partner with strong local and regional companies to attract and deliver additional services in order to leverage the millions of people that frequent our malls on an annual basis. Sponsorships of designated areas in our malls such

as children's play areas, community rooms, seating sections and food courts have resulted in increased exposure in a popular destination for our sponsors, and increased revenue for the Company. Another creative initiative started in 2002 is our Mall Xtras program of expanded customer service centers. These provide convenience items such as snacks, newspapers and other sundries along with services such as gift-

Funds From Operations Per Share



wrapping, photocopying and faxing for our customers. The response to a two mall pilot initiative was very strong and four more Mall Xtras kiosks are expected to open in 2003.

Financial Performance

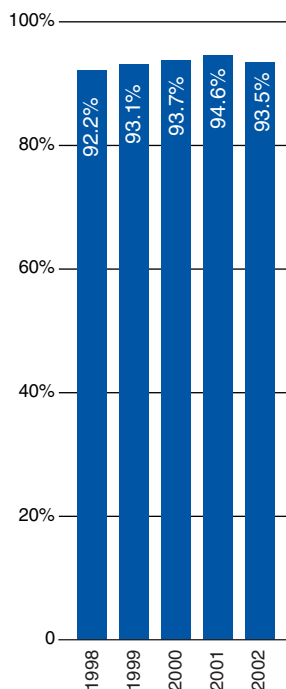
The Company posted solid operating results in 2002. Funds from Operations (FFO) increased \$4 million, or 6%, to \$67.7 million. FFO is a non-GAAP but generally reported measure of REIT operating performance. Definitions of FFO and EBITDA and reconciliations of net income to FFO and to EBITDA are included in the attached Annual Report on Form 10K (pages 18-19, 23). FFO per share for 2002 was \$1.36, compared to \$1.38 for 2001. FFO per share in 2002 was negatively affected by approximately \$0.09 due to the dilutive effect of the common share offering (from higher shares outstanding) that occurred from June until a major portion of the proceeds raised in the offering were invested in new properties late in the year. Same center net

operating income (NOI) increased 2.6% in 2002, primarily due to higher base rents from higher average rental rates and our achievement of a record \$12.1 million in temporary and seasonal leasing revenues. For the year, the Company had net income before preferred dividends of \$7.7 million, compared to \$5.2 million during 2001. Total revenues increased 3.6% in 2002 to \$189.4 million.

Mall shop occupancy ended 2002 at 87%, down slightly from 88% one year ago. However, 11 of the Company's 28 malls reported occupancies of over 90%. Average mall shop base rent increased 4.1% over 2001 and is the 37th consecutive quarter that average base rent has increased. Leases for 672,000 square feet of mall shops were signed during 2002, representing \$14.3 million in annualized base rental income. Base rent on new leases increased 31%. Mall shop tenant occupancy costs remained stable at 10.1%.

Despite the weak retail environment, mall shop sales in the Crown American portfolio once again outpaced the industry. Comparable mall shop sales for 2002 were \$270.49 per square foot, a 0.3% increase over 2001. This compares to a decrease of 1.3% reported by the International Council of Shopping Centers (ICSC). This is the sixth consecutive year that mall shop sales growth in the Crown American portfolio has outpaced the retail industry.

Year End Total Portfolio Occupancy



Dividends

The Board of Trustees increased the regular quarterly dividends from \$0.2100 to \$0.2125 per quarter per common share in April 2002. In February 2003 we announced that in recognition of the Company's continuing improved results and positive long-term prospects, and assuming no major disruptions to the current economic environment, the Board anticipates increasing the annual common dividend by \$0.01, or 1.2%, at its next quarterly Board Meeting in 2003. The Company's dividend has been increased annually the last four consecutive years. The 2002 common dividend represented 100% return of capital for tax purposes, resulting in improved after-tax returns for most individual investors.

Poised for the Future

Today we have a consistent focus on growing and improving our core business and a disciplined, conservative approach to our operations. As part of a longer-term growth strategy within the dynamics of an evolving retail environment, we will continue to explore pertinent acquisition and disposition opportunities. Our experienced corporate and mall management teams remain committed to providing long-term value to our shareholders.



Mark E. Pasquerilla
Chairman of the Board,
CEO and President
April 21, 2003

DEFINITIONS

Funds From Operations (FFO) means net income (computed in accordance with generally accepted accounting principles) before minority interest, real estate depreciation and amortization and extraordinary and certain non-recurring items and includes cash flow support payments from Crown Investments (an affiliate).

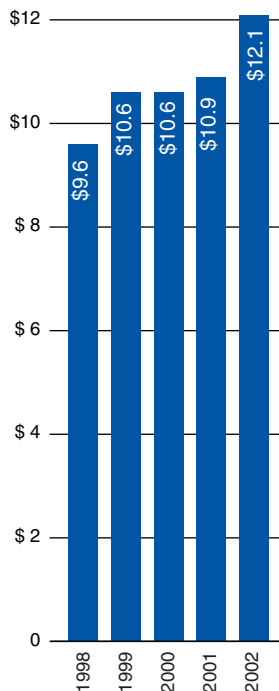
Net Operating Income (NOI) means property revenues, less straight-line (non-cash) rental income, less property operating costs, but before interest and all depreciation and amortization.

Tenants' Occupancy Cost Percentage is the sum of the of the tenants' base and percentage rent, common area and tax charges divided by their sales.

Crown American Realty Trust through various affiliates and subsidiaries currently owns, acquires, operates and develops regional shopping malls in Alabama, Georgia, Maryland, New Jersey, North Carolina, Pennsylvania, Tennessee, Virginia, West Virginia and Wisconsin. The current portfolio includes 27 enclosed regional malls aggregating over 16 million square feet of gross leasable area.

This report contains certain 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. Such statements are based on assumptions and expectations, which may not be realized and are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy. Future events and actual results, financial and otherwise, may differ from the results discussed in the forward-looking statements. Risk and other factors that might cause differences, some of which could be material, include, but are not limited to, economic and credit market conditions, the ability to refinance maturing indebtedness, the impact of competition, consumer buying trends, financing and development risks, construction and lease-up delays, cost overruns, the level and volatility of interest rates, the rate of revenue increases versus expense increases and financial stability of tenants within the retail industry, as well as other risks listed from time to time in the Company's reports filed with the Securities and Exchange Commission or otherwise publicly disseminated by the Company.

Seasonal Leasing and Promotional Income in Millions



Board of Trustees and Officers

Board of Trustees

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Chairman, CEO and President
Crown American Realty Trust

Terry L. Stevens
Executive Vice President
Chief Financial Officer
Crown American Realty Trust

Donato B. Zucco
Senior Vice President
Chief Administrative Officer
Crown American Realty Trust

Clifford A. Barton *
Retired, Chairman, President Chief
Executive Officer
USBancorp, Inc.

Donald F. Mazziotti *
Executive Director
Portland Development Commission

Peter J. Siris *
Managing Director
Guerrilla Capital Management

Zachary L. Solomon *
Retired, CEO
Baby Togs, Inc.

* Members of the Audit Committee

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Executive Vice President
Development

Tom Stephenson
Executive Vice President
Asset Management

Robert J. Griffith
Senior Vice President
Real Estate Leasing

Ernie R. Brennsteiner
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Real Estate Leasing

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Vice President
Asset Management

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Real Estate Leasing

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Sponsorship Marketing

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Vice President, Corporate
Communications and Marketing

Joy K. Miller
Vice President
Specialized Leasing

James R. Pendleton
Vice President
Information Systems

Ronald P. Rusinak
Secretary, Vice President
General Counsel

M. Daniel Scott
Vice President
Land Development

Michael D. Starchville
Vice President
Asset Management

Timothy L. Trabold
Regional Vice President
Real Estate Leasing

Timothy M. Tremel
Vice President
Facilities Planning

John A. Washko
Vice President
Chief Accounting Officer

SHAREHOLDER INFORMATION

Corporate Headquarters

Crown American Realty Trust
Pasquerilla Plaza
Johnstown, PA 15901
(814) 536-4441
Investor Relations: (800) 860-2011
E-mail: Invest@crownamerican.com

Common and Preferred Shares

- Common Ticker Symbol: CWN
- Preferred Ticker Symbol: CWN prA
- Common and Preferred Shares of Crown American Realty Trust are listed and traded on the New York Stock Exchange.
- Common shares outstanding at year end:
32,038,296
- Preferred shares outstanding at year end:
2,475,000
- In 2002, Crown American Realty Trust common shares traded at a high of \$10.40 and a low of \$6.65. A quarterly dividend of \$0.2100 per common share was paid in the first quarter of 2002; dividends of \$0.2125 per common share were paid in the second, third and fourth quarters of 2002.
- Annual dividends of \$5.50 per share were paid to holders of the 11.00% senior preferred shares (\$1.375 per share per quarter).

Transfer Agent and Registrar

American Stock Transfer and Trust Company
59 Maiden Lane
New York, NY 10038

Shareholder Inquiries

Crown American Realty Trust
Pasquerilla Plaza
Johnstown, Pennsylvania 15901
Investor Relations: (800) 860-2011
E-mail: Invest@crownamerican.com

Dividend Reinvestment Plan

Shareholders who have one or more common shares of Crown American Realty Trust registered in their names are eligible to reinvest their common share dividends in the Crown American Realty Trust Dividend Reinvestment Plan. All brokerage commissions or similar charges incurred by the agent in connection with the purchase of common shares will be paid for by the Company. Information regarding the Dividend Reinvestment Plan is available by calling Investor Relations at (800) 860-2011 or by e-mail at Invest@crownamerican.com.

Independent Auditors

Ernst & Young, LLP
McLean, VA

Legal Counsel

Reed Smith, LLP
Pittsburgh, PA

Publications

The Company's annual report on Form 10-K and quarterly reports on Form 10-Q are available free of charge from Crown American Realty Trust's Investor Relations Department. A Notice of Annual Meeting of Shareholders and Proxy Statement are furnished to shareholders in advance of the annual meeting.

Internet

The Crown American Realty Trust Internet web site can be found at www.crownamerican.com.