

SAUL CENTERS, INC.

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Saul Centers, Inc. Reports First Quarter Earnings

April 23, 2003, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust (REIT), announced its first quarter operating results. Total revenues for the quarter ended March 31, 2003 increased 2.9% to \$23,870,000 compared to \$23,191,000 for the 2002 quarter. Operating income before gain on property sold and minority interests decreased 5.6% to \$6,539,000 compared to \$6,926,000 for the comparable 2002 quarter. The Company reported net income of \$4,519,000 or \$.29/share for the 2003 quarter, a per share decrease of 32% compared to net income of \$6,335,000 or \$0.43/share for the 2002 quarter (basic & diluted). In the 2002 quarter, the Company recognized a gain on property sold of \$1,426,000 when it received final proceeds from the District of Columbia's condemnation and purchase of the Company's Park Road property.

Overall same property net operating income for the total portfolio decreased 2.3% for the 2003 first quarter compared to the same period in 2002. The same property comparisons exclude the Ashburn Village Phase IV development, placed in service during the summer of 2002, as well as Kentlands Square, which was acquired in September 2002. Net operating income is calculated as total revenue less property operating expenses, provision for credit losses and real estate taxes. Same center net operating income in the shopping center portfolio decreased 6.5% for the quarter. The decrease was primarily attributable to increased current year snow removal expenses and decreased tenant termination fees. Same center net operating income in the office portfolio grew 7.3% for the 2003 first quarter primarily due to the Company's Washington Square property, now in its second year of operations.

As of March 31, 2003, 93.0% of the portfolio was leased, compared to 94.2% a year earlier. This decrease in leasing percentage is largely due to the 74,000 square feet of space remaining to lease at 601 Pennsylvania Avenue after the expiration of a major tenant lease.

Funds From Operations (FFO), a widely accepted non-GAAP financial measure of operating performance for real estate investment trusts, decreased 4.2% to \$10,581,000 in the 2003 first quarter compared to \$11,048,000 for the same quarter in 2002. On a fully diluted per share basis, FFO was \$0.52 per share for the 2003 quarter, a 7.4% decrease from \$0.56 per share for the same quarter last year. The decrease was primarily attributable to three items:

- A decrease in lease termination fees,
- A decrease in net operating income at the Company's 601 Pennsylvania Avenue office building due to the expiration of a major tenant lease, and
- An increase in snow removal expenses, net of tenant recoveries.

FFO is presented on a fully converted basis and is defined as net income before minority interests, extraordinary items, gains and losses on property sales and real estate depreciation and amortization.

Saul Centers is a self-managed, self-administered equity real estate investment trust headquartered in Bethesda, Maryland. Saul Centers currently operates and manages a real estate portfolio of 35 community and neighborhood shopping center and office properties totaling approximately 6.5 million square feet of leasable area. Over 80% of the Company's cash flow is generated from properties in the metropolitan Washington, DC/Baltimore area.

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Saul Centers, Inc.
Condensed Consolidated Balance Sheets

(\$ in thousands)

	<u>March 31,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
Assets		
Real estate investments		
Land.....	\$ 90,469	\$ 90,469
Buildings.....	408,628	405,153
Construction in progress.....	<u>10,985</u>	<u>8,292</u>
	510,082	503,914
Accumulated depreciation.....	<u>(153,622)</u>	<u>(150,286)</u>
	356,460	353,628
Cash and cash equivalents.....	1,962	1,309
Accounts receivable and accrued income, net.....	10,682	12,505
Prepaid expenses.....	15,238	15,712
Deferred debt costs, net.....	4,467	4,125
Other assets.....	<u>3,259</u>	<u>1,408</u>
Total assets.....	<u>\$ 392,068</u>	<u>\$ 388,687</u>
Liabilities		
Notes payable.....	\$ 379,868	\$ 380,743
Accounts payable, accrued expenses and other liabilities.....	18,290	16,727
Deferred income.....	<u>3,984</u>	<u>4,484</u>
Total liabilities.....	<u>402,142</u>	<u>401,954</u>
Stockholders' Equity (Deficit)		
Common stock.....	154	152
Additional paid in capital.....	83,826	79,131
Accumulated deficit.....	<u>(94,054)</u>	<u>(92,550)</u>
Total stockholders' equity (deficit).....	<u>(10,074)</u>	<u>(13,267)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 392,068</u>	<u>\$ 388,687</u>

Saul Centers, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	<u>Three Months Ended March 31,</u>	
	<u>2003</u>	<u>2002</u>
Revenue		
Base rent.....	\$ 19,051	\$ 18,353
Expense Recoveries.....	3,805	3,105
Percentage Rent.....	449	549
Other	565	1,184
Total revenue.....	<u>23,870</u>	<u>23,191</u>
Operating Expenses		
Property operating expenses.....	3,029	2,359
Provision for credit losses.....	36	155
Real estate taxes.....	2,131	1,998
Interest expense.....	6,494	6,259
Amortization of deferred debt expense.....	198	163
Depreciation and amortization.....	4,042	4,122
General and administrative.....	1,401	1,209
Total operating expenses.....	<u>17,331</u>	<u>16,265</u>
Operating Income.....	6,539	6,926
Gain on property disposition.....	--	1,426
Minority Interests.....	<u>(2,020)</u>	<u>(2,017)</u>
Net Income.....	<u>\$ 4,519</u>	<u>\$ 6,335</u>

Per Share Amounts (basic and fully diluted):

Net income.....	\$ <u>0.29</u>	\$ <u>0.43</u>
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Weighted average common stock outstanding :

Common stock.....	15,330	14,649
Effect of dilutive options.....	<u>9</u>	<u>14</u>
Fully diluted weighted average common stock.....	<u>15,339</u>	<u>14,663</u>

Saul Centers, Inc.

Supplemental Information

(In thousands, except per share amounts)

	<u>Three Months Ended March 31,</u>	
	<u>2003</u>	<u>2002</u>
Funds From Operations (1)		
Net Income.....	\$ 4,519	\$ 6,335
Less: Gain on sale of property.....	--	(1,426)
Add: Real property depreciation & amortization....	4,042	4,122
Add: Minority Interests.....	<u>2,020</u>	<u>2,017</u>
Funds from operations.....	<u>\$ 10,581</u>	<u>\$ 11,048</u>

Per Share Amounts (basic and fully diluted):

Funds From Operations.....	<u>\$ 0.52</u>	<u>\$ 0.56</u>
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Weighted average shares outstanding :

Fully diluted weighted average common stock.....	15,339	14,663
Convertible limited partnership units.....	<u>5,177</u>	<u>5,172</u>
Fully diluted & converted weighted average shares....	<u>20,516</u>	<u>19,835</u>

(1) FFO is a widely accepted non-GAAP financial measure of operating performance of real estate investment trusts. FFO, as defined by the National Association of Real Estate Investment Trusts (NAREIT), is net income before gains or losses from property sales, extraordinary items, and before real estate depreciation and amortization. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and may not be indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows in the Company's SEC reports for the applicable periods. FFO should not be considered as an alternative to net income, its most directly comparable GAAP measure, as an indicator of the Company's operating performance, or as an alternative to cash flows as a measure of liquidity. Management considers FFO a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of real estate assets diminishes predictably over time, and because industry analysts have accepted it as a performance measure. Our presentation of FFO, which follows the NAREIT definition, may not be comparable to similarly titled measures employed by other REITs.