

Corporate Information

DIRECTORS

B. Francis Saul II
B. Francis Saul III
Philip D. Caraci
Gilbert M. Grosvenor
Phillip C. Jackson, Jr.
General Paul X. Kelley
Charles R. Longsworth
Patrick F. Noonan
Mark Sullivan III
The Honorable
James W. Symington
John R. Whitmore

WEB SITE

www.saulcenters.com

HEADQUARTERS

7501 Wisconsin Ave.
Suite 1500
Bethesda, MD 20814-6522
Phone: (301) 986-6200

EXCHANGE LISTING

New York Stock Exchange
Symbol: BFS

TRANSFER AGENT

U.S. Bank, N.A.
1555 N. RiverCenter Dr.,
Suite 301
Milwaukee, WI 53212
(800) 637-7549

DIVIDEND REINVESTMENT PLAN

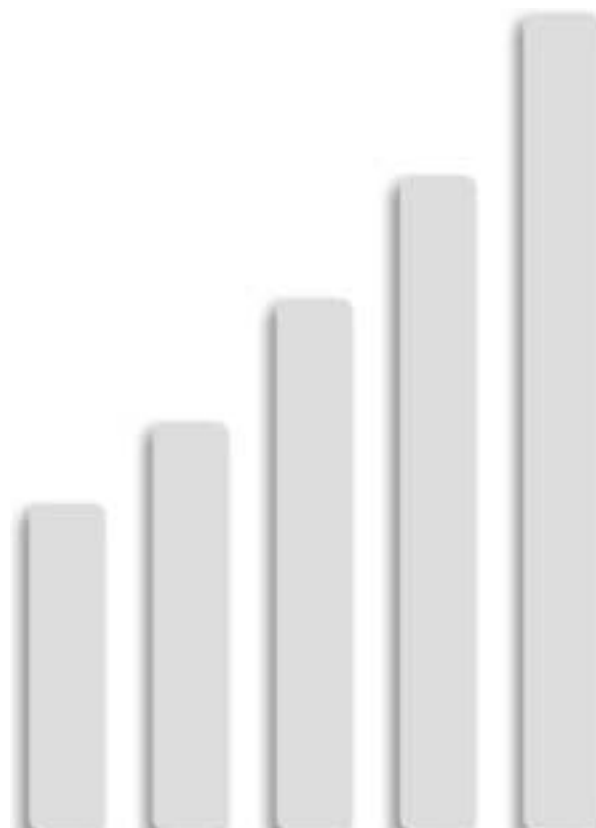
Saul Centers, Inc. offers a dividend reinvestment plan which enables its shareholders to automatically invest some of or all dividends in additional shares. The plan provides shareholders with a convenient and cost-free way to increase their investment in Saul Centers. Shares purchased under the dividend reinvestment plan are issued at a 3% discount from the closing price of the stock on the dividend payment date. The Plan's prospectus is available for review in the Shareholders Information section of the Company's web site.

To receive more information please call the plan administrator at 1-800-637-7549 and request to speak with a service representative or write:

U.S. Bank, N.A.
1555 N. RiverCenter Dr., Suite 301
Milwaukee, WI 53212

Certain matters discussed within this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of Saul Centers to be different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although Saul Centers believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. These risks are detailed from time to time in the Company's filings with the Securities and Exchange Commission.


Saul Centers



REPORT TO SHAREHOLDERS

First Quarter 2002

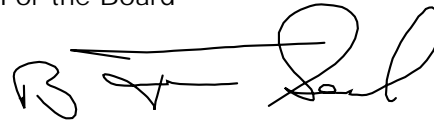
Message to Shareholders

 Funds From Operations (FFO) increased 14.7% to \$11,048,000 in the quarter ended March 31, 2002 compared to \$9,632,000 for the same quarter in 2001. On a fully diluted per share basis, FFO was \$.56 per share for the 2002 first quarter, a 10.6% increase over the same quarter last year. Approximately 30% of the FFO improvement was derived from our 235,000 square foot Washington Square development. FFO is presented on a fully converted basis and is a widely accepted measure of operating performance for REITs. FFO is defined as net income before extraordinary items, gains and losses on property sales and before real estate depreciation and amortization.

Total revenues for the 2002 first quarter increased 9.2% to \$23,191,000 compared to \$21,236,000 for the 2001 quarter. Operating income before nonrecurring items and minority interests was \$6,926,000, or \$.35 per share, representing a per share increase of 10.4% over the comparable 2001 quarter. After including the gain on property sold and deducting minority interests the company reported net income of \$6,335,000 or \$.43 per share for the 2002 quarter, a per share increase of 49.5% compared to net income of \$4,034,000 or \$.29 per share for the 2001 quarter (basic and diluted). In 1999, the District of Columbia condemned and purchased the Company's Park Road property as part of an assemblage of parcels for a neighborhood revitalization project. The Company disputed the original purchase price awarded by the District. The gain reported during the 2002 first quarter of \$1,426,000, or \$.10 per share, represents additional net proceeds the Company received upon settlement of the dispute.

Same center net operating income in the shopping center portfolio grew 8.1% for the 2002 first quarter compared to the same period in 2001. Same property net operating income in the office portfolio grew 5.8% for the 2002 first quarter. Overall same property net operating income for the total portfolio grew 7.5% for the 2002 first quarter. As of March 31, 2002, 94.2% of the portfolio was leased.

For the Board



B. Francis Saul II
Chairman of the Board

May 30, 2002



Corporate Profile

Saul Centers, Inc. 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 33 community and neighborhood shopping center and office properties totaling approximately 6.1 million square feet of leasable area. Over 80% of our cash flow is generated from properties in the metropolitan Washington, D.C./Baltimore area.

Saul Centers' primary operating strategy is to focus on continuing its program of internal growth, renovations, and expansions of community and neighborhood shopping centers, which primarily service the day-to-day necessities and services sub-sector of the overall retail market. The Company plans to supplement its growth through effective development of new office and retail properties and acquisitions of operating properties as appropriate opportunities arise.



Statements of Operations

(UNAUDITED)

	For the Three Months Ended March 31	
<i>(Dollars in thousands, except per share amounts)</i>	2002	2001
Revenue		
Base rent	\$ 18,353	\$ 17,285
Expense recoveries	3,105	2,800
Percentage rent	549	612
Other	<u>1,184</u>	<u>539</u>
Total revenue	<u>23,191</u>	<u>21,236</u>
Operating expenses		
Property operating expenses	2,359	2,200
Provision for credit losses	155	145
Real estate taxes	1,998	1,797
Interest expense	6,259	6,351
Amortization of deferred debt expense	163	137
Depreciation and amortization	4,122	3,581
General and administrative	<u>1,209</u>	<u>974</u>
Total operating expenses	<u>16,265</u>	<u>15,185</u>
Operating income	6,926	6,051
Non-operating item		
Gain on sale of property	<u>1,426</u>	<u>--</u>
Net income before minority interests	<u>8,352</u>	<u>6,051</u>
Minority interests		
Minority share of income	(2,017)	(1,634)
Distributions in excess of earnings	<u>--</u>	<u>(383)</u>
Total minority interests	<u>(2,017)</u>	<u>(2,017)</u>
Net income	<u>\$ 6,335</u>	<u>\$ 4,034</u>
Per share (fully diluted)		
Net income (a)	<u>\$ 0.43</u>	<u>\$ 0.29</u>
Funds from operations (b)	<u>\$ 0.56</u>	<u>\$ 0.50</u>

(a) Based upon fully diluted weighted average common shares outstanding of 14,663,189 and 13,955,398 for the three months ended March 31, 2002 and 2001, respectively.

(b) Assumes conversion of operating partnership units, combined with fully diluted weighted average common shares outstanding, for a total of 19,835,430 and 19,127,639 shares for the three months ended March 31, 2002 and 2001, respectively.



Balance Sheets

(UNAUDITED)

<i>(Dollars in thousands)</i>	March 31, 2002	December 31, 2001
Assets		
Real estate investments		
Land	\$ 73,024	\$ 67,710
Buildings and equipment	<u>387,057</u>	<u>385,936</u>
	460,081	453,646
Accumulated depreciation	<u>(140,500)</u>	<u>(136,928)</u>
	319,581	316,718
Construction in progress	2,041	1,163
Cash and cash equivalents	2,645	1,805
Accounts receivable and accrued income, net	9,323	9,217
Prepaid expenses	12,549	12,514
Deferred debt costs, net	3,509	3,563
Other assets	<u>2,619</u>	<u>1,423</u>
Total assets	<u>\$ 352,267</u>	<u>\$ 346,403</u>
Liabilities		
Notes payable	\$ 354,698	\$ 351,820
Accounts payable, accrued expenses and other liabilities	15,104	14,697
Deferred income	<u>2,531</u>	<u>4,009</u>
Total liabilities	<u>372,333</u>	<u>370,526</u>
Minority interests	--	--
Stockholders' equity (deficit)		
Common stock, \$0.01 par value, 30,000,000 shares authorized, 14,705,629 and 14,535,803 shares issued and outstanding, respectively	147	145
Additional paid-in capital	68,020	64,564
Accumulated deficit	<u>(88,233)</u>	<u>(88,832)</u>
Total stockholders' equity (deficit)	<u>(20,066)</u>	<u>(24,123)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 352,267</u>	<u>\$ 346,403</u>