

SAUL CENTERS, INC.

7501 Wisconsin Avenue, Suite 1500, Bethesda, Maryland 20814-6522
(301) 986-6200

Saul Centers, Inc. Reports Annual and Fourth Quarter 2002 Earnings

February 19, 2003, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust (REIT), announced its operating results for the year and quarter ended December 31, 2002. Total revenues for the 2002 Year increased 8.9% to \$93,963,000 compared to \$86,308,000 for the 2001 Year. Operating income before gain on property disposition and minority interests increased 3.3% to \$26,210,000 compared to \$25,383,000 for the 2001 Year. After including gain on property sold and deducting minority interests the Company reported net income of \$19,566,000 or \$1.31 per share for the 2002 Year, a per share increase of 7.9% compared to net income of \$17,314,000 or \$1.22 per share for the 2001 Year (fully diluted basis). The property sale gain reported during the first quarter of 2002 of \$1,426,000 (\$.09 per share), represents final proceeds from the District of Columbia's condemnation and purchase of the Company's Park Road property. For the quarter ended December 31, 2002, revenues increased 8.3% to \$24,508,000 compared to \$22,620,000 for the comparable period in 2001. The Company reported net income of \$5,263,000 or \$.35 per share for the quarter ended December 31, 2002, compared to net income of \$5,101,000 or \$.35 per share for the 2001 Year (basic and diluted).

Funds From Operations (FFO) increased 9.7% to \$44,031,000 for the year ended December 31, 2002 compared to \$40,141,000 for the 2001 Year. For the quarter ended December 31, 2002, FFO increased 4.8% to \$11,221,000 compared to \$10,705,000 for the 2001 quarter. On a fully diluted per share basis, FFO was \$2.20 per share for the 2002 Year, a 6.0% increase over the prior year. For the quarter ended December 31, 2002, FFO per share increased 1.5% to \$.55 per share over the comparable 2001 quarter. Approximately twenty percent of the annual FFO improvement was derived from increased property operating income at 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.

Saul Centers

www.SaulCenters.com

As of December 31, 2002, 93.7% of the total portfolio was leased. Same property net operating income for the total portfolio grew 6.6% for the year and 5.2% for the fourth quarter ended December 31, 2002, compared to the same periods in 2001. The same property comparison excludes development properties Washington Square, Ashburn Village shopping center phases III & IV as well as Kentlands Square, which was acquired in September 2002. Same property net operating income in the shopping center portfolio increased 3.2% for the year and was unchanged for the fourth quarter ended December 31, 2002 compared to the same periods in 2001. Same property net operating income in the office portfolio grew 16.6% for the year and 22.3% for the fourth quarter ended December 31, 2002, compared to the same periods in 2001. The improvement in office portfolio net operating income resulted primarily from a major tenant paying higher rent under the terms of a short-term lease extension at 601 Pennsylvania Avenue.

During 2002, the company paid four quarterly distributions of \$.39 per share to shareholders, of which 93.49% was taxable as ordinary income and 6.51% represented return of capital.

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.

Contact: Scott V. Schneider
 (301) 986-6200

Saul Centers, Inc.

Condensed Consolidated Balance Sheets

(\$ in thousands)

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
Assets		
Real estate investments		
Land.....	\$ 90,469	\$ 67,710
Buildings.....	405,153	384,575
Construction in progress.....	<u>8,292</u>	<u>2,524</u>
	503,914	454,809
Accumulated depreciation.....	<u>(150,286)</u>	<u>(136,928)</u>
	353,628	317,881
Cash and cash equivalents.....	1,309	1,805
Accounts receivable and accrued income, net.....	12,505	9,217
Prepaid expenses.....	15,712	12,514
Deferred debt costs, net.....	4,125	3,563
Other assets.....	<u>1,408</u>	<u>1,423</u>
Total assets.....	<u>\$ 388,687</u>	<u>\$ 346,403</u>
Liabilities		
Notes payable.....	\$ 380,743	\$ 351,820
Accounts payable, accrued expenses and other liabilities.....	16,727	14,697
Deferred income.....	<u>4,484</u>	<u>4,009</u>
Total liabilities.....	<u>401,954</u>	<u>370,526</u>
Stockholders' Equity (Deficit)		
Common stock.....	152	145
Additional paid in capital.....	79,131	64,564
Accumulated deficit.....	<u>(92,550)</u>	<u>(88,832)</u>
Total stockholders' equity (deficit).....	<u>(13,267)</u>	<u>(24,123)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 388,687</u>	<u>\$ 346,403</u>

Saul Centers, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	<u>Three Months Ended December 31,</u>		<u>Years Ended December 31,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue				
Base rent.....	\$ 19,167	\$ 17,361	\$ 75,699	\$ 69,662
Expense Recoveries.....	3,363	3,064	12,680	11,456
Percentage Rent.....	630	703	1,850	2,113
Other	<u>1,348</u>	<u>1,492</u>	<u>3,734</u>	<u>3,077</u>
Total revenue.....	<u>24,508</u>	<u>22,620</u>	<u>93,963</u>	<u>86,308</u>
Operating Expenses				
Property operating expenses.....	2,950	2,146	10,115	8,503
Provision for credit losses.....	19	196	421	617
Real estate taxes.....	2,104	1,926	8,021	7,226
General and administrative.....	1,637	1,326	5,537	4,335
Interest expense.....	6,356	6,170	25,113	24,920
Amortization of deferred debt expense.....	221	151	725	566
Depreciation and amortization.....	<u>3,939</u>	<u>3,586</u>	<u>17,821</u>	<u>14,758</u>
Total operating expenses.....	<u>17,226</u>	<u>15,501</u>	<u>67,753</u>	<u>60,925</u>
Operating Income.....	7,282	7,119	26,210	25,383
Gain on property disposition.....	--	--	1,426	--
Minority Interests.....	<u>(2,019)</u>	<u>(2,018)</u>	<u>(8,070)</u>	<u>(8,069)</u>
Net Income.....	\$ <u>5,263</u>	\$ <u>5,101</u>	\$ <u>19,566</u>	\$ <u>17,314</u>
Per Share Amounts:				
Net income (basic).....	\$ <u>0.35</u>	\$ <u>0.35</u>	\$ <u>1.32</u>	\$ <u>1.22</u>
Net income (fully diluted).....	\$ <u>0.35</u>	\$ <u>0.35</u>	\$ <u>1.31</u>	\$ <u>1.22</u>
Weighted average common stock outstanding :				
Common stock.....	15,096	14,476	14,865	14,210
Effect of dilutive options.....	<u>21</u>	<u>--</u>	<u>22</u>	<u>--</u>
Fully diluted weighted average common stock.....	<u>15,117</u>	<u>14,476</u>	<u>14,887</u>	<u>14,210</u>

Saul Centers, Inc.

Supplemental Information

(In thousands, except per share amounts)

	Three Months Ended December 31,		Years Ended December 31,	
	2002	2001	2002	2001
Funds From Operations ⁽¹⁾				
Net Income.....	\$ 5,263	\$ 5,101	\$ 19,566	\$ 17,314
Less: Gain on sale of property.....	--	--	(1,426)	--
Add: Real property depreciation & amortization....	3,939	3,586	17,821	14,758
Add: Minority Interests.....	2,019	2,018	8,070	8,069
Funds from operations.....	<u>\$ 11,221</u>	<u>\$ 10,705</u>	<u>\$ 44,031</u>	<u>\$ 40,141</u>

Per Share Amounts (basic and fully diluted):

Funds From Operations.....	<u>\$ 0.55</u>	<u>\$ 0.54</u>	<u>\$ 2.20</u>	<u>\$ 2.07</u>
----------------------------	----------------	----------------	----------------	----------------

Weighted average shares outstanding :

Fully diluted weighted average common stock.....	15,117	14,476	14,887	14,210
Convertible limited partnership units.....	<u>5,174</u>	<u>5,172</u>	<u>5,172</u>	<u>5,173</u>
Fully diluted & converted weighted average shares....	<u>20,291</u>	<u>19,648</u>	<u>20,059</u>	<u>19,383</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, 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 supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. FFO may not be comparable to similarly titled measures employed by other REITs.