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Saul Centers, Inc. Reports Second Quarter Operating Results

August 5, 2003, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust (REIT), announced its second quarter operating results. Total revenues for the quarter ended June 30, 2003 increased 1.9% to $23,226,000 compared to $22,793,000 for the 2002 quarter. Operating income before gain on property sold and minority interests decreased 7.4% to $6,016,000 compared to $6,499,000 for the comparable 2002 quarter. The Company reported net income of $3,996,000 or $.26/share for the 2003 quarter, a per share decrease of 15% compared to net income of $4,482,000 or $0.30/share for the 2002 quarter (basic & diluted).

For the six month period ending June 30, 2003, total revenues increased 2.4% to $47,096,000 compared to $45,984,000 for the 2002 period. Operating income before gain on property sold and minority interests decreased 6.5% to $12,555,000 compared to $13,425,000 for the comparable 2002 period. The Company reported net income of $8,515,000 or $.55/share for the 2003 period, a per share decrease of 25% compared to net income of $10,817,000 or $0.73/share for the 2002 period (basic & diluted). In the 2002 period, the Company recognized a gain on property sold of $1,426,000 when it was awarded a final settlement for the condemnation and purchase of the Company's Park Road property by the District of Columbia.

Overall same property net operating income for the total portfolio decreased 1.9% for the 2003 second quarter and 2.1% for the 2003 six month period compared to the same periods 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 increased 3.0% for the 2003 second quarter and decreased 1.9% for the 2003 six month period. The decrease in same center net operating income in the shopping center portfolio for the six month period was primarily attributable to decreased tenant termination fees and increased current year snow removal expenses. Same center net operating income in the office portfolio decreased 11.0% for the 2003 second quarter and 2.4% for the 2003 six month period compared to the same periods in 2002 primarily due to the expiration of a major tenant lease at 601 Pennsylvania Avenue and the down time required to prepare the space for occupancy for new tenants' use.

As of June 30, 2003, 93.6% of the portfolio was leased, compared to 94.2% a year earlier. This decrease in leasing percentage is primarily due to 25,000 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 3.6% to $10,301,000 in the 2003 second quarter compared to $10,681,000 for the same quarter in 2002. On a fully diluted per share basis, FFO was $0.50 per share for the 2003 quarter, a 7.0% decrease from $0.53 per share for the same quarter last year. For the six month period ending June 30, 2003, FFO decreased 3.9% to $20,882,000 compared to $21,729,000 for the 2002 period. On a fully diluted per share basis, FFO was $1.01 per share for the 2003 six month period, a 7.2% decrease from $1.09 per share for the same period last year. The decrease in the six month FFO was primarily attributable to two items:

- 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

- A decrease in lease termination fees.

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 36 community and neighborhood shopping center and office properties totaling approximately 6.6 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)

	June 30, 2003	December 31, 2002
Assets		
Real estate investments		
Land	$ 90,469	$ 90,469
Buildings	410,143	405,153
Construction in progress	15,717	8,292
	516,329	503,914
Accumulated depreciation	(157,317)	(150,286)
	359,012	353,628
Cash and cash equivalents	645	1,309
Accounts receivable and accrued income, net	10,122	12,505
Prepaid expenses	16,501	15,712
Deferred debt costs, net	4,275	4,125
Other assets	4,362	1,408
Total assets	$ 394,917	$ 388,687
Liabilities		
Notes payable	$ 380,003	$ 380,743
Accounts payable, accrued expenses and other liabilities	19,328	16,727
Deferred income	3,692	4,484
Total liabilities	403,023	401,954
Stockholders' Equity (Deficit)		
Common stock	156	152
Additional paid in capital	87,877	79,131
Accumulated deficit	(96,139)	(92,550)
Total stockholders' equity (deficit)	(8,106)	(13,267)
Total liabilities and stockholders' equity (deficit)	$ 394,917	$ 388,687

Saul Centers, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenue				
Base rent	$ 18,931	$ 18,995	$ 37,982	$ 37,348
Expense Recoveries	3,365	3,005	7,170	6,110
Percentage Rent	215	225	664	774
Other	715	568	1,280	1,752
Total revenue	23,226	22,793	47,096	45,984
Operating Expenses				
Property operating expenses	2,579	2,365	5,608	4,724
Provision for credit losses	56	116	92	271
Real estate taxes	2,130	1,972	4,261	3,970
Interest expense	6,466	6,163	12,960	12,422
Amortization of deferred debt expense	199	161	397	324
Depreciation and amortization	4,285	4,182	8,327	8,304
General and administrative	1,495	1,335	2,896	2,544
Total operating expenses	17,210	16,294	34,541	32,559
Operating Income	6,016	6,499	12,555	13,425
Gain on property disposition	--	--	--	1,426
Minority Interests	(2,020)	(2,017)	(4,040)	(4,034)
Net Income	$ 3,996	$ 4,482	$ 8,515	$ 10,817
Per Share Amounts:				
Net income (basic)	$ 0.26	$ 0.30	$ 0.55	$ 0.73
Net income (fully diluted)	$ 0.26	$ 0.30	$ 0.55	$ 0.73
Weighted average common stock outstanding :				
Common stock	15,534	14,789	15,432	14,719
Effect of dilutive options	12	26	10	20
Fully diluted weighted average common stock	15,546	14,815	15,442	14,739

Saul Centers, Inc.

Supplemental Information

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Funds From Operations (FFO) [1]				
Net Income	$ 3,996	$ 4,482	$ 8,515	$ 10,817
Less: Gain on sale of property	--	--	--	(1,426)
Add: Real property depreciation & amortization	4,285	4,182	8,327	8,304
Add: Minority Interests	2,020	2,017	4,040	4,034
Funds From Operations	$ 10,301	$ 10,681	$ 20,882	$ 21,729
Per Share Amounts (basic and fully diluted):				
Funds From Operations	$ 0.50	$ 0.53	$ 1.01	$ 1.09
Weighted average shares outstanding :				
Fully diluted weighted average common stock	15,546	14,815	15,442	14,739
Convertible limited partnership units	5,181	5,172	5,180	5,173
Fully diluted & converted weighted average shares	20,727	19,987	20,622	19,912
Same Property Net Operating Income [2]				
Net Income	$ 3,996	$ 4,482	$ 8,515	$ 10,817
Add: Interest expense	6,466	6,163	12,960	12,422
Add: Amortization of deferred debt expense	199	161	397	324
Add: Depreciation and amortization	4,285	4,182	8,327	8,304
Add: General and administrative	1,495	1,335	2,896	2,544
Less: Gain on property disposition	--	--	--	(1,426)
Add: Minority Interests	2,020	2,017	4,040	4,034
Property net operating income	18,461	18,340	37,135	37,019
Less: Acquisition & developments	(466)	--	(890)	--
Total same property net operating income	$ 17,995	$ 18,340	$ 36,245	$ 37,019
Total Shopping Centers	$ 12,297	$ 11,938	$ 24,455	$ 24,941
Total Office Properties	5,698	6,402	11,790	12,078
Total same property net operating income	$ 17,995	$ 18,340	$ 36,245	$ 37,019

(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.

(2) Although same property net operating income and property net operating income are GAAP financial measures, the Company has elected to present a reconciliation of the measures to net income.