Corporate Information

DIRECTORS

B. Francis Saul II
B. Francis Saul III
Philip D. Caraci
Gilbert M. Grosvenor
Philip 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

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Bethesda, MD 20814-6522
Phone: (301) 986-6200

EXCHANGE LISTING

New York Stock Exchange
Symbol: BFS

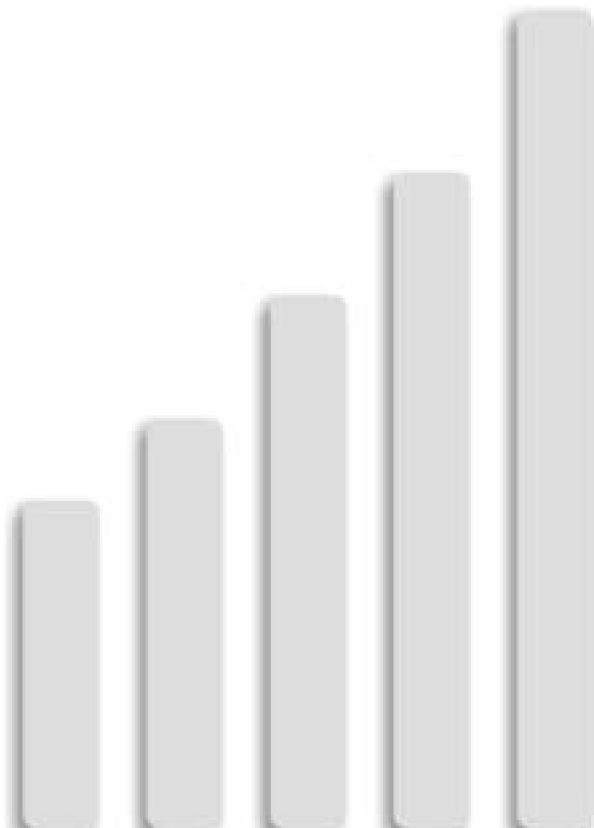
DIVIDEND REINVESTMENT PLAN

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 convenientand 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 our shareholder relations representative at (301) 986-6016.

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

Second Quarter 2002

Message to Shareholders

Funds From Operations (FFO) increased 10.9% to $10,681,000 in the quarter ended June 30, 2002 compared to $9,635,000 for the same quarter in 2001. For the six month period ended June 30, 2002, FFO increased 12.8% to $21,729,000 compared to $19,267,000 for the same period in 2001. On a fully diluted per share basis, FFO was $.53 per share for the 2002 second quarter, a 7.0% increase over the same quarter last year. For the six month period ended June 30, 2002, FFO per share increased 8.8%, to $1.09 per share over the comparable period in 2001. Approximately 27% of the FFO improvement for the six month period 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.

Revenues for the 2002 second quarter increased 9.0% to $22,793,000 compared to $20,919,000 for the 2001 quarter. Net income was $4,482,000 or $.30 per share for the 2002 second quarter, a per share increase of 9.8% compared to net income of $3,907,000 or $.28 per share for the 2001 quarter (basic and diluted). For the 2002 six month period, revenues increased 9.1% to $45,984,000 compared to $42,155,000 for the comparable period in 2001. Net income was $10,817,000 or $.73 per share for the 2002 six month period, a per share increase of 29.7% compared to net income of $7,941,000 or $.57 per share for the 2001 period (basic and diluted). The property sale gain reported during the first quarter of 2002 of $1,426,000, or $.10 per share, represents final proceeds from the District of Columbia's condemnation and purchase of the Company's Park Road property.

As of June 30, 2002, 94.2% of the total portfolio was leased. Net operating income for the total portfolio on a same center basis, which excludes development properties Ashburn Village III and Washington Square, grew 5.8% for the 2002 second quarter and 6.7% for the six month period ended June 30, 2002, compared to the same periods in 2001. Same center net operating income for shopping centers grew 2.0% for the 2002 second quarter and 5.1% for the six month period ended June 30, 2002, compared to the same periods in 2001. Same property net operating income for the office portfolio grew 15.7% for the 2002 second quarter and 10.9% for the six month period ended June 30, 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 the quarter, Saul Centers purchased 3030 Clarendon Boulevard, located in Arlington, Virginia. 3030 Clarendon is a 1.25 acre site with an existing and primarily vacant 70,000 square foot office building. It is located directly across the street from the Company's Clarendon and Clarendon Station properties as well as the Clarendon Metro rail station. The Company plans to redevelop the site.

During the first half of the year, the Company purchased 24 acres of undeveloped land located adjacent to the Claiborne Parkway exit of the Dulles Greenway, in Loudoun County, Virginia. Broadlands is a 1,500 acre planned community of 3,500 residences, approximately half of which are constructed and occupied. The land is zoned for 225,000 square feet of retail development. In June, the Company signed a lease and will build a 59,000 square foot Safeway supermarket to anchor the center. Saul Centers is obtaining approvals from Loudoun County for the 112,000 square foot initial phase of the Broadlands retail development.

For the Board,

B. Francis Saul II
Chairman of the Board
August 23, 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.

Consolidated

Statements of Operations

(UNAUDITED)

(Dollars in thousands, except per share amounts)	For the Three Months Ended June 30 2002	For the Three Months Ended June 30 2001	For the Six Months Ended June 30 2002	For the Six Months Ended June 30 2001
Revenue				
Base rent	$ 18,995	$ 17,470	$ 37,348	$ 34,755
Expense recoveries	3,005	2,711	6,110	5,511
Percentage rent	225	241	774	853
Other	568	497	1,752	1,036
Total revenue	22,793	20,919	45,984	42,155
Operating expenses				
Property operating expenses	2,365	2,026	4,724	4,226
Provision for credit losses	116	136	271	281
Real estate taxes	1,972	1,759	3,970	3,556
Interest expense	6,163	6,196	12,422	12,547
Amortization of deferred debt expense	161	136	324	273
Depreciation and amortization	4,182	3,711	8,304	7,292
General and administrative	1,335	1,031	2,544	2,005
Total operating expenses	16,294	14,995	32,559	30,180
Operating income	6,499	5,924	13,425	11,975
Non-operating item				
Gain on sale of property	--	--	1,426	--
Income before minority interests	6,499	5,924	14,851	11,975
Minority interests				
Minority share of income	(1,844)	(1,587)	(3,861)	(3,221)
Distributions in excess of earnings	(173)	(430)	(173)	(813)
Total minority interests	(2,017)	(2,017)	(4,034)	(4,034)
Net income	$ 4,482	$ 3,907	$ 10,817	$ 7,941
Per share (fully diluted)				
Net income (a)	$ 0.30	$ 0.28	$ 0.73	$ 0.57
Funds from operations (b)	$ 0.53	$ 0.50	$ 1.09	$ 1.00

(a) Based upon fully diluted weighted average common shares outstanding of 14,814,772 and 14,115,727 for the three and siz months ended June 30, 2002 and 2001, respectively.

(b) Assumes conversion of operating partnership units, combined with fully diluted weighted average common shares outstanding, for a total of 19,987,013 and 19,287,968 shares for the three and six months ended June 30, 2002 and 2001, respectively.

Consolidated
Balance Sheets
(UNAUDITED)

(Dollars in thousands)	June 30, 2002	December 31, 2001
Assets		
Real estate investments		
Land	$ 84,540	$ 67,710
Buildings and equipment	389,316	385,936
	473,856	453,646
Accumulated depreciation	(144,115)	(136,928)
	329,741	316,718
Construction in progress	4,142	1,163
Cash and cash equivalents	982	1,805
Accounts receivable and accrued income, net	9,528	9,217
Prepaid expenses	12,550	12,514
Deferred debt costs, net	3,348	3,563
Other assets	3,197	1,423
Total assets	$ 363,488	$ 346,403
Liabilities		
Notes payable	$ 363,017	$ 351,820
Accounts payable, accrued expenses and other liabilities	16,473	14,697
Deferred income	2,487	4,009
Total liabilities	381,977	370,526
Minority interests	--	--
Stockholders' equity (deficit)		
Common stock, $0.01 par value, 30,000,000 shares authorized, 14,831,187 and 14,535,803 shares issued and outstanding, respectively	148	145
Additional paid-in capital	70,898	64,564
Accumulated deficit	(89,535)	(88,832)
Total stockholders' equity (deficit)	(18,489)	(24,123)
Total liabilities and stockholders' equity (deficit)	$ 363,488	$ 346,403