

# SAUL CENTERS, INC.

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## **Saul Centers, Inc. Reports Second Quarter 2006 Earnings**

August 8, 2006, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust, announced its second quarter 2006 operating results. Total revenues for the quarter ended June 30, 2006 increased 9.7% to \$33,748,000 compared to \$30,752,000 for the 2005 quarter. Operating income before minority interests and preferred stock dividends increased 7.8% to \$9,648,000 compared to \$8,952,000 for the comparable 2005 quarter. Net income available to common stockholders was \$5,797,000 or \$0.34 per diluted share for the 2006 quarter, a per share increase of 17.2% compared to \$4,871,000 or \$0.29 per diluted share for the 2005 quarter. Successful leasing activity at several core shopping centers and operating income from development properties produced the significant portion of increased operating income for the 2006 quarter.

Overall same property revenues for the total portfolio increased 4.1% for the 2006 second quarter compared to the same quarter in 2005 and same property operating income increased 4.0%. The same property comparisons exclude the results of operations of properties not in operation for each of the comparable reporting periods. Property operating income is calculated as total property revenue less property operating expenses, provision for credit losses and real estate taxes. Same property operating income in the shopping center portfolio increased 6.5% for the 2006 second quarter, compared to the prior year's quarter. Successful leasing activity at several core shopping centers was the primary contributor to the improvement in same property results. Same property operating income in the office portfolio declined 2.3% for the 2006 quarter, compared to the prior year's quarter, due to higher lease termination fees recognized in the 2005 quarter.

For the six month period ended June 30, 2006, total revenues increased 10.1% to \$67,215,000 compared to \$61,059,000 for the 2005 period. Operating income before minority interests and preferred stock dividends increased 8.9% to \$19,157,000 compared to \$17,591,000 for the comparable 2005 period. Net income available to common stockholders was \$11,504,000 or \$0.67 per diluted share for the 2006 period, a per share increase of 17.5% compared to \$9,481,000 or \$0.57 per diluted share for the 2005 period. Overall same property revenues for the total portfolio increased 4.3% for the 2006 six month period compared to the same period in 2005 and same property operating income increased 4.4%. Shopping center same property operating income increased 6.5% due to successful leasing activity at several core shopping

centers and office same property operating income declined 1.1% due to higher lease termination fees recognized in the 2005 period.

As of June 30, 2006, 96.7% of the operating portfolio was leased, compared to 93.2% a year earlier. The 2005 leasing percentage was adversely affected by the combined impact of a 113,000 square foot vacancy at Great Eastern Plaza and 133,000 square feet of vacant space in the Lexington Mall which the Company was not leasing in anticipation of redeveloping the shopping center. Since September 30, 2005, the Company has been actively planning the redevelopment of Lexington and has taken the space out of service. On a same property basis, 96.8% of the portfolio was leased, compared to the prior year level of 94.8%. The increase in 2006 leasing percentage resulted from the lease-up of space at Great Eastern Plaza, Southside Plaza and Olde Forte Village and to a lesser extent, improved leasing at several other properties.

Funds From Operations (FFO) available to common shareholders (after deducting preferred stock dividends) increased 12.5% to \$14,048,000 in the 2006 second quarter compared to \$12,484,000 for the same quarter in 2005. FFO, a widely accepted non-GAAP financial measure of operating performance for real estate investment trusts, is defined as net income, plus minority interests, extraordinary items and real estate depreciation and amortization, excluding gains and losses from property sales. On a diluted per share basis, FFO available to common shareholders increased 8.8% to \$0.62 per share for the 2006 quarter compared to \$0.57 per share for the 2005 quarter. FFO available to common shareholders for the 2006 six month period increased 12.9% to \$27,933,000 from \$24,738,000 during the 2005 period. Fully diluted per diluted share FFO available to common shareholders increased 9.7% to \$1.24 per diluted share for the 2006 six month period compared to \$1.13 per diluted share for the 2005 period. These increases resulted primarily from increased operating income from successful leasing activity at several core shopping centers and operating income from new developments.

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 46 community and neighborhood shopping center and office properties totaling approximately 7.7 million square feet of leaseable 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, 2006 <small>(Unaudited)</small>	December 31, 2005
<b>Assets</b>		
Real estate investments		
Land.....	\$ 149,863	\$ 139,421
Buildings and equipment.....	607,119	575,504
Construction in progress.....	62,577	47,868
	<u>819,559</u>	<u>762,793</u>
Accumulated depreciation.....	(205,122)	(195,376)
	614,437	567,417
Cash and cash equivalents.....	3,045	8,007
Accounts receivable and accrued income, net.....	23,136	23,410
Leasing costs, net.....	19,698	19,834
Prepaid expenses, net.....	1,473	2,540
Deferred debt costs, net.....	5,845	5,875
Other assets.....	6,995	4,386
Total assets.....	<u>\$ 674,629</u>	<u>\$ 631,469</u>
<b>Liabilities</b>		
Mortgage notes payable.....	\$ 487,242	\$ 471,931
Revolving credit facility.....	26,000	10,500
Dividends and distributions payable.....	11,418	11,319
Accounts payable, accrued expenses and other liabilities.....	17,909	13,679
Deferred income.....	12,546	9,558
Total liabilities.....	<u>555,115</u>	<u>516,987</u>
<b>Minority Interests</b>	<u>6,194</u>	<u>3,068</u>
<b>Stockholders' Equity</b>		
Preferred stock.....	100,000	100,000
Common stock.....	170	169
Additional paid in capital.....	128,009	123,339
Accumulated deficit.....	(114,859)	(112,094)
Total stockholders' equity.....	<u>113,320</u>	<u>111,414</u>
Total liabilities and stockholders' equity.....	<u>\$ 674,629</u>	<u>\$ 631,469</u>

**Saul Centers, Inc.**  
**Condensed Consolidated Statements of Operations**

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
<b>Revenue</b>				
Base rent.....	\$ 27,190	\$ 24,509	\$ 54,090	\$ 48,641
Expense recoveries.....	5,407	4,700	10,920	9,680
Percentage rent.....	272	507	598	1,011
Other .....	879	1,036	1,607	1,727
Total revenue.....	33,748	30,752	67,215	61,059
<b>Operating Expenses</b>				
Property operating expenses.....	3,963	3,483	7,931	7,256
Provision for credit losses.....	107	79	187	133
Real estate taxes.....	2,994	2,757	6,046	5,340
Interest expense and amortization of deferred debt.....	8,072	7,615	16,091	15,024
Depreciation and amortization of leasing costs.....	6,400	5,532	12,776	11,147
General and administrative.....	2,564	2,334	5,027	4,568
Total operating expenses.....	24,100	21,800	48,058	43,468
<b>Operating Income</b> .....	9,648	8,952	19,157	17,591
<b>Minority Interests</b> .....	(1,851)	(2,081)	(3,653)	(4,110)
<b>Net Income</b> .....	7,797	6,871	15,504	13,481
<b>Preferred Dividends</b> .....	(2,000)	(2,000)	(4,000)	(4,000)
<b>Net Income Available to Common Stockholders</b> .....	\$ 5,797	\$ 4,871	\$ 11,504	\$ 9,481
 <b>Per Share Net Income Available to Common Stockholders :</b>				
Diluted.....	\$ 0.34	\$ 0.29	\$ 0.67	\$ 0.57
 <b>Weighted Average Common Stock Outstanding :</b>				
Common stock.....	16,993	16,613	16,952	16,540
Effect of dilutive options.....	132	94	142	92
Diluted weighted average common stock.....	17,125	16,707	17,094	16,632

**Saul Centers, Inc.**  
**Supplemental Information**

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,					
	2006	2005	2006	2005				
	(1)	(Unaudited)	(Unaudited)					
<b>Reconciliation of Net Income to Funds From Operations (FFO)</b>								
Net Income.....	\$	7,797	\$	6,871	\$	15,504	\$	13,481
Add: Real property depreciation & amortization.....		6,400		5,532		12,776		11,147
Add: Minority interests.....		1,851		2,081		3,653		4,110
FFO.....		16,048		14,484		31,933		28,738
Less: Preferred dividends.....		(2,000)		(2,000)		(4,000)		(4,000)
FFO available to common shareholders.....	\$	14,048	\$	12,484	\$	27,933	\$	24,738
<b>Weighted Average Shares Outstanding :</b>								
Diluted weighted average common stock.....		17,125		16,707		17,094		16,632
Convertible limited partnership units.....		5,400		5,201		5,374		5,201
Diluted & converted weighted average shares.....		22,525		21,908		22,468		21,833
<b>Per Share Amounts:</b>								
FFO available to common shareholders.....	\$	0.62	\$	0.57	\$	1.24	\$	1.13
<b>Reconciliation of Net Income to Same Property Operating Income :</b>								
Net Income.....	\$	7,797	\$	6,871	\$	15,504	\$	13,481
Add: Interest expense and deferred debt amortization.....		8,072		7,615		16,091		15,024
Add: Depreciation and amortization.....		6,400		5,532		12,776		11,147
Add: General and administrative.....		2,564		2,334		5,027		4,568
Less: Interest income.....		(99)		(157)		(166)		(297)
Add: Minority interests.....		1,851		2,081		3,653		4,110
Property operating income.....		26,585		24,276		52,885		48,033
Less: Acquisitions & developments.....		(1,417)		(45)		(3,307)		(460)
Less: Lexington property operating income.....		17		(23)		(2)		(79)
Total same property operating income.....	\$	25,185	\$	24,208	\$	49,576	\$	47,494
Total Shopping Centers.....	\$	18,604	\$	17,475	\$	36,342	\$	34,112
Total Office Properties.....		6,581		6,733		13,234		13,382
Total same property operating income.....	\$	25,185	\$	24,208	\$	49,576	\$	47,494

(1) FFO is a widely accepted non-GAAP financial measure of operating performance of real estate investment trusts ("REITs"). FFO is defined by the National Association of Real Estate Investment Trusts as net income, computed in accordance with GAAP, plus minority interests, extraordinary items and real estate depreciation and amortization, excluding gains or losses from property sales. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily 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.