



SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 3, 2004

Saul Centers, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

1-12254
(Commission File Number)

52-1833074
(IRS Employer
Identification Number)

7501 Wisconsin Avenue, Bethesda, Maryland
(Address of Principal Executive Offices)

20814
(Zip Code)

(301) 986-6200
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)



Item 7. Financial Statements and Exhibits.

(c) Exhibits

*99.1 Press Release, dated August 3, 2004, of Saul Centers, Inc.

Item 12. Results of Operations and Financial Condition.

On August 3, 2004, Saul Centers, Inc. issued a press release to report its financial results for the quarter and six months ended June 30, 2004. The release is furnished as Exhibit 99.1 hereto.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SAUL CENTERS, INC.

By: /s/ Scott V. Schneider

Scott V. Schneider
Senior Vice President and Chief Financial
Officer

Dated: August 5, 2004



SAUL CENTERS, INC
FORM 8-K

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Page 1 of 1

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release, dated August 3, 2004, of Saul Centers, Inc. |



Exhibit 99.1

SAUL CENTERS, INC.

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

Saul Centers, Inc. Reports Second Quarter Earnings

August 3, 2004, 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, 2004 increased 20.1% to \$27,888,000 compared to \$23,226,000 for the 2003 quarter. Operating income before minority interests and preferred stock dividends increased 38.4% to \$8,329,000 compared to \$6,016,000 for the comparable 2003 quarter. After preferred stock dividends, the Company reported net income available to common stockholders of \$4,286,000 or \$.27 per share for the 2004 quarter, a per share increase of 3.8% compared to net income available to common stockholders of \$3,996,000 or \$0.26 per share for the 2003 quarter (basic & diluted).

Overall same property revenues for the total portfolio increased 6.3% for the 2004 second quarter compared to the same quarter in 2003 and same property operating income increased 7.3%. The same property comparisons exclude the results of operations of development and acquisition properties not in operation for each of the quarters. Operating income is calculated as total revenue less property operating expenses, provision for credit losses and real estate taxes. Same center operating income in the shopping center portfolio increased 3.6% for the 2004 second quarter, due primarily to successful re-leasing activity. Same property operating income in the office portfolio grew 15.7% for the 2004 quarter, due to the completion of lease-up of space, vacant during 2003, at 601 Pennsylvania Avenue. Excluding the impact of 601 Pennsylvania Avenue, overall portfolio same property growth was 1.6% for the 2004 quarter.

For the six month period ended June 30, 2004, total revenues increased 15.1% to \$54,229,000 compared to \$47,096,000 for the 2003 period. Operating income before minority interests and preferred stock dividends increased 32.7% to \$16,658,000 compared to \$12,555,000 for the comparable 2003 period. Net income available to common stockholders was \$8,591,000 or \$.54 per share for the 2004 period, a per share decrease of 1.8% compared to net income available to common stockholders of \$8,515,000 or \$0.55 per share for the 2003 period (basic & diluted). Overall same property revenues for the total portfolio increased 4.6% for the 2004 six month period compared to the same period in 2003 and same property operating income increased

Saul Centers

www.SaulCenters.com



6.2%. The shopping center portfolio same center operating income increased 4.2% and the office portfolio grew 10.3%. Excluding the impact of 601 Pennsylvania Avenue, overall portfolio same property operating income growth was 2.1% for the 2004 period.

As of June 30, 2004, 94.0% of the portfolio was leased, compared to 93.6% a year earlier. On a same property basis, 94.6% of the portfolio was leased, compared to the prior year level of 93.6%. The comparative increase in the 2004 total portfolio, same property leasing percentage is largely attributable to the leasing of approximately 30,000 square feet of office space at 601 Pennsylvania Avenue, 24,000 square feet of space at Southdale and 21,000 square feet of space at Thruway shopping centers.

Funds From Operations (FFO) available to common shareholders (after deducting preferred stock dividends), increased 13.3% to \$11,676,000 in the 2004 second quarter compared to \$10,301,000 for the same quarter in 2003. The \$1,375,000 increase in FFO available to common shareholders in the 2004 quarter resulted from retail acquisition and development property operating income and successful leasing efforts, primarily at 601 Pennsylvania Avenue, offset in part by the payment of \$2,000,000 in preferred dividends relating to the November 2003 offering. On a fully diluted per share basis, FFO available to common shareholders increased 10.0% to \$.55 per share in 2004 compared to \$.50 for the 2003 quarter. FFO available to common shareholders for the 2004 six month period increased \$1,761,000 (8.4%) to \$22,643,000 from \$20,882,000 during the 2003 period. Fully diluted per share FFO available to common shareholders increased 5.9% to \$1.07 per share in 2004 compared to \$1.01 for the 2003 period. 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.

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 39 community and neighborhood shopping center and office properties totaling approximately 7.1 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
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Saul Centers

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Saul Centers, Inc.
Condensed Consolidated Balance Sheets
(\$ in thousands)

| | June 30, 2004 | December 31, 2003 |
|--|-------------------|----------------------|
| | (Unaudited) | |
| Assets | | |
| Real estate investments | | |
| Land | \$ 109,153 | \$ 82,256 |
| Buildings | 500,086 | 436,487 |
| Construction in progress | 41,938 | 33,372 |
| | <u>651,177</u> | <u>552,115</u> |
| Accumulated depreciation | (172,851) | (164,823) |
| | <u>478,326</u> | <u>387,292</u> |
| Cash and cash equivalents | 10,066 | 45,244 |
| Accounts receivable and accrued income, net | 15,558 | 14,642 |
| Lease acquisition costs, net | 18,887 | 15,345 |
| Prepaid expenses | 2,170 | 3,632 |
| Deferred debt costs, net | 4,509 | 4,224 |
| Other assets | 5,266 | 1,237 |
| | <u>534,782</u> | <u>471,616</u> |
| Total assets | \$ 534,782 | \$ 471,616 |
| Liabilities | | |
| Mortgage notes payable | \$ 389,544 | \$ 354,248 |
| Revolving credit facility | 22,000 | 3,000 |
| Dividends and distributions payable | 10,322 | 9,454 |
| Accounts payable, accrued expenses and other liabilities | 12,482 | 7,793 |
| Deferred income | 4,220 | 4,478 |
| | <u>438,568</u> | <u>378,973</u> |
| Total liabilities | 438,568 | 378,973 |
| Stockholders' Equity | | |
| Preferred stock | 100,000 | 100,000 |
| Common stock | 161 | 159 |
| Additional paid in capital | 98,980 | 91,469 |
| Accumulated deficit | (102,927) | (98,985) |
| | <u>96,214</u> | <u>92,643</u> |
| Total stockholders' equity | 96,214 | 92,643 |
| Total liabilities and stockholders' equity | \$ 534,782 | \$ 471,616 |



Saul Centers, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenue | | | | |
| Base rent | \$22,751 | \$18,931 | \$44,027 | \$37,982 |
| Expense recoveries | 4,018 | 3,365 | 7,912 | 7,170 |
| Percentage rent | 260 | 215 | 704 | 664 |
| Other | 859 | 715 | 1,586 | 1,280 |
| Total revenue | 27,888 | 23,226 | 54,229 | 47,096 |
| Operating Expenses | | | | |
| Property operating expenses | 2,870 | 2,579 | 5,762 | 5,608 |
| Provision for credit losses | 99 | 56 | 168 | 92 |
| Real estate taxes | 2,488 | 2,130 | 4,879 | 4,261 |
| Interest expense | 6,407 | 6,466 | 12,456 | 12,960 |
| Amortization of deferred debt expense | 227 | 199 | 444 | 397 |
| Depreciation and amortization | 5,347 | 4,285 | 9,985 | 8,327 |
| General and administrative | 2,121 | 1,495 | 3,877 | 2,896 |
| Total operating expenses | 19,559 | 17,210 | 37,571 | 34,541 |
| Operating Income | 8,329 | 6,016 | 16,658 | 12,555 |
| Minority Interests | (2,043) | (2,020) | (4,067) | (4,040) |
| Net Income | 6,286 | 3,996 | 12,591 | 8,515 |
| Preferred Dividends | (2,000) | — | (4,000) | — |
| Net Income Available to Common Stockholders | \$ 4,286 | \$ 3,996 | \$ 8,591 | \$ 8,515 |
| Per Share Amounts: (basic and fully diluted) | | | | |
| Net income available to common stockholders | \$ 0.27 | \$ 0.26 | \$ 0.54 | \$ 0.55 |
| Weighted average common stock outstanding: | | | | |
| Common stock | 16,090 | 15,534 | 16,019 | 15,432 |
| Effect of dilutive options | 33 | 12 | 31 | 10 |
| Fully diluted weighted average common stock | 16,123 | 15,546 | 16,050 | 15,442 |



Saul Centers, Inc.

Supplemental Information

(Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| Reconciliation of Net Income to Funds From Operations (FFO): (1) | | | | |
| Net Income | \$ 6,286 | \$ 3,996 | \$12,591 | \$ 8,515 |
| Add: Real property depreciation & amortization | 5,347 | 4,285 | 9,985 | 8,327 |
| Add: Minority Interests | 2,043 | 2,020 | 4,067 | 4,040 |
| FFO | 13,676 | 10,301 | 26,643 | 20,882 |
| Less: Preferred dividends | (2,000) | — | (4,000) | — |
| FFO available to common shareholders | \$11,676 | \$10,301 | \$22,643 | \$20,882 |
| Weighted average shares outstanding : | | | | |
| Fully diluted weighted average common stock | 16,123 | 15,546 | 16,050 | 15,442 |
| Convertible limited partnership units | 5,193 | 5,181 | 5,191 | 5,180 |
| Fully diluted & converted weighted average shares | 21,316 | 20,727 | 21,241 | 20,622 |
| Per Share Amounts: | | | | |
| FFO available to common shareholders | \$ 0.55 | \$ 0.50 | \$ 1.07 | \$ 1.01 |
| Reconciliation of Net Income to Same Property Operating Income: | | | | |
| Net Income | \$ 6,286 | \$ 3,996 | \$12,591 | \$ 8,515 |
| Add: Interest expense | 6,407 | 6,466 | 12,456 | 12,960 |
| Add: Amortization of deferred debt expense | 227 | 199 | 444 | 397 |
| Add: Depreciation and amortization | 5,347 | 4,285 | 9,985 | 8,327 |
| Add: General and administrative | 2,121 | 1,495 | 3,877 | 2,896 |
| Add: Minority Interests | 2,043 | 2,020 | 4,067 | 4,040 |
| Property operating income | 22,431 | 18,461 | 43,420 | 37,135 |
| Less: Acquisition & developments | (2,616) | — | (3,992) | — |
| Total same property operating income | \$19,815 | \$18,461 | \$39,428 | \$37,135 |
| Total Shopping Centers | \$13,222 | \$12,763 | \$26,420 | \$25,345 |
| Total Office Properties | 6,593 | 5,698 | 13,008 | 11,790 |
| Total same property operating income | \$19,815 | \$18,461 | \$39,428 | \$37,135 |

- (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.