
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 8, 2007

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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On August 8, 2007, Saul Centers, Inc. issued a press release to report its financial results for the quarter ended June 30, 2007. The release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

99.1 Press Release, dated August 8, 2007, of Saul Centers, Inc.

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 8, 2007

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release, dated August 8, 2007, of Saul Centers, Inc. |

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

Saul Centers, Inc. Reports
Second Quarter 2007 Earnings

August 8, 2007, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust (REIT), announced its operating results for the quarter ended June 30, 2007. Total revenue for the quarter ended June 30, 2007 increased 9.9% to \$37,077,000 compared to \$33,748,000 for the 2006 quarter. Operating income, defined as net income available to common stockholders before minority interests and preferred stock dividends, increased 14.8% to \$11,077,000 for the 2007 quarter compared to \$9,648,000 for the comparable 2006 quarter. Net income available to common stockholders was \$6,926,000 or \$0.39 per diluted share for the 2007 quarter, a per share increase of 14.7% compared to net income available to common stockholders of \$5,797,000 or \$0.34 per diluted share for the 2006 quarter. The operating income increase for the 2007 quarter was produced by (1) Lansdowne Town Center, the 188,000 square foot shopping center development near Leesburg, Virginia, which commenced operations during the fourth quarter 2006, (2) successful leasing activity at several core properties and (3) to a lesser extent other development properties.

Same property revenue for the total portfolio increased 4.7% for the 2007 quarter compared to the 2006 quarter and same property operating income increased 3.7%. The same property comparisons exclude the results of operations of properties not in operation for each of the comparable reporting periods. Same property operating income in the shopping center portfolio increased 3.1% for the 2007 quarter compared to the prior year's quarter. Same property operating income in the office portfolio grew 5.9% for the 2007 quarter. Successful leasing activity at several core properties produced the significant portion of increased property operating income for the 2007 quarter.

For the six month period ended June 30, 2007, total revenues increased 9.7% to \$73,761,000 compared to \$67,215,000 for the 2006 period. Operating income before minority interests and preferred stock dividends increased 15.3% to \$22,086,000 compared to \$19,157,000 for the comparable 2006 period. Net income available to common stockholders was \$13,800,000 or \$0.78 per diluted share for the 2007 period, a per share increase of 16.4% compared to \$11,504,000 or \$0.67 per diluted share for the 2006 period. Overall same property revenues for the total portfolio increased 5.0% for the 2007 six month period compared to the same period in 2006 and same property operating income increased 3.6%. Shopping center same property operating income increased 3.2% due to successful leasing activity at several core shopping centers and office same property operating income increased 4.9%.

Saul Centers

www.SaulCenters.com

As of June 30, 2007, 95.7% of the operating portfolio was leased, compared to 96.6% a year earlier. The company's significant development property, the 188,000 square foot Lansdowne Towne Center, was 91.3% leased at June 30, 2007. On a same property basis, 95.8% of the portfolio was leased, compared to the prior year level of 96.6%. Approximately half of the 2007 leasing percentage decrease resulted from the departure of a 32,000 square foot local grocery anchor at Belvedere shopping center in Baltimore, Maryland.

Funds From Operations (FFO) available to common shareholders (after deducting preferred stock dividends) increased 10.9% to \$15,580,000 in the 2007 quarter compared to \$14,048,000 for the same quarter in 2006. On a diluted per share basis, FFO available to common shareholders increased 8.1% to \$0.67 per share in 2007 compared to \$0.62 per share for the 2006 quarter. 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. FFO increased in the 2007 quarter due to increased operating income from (1) Lansdowne Town Center, (2) successful leasing activity at several core properties and (3) to a lesser extent acquisition and development properties. FFO available to common shareholders for the 2007 six month period increased 11.1% to \$31,037,000 from \$27,933,000 during the 2006 period. FFO available to common shareholders increased 8.1% to \$1.34 per diluted share for the 2007 six month period compared to \$1.24 per diluted share for the 2006 period.

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 48 community and neighborhood shopping center and office properties totaling approximately 8.0 million square feet of leasable area. Over 80% of the Company's property operating income is generated from properties in the metropolitan Washington, DC/Baltimore area.

Contact: Scott V. Schneider
(301) 986-6220

Saul Centers

www.SaulCenters.com

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

| | <u>June 30,</u> <u>2007</u> | <u>December 31,</u> <u>2006</u> |
|--|--------------------------------|------------------------------------|
| | <u>(Unaudited)</u> | |
| Assets | | |
| Real estate investments | | |
| Land | \$ 157,830 | \$ 154,047 |
| Buildings and equipment | 652,201 | 631,797 |
| Construction in progress | 46,505 | 56,017 |
| | <u>856,536</u> | <u>841,861</u> |
| Accumulated depreciation | (223,652) | (214,210) |
| | 632,884 | 627,651 |
| Cash and cash equivalents | 11,535 | 8,061 |
| Accounts receivable and accrued income, net | 30,458 | 33,248 |
| Deferred leasing costs, net | 16,363 | 18,137 |
| Prepaid expenses, net | 1,349 | 2,507 |
| Deferred debt costs, net | 5,266 | 5,328 |
| Other assets | 9,012 | 5,605 |
| Total assets | <u>\$ 706,867</u> | <u>\$ 700,537</u> |
| Liabilities | | |
| Mortgage notes payable | \$ 520,345 | \$ 487,443 |
| Revolving credit facility | — | 35,000 |
| Dividends and distributions payable | 12,115 | 11,558 |
| Accounts payable, accrued expenses and other liabilities | 15,029 | 16,409 |
| Deferred income | 11,273 | 12,251 |
| Total liabilities | <u>558,762</u> | <u>562,661</u> |
| Minority Interests | | |
| | <u>5,305</u> | <u>5,785</u> |
| Stockholders' Equity | | |
| Preferred stock | 100,000 | 100,000 |
| Common stock | 176 | 173 |
| Additional paid in capital | 153,870 | 141,554 |
| Accumulated deficit | (111,246) | (109,636) |
| Total stockholders' equity | <u>142,800</u> | <u>132,091</u> |
| Total liabilities and stockholders' equity | <u>\$ 706,867</u> | <u>\$ 700,537</u> |

Saul Centers, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)

| | <u>Three Months Ended June 30,</u> | | <u>Six Months Ended June 30,</u> | |
|--|------------------------------------|-----------------|----------------------------------|------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | (Unaudited) | | (Unaudited) | |
| Revenue | | | | |
| Base rent | \$ 29,531 | \$ 27,190 | \$ 58,552 | \$ 54,090 |
| Expense recoveries | 6,282 | 5,407 | 12,880 | 10,920 |
| Percentage rent | 312 | 272 | 514 | 598 |
| Other | 952 | 879 | 1,815 | 1,607 |
| Total revenue | <u>37,077</u> | <u>33,748</u> | <u>73,761</u> | <u>67,215</u> |
| Operating Expenses | | | | |
| Property operating expenses | 4,343 | 3,963 | 9,148 | 7,931 |
| Provision for credit losses | 103 | 107 | 215 | 187 |
| Real estate taxes | 3,538 | 2,994 | 7,064 | 6,046 |
| Interest expense and amortization of deferred debt | 8,325 | 8,072 | 16,619 | 16,091 |
| Depreciation and amortization of deferred leasing costs | 6,503 | 6,400 | 12,951 | 12,776 |
| General and administrative | 3,188 | 2,564 | 5,678 | 5,027 |
| Total operating expenses | <u>26,000</u> | <u>24,100</u> | <u>51,675</u> | <u>48,058</u> |
| Operating Income | 11,077 | 9,648 | 22,086 | 19,157 |
| Minority Interests | (2,151) | (1,851) | (4,286) | (3,653) |
| Net Income | 8,926 | 7,797 | 17,800 | 15,504 |
| Preferred Dividends | (2,000) | (2,000) | (4,000) | (4,000) |
| Net Income Available to Common Stockholders | <u>\$ 6,926</u> | <u>\$ 5,797</u> | <u>\$ 13,800</u> | <u>\$ 11,504</u> |
| Per Share Net Income Available to Common Stockholders : | | | | |
| Diluted | <u>\$ 0.39</u> | <u>\$ 0.34</u> | <u>\$ 0.78</u> | <u>\$ 0.67</u> |
| Weighted Average Common Stock Outstanding : | | | | |
| Common stock | 17,531 | 16,993 | 17,473 | 16,952 |
| Effect of dilutive options | 176 | 132 | 190 | 142 |
| Diluted weighted average common stock | <u>17,707</u> | <u>17,125</u> | <u>17,663</u> | <u>17,094</u> |

Saul Centers, Inc.
Supplemental Information
(In thousands, except per share amounts)

| | <u>Three Months Ended June 30,</u> | | <u>Six Months Ended June 30,</u> | |
|---|------------------------------------|------------------|----------------------------------|------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | (Unaudited) | | (Unaudited) | |
| Reconciliation of Net Income to Funds From Operations (FFO):⁽¹⁾ | | | | |
| Net Income | \$ 8,926 | \$ 7,797 | \$ 17,800 | \$ 15,504 |
| Add: Real property depreciation & amortization | 6,503 | 6,400 | 12,951 | 12,776 |
| Add: Minority interests | 2,151 | 1,851 | 4,286 | 3,653 |
| FFO | 17,580 | 16,048 | 35,037 | 31,933 |
| Less: Preferred dividends | (2,000) | (2,000) | (4,000) | (4,000) |
| FFO available to common shareholders | <u>\$ 15,580</u> | <u>\$ 14,048</u> | <u>\$ 31,037</u> | <u>\$ 27,933</u> |
| Weighted Average Shares Outstanding : | | | | |
| Diluted weighted average common stock | 17,707 | 17,125 | 17,663 | 17,094 |
| Convertible limited partnership units | 5,417 | 5,400 | 5,416 | 5,374 |
| Diluted & converted weighted average shares | <u>23,124</u> | <u>22,525</u> | <u>23,079</u> | <u>22,468</u> |
| Per Share Amounts: | | | | |
| FFO available to common shareholders | <u>\$ 0.67</u> | <u>\$ 0.62</u> | <u>\$ 1.34</u> | <u>\$ 1.24</u> |
| Reconciliation of Net Income to Same Property Operating Income: | | | | |
| Net Income | \$ 8,926 | \$ 7,797 | \$ 17,800 | \$ 15,504 |
| Add: Interest expense and amortization of deferred debt | 8,325 | 8,072 | 16,619 | 16,091 |
| Add: Depreciation and amortization of deferred leasing costs | 6,503 | 6,400 | 12,951 | 12,776 |
| Add: General and administrative | 3,188 | 2,564 | 5,678 | 5,027 |
| Less: Interest income | (143) | (99) | (238) | (166) |
| Add: Minority interests | 2,151 | 1,851 | 4,286 | 3,653 |
| Property operating income | 28,950 | 26,585 | 57,096 | 52,885 |
| Less: Acquisitions & developments | (1,435) | (64) | (2,940) | (617) |
| Total same property operating income | <u>\$ 27,515</u> | <u>\$ 26,521</u> | <u>\$ 54,156</u> | <u>\$ 52,268</u> |
| Total Shopping Centers | \$ 20,549 | \$ 19,940 | \$ 40,269 | \$ 39,034 |
| Total Office Properties | 6,966 | 6,581 | 13,887 | 13,234 |
| Total same property operating income | <u>\$ 27,515</u> | <u>\$ 26,521</u> | <u>\$ 54,156</u> | <u>\$ 52,268</u> |

- (1) The National Association of Real Estate Investment Trusts (NAREIT) developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO is defined by NAREIT 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 Company's Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of FFO. FFO should not be considered as an alternative to net income, its most directly comparable GAAP measure, as a indicator of the Company's operating performance, or as an alternative to cash flows as a measure of liquidity. Management considers FFO a meaningful supplemental measure of operating performance because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time (i.e. depreciation), which is contrary to what we believe occurs with our assets, and because industry analysts have accepted it as a performance measure. FFO may not be comparable to similarly titled measures employed by other REITs.