Saul Centers

2013 FIRST QUARTER REPORT

MESSAGE to Shareholders

Total revenue for the 2013 Quarter increased to $49.2 million from $47.0 million for the quarter ended March 31, 2012 ("2012 Quarter"). Operating income, which is net income available to common stockholders before income attributable to noncontrolling interests, preferred stock dividends and the impact of preferred stock redemptions, decreased to $3.4 million for the 2013 Quarter from $9.3 million for the 2012 Quarter. Operating income for the 2013 Quarter was adversely impacted by $6.0 million of additional depreciation expense and $2.3 million of predevelopment expenses, both of which are related to the Company's activities at Van Ness Square. Without these expenses, operating income for the 2013 Quarter would have been $11.7 million, or $2.4 million more than the 2012 Quarter.

Net loss attributable to common stockholders was $4.6 million ($0.23 per diluted share) for the 2013 Quarter compared to net income of $4.1 million ($0.21 per diluted share) for the 2012 Quarter. Net income attributable to common stockholders for the 2013 Quarter was adversely impacted primarily by the $8.3 million of depreciation and predevelopment expense related to Van Ness Square and a $5.2 million charge against common equity resulting from the redemption of preferred stock. Without these items, as adjusted for noncontrolling interests, net income attributable to common stockholders would have been $5.5 million, or $1.4 million more than the 2012 Quarter. The $1.4 million increase is primarily attributable to the leasing of major tenant space in the shopping center portfolio, reduced interest expense and increased property operating income from the recently constructed Clarendon Center.

During the 2013 Quarter, the Company issued $140.0 million of 6.875% Series C Cumulative Redeemable Preferred Stock, redeemed all $79.3 million of its 9.0% Series B preferred stock and redeemed $60.0 million of its 8.0% Series A preferred stock. The changes in preferred stock will result in a reduction in annual preferred stock dividends to $12.8 million from $15.1 million.

Same property revenue increased 3.2% and same property operating income increased 4.5% for the 2013 Quarter compared to the 2012 Quarter. Same property operating income equals property revenue minus the sum of (a) property operating expenses, (b) provision for credit losses and (c) real estate taxes and the comparisons exclude the results of properties not in operation for the entirety of the comparable reporting periods. Shopping center same property operating income increased 5.2% and mixed-use same property operating income increased 2.2%. The shopping centers were primarily impacted by revenue received as a result of the occupancy of approximately 111,000 square feet of anchor-tenant space which was vacant during the 2012 Quarter. The leasing of Clarendon Center during early 2012 was the primary contributor of improved mixed-use property operating income. The same property results were adversely impacted by Van Ness Square as a result of the Company's lease termination activities. If Van Ness Square was excluded, overall same property operating income for the 2013 Quarter and the 2012 Quarter would have been $36.4 million and $34.6 million, respectively, an increase of 5.2% and mixed-use same property operating income would have been $8.7 million and $8.3 million, respectively, an increase of 4.9%.

As of March 31, 2013, 91.5% of the commercial portfolio was leased (all properties except the apartments at Clarendon Center, which were 100% leased), compared to 90.9% at March 31, 2012. On a same property basis, 91.6% of the portfolio was leased at March 31, 2012, which is unchanged from the prior year. Excluding Van Ness Square from the same property leasing ratios, 92.9% of the portfolio was leased as of March 31, 2013, a slight increase from 92.2% as of March 31, 2012.

Funds from operations (FFO) available to common shareholders (after deducting preferred stock dividends and the impact of preferred stock redemptions) decreased 33.7% to $10.2 million ($0.37 per diluted share) in the 2013 Quarter from $15.3 million ($0.58 per diluted share) in the 2012 Quarter. FFO, a widely accepted non-GAAP financial measure of operating performance for REITs, is defined as net income plus real estate depreciation and amortization, and excluding gains and losses from property dispositions, impairment charges on depreciable real estate assets and extraordinary items. FFO available to common shareholders for the 2013 Quarter was adversely impacted by the redemption of preferred stock ($5.2 million) and predevelopment expenses ($2.3 million). Without these items, FFO available to common shareholders would have been $17.7 million, or $2.4 million more than the 2012 Quarter. The $2.4 million increase is primarily attributable to improved overall portfolio operating results ($1.4 million) and reduced interest expense and amortization of deferred debt costs ($1.0 million).

We completed negotiation of lease termination agreements with the tenants of Van Ness Square and the building was vacated by the last tenant subsequent to the end of the 2013 Quarter. We plan to construct a primarily residential apartment project with street level retail space. Construction documents and governmental approvals are in process, with a final development timetable dependent upon issuance of permits.

For the Board,

B. Francis Saul II
Chairman of the Board
May 24, 2013

CONSOLIDATED Statements of Operations

(Dollars in thousands, except per share amounts)	For the Three Months Ended March 31, 2013 (Unaudited)	2012 (Unaudited)
Revenue		
Base rent	$ 39,740	$ 37,485
Expense recoveries	7,614	7,701
Percentage rent	600	406
Other	1,232	1,397
Total revenue	49,186	46,989
Operating expenses		
Property operating expenses	5,949	5,737
Provision for credit losses	264	352
Real estate taxes	5,763	5,836
Interest expense and amortization of deferred debt costs	11,717	12,734
Depreciation and amortization of deferred leasing costs	16,352	9,758
General and administrative	3,404	3,247
Predevelopment expenses	2,349	–
Total operating expenses	45,798	37,664
Operating income	3,388	9,325
Change in fair value of derivatives	10	(3)
Income from continuing operations	3,398	9,322
Loss from discontinued operations	–	(2)
Net income	3,398	9,320
Income (loss) attributable to the noncontrolling interest	1,586	(1,456)
Net income attributable to Saul Centers, Inc.	4,984	7,864
Preferred stock redemption	(5,228)	–
Preferred dividends	(4,364)	(3,785)
Net income (loss) attributable to common stockholders	$ (4,608)	$ 4,079
Per share data attributable to common shareholders (diluted)		
Net income (loss) attributable to Saul Centers, Inc. [(a)]	$ (0.23)	$ 0.21
Funds from operations [(b)]	$ 0.37	$ 0.58

(a) Based upon diluted weighted average common shares outstanding of 20,179,263 and 19,449,222 for the three months ended March 31, 2013 and 2012, respectively.

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 27,093,492 and 26,363,451 shares for the three months ended March 31, 2013 and 2012, respectively.

CONSOLIDATED Balance Sheets

(Dollars in thousands except per share amounts)	March 31, 2013	December 31, 2012
	(Unaudited)	
Assets		
Real estate investments		
Land	$ 353,890	$ 353,890
Buildings and equipment	1,112,577	1,109,911
Construction in progress	3,050	2,267
	1,469,517	1,466,068
Accumulated depreciation	(367,918)	(353,305)
	1,101,599	1,112,763
Cash and cash equivalents	8,482	12,133
Accounts receivable and accrued income, net	41,050	41,406
Deferred leasing costs, net	25,417	26,102
Prepaid expenses, net	4,065	3,895
Deferred debt costs, net	8,301	7,713
Other assets	5,418	3,297
Total assets	$ 1,194,332	$ 1,207,309
Liabilities		
Mortgage notes payable	$ 802,986	$ 789,776
Revolving credit facility payable	25,000	38,000
Dividends and distributions payable	11,844	13,490
Accounts payable, accrued expenses and other liabilities	25,672	27,434
Deferred income	29,434	31,320
Total liabilities	894,936	900,020
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized:		
Series A Cumulative Redeemable, 16,000 and 40,000 shares issued and outstanding, respectively	40,000	100,000
Series B Cumulative Redeemable, 31,731 shares issued and outstanding in 2012	–	79,328
Series C Cumulative Redeemable, 56,000 shares issued and outstanding in 2013	140,000	–
Common stock, $0.01 par value, 30,000,000 shares authorized, 20,199,685 and 20,045,452 shares issued and outstanding, respectively	202	201
Additional paid-in capital	253,445	246,557
Accumulated deficit	(166,710)	(154,830)
Accumulated other comprehensive loss	(3,180)	(3,553)
Total Saul Centers, Inc. stockholders' equity	263,757	267,703
Noncontrolling interest	35,639	39,586
Total stockholders' equity	299,396	307,289
Total liabilities and stockholders' equity	$ 1,194,332	$ 1,207,309

CORPORATE PROFILE

SAUL CENTERS, INC. is a self-managed, self-administered equity real estate investment trust headquartered in Bethesda, Maryland. Saul Centers operates and manages a real estate portfolio of 50 community and neighborhood shopping centers, 7 mixed-use properties and 2 land parcels totaling approximately 9.5 million square feet of leasable area. Over 85% of the property operating income is generated from properties in the metropolitan Washington, DC/Baltimore area.

DIRECTORS

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EXCHANGE LISTING

New York Stock Exchange (NYSE) Symbol:

Common Stock: BFS
Preferred Stock: BFS.PrA
BFS.PrC

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 convenient and 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 market 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.