Saul Centers

2013 THIRD QUARTER REPORT

Total revenue for the quarter ended September 30, 2013 ("2013 Quarter") increased to $49.8 million from $47.4 million for the quarter ended September 30, 2012 ("2012 Quarter"). Operating income, which is net income before the impact of acquisition related costs, change in fair value of derivatives, loss on early extinguishment of debt and gains on sales of property and casualty settlements, increased to $12.1 million for the 2013 Quarter from $8.2 million for the 2012 Quarter.

Net income attributable to common stockholders was $6.2 million ($0.30 per diluted share) for the 2013 Quarter compared to $4.2 million ($0.21 per diluted share) for the 2012 Quarter. The increase in net income attributable to common stockholders for the 2013 Quarter was primarily the result of (a) increased property operating income ($2.1 million), (b) lower predevelopment expenses related to Van Ness Square ($1.8 million) and (c) lower interest expense ($0.6 million) partially offset by (d) lower gain on sale of property ($1.1 million), (e) higher noncontrolling interest ($0.7 million) and (f) loss on early extinguishment of debt ($0.5 million).

Same property revenue increased 5.1% and same property operating income increased 5.1% 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 3.8% and mixed-use same property operating income increased 9.4%. The leasing of office space at Clarendon Center was the primary contributor of improved mixed-use property operating income.

For the nine months ended September 30, 2013 ("2013 Period"), total revenue increased to $147.8 million from $141.8 million for the nine months ended September 30, 2012 ("2012 Period"). Operating income decreased to $23.2 million for the 2013 Period from $27.1 million for the 2012 Period. Operating income for the 2013 Period was adversely impacted by $8.0 million of additional depreciation expense and $1.8 million of higher predevelopment expenses, both of which are related to the Company's activities at Van Ness Square, partially offset by $5.5 million of increased property operating income. Without the expenses related to the Van Ness Square redevelopment activities, operating income for the 2013 Period would have been $34.8 million or $5.8 million more than the 2012 Period.

Net income attributable to common stockholders was $5.0 million ($0.24 per diluted share) for the 2013 Period compared to net income of $12.5 million ($0.64 per diluted share) for the 2012 Period. Net income attributable to common stockholders for the 2013 Period was adversely impacted primarily by (a) increased depreciation and predevelopment expenses related to Van Ness Square ($9.8 million) and (b) a charge against common equity resulting from the redemption of preferred stock ($5.2 million) partially offset by (c) increased property operating income ($5.5 million) and (d) lower noncontrolling interest ($2.7 million). Excluding the impact of Van Ness Square and the preferred stock redemption, as adjusted for noncontrolling interests, net income attributable to common stockholders would have been approximately $17.6 million or $3.6 million more than the 2012 Period.

Same property revenue increased 4.2% and same property operating income increased 4.4% for the 2013 Period compared to the 2012 Period. Shopping center same property operating income increased 3.7% and mixed-use same property operating income increased 6.7%. Shopping center operating income benefited primarily from improved leasing, the most significant of which was approximately 126,000 square feet of anchor-tenant space which was vacant during the 2012 Period. The leasing of Clarendon Center office space was the primary contributor to improved mixed-use property operating income.

As of September 30, 2013, 94.2% of the commercial portfolio was leased (all properties except the apartments at Clarendon Center), compared to 91.6% at September 30, 2012. On a same property basis, 94.3% of the portfolio was leased at September 30, 2013, compared to 92.7% at September 30, 2012. As of September 30, 2013, the apartments at Clarendon Center were 98.4% leased compared to 100% as of September 30, 2012.

Funds from operations ("FFO") available to common shareholders (after deducting preferred stock dividends) increased 28.9% to $18.8 million ($0.69 per diluted share) in the 2013 Quarter from $14.6 million ($0.55 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. The increase in FFO available to common shareholders for the 2013 Quarter was primarily due to (a) increased property operating income ($2.1 million), (b) lower predevelopment expenses ($1.8 million) and (c) lower interest expense ($0.6 million).

FFO available to common shareholders (after deducting preferred stock dividends and the impact of preferred stock redemptions) increased 1.1% to $46.0 million ($1.69 per diluted share) in the 2013 Period from $45.5 million ($1.71 per diluted share) in the 2012 Period. FFO available to common shareholders for the 2013 Period increased primarily due to (a) improved overall property operating income ($5.5 million) and (b) lower interest expense and amortization of deferred debt costs ($2.4 million) partially offset by (c) the redemption of preferred stock ($5.2 million) and (d) increased predevelopment expenses ($1.8 million). Excluding the impact of predevelopment expenses and the preferred stock redemption, FFO available to common shareholders would have been approximately $54.8 million or $7.5 million more than the 2012 Period.

The Company recently received demolition permits for Van Ness Square, which will be razed to allow the development of a 271-unit, primarily residential project, projected to be completed by late 2015. The total cost of the project, excluding predevelopment expense and land (which the Company has owned), is expected to be approximately $93.0 million, a portion of which will be financed with a recently-closed construction-to-permanent loan.

For the Board,

B. Francis Saul II
Chairman of the Board
November 22, 2013

CONSOLIDATED Statements of Operations

(Dollars in thousands, except per share amounts)	For the Three Months Ended September 30 2013 (Unaudited)	For the Three Months Ended September 30 2012 (Unaudited)	For the Nine Months Ended September 30 2013 (Unaudited)	For the Nine Months Ended September 30 2012 (Unaudited)
Revenue				
Base rent	$ 40,110	$ 38,334	$ 119,403	$ 113,862
Expense recoveries	7,848	7,564	22,925	22,706
Percentage rent	215	250	1,153	1,109
Other	1,583	1,297	4,270	4,129
Total revenue	49,756	47,445	147,751	141,806
Operating expenses				
Property operating expenses	6,106	5,877	18,096	17,532
Provision for credit losses	191	168	740	761
Real estate taxes	5,610	5,535	16,806	16,897
Interest expense and amortization of deferred debt costs	11,738	12,322	35,164	37,609
Depreciation and amortization of deferred leasing costs	10,492	10,237	39,316	29,744
General and administrative	3,501	3,272	10,830	10,303
Predevelopment expenses	60	1,870	3,642	1,870
Total operating expenses	37,698	39,281	124,594	114,716
Operating income	12,058	8,164	23,157	27,090
Change in fair value of derivatives	46	17	107	(2)
Acquisition related costs	(99)	–	(99)	–
Gain on property dispositions	–	1,223	–	1,231
Loss on early extinguishment of debt	(497)	–	(497)	–
Net income	11,508	9,404	22,668	28,319
Income attributable to the noncontrolling interest	(2,110)	(1,456)	(1,692)	(4,428)
Net income attributable to Saul Centers, Inc.	9,398	7,948	20,976	23,891
Preferred stock redemption	–	–	(5,228)	–
Preferred stock dividends	(3,206)	(3,785)	(10,777)	(11,355)
Net income available to common stockholders	$ 6,192	$ 4,163	$ 4,971	$ 12,536
Per share data attributable to common shareholders (diluted)				
Net income [(a)]	$ 0.30	$ 0.21	$ 0.24	$ 0.64
Funds from operations [(b)]	$ 0.69	$ 0.55	$ 1.69	$ 1.71

(a) *Based upon diluted weighted average common shares outstanding of 20,485,185 and 19,783,637 for the three months and 20,329,132 and 19,611,622 for the nine months ended September 30, 2013 and 2012, respectively.*

(b) *Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 27,399,414 and 26,697,866 shares for the three months and 27,243,361 and 26,525,851 shares for the nine months ended September 30, 2013 and 2012, respectively.*

CONSOLIDATED Balance Sheets

(Dollars in thousands except per share amounts)	September 30, 2013	December 31, 2012
	(Unaudited)	
Assets		
Real estate investments		
Land	$ 353,958	$ 353,890
Buildings and equipment	1,122,786	1,109,911
Construction in progress	7,232	2,267
	1,483,976	1,466,068
Accumulated depreciation	(386,839)	(353,305)
	1,097,137	1,112,763
Cash and cash equivalents	11,696	12,133
Accounts receivable and accrued income, net	44,528	41,406
Deferred leasing costs, net	25,673	26,102
Prepaid expenses, net	7,439	3,895
Deferred debt costs, net	8,244	7,713
Other assets	4,455	3,297
Total assets	$ 1,199,172	$ 1,207,309
Liabilities		
Mortgage notes payable	$ 825,420	$ 789,776
Revolving credit facility payable	–	38,000
Dividends and distributions payable	13,082	13,490
Accounts payable, accrued expenses and other liabilities	21,999	27,434
Deferred income	30,072	31,320
Total liabilities	890,573	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, 40,000,000 shares authorized, 20,517,281 and 20,045,452 shares issued and outstanding, respectively	205	201
Additional paid-in capital	267,727	246,557
Accumulated deficit	(171,843)	(154,830)
Accumulated other comprehensive loss	(1,873)	(3,553)
Total Saul Centers, Inc. stockholders' equity	274,216	267,703
Noncontrolling interest	34,383	39,586
Total stockholders' equity	308,599	307,289
Total liabilities and stockholders' equity	$ 1,199,172	$ 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 59 community and neighborhood shopping center and mixed-use properties totaling 9.3 million square feet of leasable area. Approximately 85% of the property operating income is generated from properties in the metropolitan Washington, DC/ Baltimore area.

DIRECTORS

B. Francis Saul II
Philip D. Caraci
The Honorable John E. Chapoton
George P. Clancy, Jr.
Gilbert M. Grosvenor
Philip C. Jackson, Jr.
Charles R. Longsworth
Thomas H. McCormick
Patrick F. Noonan
H. Gregory Platts
Mark Sullivan III
The Honorable James W. Symington
John R. Whitmore

WEB SITE

www.saulcenters.com

HEADQUARTERS

7501 Wisconsin Ave.
Suite 1500
Bethesda, MD 20814-6522
Phone: (301) 986-6200

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.