



Simon Property Group Reports Second Quarter 2015 Results And Raises Quarterly Dividend And Full Year 2015 Guidance

July 24, 2015

INDIANAPOLIS, July 24, 2015 /PRNewswire/ -- Simon, a leading global retail real estate company, today reported results for the quarter ended June 30, 2015.



Results for the Quarter¹

- Funds from Operations ("FFO") was \$955.4 million, or \$2.63 per diluted share, as compared to \$783.8 million, or \$2.16 per diluted share, in the prior year period, a 21.8% increase. Included in the second quarter 2015 results is \$80.2 million, or \$0.22 per diluted share, related to a gain upon sale of marketable securities. The second quarter 2014 results include a net contribution of \$0.05 per diluted share from the Washington Prime Group Inc. ("WPG") properties that were spun-off effective May 28, 2014.
- Net income attributable to common stockholders was \$472.9 million, or \$1.52 per diluted share, as compared to \$406.6 million, or \$1.31 per diluted share, in the prior year period.
- Growth in comparable FFO per diluted share for the three months ended June 30, 2015 was 14.2%.

Results for the Six Months¹

- Funds from Operations ("FFO") was \$1.786 billion, or \$4.92 per diluted share, as compared to \$1.649 billion, or \$4.54 per diluted share, in the prior year period.
- Net income attributable to common stockholders was \$835.1 million, or \$2.69 per diluted share, as compared to \$748.2 million, or \$2.41 per diluted share, in the prior year period.
- Growth in comparable FFO per diluted share for the six months ended June 30, 2015 was 10.8%.

¹ For a reconciliation of FFO and net income per diluted share on a comparable basis, please see Footnote H of the Footnotes to Unaudited Reconciliation of Non-GAAP Financial Measures.

"This was an excellent quarter for Simon, with strong financial and operational performance," said David Simon, Chairman and CEO. "Our growing development and redevelopment opportunities position us to continue to deliver strong results for our stockholders. Based upon our results to date and expectations for the remainder of 2015, we are once again raising our quarterly dividend and increasing our full-year 2015 guidance."

U.S. Malls and Premium Outlets Operating Statistics

| | As of | | Year-over-Year Change |
|---|---------|---------|--------------------------|
| | 2015 | 2014 | |
| Occupancy ⁽¹⁾ | 96.1% | 96.5% | -40 bps |
| Base Minimum Rent per sq. ft. ⁽¹⁾ | \$48.07 | \$45.83 | +4.9% |
| Releasing Spread per sq. ft. ⁽¹⁾⁽²⁾ | \$10.87 | \$11.06 | -\$0.19 |
| Releasing Spread (percentage change) ⁽¹⁾⁽²⁾ | 18.4% | 20.0% | -160 bps |
| Total Sales per sq. ft. ⁽³⁾ | \$620 | \$608 | +2.0% |

(1) Represents mall stores in Malls and all owned square footage in Premium Outlets.

- (2) Same space measure that compares opening and closing rates on individual spaces leased during trailing 12-month period.
- (3) Trailing 12-month sales per square foot for mall stores less than 10,000 square feet in Malls and all owned square footage in Premium Outlets.

Comparable Property Net Operating Income

Comparable property NOI growth for the three months ended June 30, 2015 was 3.6%. The growth for the six months ended June 30, 2015 was 3.5%. Comparable properties include U.S. Malls, Premium Outlets and The Mills.

Dividends

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.55 per share. This is a 19.2% increase year-over-year and an increase of \$0.05 or 3.3% from the previous quarter. The dividend will be payable on August 31, 2015 to stockholders of record on August 17, 2015.

Simon's Board of Directors also declared the quarterly dividend on its 8 3/8% Series J Cumulative Redeemable Preferred Stock (NYSE: SPGPrJ) of \$1.046875 per share, payable on September 30, 2015 to stockholders of record on September 16, 2015.

Development Activity

During the quarter, we completed a 140,000 square foot expansion of Las Vegas North Premium Outlets, one of the most productive and well-known outlet centers in North America; and a 130,000 square foot expansion of Shisui Premium Outlets, a highly productive center in Shisui (Chiba), Japan.

Construction continues on three new Premium Outlets opening in 2015:

- Gloucester Premium Outlets in Gloucester, New Jersey, serving the greater Philadelphia metropolitan area, is a 375,000 square foot center scheduled to open in August. Simon owns a 50% interest in this project.
- Tucson Premium Outlets is a 366,000 square foot center scheduled to open in October. Simon owns 100% of this project.
- Tampa Premium Outlets is a 441,000 square foot center scheduled to open in October. Simon owns 100% of this project.

Construction continues on other significant expansion projects including Roosevelt Field, Del Amo Fashion Center, King of Prussia, The Galleria in Houston, Woodbury Common Premium Outlets, San Francisco Premium Outlets and Chicago Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 28 properties in the U.S. Simon's share of the costs of all development and redevelopment projects under construction at quarter-end was approximately \$2.3 billion.

During the second quarter, construction started on two significant new development projects:

- The Shops at Clearfork in Fort Worth, Texas – 590,000 square foot center projected to open in February 2017. Simon owns a 45% interest in this project.
- A 355,000 square foot upscale outlet center located in Columbus, Ohio projected to open in June 2016. Simon owns a 50% interest in this project.

We entered into a partnership to jointly develop the 500,000 square foot retail component to Brickell City Centre in Miami, Florida, projected to open in September 2016. Simon owns a 25% interest in this project.

In addition, Vancouver Designer Outlet in Vancouver, British Columbia, Canada opened on July 9th. The center serves the greater Vancouver metropolitan market with 242,000 square feet of high-quality, name brand stores. Simon owns a 45% interest in this center.

Joint Venture Transaction

During the second quarter, we created a joint venture with Sears Holdings Corporation that includes 10 Sears stores located at our malls. Sears Holdings subsequently sold its interest in the joint venture to Seritage Growth Properties. Sears Holdings is leasing and continues to operate the existing stores at the properties and the joint venture will have the ability to create additional value through re-developing the contributed properties and re-leasing space at each property to third-party tenants. In July, we purchased 1,125,760 Seritage Growth Properties common shares at \$29.58 per share.

In addition to the joint venture, we separately acquired a Sears store at the La Plaza Mall in McAllen, Texas.

Financing Activity

The Company was active in the secured debt markets in the first half of the year continuing to lower our effective borrowing costs. We closed on seven new loans totaling approximately \$2.4 billion, or the non-U.S. dollar equivalent thereof, of which SPG's share is \$1.2 billion. The weighted average interest rate on these loans is 2.9% and term is 8.0 years.

As of June 30, 2015, Simon had over \$5.5 billion of liquidity consisting of cash on hand, including its share of joint venture cash, and its available revolving credit facility capacity.

Common Stock Repurchase Program

On April 2nd, the Company announced that its Board of Directors authorized a common stock repurchase program. Under the program, the Company may purchase up to \$2 billion of its common stock over the next 24 months as market conditions warrant. The shares may be purchased in the open market or in privately negotiated transactions.

During the quarter ended June 30, 2015, the Company invested \$505.7 million for the purchase of 1,903,340 shares of its common stock and 944,359 limited partnership units.

2015 Guidance

Today, the Company is raising both the low and high ends of its previously provided full year 2015 FFO range and currently estimates a range of \$10.02 to \$10.07

per diluted share for the year ending December 31, 2015, with net income to be within a range of \$5.47 to \$5.52 per diluted share.

The following table provides the reconciliation for the expected range of estimated net income available to common stockholders per diluted share to estimated FFO per diluted share:

For the year ending December 31, 2015

| | Low <u>End</u> | High <u>End</u> |
|--|-------------------|--------------------|
| Estimated net income available to common stockholders per diluted share * | \$5.47 | \$5.52 |
| Depreciation and amortization including Simon's share of unconsolidated entities | 4.60 | 4.60 |
| Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, net | <u>(0.05)</u> | <u>(0.05)</u> |
| Estimated FFO per diluted share * | <u>\$10.02</u> | <u>\$10.07</u> |

*Includes \$0.22 of a gain upon the sale of marketable securities.

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 11:00 a.m. Eastern Time, Friday, July 24, 2015. A live webcast of the conference call will be accessible in listen-only mode at investors.simon.com. An audio replay of the conference call will be available until July 31, 2015. To access the audio replay, dial 1-888-286-8010 (international 617-801-6888) passcode 52068250.

Supplemental Materials and Website

Supplemental information on our second quarter 2015 performance is available at investors.simon.com. This information has also been furnished to the SEC in a current report on Form 8-K.

We routinely post important information online at our investor relations website, investors.simon.com. We use this website, press releases, SEC filings, quarterly conference calls, presentations and webcasts to disclose material, non-public information in accordance with Regulation FD. We encourage members of the investment community to monitor these distribution channels for material disclosures. Any information accessed through our website is not incorporated by reference into, and is not a part of, this document.

Non-GAAP Financial Measures

This press release includes FFO, FFO per share, comparable FFO per share, comparable earnings per share and comparable property net operating income growth, which are financial performance measures not defined by generally accepted accounting principles in the United States ("GAAP"). Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this press release and in Simon's supplemental information for the quarter. FFO and comparable property net operating income growth are financial performance measures widely used in the REIT industry. Our definitions of these non-GAAP measures may not be the same as similar measures reported by other REITs.

Forward-Looking Statements

Certain statements made in this press release may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the Company can give no assurance that its expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks, uncertainties and other factors. Such factors include, but are not limited to: the Company's ability to meet debt service requirements, the availability and terms of financing, changes in the Company's credit rating, changes in market rates of interest and foreign exchange rates for foreign currencies, changes in value of investments in foreign entities, the ability to hedge interest rate and currency risk, risks associated with the acquisition, development, expansion, leasing and management of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic conditions, changes in market rental rates, security breaches that could compromise our information technology or infrastructure or personally identifiable data of customers of our retail properties, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, the intensely competitive market environment in the retail industry, costs of common area maintenance, risks related to international activities, insurance costs and coverage, the loss of key management personnel, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. The Company discusses these and other risks and uncertainties under the heading "Risk Factors" in our annual and quarterly reports filed with the SEC. The Company undertakes no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise unless required by law.

About Simon

Simon is a global leader in retail real estate ownership, management and development and a S&P100 company (Simon Property Group, NYSE:SPG). Our industry-leading retail properties and investments across North America, Europe and Asia provide shopping experiences for millions of consumers every day and generate billions in annual retail sales. For more information, visit simon.com.

Simon Property Group, Inc. and Subsidiaries
Unaudited Consolidated Statements of Operations
(Dollars in thousands, except per share amounts)

For the Three Months

For the Six Months

| | Ended June 30, | | Ended June 30, | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| REVENUE: | | | | |
| Minimum rent | \$ 768,138 | \$ 728,486 | \$ 1,521,583 | \$ 1,450,768 |
| Overage rent | 37,029 | 39,160 | 75,986 | 70,834 |
| Tenant reimbursements | 364,309 | 342,250 | 704,479 | 667,721 |
| Management fees and other revenues | 40,027 | 34,142 | 75,106 | 64,749 |
| Other income | 139,607 | 37,944 | 188,191 | 84,932 |
| Total revenue | 1,349,110 | 1,181,982 | 2,565,345 | 2,339,004 |
| EXPENSES: | | | | |
| Property operating | 99,841 | 92,630 | 199,598 | 187,577 |
| Depreciation and amortization | 295,778 | 287,214 | 583,883 | 567,708 |
| Real estate taxes | 106,487 | 99,396 | 213,374 | 193,699 |
| Repairs and maintenance | 22,676 | 21,656 | 52,410 | 51,421 |
| Advertising and promotion | 41,215 | 38,149 | 59,971 | 60,768 |
| Provision for credit losses | 2,685 | 2,442 | 6,533 | 6,866 |
| Home and regional office costs | 39,346 | 44,958 | 75,250 | 80,246 |
| General and administrative | 15,345 | 15,599 | 30,344 | 30,454 |
| Other | 23,352 | 18,407 | 42,426 | 37,769 |
| Total operating expenses | 646,725 | 620,451 | 1,263,789 | 1,216,508 |
| OPERATING INCOME | 702,385 | 561,531 | 1,301,556 | 1,122,496 |
| Interest expense | (230,974) | (254,930) | (463,147) | (509,164) |
| Income and other taxes | (3,420) | (6,626) | (9,781) | (13,489) |
| Income from unconsolidated entities | 70,196 | 55,764 | 135,068 | 112,842 |
| Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net | 16,339 | 133,870 | 16,339 | 136,525 |
| Consolidated income from continuing operations | 554,526 | 489,609 | 980,035 | 849,210 |
| Discontinued operations and gain on disposal | - | 26,022 | - | 67,524 |
| Discontinued operations transaction expenses | - | (38,163) | - | (38,163) |
| CONSOLIDATED NET INCOME | 554,526 | 477,468 | 980,035 | 878,571 |
| Net income attributable to noncontrolling interests | 80,748 | 70,047 | 143,248 | 128,667 |
| Preferred dividends | 834 | 834 | 1,669 | 1,669 |
| NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS | \$ 472,944 | \$ 406,587 | \$ 835,118 | \$ 748,235 |
| BASIC AND DILUTED EARNINGS PER COMMON SHARE: | | | | |
| Income from continuing operations | \$ 1.52 | \$ 1.34 | \$ 2.69 | \$ 2.33 |
| Discontinued operations | - | (0.03) | - | 0.08 |
| Net income attributable to common stockholders | \$ 1.52 | \$ 1.31 | \$ 2.69 | \$ 2.41 |

Simon Property Group, Inc. and Subsidiaries
Unaudited Consolidated Balance Sheets
(Dollars in thousands, except share amounts)

| | June 30, 2015 | December 31, 2014 |
|---|----------------------|----------------------|
| ASSETS: | | |
| Investment properties at cost | \$ 32,898,773 | \$ 31,318,532 |
| Less - accumulated depreciation | 9,409,100 | 8,950,747 |
| | 23,489,673 | 22,367,785 |
| Cash and cash equivalents | 565,657 | 612,282 |
| Tenant receivables and accrued revenue, net | 537,172 | 580,197 |
| Investment in unconsolidated entities, at equity | 2,353,339 | 2,378,800 |
| Investment in Klepierre, at equity | 1,803,746 | 1,786,477 |
| Deferred costs and other assets | 1,333,944 | 1,806,789 |
| Total assets | \$ 30,083,531 | \$ 29,532,330 |
| LIABILITIES: | | |
| Mortgages and unsecured indebtedness | \$ 22,070,777 | \$ 20,852,993 |
| Accounts payable, accrued expenses, intangibles, and deferred revenues | 1,215,444 | 1,259,681 |
| Cash distributions and losses in partnerships and joint ventures, at equity | 1,344,028 | 1,167,163 |
| Other liabilities | 248,596 | 275,451 |

| | | |
|--|----------------------|---------------|
| Total liabilities | 24,878,845 | 23,555,288 |
| Commitments and contingencies | | |
| Limited partners' preferred interest in the Operating Partnership | 25,537 | 25,537 |
| EQUITY: | | |
| Stockholders' Equity | | |
| Capital stock (850,000,000 total shares authorized, \$ 0.0001 par value, 238,000,000 shares of excess common stock, 100,000,000 authorized shares of preferred stock): | | |
| Series J 8 3/8% cumulative redeemable preferred stock, 1,000,000 shares authorized, 796,948 issued and outstanding with a liquidation value of \$ 39,847 | 43,898 | 44,062 |
| Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 314,807,366 and 314,320,664 issued and outstanding, respectively | 31 | 31 |
| Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding | - | - |
| Capital in excess of par value | 9,357,567 | 9,422,237 |
| Accumulated deficit | (4,274,289) | (4,208,183) |
| Accumulated other comprehensive loss | (246,575) | (61,041) |
| Common stock held in treasury at cost, 5,397,729 and 3,540,754 shares, respectively | (437,751) | (103,929) |
| Total stockholders' equity | 4,442,881 | 5,093,177 |
| Noncontrolling interests | 736,268 | 858,328 |
| Total equity | 5,179,149 | 5,951,505 |
| Total liabilities and equity | \$ 30,083,531 | \$ 29,532,330 |

Simon Property Group, Inc. and Subsidiaries
Unaudited Joint Venture Statements of Operations
(Dollars in thousands)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|------------|--------------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue: | | | | |
| Minimum rent | \$ 443,485 | \$ 427,899 | \$ 877,266 | \$ 852,684 |
| Overage rent | 41,342 | 41,589 | 92,522 | 90,386 |
| Tenant reimbursements | 199,142 | 193,006 | 393,629 | 385,799 |
| Other income | 61,545 | 61,929 | 115,539 | 174,635 |
| Total revenue | 745,514 | 724,423 | 1,478,956 | 1,503,504 |
| Operating Expenses: | | | | |
| Property operating | 132,257 | 131,643 | 263,061 | 293,064 |
| Depreciation and amortization | 148,607 | 142,047 | 290,265 | 294,195 |
| Real estate taxes | 56,477 | 52,797 | 115,051 | 107,588 |
| Repairs and maintenance | 17,086 | 15,944 | 37,447 | 35,585 |
| Advertising and promotion | 17,388 | 17,113 | 34,090 | 35,923 |
| Provision for credit losses | 1,296 | 970 | 3,149 | 4,078 |
| Other | 38,924 | 44,554 | 83,351 | 97,483 |
| Total operating expenses | 412,035 | 405,068 | 826,414 | 867,916 |
| Operating Income | 333,479 | 319,355 | 652,542 | 635,588 |
| Interest expense | (149,041) | (150,059) | (296,062) | (301,696) |
| Income from Continuing Operations | 184,438 | 169,296 | 356,480 | 333,892 |
| Income from operations of discontinued joint venture interests | - | 2,094 | - | 5,079 |
| Gain on sale or disposal of assets and interests in unconsolidated entities | 35,779 | - | 35,779 | - |
| Net Income | \$ 220,217 | \$ 171,390 | \$ 392,259 | \$ 338,971 |
| Third-Party Investors' Share of Net Income | \$ 112,763 | \$ 88,217 | \$ 201,877 | \$ 177,530 |
| Our Share of Net Income | 107,454 | 83,173 | 190,382 | 161,441 |
| Amortization of Excess Investment (A) | (24,387) | (24,383) | (48,541) | (49,981) |
| Our Share of Loss from Unconsolidated Discontinued Operations | - | (307) | - | (652) |
| Our Share of Gain on Sale or Disposal of Assets and Interests in Unconsolidated Entities, net | (16,339) | - | (16,339) | - |
| Income from Unconsolidated Entities (B) | \$ 66,728 | \$ 58,483 | \$ 125,502 | \$ 110,808 |

Note: The above financial presentation does not include any information related to our investment in Klepierre S.A. ("Klepierre"). For additional information, see footnote B.

Simon Property Group, Inc. and Subsidiaries
Unaudited Joint Venture Balance Sheets
(Dollars in thousands)

| | <u>June 30,</u> <u>2015</u> | <u>December 31,</u> <u>2014</u> |
|---|--------------------------------|------------------------------------|
| Assets: | | |
| Investment properties, at cost | \$ 16,790,264 | \$ 16,087,282 |
| Less - accumulated depreciation | <u>5,611,016</u> | <u>5,457,899</u> |
| | 11,179,248 | 10,629,383 |
| Cash and cash equivalents | 885,430 | 993,178 |
| Tenant receivables and accrued revenue, net | 333,033 | 362,201 |
| Investment in unconsolidated entities, at equity | - | 11,386 |
| Deferred costs and other assets | <u>533,447</u> | <u>536,600</u> |
| Total assets | <u>\$ 12,931,158</u> | <u>\$ 12,532,748</u> |
| Liabilities and Partners' Deficit: | | |
| Mortgages | \$ 13,801,561 | \$ 13,272,557 |
| Accounts payable, accrued expenses, intangibles, and deferred revenue | 940,309 | 1,015,334 |
| Other liabilities | <u>386,277</u> | <u>493,718</u> |
| Total liabilities | 15,128,147 | 14,781,609 |
| Preferred units | 67,450 | 67,450 |
| Partners' deficit | <u>(2,264,439)</u> | <u>(2,316,311)</u> |
| Total liabilities and partners' deficit | <u>\$ 12,931,158</u> | <u>\$ 12,532,748</u> |
| Our Share of: | | |
| Partners' deficit | \$ (820,782) | \$ (663,700) |
| Add: Excess Investment (A) | <u>1,830,093</u> | <u>1,875,337</u> |
| Our net Investment in unconsolidated entities, at equity | <u>\$ 1,009,311</u> | <u>\$ 1,211,637</u> |

Note: The above financial presentation does not include any information related to our investment in Klepierre. For additional information, see footnote B attached hereto.

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| Simon Property Group, Inc. and Subsidiaries <i>Unaudited Reconciliation of Non-GAAP Financial Measures (C)</i> (Amounts in thousands, except per share amounts) |
|--|

Reconciliation of Consolidated Net Income to FFO

| | <u>For the Three Months Ended</u> <u>June 30,</u> | | <u>For the Six Months Ended</u> <u>June 30,</u> | |
|---|--|-------------------|--|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Consolidated Net Income (D) | \$ 554,526 | \$ 477,468 | \$ 980,035 | \$ 878,571 |
| Adjustments to Arrive at FFO: | | | | |
| Depreciation and amortization from consolidated properties | 291,853 | 314,500 | 576,080 | 637,104 |
| Our share of depreciation and amortization from unconsolidated entities, including Klepierre | 128,184 | 128,461 | 252,068 | 275,718 |
| Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net | (16,339) | (133,870) | (16,339) | (136,767) |
| Net income attributable to noncontrolling interest holders in properties | (609) | (447) | (1,298) | (970) |
| Noncontrolling interests portion of depreciation and amortization | (946) | (966) | (1,833) | (1,864) |
| Preferred distributions and dividends | <u>(1,313)</u> | <u>(1,313)</u> | <u>(2,626)</u> | <u>(2,626)</u> |
| FFO of the Operating Partnership (E) | <u>\$ 955,356</u> | <u>\$ 783,833</u> | <u>\$ 1,786,087</u> | <u>\$ 1,649,166</u> |

Diluted net income per share to diluted FFO per share reconciliation:

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Diluted net income per share | \$ 1.52 | \$ 1.31 | \$ 2.69 | \$ 2.41 |
| Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klepierre, net of noncontrolling interests portion of depreciation and amortization | 1.16 | 1.22 | 2.28 | 2.51 |
| Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net | <u>(0.05)</u> | <u>(0.37)</u> | <u>(0.05)</u> | <u>(0.38)</u> |
| Diluted FFO per share (F) | <u>\$ 2.63</u> | <u>\$ 2.16</u> | <u>\$ 4.92</u> | <u>\$ 4.54</u> |

Details for per share calculations:

| | | | | |
|---|-------------------|-------------------|---------------------|---------------------|
| FFO of the Operating Partnership (E) | \$ 955,356 | \$ 783,833 | \$ 1,786,087 | \$ 1,649,166 |
| Diluted FFO allocable to unitholders | <u>(137,682)</u> | <u>(114,003)</u> | <u>(257,987)</u> | <u>(238,881)</u> |
| Diluted FFO allocable to common stockholders (G) | <u>\$ 817,674</u> | <u>\$ 669,830</u> | <u>\$ 1,528,100</u> | <u>\$ 1,410,285</u> |
| Basic and Diluted weighted average shares outstanding | 310,499 | 310,743 | 310,799 | 310,683 |
| Weighted average limited partnership units outstanding | 52,263 | 52,861 | 52,472 | 52,625 |
| Basic and Diluted weighted average shares and units outstanding | <u>362,762</u> | <u>363,604</u> | <u>363,271</u> | <u>363,308</u> |
| Basic and Diluted FFO per Share (F) | \$ 2.63 | \$ 2.16 | \$ 4.92 | \$ 4.54 |
| Percent Change | 21.8% | | 8.4% | |

Simon Property Group, Inc. and Subsidiaries*Footnotes to Unaudited Reconciliation of Non-GAAP Financial Measures***Notes:**

- (A) Excess investment represents the unamortized difference of our investment over equity in the underlying net assets of the related partnerships and joint ventures shown therein. The Company generally amortizes excess investment over the life of the related properties.
- (B) The Unaudited Joint Venture Statements of Operations do not include any operations or our share of net income or excess investment amortization related to our investment in Klepierre. Amounts included in Footnotes D below exclude our share of related activity for our investment in Klepierre. For further information, reference should be made to financial information in Klepierre's public filings and additional discussion and analysis in our Form 10-Q.
- (C) This report contains measures of financial or operating performance that are not specifically defined by GAAP, including FFO, FFO per share, comparable FFO per share and comparable EPS. FFO is a performance measure that is standard in the REIT business. We believe FFO provides investors with additional information concerning our operating performance and a basis to compare our performance with those of other REITs. We also use these measures internally to monitor the operating performance of our portfolio. Our computation of these non-GAAP measures may not be the same as similar measures reported by other REITs.

We determine FFO based upon the definition set forth by the National Association of Real Estate Investment Trusts ("NAREIT"). We determine FFO to be our share of consolidated net income computed in accordance with GAAP, excluding real estate related depreciation and amortization, excluding gains and losses from extraordinary items, excluding gains and losses from the sales or disposals of, or any impairment charges related to, previously depreciated retail operating properties, plus the allocable portion of FFO of unconsolidated joint ventures based upon economic ownership interest, and all determined on a consistent basis in accordance with GAAP.

We have adopted NAREIT's clarification of the definition of FFO that requires it to include the effects of nonrecurring items not classified as extraordinary, cumulative effect of accounting changes, or a gain or loss resulting from the sale or disposal of, or any impairment charges relating to, previously depreciated retail operating properties. We include in FFO gains and losses realized from the sale of land, outlet buildings, marketable and non-marketable securities, and investment holdings of non-retail real estate. However, you should understand that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income determined in accordance with GAAP as a measure of operating performance, and is not an alternative to cash flows as a measure of liquidity.

- (D) Includes our share of:

- Gains on land sales of \$3.6 million and \$5.6 million for the three months ended June 30, 2015 and 2014, respectively, and \$3.7 million and \$12.4 million for the six months ended June 30, 2015 and 2014, respectively.
- Straight-line adjustments to minimum rent of \$16.8 million and \$13.3 million for the three months ended June 30, 2015 and 2014, respectively (including \$0.2 million related to WPG in 2014), and \$33.2 million and \$27.3 million for the six months ended June 30, 2015 and 2014, respectively (including \$0.3 million related to WPG in 2014).
- Amortization of fair market value of leases from acquisitions of \$3.2 million and \$3.1 million for the three months ended June 30, 2015 and 2014, respectively (including \$0.1 million related to WPG in 2014), and \$6.6 million and \$8.5 million for the six months ended June 30, 2015 and 2014, respectively (including \$0.3 million related to WPG in 2014).

- Debt premium amortization of \$5.4 million and \$5.3 million for the three months ended June 30, 2015 and 2014, respectively (including \$0.1 million related to WPG in 2014), and \$12.6 million and \$21.4 million for the six months ended June 30, 2015 and 2014, respectively (including \$0.2 million related to WPG in 2014).
- (E) Includes FFO of the operating partnership related to the sale of marketable securities of \$80.2 million for the three and six months ended June 30, 2015. Includes FFO of the operating partnership related to WPG of \$19.7 million (\$57.9 million from operations net of \$38.2 million of transaction expenses) for the three months ended June 30, 2014 and \$108.0 million (\$146.2 million from operations net of \$38.2 million of transaction expenses) for the six months ended June 30, 2014.
- (F) Includes Basic and Diluted FFO per share related to the sale of marketable securities of \$0.22 for the three and six months ended June 30, 2015. Includes Basic and Diluted FFO per share related to WPG operations of \$0.05 (\$0.15 from operations net of \$0.10 of transaction expenses) for the three months ended June 30, 2014 and \$0.30 (\$0.40 from operations net of \$0.10 of transaction expenses) for the six months ended June 30, 2014.
- (G) Includes Diluted FFO allocable to common stockholders related to WPG of \$16.8 million for the three months ended June 30, 2014 and \$92.4 million for the six months ended June 30, 2014.
- (H) Reconciliation of reported earnings per share to comparable earnings per share and FFO per share to comparable FFO per share:

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|--|----------------|--|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Reported FFO per share | \$ 2.63 | \$ 2.16 | \$ 4.92 | \$ 4.54 |
| Less: Gain upon sale of marketable securities | (0.22) | - | (0.22) | - |
| Add: WPG spin-off transaction expenses | - | 0.10 | - | 0.10 |
| Less: FFO from WPG properties | - | (0.15) | - | (0.40) |
| Comparable FFO per share | <u>\$ 2.41</u> | <u>\$ 2.11</u> | <u>\$ 4.70</u> | <u>\$ 4.24</u> |
| Comparable FFO per share growth | 14.2% | | 10.8% | |

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|--|----------------|--|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Reported earnings per share ¹ | \$ 1.52 | \$ 1.31 | \$ 2.69 | \$ 2.41 |
| Less: Gain upon sale of marketable securities | (0.22) | - | (0.22) | - |
| Add: WPG spin-off transaction expenses | - | 0.10 | - | 0.10 |
| Less: Earnings per share from WPG properties | - | (0.07) | - | (0.18) |
| Comparable earnings per share | <u>\$ 1.30</u> | <u>\$ 1.34</u> | <u>\$ 2.47</u> | <u>\$ 2.33</u> |
| Comparable earnings per share growth | -3.0% | | 6.0% | |

¹ Three and six month periods ended June 30, 2014 include a gain on disposition of \$0.37 per diluted share related to Klepierre's sale of a portfolio of 126 retail galleries.

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SOURCE Simon

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