



Simon Property Group Reports Third Quarter 2014 Results And Raises Full Year 2014 Guidance

October 22, 2014

INDIANAPOLIS, Oct. 22, 2014 /PRNewswire/ -- Simon, a leading global retail real estate company, today reported results for the quarter and nine months ended September 30, 2014.

Results for the Quarter

- Funds from Operations ("FFO") was \$689.4 million, or \$1.90 per diluted share, as compared to \$802.8 million, or \$2.21 per diluted share, in the prior year period. Included in the third quarter 2014 results is a loss on the extinguishment of debt of \$127.6 million, or \$0.35 per diluted share, related to the successful September cash tender offers and the redemption of a series of notes of Simon Property Group L.P. ("SPGLP") unsecured debt totaling \$1.572 billion.
- Net income attributable to common stockholders was \$252.0 million, or \$0.81 per diluted share, as compared to \$311.7 million, or \$1.00 per diluted share, in the prior year period. Net income in the third quarter of 2014 includes the \$0.35 per diluted share loss on the extinguishment of debt described above.

Results for the Nine Months

- Funds from Operations ("FFO") was \$2.339 billion, or \$6.43 per diluted share, as compared to \$2.311 billion, or \$6.38 per diluted share, in the prior year period.
- Net income attributable to common stockholders was \$1.0 billion, or \$3.22 per diluted share, as compared to \$934.7 million, or \$3.01 per diluted share, in the prior year period.

Effect of Cash Tender Offers and Early Notes Redemption Charge and Washington Prime Group Inc. Spin-Off

- Results for the three and nine months ended September 30, 2014 reflect the \$0.35 charge related to the cash tender offers and early notes redemption mentioned above. Results for the three months ended September 30, 2013 include FFO per diluted share of \$0.24 from the Washington Prime Group Inc. ("WPG") properties. Results for the nine months ended September 30, 2014 and 2013 include FFO per diluted share of \$0.30 (\$0.40 of FFO from the WPG properties' operations net of \$0.10 of spin-off related transaction expenses) and \$0.72, respectively, from the WPG properties.
- Growth in FFO per diluted share for the three and nine month periods in 2014 was 14.2% and 14.5%, respectively, excluding both the loss on the extinguishment of debt related to the cash tender offers and early notes redemption and the WPG properties and transaction costs related to the May 28, 2014 spin-off, as detailed in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Reported FFO per share	\$1.90	\$2.21	\$6.43	\$6.38
Add: Loss on extinguishment of debt	0.35	--	0.35	--
Add: Spin-off transaction expenses	--	--	0.10	--
Less: FFO from WPG properties	--	(0.24)	(0.40)	(0.72)
Comparable FFO per share	<u>\$2.25</u>	<u>\$1.97</u>	<u>\$6.48</u>	<u>\$5.66</u>
Comparable FFO per share growth	14.2%		14.5%	
Reported earnings per share	\$0.81	\$1.00	\$3.22	\$3.01
Comparable earnings per share ⁽¹⁾	\$1.16	\$0.89	\$3.49	\$2.64

(1) For a reconciliation of Reported EPS to Comparable EPS, please see Footnote H of the Footnotes to Unaudited Reconciliation of Non-GAAP Financial Measures.

"I am very pleased with our quarterly results that once again beat consensus," said David Simon, Chairman and CEO. "We continue to demonstrate our ability to grow our core business and allocate capital to generate growth in cash flow and FFO per share."

Comparable Property Net Operating Income

Comparable property NOI growth for the three months ended September 30, 2014 was 5.3%. The year-to-date growth for the nine months ended September 30, 2014 was 5.4%. Comparable properties include U.S. Malls, Premium Outlets and The Mills, and excludes the WPG properties.

U.S. Malls and Premium Outlets Operating Statistics

	As of		Year-over-Year Change
	2014 ⁽¹⁾	2013	
Occupancy ⁽²⁾	96.9%	95.5%	+140 bps
Base Minimum Rent per sq. ft. ⁽²⁾	\$46.29	\$41.73	+10.9%
Releasing Spread per sq. ft. ⁽²⁾⁽³⁾	\$9.67	\$8.05	+\$1.62
Releasing Spread (percentage change) ⁽²⁾⁽³⁾	17.3%	15.2%	+210 bps
Total Sales per sq. ft. ⁽⁴⁾	\$613	\$579	+5.9%

(1) Excludes WPG properties.

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

(3) Same space measure that compares opening and closing rates on individual spaces leased during trailing 12-month period.

(4) 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.

Total sales from the U.S. Malls (less anchors) and Premium Outlets increased 2.6% on a trailing 12-month basis. The increase in total sales in the third quarter of 2014 compared to the third quarter of 2013 was 2.8%.

Dividends

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.30 per share. This is a year-over-year increase of 8.3%. The dividend will be payable on November 28, 2014 to stockholders of record on November 14, 2014.

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 December 31, 2014 to stockholders of record on December 17, 2014.

Development Activity

Two new Premium Outlets opened during the quarter:

- July 31st – Charlotte Premium Outlets is a 399,000 square foot center with 100 outlet stores featuring high-quality designer and name brands. The center opened fully leased and Simon owns a 50% interest in this asset.
- August 14th – Twin Cities Premium Outlets is a 409,000 square foot center serving the greater Minneapolis-St. Paul metropolitan area. The center opened fully leased and Simon owns a 35% interest in this asset.

Premium Outlets Montreal in Mirabel, Quebec, Canada will open on October 30, 2014. The center will serve the greater Montreal metropolitan market with 360,000 square feet of high-quality, name brand stores. Simon owns a 50% interest in this project.

During the third quarter, construction started on two significant expansion projects:

- Livermore Premium Outlets in Livermore (San Francisco), California – 185,000 square foot expansion
- The Colonnade at Sawgrass in Sunrise (Miami), Florida – 56,000 square foot expansion

Construction continues on other significant expansion projects including Roosevelt Field Mall, Del Amo Fashion Center, Woodbury Common Premium Outlets, Las Vegas Premium Outlets-North and Chicago Premium Outlets.

Redevelopment and expansion projects, including the addition of new anchors, are underway at 31 properties in the U.S., Asia and Mexico.

Construction continues on two new Premium Outlets opening in 2015:

- Vancouver Designer Outlet in Vancouver, British Columbia, Canada is a 242,000 square foot center scheduled to open in May of 2015. Simon owns a 45% interest in this project.
- 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 of 2015. Simon owns a 50% interest in this project.

Construction began during the third quarter on two new Premium Outlets expected to open in October of 2015:

- Tucson Premium Outlets is a 366,000 square foot center. Simon owns 100% of this project.
- Tampa Premium Outlets is a 441,000 square foot center. Simon owns 100% of this project.

Simon's share of the costs of all development and redevelopment projects currently under construction is approximately \$2.2 billion.

Financing Activity

In September, Simon completed a cash tender offer for five outstanding tranches of senior unsecured notes maturing in 2015, 2016 and 2017. Approximately \$1.322 billion of notes were tendered and accepted for purchase. These notes had a weighted average remaining duration of 1.7 years and a weighted average coupon rate of 5.60%. Also in September, Simon redeemed all of its \$250.0 million 7.875% notes due 2016. A \$127.6 million or \$0.35 per diluted share, loss on the extinguishment of debt was recorded in September of 2014 in connection with the tender offers and redemption.

In September, Simon issued \$1.30 billion of senior unsecured notes in an underwritten public offering. The offering consisted of \$900 million of 3.375% notes due 2024 and \$400 million of 4.25% notes due 2044. Net proceeds from the offering and cash on hand were used to fund the cash purchase of the senior unsecured notes tendered and the redemption.

The aggregate result of the tender offers and redemption, combined with the sale of unsecured notes, was an extension of the duration of our senior notes portfolio from 6.3 years to 7.6 years and a decrease in the weighted average interest rate on that portfolio from 4.64% to 4.40%.

As of September 30, 2014, Simon had approximately \$1.175 billion of cash on hand, including its share of joint venture cash, and \$5.2 billion of available revolving credit capacity.

2014 Guidance

Today we raised FFO guidance to a range of \$8.84 to \$8.88 per diluted share for the year ending December 31, 2014, and also raised guidance for net income to a range of \$4.45 to \$4.49 per diluted share. This represents an increase of \$0.15 per diluted share from the midpoint of the range provided on July 23, 2014, after giving effect to the loss on extinguishment of debt from the successful tender offers and redemption.

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:

<u>For the year ending December 31, 2014</u>		
	Low <u>End</u>	High <u>End</u>
Estimated net income available to common stockholders per diluted share	\$4.45	\$4.49
Depreciation and amortization including Simon's share of unconsolidated entities	4.82	4.82
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, net	<u>(0.43)</u>	<u>(0.43)</u>
Estimated FFO per diluted share	<u>\$8.84</u>	<u>\$8.88</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 11:00 a.m. Eastern Time, Wednesday, October 22, 2014. Live streaming audio of the conference call will be accessible at investors.simon.com. An online replay will be available until November 5, 2014 at investors.simon.com.

Supplemental Materials and Website

Supplemental information on our third quarter 2014 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, 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, costs of common area maintenance, and the intensely

competitive market environment in the retail industry, risks related to international activities, insurance costs and coverage, 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 Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUE:				
Minimum rent	\$ 740,214	\$ 690,904	\$ 2,190,983	\$ 2,038,486
Overage rent	52,502	55,115	123,336	129,458
Tenant reimbursements	350,595	320,179	1,018,316	921,136
Management fees and other revenues	36,396	33,613	101,145	95,156
Other income	54,987	47,066	139,918	108,457
Total revenue	1,234,694	1,146,877	3,573,698	3,292,693
EXPENSES:				
Property operating	106,742	98,993	294,318	276,561
Depreciation and amortization	281,661	279,302	849,369	824,173
Real estate taxes	97,359	93,001	291,058	273,758
Repairs and maintenance	21,416	22,746	72,838	68,689
Advertising and promotion	38,359	28,455	99,128	75,128
Provision for credit losses	1,769	2,398	8,635	3,947
Home and regional office costs	40,753	34,171	120,999	106,021
General and administrative	14,388	14,546	44,842	44,476
Other	24,690	24,787	62,457	59,040
Total operating expenses	627,137	598,399	1,843,644	1,731,793
OPERATING INCOME	607,557	548,478	1,730,054	1,560,900
Interest expense	(249,780)	(270,700)	(758,945)	(808,235)
Loss on extinguishment of debt	(127,573)	-	(127,573)	-
Income and other taxes	(6,589)	(7,700)	(20,078)	(29,773)
Income from unconsolidated entities	55,631	47,563	168,473	157,811
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	17,717	11,071	154,242	85,754
Consolidated income from continuing operations	296,963	328,712	1,146,173	966,457
Discontinued operations	-	38,581	67,524	135,830
Discontinued operations transaction expenses	-	-	(38,163)	-
CONSOLIDATED NET INCOME	296,963	367,293	1,175,534	1,102,287
Net income attributable to noncontrolling interests	44,161	54,784	172,828	165,035
Preferred dividends	834	834	2,503	2,503
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 251,968	\$ 311,675	\$ 1,000,203	\$ 934,749
BASIC EARNINGS PER COMMON SHARE:				
Income from continuing operations	\$ 0.81	\$ 0.89	\$ 3.14	\$ 2.64
Discontinued operations	-	0.11	0.08	0.37
Net income attributable to common stockholders	\$ 0.81	\$ 1.00	\$ 3.22	\$ 3.01
DILUTED EARNINGS PER COMMON SHARE:				
Income from continuing operations	\$ 0.81	\$ 0.89	\$ 3.14	\$ 2.64
Discontinued operations	-	0.11	0.08	0.37
Net income attributable to common stockholders	\$ 0.81	\$ 1.00	\$ 3.22	\$ 3.01

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

	September 30, 2014	December 31, 2013
ASSETS:		
Investment properties at cost	\$ 31,022,776	\$ 30,336,639
Less - accumulated depreciation	8,728,977	8,092,794
	22,293,799	22,243,845
Cash and cash equivalents	817,998	1,691,006
Tenant receivables and accrued revenue, net	516,857	520,361
Investment in unconsolidated entities, at equity	2,458,704	2,429,845
Investment in Klepierre, at equity	1,868,461	2,014,415
Deferred costs and other assets	1,716,346	1,422,788
Total assets of discontinued operations	-	3,002,314
Total assets	\$ 29,672,165	\$ 33,324,574
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 21,202,360	\$ 22,669,917
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,150,900	1,223,102
Cash distributions and losses in partnerships and joint ventures, at equity	1,166,887	1,050,278
Other liabilities	259,824	250,371
Total liabilities of discontinued operations	-	1,117,789
Total liabilities	23,779,971	26,311,457
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	25,537	190,485
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	44,144	44,390
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 314,314,502 and 314,251,245 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	9,406,656	9,217,363
Accumulated deficit	(4,200,226)	(3,218,686)
Accumulated other comprehensive loss	(125,414)	(75,795)
Common stock held in treasury at cost, 3,540,427 and 3,650,680 shares, respectively	(103,870)	(117,897)
Total stockholders' equity	5,021,321	5,849,406
Noncontrolling interests	845,336	973,226
Total equity	5,866,657	6,822,632
Total liabilities and equity	\$ 29,672,165	\$ 33,324,574

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue:				
Minimum rent	\$ 436,580	\$ 396,539	\$ 1,289,263	\$ 1,165,611
Overage rent	42,760	40,707	133,146	128,320
Tenant reimbursements	202,973	193,288	588,772	555,681

Other income	<u>54,157</u>	40,760	<u>228,793</u>	122,152
Total revenue	<u>736,470</u>	671,294	<u>2,239,974</u>	1,971,764
Operating Expenses:				
Property operating	<u>141,083</u>	122,550	<u>434,147</u>	356,089
Depreciation and amortization	<u>147,946</u>	131,689	<u>442,141</u>	378,284
Real estate taxes	<u>59,934</u>	53,593	<u>167,523</u>	154,271
Repairs and maintenance	<u>16,289</u>	15,172	<u>51,874</u>	46,290
Advertising and promotion	<u>18,535</u>	13,977	<u>54,458</u>	43,638
Provision for credit losses	<u>210</u>	311	<u>4,288</u>	1,823
Other	<u>43,760</u>	37,819	<u>141,243</u>	109,602
Total operating expenses	<u>427,757</u>	375,111	<u>1,295,674</u>	1,089,997
Operating Income	308,713	296,183	944,300	881,767
Interest expense	<u>(147,817)</u>	(147,928)	<u>(449,512)</u>	(442,620)
Income from Continuing Operations	160,896	148,255	494,788	439,147
Income from operations of discontinued joint venture interests	-	3,464	5,079	10,093
Gain on disposal of discontinued operations, net	-	6,580	-	24,936
Net Income	\$ 160,896	\$ 158,299	\$ 499,867	\$ 474,176
Third-Party Investors' Share of Net Income	\$ 81,810	\$ 85,211	\$ 259,340	\$ 263,926
Our Share of Net Income	79,086	73,088	240,527	210,250
Amortization of Excess Investment (A)	(26,187)	(25,733)	(76,168)	(75,415)
Our Share of Income from Unconsolidated Discontinued Operations	-	(353)	(652)	(852)
Income from Unconsolidated Entities (B)	\$ 52,899	\$ 47,002	\$ 163,707	\$ 133,983

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>September 30, 2014</u>	<u>December 31, 2013</u>
Assets:		
Investment properties, at cost	<u>\$ 15,854,182</u>	\$ 15,355,700
Less - accumulated depreciation	<u>5,358,302</u>	5,080,832
	<u>10,495,880</u>	10,274,868
Cash and cash equivalents	753,133	781,554
Tenant receivables and accrued revenue, net	353,619	302,902
Investment in unconsolidated entities, at equity	11,701	38,352
Deferred costs and other assets	575,776	579,480
Total assets of discontinued operations	-	281,000
Total assets	<u>\$ 12,190,109</u>	<u>\$ 12,258,156</u>
Liabilities and Partners' Deficit:		
Mortgages	<u>\$ 12,900,691</u>	\$ 12,753,139
Accounts payable, accrued expenses, intangibles, and deferred revenue	979,723	834,898
Other liabilities	491,959	513,897
Total liabilities of discontinued operations	-	286,252
Total liabilities	<u>14,372,373</u>	14,388,186
Preferred units	67,450	67,450
Partners' deficit	<u>(2,249,714)</u>	(2,197,480)
Total liabilities and partners' deficit	<u>\$ 12,190,109</u>	<u>\$ 12,258,156</u>
Our Share of:		
Partners' deficit	<u>\$ (615,394)</u>	\$ (717,776)
Add: Excess Investment (A)	1,907,211	2,059,584
Add: Our Share of investment in discontinued unconsolidated entities, at equity	-	37,759
Our net Investment in unconsolidated entities, at equity	<u>\$ 1,291,817</u>	<u>\$ 1,379,567</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.

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

Reconciliation of Consolidated Net Income to FFO

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Consolidated Net Income (D)	\$ 296,963	\$ 367,293	\$ 1,175,534	\$ 1,102,287
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties	277,936	321,962	915,040	949,169
Our share of depreciation and amortization from unconsolidated entities, including Klepierre	135,131	130,055	410,848	376,432
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(17,717)	(11,071)	(154,484)	(99,906)
Net income attributable to noncontrolling interest holders in properties	(750)	(1,958)	(1,720)	(6,517)
Noncontrolling interests portion of depreciation and amortization	(869)	(2,218)	(2,729)	(6,595)
Preferred distributions and dividends	(1,313)	(1,313)	(3,939)	(3,939)
FFO of the Operating Partnership (E)	\$ 689,381	\$ 802,750	\$ 2,338,550	\$ 2,310,931

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

Diluted net income per share	\$ 0.81	\$ 1.00	\$ 3.22	\$ 3.01
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	1.14	1.24	3.64	3.65
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(0.05)	(0.03)	(0.43)	(0.28)
Diluted FFO per share (F)	\$ 1.90	\$ 2.21	\$ 6.43	\$ 6.38

Details for per share calculations:

FFO of the Operating Partnership (E)	\$ 689,381	\$ 802,750	\$ 2,338,550	\$ 2,310,931
Diluted FFO allocable to unitholders	(100,286)	(115,440)	(339,171)	(332,474)
Diluted FFO allocable to common stockholders (G)	\$ 589,095	\$ 687,310	\$ 1,999,379	\$ 1,978,457
Basic and Diluted weighted average shares outstanding	310,772	310,333	310,713	310,195
Weighted average limited partnership units outstanding	52,873	52,122	52,709	52,127
Basic and Diluted weighted average shares and units outstanding	363,645	362,455	363,422	362,322
Basic and Diluted FFO per Share (F)	\$ 1.90	\$ 2.21	\$ 6.43	\$ 6.38
<i>Percent Change</i>	-14.0%		0.8%	

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 earnings per share. 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 \$2.0 million and \$4.2 million for the three months ended September 30, 2014 and 2013, respectively, \$14.4 million and \$5.4 million for the nine months ended September 30, 2014 and 2013, respectively.
 - Straight-line adjustments to minimum rent of \$17.6 million and \$13.6 million for the three months ended September 30, 2014 and 2013, respectively (including \$0.0 million and \$0.1 million related to WPG), and \$44.9 million and \$39.7 million for the nine months ended September 30, 2014 and 2013, respectively (including \$0.3 million and (\$0.1) million related to WPG).
 - Amortization of fair market value of leases from acquisitions of \$3.7 million and \$5.6 million for the three months ended September 30, 2014 and 2013 respectively (including \$0.0 million and \$0.3 million related to WPG), and \$12.2 million and \$21.9 million for the nine months ended September 30, 2014 and 2013, respectively (including \$0.3 million and \$1.1 million related to WPG).
 - Debt premium amortization of \$5.2 million and \$10.1 million for the three months ended September 30, 2014 and 2013, respectively (including \$0.0 million and \$0.1 million related to WPG), and \$26.6 million and \$32.3 million for the nine months ended September 30, 2014 and 2013, respectively (including \$0.2 million and \$0.3 million related to WPG).
- (E) Includes FFO of the operating partnership and 2014 transaction expenses related to WPG of \$86.4 million for the three months ended September 30, 2013, and \$108.0 million and \$262.1 million for the nine months ended September 30, 2014 and 2013, respectively.
- (F) Includes Basic and Diluted FFO per share related to WPG operations and 2014 transaction expenses of \$0.24 for the three months ended September 30, 2013, and \$0.30 and \$0.72 for the nine months ended September 30, 2014 and 2013, respectively.
- (G) Includes Diluted FFO allocable to common stockholders and 2014 transaction expenses related to WPG of \$74.0 million for the three months ended September 30, 2013, and \$92.4 million and \$224.4 million for the nine months ended September 30, 2014 and 2013, respectively.
- (H) Reconciliation of reported earnings per share to comparable earnings per share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Reported earnings per share	\$0.81	\$1.00	\$3.22	\$3.01
Add: Loss on extinguishment of debt	0.35	--	0.35	--
Add: WPG spin-off transaction expenses	--	--	0.10	--
Less: Earnings per share from WPG properties	--	(0.11)	(0.18)	(0.37)
Comparable earnings per share	<u>\$1.16</u>	<u>\$0.89</u>	<u>\$3.49</u>	<u>\$2.64</u>
Comparable earnings per share growth	30.3%		32.2%	

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Tom Ward, 317-685-7330 Investors; Les Morris, 317-263-7711 Media