



## Simon Property Group Reports Second Quarter 2017 Results And Raises Quarterly Dividend And Full Year 2017 Guidance

August 1, 2017

INDIANAPOLIS, Aug. 1, 2017 /PRNewswire/ -- Simon, a global leader in premier shopping, dining and entertainment destinations, today reported results for the quarter ended June 30, 2017.



### Results for the Quarter<sup>1</sup>

- Net income attributable to common stockholders was \$382.0 million, or \$1.23 per diluted share, as compared to \$455.4 million, or \$1.45 per diluted share, in the prior year period. Results for the second quarter of 2017 include a charge of \$128.6 million or \$0.36 per diluted share related to the redemption of certain senior notes of Simon Property Group, L.P.
- Funds from Operations ("FFO") was \$884.7 million, or \$2.47 per diluted share, as compared to \$952.9 million, or \$2.63 per diluted share, in the prior year period. The second quarter 2017 results include the \$0.36 per diluted share charge on the extinguishment of debt.
- Growth in comparable FFO per diluted share for the three months ended June 30, 2017 was 7.6%.

### Results for the Six Months<sup>1</sup>

- Net income attributable to common stockholders was \$859.7 million, or \$2.75 per diluted share, as compared to \$936.4 million, or \$3.01 per diluted share, in the prior year period. Results for the six months ended 2017 include the \$0.36 per diluted share charge on the extinguishment of debt. The 2016 results include higher gains related to acquisition and disposition activity of \$21.9 million, or \$0.06 per diluted share.
- FFO was \$1.870 billion, or \$5.20 per diluted share, as compared to \$1.905 billion, or \$5.27 per diluted share, in the prior year period. FFO for the six months ended 2017 includes the aforementioned charge on the extinguishment of debt.
- Growth in comparable FFO per diluted share for the six months ended June 30, 2017 was 5.5%.

"We produced impressive second quarter results and solid operating metrics," said David Simon, Chairman and Chief Executive Officer. "It was a very eventful quarter with the completion of the multi-year transformation of The Galleria in Houston and the opening of four new outlets, including three international centers, as well as the groundbreaking of a new Premium Outlets center in Denver. Today, we raised our quarterly dividend and increased our full-year 2017 guidance."

### U.S. Malls and Premium Outlets Operating Statistics

- Occupancy was 95.2% at June 30, 2017.
- Base minimum rent per square foot was \$52.10 at June 30, 2017, an increase of 3.3% compared to the prior year period.
- Leasing spread per square foot for the trailing 12-months ended June 30, 2017 was \$8.13, an increase of 12.9%.

### Portfolio Net Operating Income ("NOI") and Comparable Property NOI

Total portfolio NOI growth for the three months ended June 30, 2017 was 5.0% and was 5.3% for the six months ended June 30, 2017. Total portfolio NOI includes comparable property NOI, NOI from new development, redevelopment, expansion and acquisitions, NOI from international properties and our share of NOI from investments. Comparable property NOI growth for the three months ended June 30, 2017 was 4.4% and was 4.1% for the six months ended June 30, 2017.

### Dividends

Today, Simon's Board of Directors declared a quarterly common stock dividend of \$1.80 per share. This is a 9.1% increase year-over-year. The dividend will be payable on August 31, 2017 to stockholders of record on August 17, 2017.

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 29, 2017 to stockholders of record on September 15, 2017.

## **Development Activity**

During the quarter, we opened four new outlet developments.

- On April 6<sup>th</sup>, we opened Siheung Premium Outlets, in Siheung (Seoul), South Korea, a 444,000 square foot center offering more than 200 domestic and international brands. Siheung Premium Outlets is our fourth outlet center in South Korea. Simon owns a 50% interest in this center.
- On April 13<sup>th</sup>, we opened Provence Designer Outlet, in Provence, France. This 269,000 square foot center offers more than 100 high-quality, name-brand stores and is the first designer outlet in the South of France. Simon owns a 90% interest in this center.
- On June 15<sup>th</sup>, we opened Genting Highlands Premium Outlets (Kuala Lumpur, Malaysia), a 278,000 square foot center featuring over 130 designers and name-brand stores. Genting Highlands Premium Outlets is our second outlet center in Malaysia. Simon owns a 50% interest in this center.
- On June 29<sup>th</sup>, we opened Norfolk Premium Outlets (Norfolk, Virginia) a 332,000 square foot center featuring high-quality, name brand stores in a village style setting. Simon owns a 65% interest in this center.

Construction continues on two other new development projects:

- The Shops at Clearfork (Fort Worth, Texas); scheduled to open in September 2017. Simon owns a 45% interest in this project.
- Premium Outlet Collection Edmonton IA (Edmonton, Alberta, Canada); scheduled to open in May 2018. Simon owns a 50% interest in this project.

Construction also continues on significant redevelopment and expansion projects at properties including La Plaza Mall, The Shops at Riverside, Aventura Mall, Allen Premium Outlets and Toronto Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 25 properties in the U.S. and Canada. Simon's share of the costs of all new development and redevelopment projects under construction at quarter-end was approximately \$1.3 billion.

During the second quarter, construction started on a 328,000 square foot upscale outlet center located in Thornton (Denver), Colorado, projected to open in September 2018. Simon owns 100% of this project.

## **Financing Activity**

The Company was active in both the unsecured and secured credit markets in the second quarter, continuing to lower our effective borrowing costs.

The Company completed a dual tranche senior notes offering totaling \$1.35 billion with a weighted average coupon rate of 3.04% and weighted average term of 7.8 years.

During the quarter, the Company retired two series of senior notes totaling \$1.85 billion with a weighted average coupon rate of 4.51%. The new notes offering had a weighted average coupon rate approximately 150 basis points lower than the notes that were retired during the quarter.

Also during the quarter, the Company closed on six mortgage loans, including three mortgages on international properties, totaling approximately \$1.1 billion (U.S. dollar equivalent), of which Simon's share is \$573 million. The weighted average interest rate and weighted average term on these loans is 3.48% and 8.0 years, respectively.

As of June 30, 2017, Simon had approximately \$6.5 billion of liquidity consisting of cash on hand, including its share of joint venture cash, and available capacity under its revolving credit facilities.

## **Common Stock Repurchase Program**

During the quarter ended June 30, 2017, the Company repurchased 1,528,359 shares of its common stock.

## **2017 Guidance**

The Company currently estimates net income to be within a range of \$6.20 to \$6.28 per diluted share for the year ending December 31, 2017 and that FFO will be within a range of \$11.14 to \$11.22 per diluted share. This represents an increase of \$0.04 per diluted share from the midpoint of the range provided on April 27, 2017, after giving effect to the \$0.36 per diluted share charge on the extinguishment of debt.

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, 2017	Low End	High End
Estimated net income available to common stockholders per diluted share	\$6.20	\$6.28
Depreciation and amortization including Simon's share of unconsolidated entities	4.95	4.95
Gain upon acquisition of controlling interest, sale or disposal of assets and interest in unconsolidated entities, net	(0.01)	(0.01)
Estimated FFO per diluted share	<u>\$11.14</u>	<u>\$11.22</u>

## **Conference Call**

Simon will hold a conference call to discuss the quarterly financial results today at 10:00 a.m. Eastern Time, Tuesday, August 1, 2017. A live webcast of the conference call will be accessible in listen-only mode at [investors.simon.com](http://investors.simon.com). An audio replay of the conference call will be available until August 8, 2017. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 39989308.

## **Supplemental Materials and Website**

Supplemental information on our second quarter 2017 performance is available at [investors.simon.com](http://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](http://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, portfolio net operating income growth 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 the Company's 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: changes in economic and market conditions that adversely affect the general retail environment; the potential loss of anchor stores or major tenants; the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise; decreases in market rental rates; the intensely competitive market environment in the retail industry; the inability to lease newly developed properties and renew leases and relet space at existing properties on favorable terms; risks related to international activities, including, without limitation, the impact of the United Kingdom's vote to leave the European Union; changes to applicable laws or regulations or the interpretation thereof; risks associated with the acquisition, development, redevelopment, expansion, leasing and management of properties; general risks related to real estate investments, including the illiquidity of real estate investments; the impact of our substantial indebtedness on our future operations; any disruption in the financial markets that adversely affects our ability to access capital for growth and satisfy our ongoing debt service requirements; any change in our credit rating; changes in market rates of interest and foreign exchange rates for foreign currencies; changes in the value of our investments in foreign entities; our ability to hedge interest rate and currency risk; our continued ability to maintain our status as a REIT; changes in tax laws or regulations that result in adverse tax consequences; risks relating to our joint venture properties; environmental liabilities; changes in insurance costs, the availability of comprehensive insurance coverage; security breaches that could compromise our information technology or infrastructure; natural disasters; the potential for terrorist activities; and the loss of key management personnel. The Company discusses these and other risks and uncertainties under the heading "Risk Factors" in its annual and quarterly periodic reports filed with the SEC. The Company may update that discussion in its periodic reports, but except as required by law, 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.

### **About Simon**

Simon is a global leader in the ownership of premier shopping, dining, entertainment and mixed-use destinations and an S&P 100 company (Simon Property Group, NYSE: SPG). Our properties across North America, Europe and Asia provide community gathering places for millions of people every day and generate billions in annual sales. For more information, visit [simon.com](http://simon.com).

<sup>1</sup> For a reconciliation of FFO and net income per diluted share on a comparable basis, please see Footnote H of the Footnotes to Unaudited Financial Information.

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

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>REVENUE:</b>				
Minimum rent	<b>\$ 851,552</b>	\$ 822,224	<b>\$ 1,698,350</b>	\$ 1,640,760
Overage rent	<b>29,764</b>	31,250	<b>57,967</b>	60,167
Tenant reimbursements	<b>380,527</b>	367,062	<b>759,442</b>	738,676
Management fees and other revenues	<b>31,367</b>	34,478	<b>61,914</b>	67,878
Other income	<b>68,338</b>	60,366	<b>129,638</b>	144,614
<b>Total revenue</b>	<b>1,361,548</b>	1,315,380	<b>2,707,311</b>	2,652,095
<b>EXPENSES:</b>				
Property operating	<b>107,371</b>	104,756	<b>211,419</b>	207,817
Depreciation and amortization	<b>322,396</b>	303,585	<b>633,228</b>	604,199
Real estate taxes	<b>113,415</b>	107,505	<b>220,073</b>	216,929
Repairs and maintenance	<b>21,700</b>	22,842	<b>47,301</b>	48,907
Advertising and promotion	<b>36,496</b>	33,172	<b>72,444</b>	68,210
Provision for credit losses	<b>2,659</b>	4,944	<b>7,870</b>	8,608
Home and regional office costs	<b>36,476</b>	40,326	<b>79,455</b>	78,933
General and administrative	<b>13,074</b>	15,125	<b>27,075</b>	29,989
Other	<b>21,812</b>	23,889	<b>45,627</b>	44,366
<b>Total operating expenses</b>	<b>675,399</b>	656,144	<b>1,344,492</b>	1,307,958

<b>OPERATING INCOME</b>	<b>686,149</b>	659,236	<b>1,362,819</b>	1,344,137
Interest expense	(207,174)	(213,995)	(405,373)	(433,185)
Loss on extinguishment of debt	(128,618)	-	(128,618)	-
Income and other taxes	(5,990)	(7,115)	(2,470)	(22,301)
Income from unconsolidated entities	92,017	84,990	161,101	175,616
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	4,989	4,209	4,989	26,897
<b>CONSOLIDATED NET INCOME</b>	<b>441,373</b>	527,325	<b>992,448</b>	1,091,164
Net income attributable to noncontrolling interests	58,549	71,102	131,053	153,111
Preferred dividends	834	834	1,669	1,669
<b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 381,990</b>	<b>\$ 455,389</b>	<b>\$ 859,726</b>	<b>\$ 936,384</b>
<b>BASIC AND DILUTED EARNINGS PER COMMON SHARE:</b>				
Net income attributable to common stockholders	<u>\$ 1.23</u>	<u>\$ 1.45</u>	<u>\$ 2.75</u>	<u>\$ 3.01</u>

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

	June 30, 2017	December 31, 2016
<b>ASSETS:</b>		
Investment properties, at cost	\$ 35,695,397	\$ 35,226,089
Less - accumulated depreciation	<u>11,378,345</u>	<u>10,865,754</u>
	24,317,052	24,360,335
Cash and cash equivalents	488,614	560,059
Tenant receivables and accrued revenue, net	640,080	664,619
Investment in unconsolidated entities, at equity	2,321,111	2,367,583
Investment in Klépierre, at equity	1,830,484	1,797,394
Deferred costs and other assets	<u>1,368,625</u>	<u>1,353,588</u>
<b>Total assets</b>	<u>\$ 30,965,966</u>	<u>\$ 31,103,578</u>
<b>LIABILITIES:</b>		
Mortgages and unsecured indebtedness	\$ 23,422,685	\$ 22,977,104
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,205,267	1,214,022
Cash distributions and losses in partnerships and joint ventures, at equity	1,370,333	1,359,738
Other liabilities	<u>492,143</u>	<u>455,040</u>
<b>Total liabilities</b>	<u>26,490,428</u>	<u>26,005,904</u>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	184,379	137,762
<b>EQUITY:</b>		
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	43,241	43,405
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 319,929,605 and 319,823,322 issued and outstanding, respectively	32	32
Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
Capital in excess of par value	9,587,026	9,523,086
Accumulated deficit	(4,731,402)	(4,459,387)
Accumulated other comprehensive loss	(103,872)	(114,126)
Common stock held in treasury, at cost, 9,094,827 and 6,756,748 shares, respectively	<u>(1,068,310)</u>	<u>(682,562)</u>
Total stockholders' equity	3,726,715	4,310,448
Noncontrolling interests	<u>564,444</u>	<u>649,464</u>
<b>Total equity</b>	<u>4,291,159</u>	<u>4,959,912</u>
<b>Total liabilities and equity</b>	<u>\$ 30,965,966</u>	<u>\$ 31,103,578</u>

**Simon Property Group, Inc.**  
Unaudited Joint Venture Combined Statements of Operations

(Dollars in thousands)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<b>REVENUE:</b>				
Minimum rent	\$ 465,705	\$ 458,267	\$ 916,760	\$ 897,114
Overage rent	46,447	46,903	97,816	96,527
Tenant reimbursements	212,465	212,265	428,246	423,206
Other income	71,753	54,806	136,079	113,486
Total revenue	<u>796,370</u>	<u>772,241</u>	<u>1,578,901</u>	<u>1,530,333</u>
<b>OPERATING EXPENSES:</b>				
Property operating	132,028	131,413	265,013	262,494
Depreciation and amortization	159,748	149,721	313,202	281,200
Real estate taxes	63,977	59,429	130,560	120,938
Repairs and maintenance	20,471	18,480	40,701	38,234
Advertising and promotion	21,836	20,777	44,034	43,306
Provision for credit losses	2,789	2,885	6,566	5,574
Other	45,030	43,625	88,384	88,679
Total operating expenses	<u>445,879</u>	<u>426,330</u>	<u>888,460</u>	<u>840,425</u>
<b>OPERATING INCOME</b>	<b>350,491</b>	<b>345,911</b>	<b>690,441</b>	<b>689,908</b>
Interest expense	(146,440)	(151,022)	(288,647)	(294,781)
Gain on sale or disposal of assets and interests in unconsolidated entities	-	6,049	-	60,522
<b>NET INCOME</b>	<u><b>\$ 204,051</b></u>	<u><b>\$ 200,938</b></u>	<u><b>\$ 401,794</b></u>	<u><b>\$ 455,649</b></u>
<b>Third-Party Investors' Share of Net Income</b>	<u><b>\$ 104,265</b></u>	<u><b>\$ 100,391</b></u>	<u><b>\$ 203,950</b></u>	<u><b>\$ 219,200</b></u>
<b>Our Share of Net Income</b>	<b>99,786</b>	<b>100,547</b>	<b>197,844</b>	<b>236,449</b>
<b>Amortization of Excess Investment (A)</b>	<b>(22,979)</b>	<b>(25,558)</b>	<b>(45,436)</b>	<b>(48,770)</b>
<b>Our Share of Gain on Sale or Disposal of Assets and Interests in Unconsolidated Entities, net</b>	<b>-</b>	<b>(2,487)</b>	<b>-</b>	<b>(2,487)</b>
<b>Our Share of Gain on Sale or Disposal of Assets and Interests Included in Other Income in the Consolidated Financial Statements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,153)</b>
<b>Income from Unconsolidated Entities (B)</b>	<u><b>\$ 76,807</b></u>	<u><b>\$ 72,502</b></u>	<u><b>\$ 152,408</b></u>	<u><b>\$ 149,039</b></u>

Note: The above financial presentation does not include any information related to our investments in Klépierre S.A. ("Klépierre") and HBS Global Properties ("HBS"). For additional information, see footnote B.

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

	June 30, 2017	December 31, 2016
<b>Assets:</b>		
Investment properties, at cost	\$ 18,043,831	\$ 17,549,078
Less - accumulated depreciation	<u>6,129,070</u>	<u>5,892,960</u>
	11,914,761	11,656,118
Cash and cash equivalents	837,136	778,455
Tenant receivables and accrued revenue, net	346,648	348,139
Deferred costs and other assets	<u>400,775</u>	<u>351,098</u>
Total assets	<u><b>\$ 13,499,320</b></u>	<u><b>\$ 13,133,810</b></u>
<b>Liabilities and Partners' Deficit:</b>		
Mortgages	\$ 14,522,493	\$ 14,237,576
Accounts payable, accrued expenses, intangibles, and deferred revenue	<u>900,784</u>	<u>867,003</u>

Other liabilities	<u>357,639</u>	325,078
Total liabilities	<u>15,780,916</u>	15,429,657
Preferred units	<u>67,450</u>	67,450
Partners' deficit	<u>(2,349,046)</u>	(2,363,297)
Total liabilities and partners' deficit	<u>\$ 13,499,320</u>	\$ 13,133,810

**Our Share of:**

Partners' deficit	<u>\$ (1,061,589)</u>	\$ (1,018,755)
Add: Excess Investment (A)	<u>1,778,885</u>	1,791,691
Our net Investment in unconsolidated entities, at equity	<u>\$ 717,296</u>	\$ 772,936

Note: The above financial presentation does not include any information related to our investments in Klépierre and HBS Global Properties. For additional information, see footnote B.

**Simon Property Group, Inc.**  
*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		For the Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<b>Consolidated Net Income (D)</b>	\$ 441,373	\$ 527,325	\$ 992,448	\$ 1,091,164
<b>Adjustments to Arrive at FFO:</b>				
Depreciation and amortization from consolidated properties	318,585	300,179	626,273	597,376
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	135,476	134,893	266,694	253,135
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(4,989)	(4,209)	(4,989)	(26,897)
Net (income) loss attributable to noncontrolling interest holders in properties	(74)	(565)	170	(1,294)
Noncontrolling interests portion of depreciation and amortization	(4,315)	(3,439)	(8,215)	(6,155)
Preferred distributions and dividends	(1,313)	(1,313)	(2,626)	(2,626)
<b>FFO of the Operating Partnership (E)</b>	<u>\$ 884,743</u>	<u>\$ 952,871</u>	<u>\$ 1,869,755</u>	<u>\$ 1,904,703</u>
<b>Diluted net income per share to diluted FFO per share reconciliation:</b>				
<b>Diluted net income per share</b>	\$ 1.23	\$ 1.45	\$ 2.75	\$ 3.01
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS, net of noncontrolling interests portion of depreciation and amortization	1.25	1.19	2.46	2.33
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(0.01)	(0.01)	(0.01)	(0.07)
<b>Diluted FFO per share (F)</b>	<u>\$ 2.47</u>	<u>\$ 2.63</u>	<u>\$ 5.20</u>	<u>\$ 5.27</u>

Details for per share calculations:

FFO of the Operating Partnership (E)	\$ 884,743	\$ 952,871	\$ 1,869,755	\$ 1,904,703
Diluted FFO allocable to unitholders	<u>(116,599)</u>	<u>(127,386)</u>	<u>(246,028)</u>	<u>(264,285)</u>
Diluted FFO allocable to common stockholders (G)	<u>\$ 768,144</u>	<u>\$ 825,485</u>	<u>\$ 1,623,727</u>	<u>\$ 1,640,418</u>
Basic and Diluted weighted average shares outstanding	311,579	313,399	312,191	311,408
Weighted average limited partnership units outstanding	47,287	48,363	47,304	50,170
Basic and Diluted weighted average shares and units outstanding	<u>358,866</u>	<u>361,762</u>	<u>359,495</u>	<u>361,578</u>
Basic and Diluted FFO per Share (F)	\$ 2.47	\$ 2.63	\$ 5.20	\$ 5.27
Percent Change	-6.1%		-1.3%	

**Simon Property Group, Inc.**  
Footnotes to Unaudited Financial Information

**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 Combined Statements of Operations do not include any operations or our share of net income or excess investment amortization related to our investments in Klépierre and HBS Global Properties. Amounts included in Footnote D below exclude our share of related activity for our investments in Klépierre and HBS Global Properties. For further information on Klépierre, reference should be made to financial information in

Klépierre's public filings and additional discussion and analysis in our Form 10-Q.

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.

(C)

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, outlot 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 \$5.0 million and \$0.5 million for the three months ended June 30, 2017 and 2016, respectively, and \$7.7 million and \$2.2 million for the six months ended June 30, 2017 and 2016, respectively.

- Straight-line adjustments increased minimum rent by \$5.1 million and \$15.9 million for the three months ended June 30, 2017 and 2016, respectively, and \$15.3 million and \$31.0 million for the six months ended June 30, 2017 and 2016, respectively.

- Amortization of fair market value of leases from acquisitions increased income by \$1.5 million and \$2.2 million for the three months ended June 30, 2017 and 2016, respectively, and \$3.2 million and \$4.8 million for the six months ended June 30, 2017 and 2016, respectively.

- Debt premium amortization of \$0.0 million and \$3.8 million for the three months ended June 30, 2017 and 2016, respectively, and \$0.1 million and \$8.0 million for the six months ended June 30, 2017 and 2016, respectively.

(E) Includes a loss on the extinguishment of debt of \$128.6 million for the three and six months ended June 30, 2017.

(F) Includes Basic and Diluted FFO per share related to a loss on the extinguishment of debt of \$0.36 for the three and six months ended June 30, 2017.

(G) Includes Diluted FFO allocable to common stockholders related to a loss on the extinguishment of debt of \$111.7 million for the three and six months ended June 30, 2017.

(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,	
	2017	2016	2017	2016
Reported earnings per share	\$ 1.23	\$ 1.45	\$ 2.75	\$ 3.01
Add: Loss on extinguishment of debt	0.36	-	0.36	-
Comparable earnings per share	<u>\$ 1.59</u>	<u>\$ 1.45</u>	<u>\$ 3.11</u>	<u>\$ 3.01</u>
Comparable earnings per share growth	9.7%		3.3%	

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2017	2016	2017	2016
Reported FFO per share	\$ 2.47	\$ 2.63	\$ 5.20	\$ 5.27
Add: Loss on extinguishment of debt	0.36	-	0.36	-
Comparable FFO per share	<u>\$ 2.83</u>	<u>\$ 2.63</u>	<u>\$ 5.56</u>	<u>\$ 5.27</u>
Comparable FFO per share growth	7.6%		5.5%	

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SOURCE Simon

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