



## Simon Property Group Reports Third Quarter 2016 Results And Raises Full Year 2016 Guidance

October 26, 2016

INDIANAPOLIS, Oct. 26, 2016 /PRNewswire/ -- Simon, a global leader in retail real estate, today reported results for the quarter ended September 30, 2016.



### Results for the Quarter

- Net income attributable to common stockholders was \$504.7 million, or \$1.61 per diluted share, as compared to \$420.0 million, or \$1.36 per diluted share, in the prior year period.
- Funds from Operations ("FFO") was \$976.0 million, or \$2.70 per diluted share, as compared to \$918.7 million, or \$2.54 per diluted share, in the prior year period, an increase of 6.3%.

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

- Net income attributable to common stockholders was \$1.441 billion, or \$4.61 per diluted share, as compared to \$1.432 billion, or \$4.62 per diluted share, in the prior year period. Net income attributable to common stockholders in the prior year period included a non-cash gain of \$206.9 million, or \$0.57 per diluted share, solely related to Klépierre's issuance of additional shares of its common stock to complete its acquisition of Corio N.V. and \$80.2 million, or \$0.22 per diluted share, related to a gain upon sale of marketable securities.
- Funds from Operations ("FFO") was \$2.881 billion, or \$7.97 per diluted share, as compared to \$2.705 billion, or \$7.46 per diluted share, in the prior year period, an increase of 6.8%. Funds from Operations in the prior year period included the aforementioned \$0.22 per diluted share gain upon sale of marketable securities.
- Growth in comparable FFO per diluted share for the nine months ended September 30, 2016 was 10.1%.

"We continue to strengthen our retail real estate platform through transformative redevelopments such as our recently opened expansion at King of Prussia and selected new developments including the highly anticipated Clarksburg Premium Outlets which will open tomorrow and serve the greater Washington D.C. market," said David Simon, Chairman and Chief Executive Officer. "Based upon our results to date and expectations for the remainder of 2016, we are once again increasing our full-year 2016 guidance."

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

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

- Occupancy was 96.3% at September 30, 2016 compared to 96.1% at September 30, 2015.
- Base minimum rent per square foot was \$50.76 at September 30, 2016, an increase of 4.5% compared to the prior year period.
- Releasing spread per square foot for the trailing 12-months ended September 30, 2016 was \$6.71, an increase of 10.9%.

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

Total portfolio NOI growth for the nine months ended September 30, 2016 was 7.3%. 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 nine months ended September 30, 2016 was 3.5%.

### Dividends

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.65 per share. The dividend will be payable on November 30, 2016 to stockholders of record on November 16, 2016. The Company will pay \$6.50 per share in common stock dividends in 2016, a 7.4% increase year-over-year.

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 30, 2016 to stockholders of record on December 16, 2016.

### Development Activity

During the quarter, we completed the transformation of King of Prussia, serving the Greater Philadelphia region, which includes the completion of a 155,000 square foot expansion that connects the Plaza and the Court. The expansion adds 50 new retail and dining storefronts and increases the mall's footprint to 2.6 million square feet, further elevating this top retail attraction and the second-largest shopping center in the United States.

In the fourth quarter, we will open two significant new development projects:

- On October 27<sup>th</sup>, Clarksburg Premium Outlets will open with 392,000 square feet of high-quality, name brand stores. Simon owns a

66% interest in this center.

- On November 3<sup>rd</sup>, the 500,000 square foot retail component to Brickell City Centre in Miami, Florida will open. Simon owns a 25% interest in this center. Simon will lease and manage this center.

Construction continues on six other new development projects scheduled to open in 2017, including:

- The Shops at Clearfork (Fort Worth, Texas) is scheduled to open in September. Simon owns a 45% interest in this project.
- Provence Designer Outlet (Miramas, France) is scheduled to open in April. Simon owns a 90% interest in this project.
- Siheung Premium Outlets (Siheung (Seoul), South Korea) is scheduled to open in May. Simon owns a 50% interest in this project.
- Genting Highlands Premium Outlets (Kuala Lumpur, Malaysia) is scheduled to open in May. Simon owns a 50% interest in this project.
- Norfolk Premium Outlets (Norfolk, Virginia) is scheduled to open in June. Simon owns a 65% interest in this project.
- Premium Outlet Collection Edmonton IA (Edmonton, Alberta, Canada) is scheduled to open in October. Simon owns a 50% interest in this project.

Construction also continues on other significant redevelopment and expansion projects including The Westchester, The Galleria in Houston, La Plaza Mall, The Shops at Riverside and Woodbury Common Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 32 properties in the U.S. and Europe. Simon's share of the costs of all new development and redevelopment projects under construction at quarter-end was approximately \$1.9 billion.

#### **Acquisitions**

In September 2016, we were part of a consortium that completed the acquisition of the global trend-focused apparel and accessories brand, Aéropostale.

#### **Financing Activity**

The Company was active in both the unsecured and secured credit markets through the first nine months of the year continuing to lower our effective borrowing costs and extend our maturity profile.

During the first nine months, we closed or locked rate on 25 new mortgage loans totaling approximately \$4.0 billion, or the non-U.S. dollar equivalent thereof, of which Simon's share is \$2.8 billion. The weighted average interest rate and term on these loans is 3.65% and 9.5 years, respectively.

As of September 30, 2016, Simon had over \$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.

#### **2016 Guidance**

The Company currently estimates net income to be within a range of \$6.25 to \$6.27 per diluted share for the year ending December 31, 2016 and that FFO will be within a range of \$10.85 to \$10.87 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, 2016**

|   | Low<br><u>End</u> | High<br><u>End</u> |
|---|-------------------|--------------------|
| Estimated net income available to common stockholders per diluted share   | \$6.25            | \$6.27             |
| Depreciation and amortization including Simon's share of unconsolidated entities  | 4.80              | 4.80               |
| Gain upon acquisition of controlling interest, sale or disposal of assets and interests in unconsolidated entities, net | <u>(0.20)</u>     | <u>(0.20)</u>      |
| Estimated FFO per diluted share   | <u>\$10.85</u>    | <u>\$10.87</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 26, 2016. 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 November 2, 2016. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 83479240.

#### **Supplemental Materials and Website**

Supplemental information on our third quarter 2016 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: the Company's ability to meet debt service requirements, the availability and terms of financing, changes in the Company's credit rating or outlook, 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, including, without limitation, the impact of the United Kingdom's vote to leave the European Union, 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 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 retail real estate ownership, management and development and an 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](http://simon.com).

### Simon Property Group, Inc.

#### Unaudited Consolidated Statements of Operations

(Dollars in thousands, except per share amounts)

|   | For the Three Months<br>Ended September 30, |                   | For the Nine Months<br>Ended September 30, |                     |
|---|---|-------------------|--|---------------------|
|   | 2016  | 2015              | 2016                                       | 2015                |
| <b>REVENUE:</b>   |   |                   |  |                     |
| Minimum rent  | \$ 842,801                                  | \$ 788,368        | \$ 2,483,560                               | \$ 2,309,951        |
| Overage rent  | 40,089                                      | 47,433            | 100,256                                    | 123,419             |
| Tenant reimbursements   | 378,187                                     | 373,223           | 1,116,863                                  | 1,077,702           |
| Management fees and other revenues  | 41,721                                      | 38,568            | 109,598                                    | 113,674             |
| Other income  | 54,370                                      | 72,545            | 198,986                                    | 260,736             |
| <b>Total revenue</b>  | <b>1,357,168</b>                            | <b>1,320,137</b>  | <b>4,009,263</b>                           | <b>3,885,482</b>    |
| <b>EXPENSES:</b>  |   |                   |  |                     |
| Property operating  | 120,099                                     | 115,820           | 327,915                                    | 315,418             |
| Depreciation and amortization   | 311,757                                     | 289,360           | 915,956                                    | 873,243             |
| Real estate taxes   | 111,727                                     | 114,145           | 328,656                                    | 327,519             |
| Repairs and maintenance   | 23,178                                      | 21,189            | 72,085                                     | 73,599              |
| Advertising and promotion   | 35,695                                      | 38,756            | 103,905                                    | 98,727              |
| (Recovery of) provision for credit losses   | (747)                                       | (361)             | 7,861                                      | 6,172               |
| Home and regional office costs  | 41,606                                      | 37,204            | 120,539                                    | 112,454             |
| General and administrative  | 15,154                                      | 14,838            | 45,143                                     | 45,182              |
| Other   | 22,508                                      | 31,599            | 66,875                                     | 74,025              |
| <b>Total operating expenses</b>   | <b>680,977</b>                              | <b>662,550</b>    | <b>1,988,935</b>                           | <b>1,926,339</b>    |
| <b>OPERATING INCOME</b>   | <b>676,191</b>                              | <b>657,587</b>    | <b>2,020,328</b>                           | <b>1,959,143</b>    |
| Interest expense  | (214,861)                                   | (229,654)         | (648,048)                                  | (692,801)           |
| Income and other taxes  | (6,325)                                     | (3,658)           | (28,626)                                   | (13,440)            |
| Income from unconsolidated entities   | 83,374                                      | 68,221            | 258,990                                    | 203,289             |
| Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net | 49,561                                      | -                 | 76,459                                     | 223,266             |
| <b>CONSOLIDATED NET INCOME</b>  | <b>587,940</b>                              | <b>492,496</b>    | <b>1,679,103</b>                           | <b>1,679,457</b>    |
| Net income attributable to noncontrolling interests   | 82,362                                      | 71,653            | 235,472                                    | 244,868             |
| Preferred dividends   | 834   | 834               | 2,503                                      | 2,503               |
| <b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>   | <b>\$ 504,744</b>                           | <b>\$ 420,009</b> | <b>\$ 1,441,128</b>                        | <b>\$ 1,432,086</b> |
| <b>BASIC AND DILUTED EARNINGS PER COMMON SHARE:</b>   |   |                   |  |                     |
| <b>Net income attributable to common stockholders</b>   | <b>\$ 1.61</b>                              | <b>\$ 1.36</b>    | <b>\$ 4.61</b>                             | <b>\$ 4.62</b>      |

Unaudited Consolidated Balance Sheets  
(Dollars in thousands, except share amounts)

|  | September 30,<br>2016       | December 31,<br>2015        |
|--|-----------------------------|-----------------------------|
| <b>ASSETS:</b>   |                             |                             |
| Investment properties, at cost   | \$ 35,154,142               | \$ 33,463,124               |
| Less - accumulated depreciation  | <u>10,622,781</u>           | <u>9,915,386</u>            |
|  | 24,531,361                  | 23,547,738                  |
| Cash and cash equivalents  | 814,747                     | 701,134                     |
| Tenant receivables and accrued revenue, net  | 626,423                     | 624,605                     |
| Investment in unconsolidated entities, at equity   | 2,439,554                   | 2,481,574                   |
| Investment in Klépierre, at equity   | 1,897,095                   | 1,943,363                   |
| Deferred costs and other assets  | <u>1,359,668</u>            | <u>1,266,768</u>            |
| <b>Total assets</b>  | <u><u>\$ 31,668,848</u></u> | <u><u>\$ 30,565,182</u></u> |
| <b>LIABILITIES:</b>  |                             |                             |
| Mortgages and unsecured indebtedness   | \$ 23,078,515               | \$ 22,416,682               |
| Accounts payable, accrued expenses, intangibles, and deferred revenues   | 1,240,713                   | 1,323,801                   |
| Cash distributions and losses in partnerships and joint ventures, at equity  | 1,369,842                   | 1,368,544                   |
| Other liabilities  | <u>493,615</u>              | <u>214,249</u>              |
| <b>Total liabilities</b>   | <u><u>26,182,685</u></u>    | <u><u>25,323,276</u></u>    |
| Commitments and contingencies  |                             |                             |
| Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties  | 159,350                     | 25,537                      |
| <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                | 43,487                      | 43,733                      |
| Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 319,577,068 and 314,806,914 issued and outstanding, respectively                                     | 32                          | 31                          |
| Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding  | -                           | -                           |
| Capital in excess of par value   | 9,478,309                   | 9,384,450                   |
| Accumulated deficit  | (4,349,705)                 | (4,266,930)                 |
| Accumulated other comprehensive loss   | (115,832)                   | (252,686)                   |
| Common stock held in treasury, at cost, 5,347,551 and 5,394,345 shares, respectively   | <u>(427,294)</u>            | <u>(437,134)</u>            |
| Total stockholders' equity   | 4,628,997                   | 4,471,464                   |
| Noncontrolling interests   | <u>697,816</u>              | <u>744,905</u>              |
| <b>Total equity</b>  | <u><u>5,326,813</u></u>     | <u><u>5,216,369</u></u>     |
| <b>Total liabilities and equity</b>  | <u><u>\$ 31,668,848</u></u> | <u><u>\$ 30,565,182</u></u> |

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

|                               | For the Three Months Ended September<br>30, |               | For the Nine Months Ended September<br>30, |                |
|-------------------------------|---|---------------|--|----------------|
|                               | 2016  | 2015          | 2016                                       | 2015           |
| <b>REVENUE:</b>               |   |               |  |                |
| Minimum rent                  | \$ 454,315                                  | \$ 447,790    | \$ 1,351,429                               | \$ 1,325,056   |
| Overage rent                  | 45,064                                      | 43,669        | 141,591                                    | 136,191        |
| Tenant reimbursements         | 222,788                                     | 203,832       | 645,994                                    | 597,461        |
| Other income                  | <u>55,558</u>                               | <u>55,060</u> | <u>169,044</u>                             | <u>170,600</u> |
| Total revenue                 | 777,725                                     | 750,351       | 2,308,058                                  | 2,229,308      |
| <b>OPERATING EXPENSES:</b>    |   |               |  |                |
| Property operating            | 139,224                                     | 135,467       | 401,718                                    | 398,528        |
| Depreciation and amortization | 153,420                                     | 145,351       | 434,620                                    | 435,615        |
| Real estate taxes             | <u>60,853</u>                               | <u>57,767</u> | <u>181,790</u>                             | <u>172,818</u> |

|  |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Repairs and maintenance  | 17,795                   | 15,919                   | 56,029                   | 53,365                   |
| Advertising and promotion  | 18,884                   | 20,395                   | 62,190                   | 54,485                   |
| (Recovery of) provision for credit losses  | (133)                    | (212)                    | 5,441                    | 2,937                    |
| Other  | 44,972                   | 38,861                   | 133,652                  | 122,214                  |
| Total operating expenses   | <u>435,015</u>           | <u>413,548</u>           | <u>1,275,440</u>         | <u>1,239,962</u>         |
| <b>OPERATING INCOME</b>  | <b>342,710</b>           | <b>336,803</b>           | <b>1,032,618</b>         | <b>989,346</b>           |
| Interest expense   | (149,704)                | (147,333)                | (444,485)                | (443,396)                |
| Gain on sale or disposal of assets and interests in unconsolidated entities  | 40,529                   | -                        | 101,051                  | 35,779                   |
| <b>NET INCOME</b>  | <u><b>\$ 233,535</b></u> | <u><b>\$ 189,470</b></u> | <u><b>\$ 689,184</b></u> | <u><b>\$ 581,729</b></u> |
| <b>Third-Party Investors' Share of Net Income</b>  | <u><b>\$ 118,291</b></u> | <u><b>\$ 95,018</b></u>  | <u><b>\$ 337,491</b></u> | <u><b>\$ 296,896</b></u> |
| <b>Our Share of Net Income</b>   | <b>115,244</b>           | <b>94,452</b>            | <b>351,693</b>           | <b>284,833</b>           |
| <b>Amortization of Excess Investment (A)</b>   | <b>(21,901)</b>          | <b>(22,884)</b>          | <b>(70,671)</b>          | <b>(71,426)</b>          |
| <b>Our Share of Gain on Sale or Disposal of Assets and Interests in Unconsolidated Entities, net</b>                                   | <b>(20,149)</b>          | <b>-</b>                 | <b>(22,636)</b>          | <b>(16,339)</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>(36,153)</b>          | <b>-</b>                 |
| <b>Income from Unconsolidated Entities (B)</b>   | <u><b>\$ 73,194</b></u>  | <u><b>\$ 71,568</b></u>  | <u><b>\$ 222,233</b></u> | <u><b>\$ 197,068</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 Balance Sheets*  
(Dollars in thousands)

|   | September 30,<br>2016       | December 31,<br>2015        |
|---|-----------------------------|-----------------------------|
| <b>Assets:</b>  |                             |                             |
| Investment properties, at cost  | \$ 17,500,339               | \$ 17,186,884               |
| Less - accumulated depreciation                                       | <u>5,890,642</u>            | <u>5,780,261</u>            |
|   | 11,609,697                  | 11,406,623                  |
| Cash and cash equivalents   | 787,140                     | 818,805                     |
| Tenant receivables and accrued revenue, net                           | 339,807                     | 354,133                     |
| Deferred costs and other assets                                       | <u>356,659</u>              | <u>482,024</u>              |
| Total assets  | <u><b>\$ 13,093,303</b></u> | <u><b>\$ 13,061,585</b></u> |
| <b>Liabilities and Partners' Deficit:</b>                             |                             |                             |
| Mortgages   | \$ 14,117,650               | \$ 13,827,215               |
| Accounts payable, accrued expenses, intangibles, and deferred revenue | 871,497                     | 985,159                     |
| Other liabilities   | <u>384,632</u>              | <u>468,005</u>              |
| Total liabilities   | 15,373,779                  | 15,280,379                  |
| Preferred units   | 67,450                      | 67,450                      |
| Partners' deficit   | <u>(2,347,926)</u>          | <u>(2,286,244)</u>          |
| Total liabilities and partners' deficit                               | <u><b>\$ 13,093,303</b></u> | <u><b>\$ 13,061,585</b></u> |
| <b>Our Share of:</b>  |                             |                             |
| Partners' deficit   | \$ (990,453)                | \$ (854,562)                |
| Add: Excess Investment (A)  | <u>1,828,949</u>            | <u>1,788,749</u>            |
| Our net Investment in unconsolidated entities, at equity              | <u><b>\$ 838,496</b></u>    | <u><b>\$ 934,187</b></u>    |

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 attached hereto.

**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<br>September 30, |                   | For the Nine Months Ended<br>September 30, |                     |
|---|---|-------------------|--|---------------------|
|   | 2016  | 2015              | 2016                                       | 2015                |
| <b>Consolidated Net Income (D)</b>  | \$ 587,940                                  | \$ 492,496        | \$ 1,679,103                               | \$ 1,679,457        |
| <b>Adjustments to Arrive at FFO:</b>  |   |                   |  |                     |
| Depreciation and amortization from consolidated properties  | 308,392                                     | 285,490           | 905,768                                    | 861,570             |
| Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS  | 134,795                                     | 143,747           | 387,930                                    | 395,815             |
| Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net (E)   | (45,162)                                    | -                 | (72,060)                                   | (223,266)           |
| Net income attributable to noncontrolling interest holders in properties  | (5,361)                                     | (839)             | (6,655)                                    | (2,138)             |
| Noncontrolling interests portion of depreciation and amortization   | (3,271)                                     | (895)             | (9,424)                                    | (2,726)             |
| Preferred distributions and dividends   | (1,313)                                     | (1,313)           | (3,939)                                    | (3,939)             |
| <b>FFO of the Operating Partnership (G)</b>   | <b>\$ 976,020</b>                           | <b>\$ 918,686</b> | <b>\$ 2,880,723</b>                        | <b>\$ 2,704,773</b> |
| <b>Diluted net income per share to diluted FFO per share reconciliation:</b>  |   |                   |  |                     |
| <b>Diluted net income per share</b>   | \$ 1.61                                     | \$ 1.36           | \$ 4.61                                    | \$ 4.62             |
| 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 | 1.22  | 1.18              | 3.56                                       | 3.47                |
| Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net (F)   | (0.13)                                      | -                 | (0.20)                                     | (0.63)              |
| <b>Diluted FFO per share (H)</b>  | <b>\$ 2.70</b>                              | <b>\$ 2.54</b>    | <b>\$ 7.97</b>                             | <b>\$ 7.46</b>      |

Details for per share calculations:

|   |                   |                   |                     |                     |
|---|-------------------|-------------------|---------------------|---------------------|
| FFO of the Operating Partnership (G)                            | \$ 976,020        | \$ 918,686        | \$ 2,880,723        | \$ 2,704,773        |
| Diluted FFO allocable to unitholders                            | (128,295)         | (131,790)         | (392,580)           | (389,777)           |
| Diluted FFO allocable to common stockholders                    | <u>\$ 847,725</u> | <u>\$ 786,896</u> | <u>\$ 2,488,143</u> | <u>\$ 2,314,996</u> |
| Basic and Diluted weighted average shares outstanding           | 314,234           | 309,417           | 312,357             | 310,333             |
| Weighted average limited partnership units outstanding          | 47,530            | 51,817            | 49,284              | 52,251              |
| Basic and Diluted weighted average shares and units outstanding | <u>361,764</u>    | <u>361,234</u>    | <u>361,641</u>      | <u>362,584</u>      |
| Basic and Diluted FFO per Share (H)                             | \$ 2.70           | \$ 2.54           | \$ 7.97             | \$ 7.46             |
| Percent Change  | 6.3%              |                   | 6.8%                |                     |

**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 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 Footnotes 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.

(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, 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 \$3.1 million and \$0.9 million for the three months ended September 30, 2016 and 2015, respectively, and \$5.2 million and \$4.6 million for the nine months ended September 30, 2016 and 2015, respectively.

Straight-line adjustments increased minimum rent by \$13.3 million and \$15.0 million for the three months ended September 30, 2016 and 2015, respectively, and \$44.3 million and \$48.2 million for the nine months ended September 30, 2016 and 2015, respectively.

Amortization of fair market value of leases from acquisitions increased income by \$2.5 million and \$3.4 million for the three months ended September 30, 2016 and 2015, respectively, and \$7.3 million and \$10.0 million for the nine months ended September 30, 2016 and 2015, respectively.

Debt premium amortization of \$5.9 million and \$5.4 million for the three months ended September 30, 2016 and 2015, respectively, and \$13.9 million and \$18.0 million for the nine months ended September 30, 2016 and 2015, respectively.

(E) Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities for the three and nine months ended September 30, 2016 was \$49.6 million and \$76.5 million, respectively. Noncontrolling interest portion of the gain for the three and nine months ended September 30, 2016 was \$4.4 million.

(F) Includes noncontrolling interests gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities of \$0.01 per share for the three and nine months ended September 30, 2016.

(G) Includes FFO of the operating partnership related to the sale of marketable securities of \$80.2 million for the nine months ended September 30, 2015.

(H) Includes Basic and Diluted FFO per share related to the sale of marketable securities of \$0.22 for the nine months ended September 30, 2015.

(I) Reconciliation of reported earnings per share to comparable earnings per share and FFO per share to comparable FFO per share:

|   | THREE MONTHS ENDED SEPTEMBER 30, |         | NINE MONTHS ENDED SEPTEMBER 30, |         |
|---|----------------------------------|---------|---------------------------------|---------|
|   | 2016                             | 2015    | 2016                            | 2015    |
| Reported earnings per share                     | \$ 1.61                          | \$ 1.36 | \$ 4.61                         | \$ 4.62 |
| Less: Gain upon sale of marketable securities   | -                                | -       | -                               | (0.22)  |
| Less: Non-cash gain on equity method investment | -                                | -       | -                               | (0.57)  |
| Comparable earnings per share                   | \$ 1.61                          | \$ 1.36 | \$ 4.61                         | \$ 3.83 |
| Comparable earnings per share growth            | 18.4%                            |         | 20.4%                           |         |

|   | THREE MONTHS ENDED SEPTEMBER 30, |         | NINE MONTHS ENDED SEPTEMBER 30, |         |
|---|----------------------------------|---------|---------------------------------|---------|
|   | 2016                             | 2015    | 2016                            | 2015    |
| Reported FFO per share                        | \$ 2.70                          | \$ 2.54 | \$ 7.97                         | \$ 7.46 |
| Less: Gain upon sale of marketable securities | -                                | -       | -                               | (0.22)  |
| Comparable FFO per share                      | \$ 2.70                          | \$ 2.54 | \$ 7.97                         | \$ 7.24 |
| Comparable FFO per share growth               | 6.3%                             |         | 10.1%                           |         |

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To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/simon-property-group-reports-third-quarter-2016-results-and-raises-full-year-2016-guidance-300351186.html>

SOURCE Simon

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