



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

October 27, 2015

INDIANAPOLIS, Oct. 27, 2015 /PRNewswire/ -- Simon, a leading global retail real estate company, today reported results for the quarter ended September 30, 2015.



### Results for the Quarter

- Funds from Operations ("FFO") was \$918.7 million, or \$2.54 per diluted share, as compared to \$689.4 million, or \$1.90 per diluted share, in the prior year period, a 33.7% increase. The third quarter 2014 results include a loss on the extinguishment of debt of \$127.6 million, or \$0.35 per diluted share, related to cash tender offers and the redemption of a series of senior notes of Simon Property Group L.P.
- Net income attributable to common stockholders was \$420.0 million, or \$1.36 per diluted share, as compared to \$252.0 million, or \$0.81 per diluted share, in the prior year period.
- Growth in comparable FFO per diluted share for the three months ended September 30, 2015 was 12.9%<sup>1</sup>.

### Results for the Nine Months

- Funds from Operations ("FFO") was \$2.705 billion, or \$7.46 per diluted share, as compared to \$2.339 billion, or \$6.43 per diluted share, in the prior year period.
- Net income attributable to common stockholders was \$1.255 billion, or \$4.04 per diluted share, as compared to \$1.0 billion, or \$3.22 per diluted share, in the prior year period.
- Growth in comparable FFO per diluted share for the nine months ended September 30, 2015 was 11.7%<sup>1</sup>.

<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 Reconciliation of Non-GAAP Financial Measures.

"This was an excellent quarter for our Company, with strong financial and operational performance, successful openings of new and expanded Premium Outlet<sup>®</sup> Centers and the groundbreaking of two new outlet centers, including our first outlet center in France," said David Simon, Chairman and CEO. "Today we are pleased to raise our dividend for the fourth consecutive quarter and once again increase guidance for 2015."

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

	As of September 30,		Year-over-Year
	2015	2014	Change
Occupancy <sup>(1)</sup>	96.1%	96.9%	-80 bps
Base Minimum Rent per sq. ft. <sup>(1)</sup>	\$48.57	\$46.29	+4.9%
Releasing Spread per sq. ft. <sup>(1)(2)</sup>	\$11.00	\$9.67	+\$1.33
Releasing Spread (percentage change) <sup>(1)(2)</sup>	18.4%	17.3%	+110 bps
Total Sales per sq. ft. <sup>(3)</sup>	\$616	\$613	+0.5%

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

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

(3) Trailing 12-month sales per square foot for mall stores less than 10,000 square feet in Malls and all owned square footage in Premium Outlets.

### **Comparable Property Net Operating Income**

Comparable property NOI growth for the three months ended September 30, 2015 was 4.3%. The growth for the nine months ended September 30, 2015 was 3.8%. Comparable properties include U.S. Malls, Premium Outlets and The Mills.

### **Dividends**

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.60 per share. This is a 23.1% increase year-over-year. The dividend will be payable on November 30, 2015 to stockholders of record on November 16, 2015.

Simon's Board of Directors also declared the quarterly dividend on its 8 3/8% Series J Cumulative Redeemable Preferred Stock (NYSE: SPGPrJ) of \$1.046875 per share, payable on December 31, 2015 to stockholders of record on December 17, 2015.

### **Development Activity**

During the third quarter, and subsequent to quarter end, we opened several Premium Outlets new developments and expansions, as well as one significant mall expansion.

- On August 13<sup>th</sup>, we opened Gloucester Premium Outlets, a 375,000 square foot center in Gloucester, New Jersey. Simon owns a 50% interest in this center.
- On August 13<sup>th</sup>, we completed a 185,000 square foot expansion of San Francisco Premium Outlets. Simon owns 100% of this center.
- On August 27<sup>th</sup>, we completed a 264,000 square foot expansion at Chicago Premium Outlets, one of the country's most successful outlet centers. Simon owns 100% of this center.
- On October 1<sup>st</sup> we opened Tucson Premium Outlets, a 366,000 square foot center with more than 90 retailers featuring high-quality designer and name brands. Simon owns 100% of this center.
- On October 9<sup>th</sup>, we completed a new two-level, 260,000 square foot 'Fashion Wing' expansion at Del Amo Fashion Center, anchored by a new Nordstrom store. Simon owns a 50% interest in this center.
- On October 29<sup>th</sup>, Tampa Premium Outlets will open with 441,000 square feet of high-quality, name brand stores. Simon owns 100% of this center.

Also, Vancouver Designer Outlet, a 242,000 square foot center with high-quality, name brand stores, in Vancouver, British Columbia, Canada opened on July 9<sup>th</sup>. Simon owns a 45% interest in this center.

Construction continues on other significant expansion projects including Roosevelt Field, King of Prussia Mall, Stanford Shopping Center, The Galleria in Houston, Sawgrass Mills and Woodbury Common Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 30 properties in the U.S. Simon's share of the costs of all new development and redevelopment projects under construction at quarter-end was approximately \$2.4 billion.

During the third quarter, construction started on:

- Clarksburg Premium Outlets, a 392,000 square foot center, in Clarksburg, Maryland scheduled to open in October 2016. Simon owns 66% of this project.
- Provence Designer Outlet, a 269,000 square foot center, in Miramas, France scheduled to open in March 2017. Simon owns 90% of this project.

### **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.

In August, Simon issued \$1.10 billion of senior notes consisting of \$500 million of 2.50% notes due 2020 and \$600 million of 3.50% notes due 2025. Combined, the issuance has a weighted average term of 7.8 years and a weighted average coupon rate of 3.05%.

During the first nine months, we closed on 11 new secured loans totaling approximately \$2.7 billion (U.S. dollar equivalent), of which SPG's share is \$1.4 billion. The weighted average interest rate and term on these loans is 2.95% and 8.3 years, respectively.

As of September 30, 2015, Simon had approximately \$6.0 billion of liquidity consisting of cash on hand, including its share of joint venture cash, and available capacity under its revolving credit facilities.

### **2015 Guidance**

Today, the Company is raising both the low and high ends of its previously provided full year 2015 FFO range and currently estimates a range of \$10.10 to \$10.15 per diluted share for the year ending December 31, 2015, with net income to be within a range of \$5.50 to \$5.55 per diluted share.

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

#### **For the year ending December 31, 2015**

	Low End	High End
Estimated net income available to common stockholders per diluted share *	\$5.50	\$5.55
Depreciation and amortization including Simon's share of unconsolidated entities	4.65	4.65

Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, net	(0.05)	(0.05)
Estimated FFO per diluted share *	<u>\$10.10</u>	<u>\$10.15</u>

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

### **Conference Call**

Simon will hold a conference call to discuss the quarterly financial results today at 11:00 a.m. Eastern Time, Tuesday, October 27, 2015. 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 4, 2015. To access the audio replay, dial 1-888-286-8010 (international 617-801-6888) passcode 81372553.

### **Supplemental Materials and Website**

Supplemental information on our third quarter 2015 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 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, changes in market rates of interest and foreign exchange rates for foreign currencies, changes in value of investments in foreign entities, the ability to hedge interest rate and currency risk, risks associated with the acquisition, development, expansion, leasing and management of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic conditions, changes in market rental rates, security breaches that could compromise our information technology or infrastructure or personally identifiable data of customers of our retail properties, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, the intensely competitive market environment in the retail industry, costs of common area maintenance, risks related to international activities, insurance costs and coverage, the loss of key management personnel, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. The Company discusses these and other risks and uncertainties under the heading "Risk Factors" in 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 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](http://simon.com).

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

	<b>For the Three Months</b>		<b>For the Nine Months</b>	
	<b>Ended September 30,</b>		<b>Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>REVENUE:</b>				
Minimum rent	<b>\$ 788,368</b>	\$ 740,214	<b>\$ 2,309,951</b>	\$ 2,190,983
Overage rent	<b>47,433</b>	52,502	<b>123,419</b>	123,336
Tenant reimbursements	<b>373,223</b>	350,595	<b>1,077,702</b>	1,018,316
Management fees and other revenues	<b>38,568</b>	36,396	<b>113,674</b>	101,145
Other income	<b>72,545</b>	54,987	<b>260,736</b>	139,918
<b>Total revenue</b>	<b><u>1,320,137</u></b>	<u>1,234,694</u>	<b><u>3,885,482</u></b>	<u>3,573,698</u>
<b>EXPENSES:</b>				
Property operating	<b>115,820</b>	106,742	<b>315,418</b>	294,318
Depreciation and amortization	<b>289,360</b>	281,661	<b>873,243</b>	849,369
Real estate taxes	<b>114,145</b>	97,359	<b>327,519</b>	291,058

Repairs and maintenance	21,189	21,416	73,599	72,838
Advertising and promotion	38,756	38,359	98,727	99,128
(Recovery of) provision for credit losses	(361)	1,769	6,172	8,635
Home and regional office costs	37,204	40,753	112,454	120,999
General and administrative	14,838	14,388	45,182	44,842
Other	31,599	24,690	74,025	62,457
<b>Total operating expenses</b>	<b>662,550</b>	<b>627,137</b>	<b>1,926,339</b>	<b>1,843,644</b>
<b>OPERATING INCOME</b>	<b>657,587</b>	<b>607,557</b>	<b>1,959,143</b>	<b>1,730,054</b>
Interest expense	(229,654)	(249,780)	(692,801)	(758,945)
Loss on extinguishment of debt	-	(127,573)	-	(127,573)
Income and other taxes	(3,658)	(6,589)	(13,440)	(20,078)
Income from unconsolidated entities	68,221	55,631	203,289	168,473
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	17,717	16,339	154,242
<b>Consolidated income from continuing operations</b>	<b>492,496</b>	<b>296,963</b>	<b>1,472,530</b>	<b>1,146,173</b>
Discontinued operations and gain on disposal	-	-	-	67,524
Discontinued operations transaction expenses	-	-	-	(38,163)
<b>CONSOLIDATED NET INCOME</b>	<b>492,496</b>	<b>296,963</b>	<b>1,472,530</b>	<b>1,175,534</b>
Net income attributable to noncontrolling interests	71,653	44,161	214,901	172,828
Preferred dividends	834	834	2,503	2,503
<b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 420,009</b>	<b>\$ 251,968</b>	<b>\$ 1,255,126</b>	<b>\$ 1,000,203</b>
<b>BASIC AND DILUTED EARNINGS PER COMMON SHARE:</b>				
Income from continuing operations	\$ 1.36	\$ 0.81	\$ 4.04	\$ 3.14
Discontinued operations	-	-	-	0.08
<b>Net income attributable to common stockholders</b>	<b>\$ 1.36</b>	<b>\$ 0.81</b>	<b>\$ 4.04</b>	<b>\$ 3.22</b>

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

	<b>September 30, 2015</b>	December 31, 2014
<b>ASSETS:</b>		
Investment properties at cost	\$ 33,208,645	\$ 31,318,532
Less - accumulated depreciation	9,664,911	8,950,747
	<b>23,543,734</b>	22,367,785
Cash and cash equivalents	856,861	612,282
Tenant receivables and accrued revenue, net	564,344	580,197
Investment in unconsolidated entities, at equity	2,480,603	2,378,800
Investment in Klepierre, at equity	1,801,587	1,786,477
Deferred costs and other assets	1,394,174	1,806,789
<b>Total assets</b>	<b>\$ 30,641,303</b>	<b>\$ 29,532,330</b>
<b>LIABILITIES:</b>		
Mortgages and unsecured indebtedness	\$ 22,629,054	\$ 20,852,993
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,307,707	1,259,681
Cash distributions and losses in partnerships and joint ventures, at equity	1,364,943	1,167,163
Other liabilities	193,683	275,451
<b>Total liabilities</b>	<b>25,495,387</b>	<b>23,555,288</b>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership	25,537	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	43,815	44,062
Common stock, \$0.0001 par value, 511,990,000 shares authorized, 314,804,425 and 314,320,664 issued and outstanding, respectively	31	31

Class B common stock, \$0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding

Capital in excess of par value	9,370,114	9,422,237
Accumulated deficit	(4,336,116)	(4,208,183)
Accumulated other comprehensive loss	(248,369)	(61,041)
Common stock held in treasury at cost, 5,394,345 and 3,540,754 shares, respectively	(437,134)	(103,929)
Total stockholders' equity	4,392,341	5,093,177
Noncontrolling interests	728,038	858,328
<b>Total equity</b>	<b>5,120,379</b>	<b>5,951,505</b>
<b>Total liabilities and equity</b>	<b>\$ 30,641,303</b>	<b>\$ 29,532,330</b>

**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,	
	2015	2014	2015	2014
<b>Revenue:</b>				
Minimum rent	\$ 447,790	\$ 436,580	\$ 1,325,056	\$ 1,289,263
Overage rent	43,669	42,760	136,191	133,146
Tenant reimbursements	203,832	202,973	597,461	588,772
Other income	55,060	54,157	170,600	228,793
Total revenue	<u>750,351</u>	<u>736,470</u>	<u>2,229,308</u>	<u>2,239,974</u>
<b>Operating Expenses:</b>				
Property operating	135,467	141,083	398,528	434,147
Depreciation and amortization	145,351	147,946	435,615	442,141
Real estate taxes	57,767	59,934	172,818	167,523
Repairs and maintenance	15,919	16,289	53,365	51,874
Advertising and promotion	20,395	18,535	54,485	54,458
(Recovery of) provision for credit losses	(212)	210	2,937	4,288
Other	38,861	43,760	122,214	141,243
Total operating expenses	<u>413,548</u>	<u>427,757</u>	<u>1,239,962</u>	<u>1,295,674</u>
<b>Operating Income</b>	<b>336,803</b>	<b>308,713</b>	<b>989,346</b>	<b>944,300</b>
Interest expense	(147,333)	(147,817)	(443,396)	(449,512)
<b>Income from Continuing Operations</b>	<b>189,470</b>	<b>160,896</b>	<b>545,950</b>	<b>494,788</b>
Income from operations of discontinued joint venture interests	-	-	-	5,079
Gain on sale or disposal of assets and interests in unconsolidated entities	-	-	35,779	-
<b>Net Income</b>	<b>\$ 189,470</b>	<b>\$ 160,896</b>	<b>\$ 581,729</b>	<b>\$ 499,867</b>
<b>Third-Party Investors' Share of Net Income</b>	<b>\$ 95,018</b>	<b>\$ 81,810</b>	<b>\$ 296,896</b>	<b>\$ 259,340</b>
<b>Our Share of Net Income</b>	<b>94,452</b>	<b>79,086</b>	<b>284,833</b>	<b>240,527</b>
<b>Amortization of Excess Investment (A)</b>	<b>(22,884)</b>	<b>(26,187)</b>	<b>(71,426)</b>	<b>(76,168)</b>
<b>Our Share of Loss from Unconsolidated Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(652)</b>
<b>Our Share of Gain on Sale or Disposal of Assets and Interests in Unconsolidated Entities, net</b>	<b>-</b>	<b>-</b>	<b>(16,339)</b>	<b>-</b>
<b>Income from Unconsolidated Entities (B)</b>	<b>\$ 71,568</b>	<b>\$ 52,899</b>	<b>\$ 197,068</b>	<b>\$ 163,707</b>

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

	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>Assets:</b>		
Investment properties, at cost	\$ 16,998,613	\$ 16,087,282
Less - accumulated depreciation	<u>5,745,006</u>	<u>5,457,899</u>
	11,253,607	10,629,383
Cash and cash equivalents	854,397	993,178
Tenant receivables and accrued revenue, net	335,259	362,201
Investment in unconsolidated entities, at equity	-	11,386
Deferred costs and other assets	<u>554,938</u>	<u>536,600</u>
Total assets	<u>\$ 12,998,201</u>	<u>\$ 12,532,748</u>
<b>Liabilities and Partners' Deficit:</b>		
Mortgages	\$ 13,932,542	\$ 13,272,557
Accounts payable, accrued expenses, intangibles, and deferred revenue	951,901	1,015,334
Other liabilities	<u>385,277</u>	<u>493,718</u>
Total liabilities	15,269,720	14,781,609
Preferred units	67,450	67,450
Partners' deficit	<u>(2,338,969)</u>	<u>(2,316,311)</u>
Total liabilities and partners' deficit	<u>\$ 12,998,201</u>	<u>\$ 12,532,748</u>
<b>Our Share of:</b>		
Partners' deficit	\$ (875,336)	\$ (663,700)
Add: Excess Investment (A)	<u>1,809,694</u>	<u>1,875,337</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 934,358</u>	<u>\$ 1,211,637</u>

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

<b>Simon Property Group, Inc. and Subsidiaries</b> <i>Unaudited Reconciliation of Non-GAAP Financial Measures (C)</i> (Amounts in thousands, except per share amounts)
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**Reconciliation of Consolidated Net Income to FFO**

	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Consolidated Net Income (D)</b>	\$ 492,496	\$ 296,963	\$ 1,472,530	\$ 1,175,534
<b>Adjustments to Arrive at FFO:</b>				
Depreciation and amortization from consolidated properties	285,490	277,936	861,570	915,040
Our share of depreciation and amortization from unconsolidated entities, including Klepierre	143,747	135,131	395,815	410,848
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	(17,717)	(16,339)	(154,484)
Net income attributable to noncontrolling interest holders in properties	(839)	(750)	(2,138)	(1,720)
Noncontrolling interests portion of depreciation and amortization	(895)	(869)	(2,726)	(2,729)
Preferred distributions and dividends	<u>(1,313)</u>	<u>(1,313)</u>	<u>(3,939)</u>	<u>(3,939)</u>
<b>FFO of the Operating Partnership (E)</b>	<u>\$ 918,686</u>	<u>\$ 689,381</u>	<u>\$ 2,704,773</u>	<u>\$ 2,338,550</u>
<b>Diluted net income per share to diluted FFO per share reconciliation:</b>				
<b>Diluted net income per share</b>	\$ 1.36	\$ 0.81	\$ 4.04	\$ 3.22
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	1.18	1.14	3.47	3.64
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	(0.05)	(0.05)	(0.43)
<b>Diluted FFO per share (F)</b>	<u>\$ 2.54</u>	<u>\$ 1.90</u>	<u>\$ 7.46</u>	<u>\$ 6.43</u>

Details for per share calculations:				
FFO of the Operating Partnership (E)	\$ 918,686	\$ 689,381	\$ 2,704,773	\$ 2,338,550
Diluted FFO allocable to unitholders	(131,790)	(100,286)	(389,777)	(339,171)
Diluted FFO allocable to common stockholders (G)	<u>786,896</u>	<u>589,095</u>	<u>2,314,996</u>	<u>1,999,379</u>
Basic and Diluted weighted average shares outstanding	309,417	310,772	310,333	310,713
Weighted average limited partnership units outstanding	51,817	52,873	52,251	52,709
Basic and Diluted weighted average shares and units outstanding	<u>361,234</u>	<u>363,645</u>	<u>362,584</u>	<u>363,422</u>
Basic and Diluted FFO per Share (F)	\$ 2.54	\$ 1.90	\$ 7.46	\$ 6.43
Percent Change	33.7%		16.0%	

**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 and Simon HBC joint venture. Amounts included in Footnotes D below exclude our share of related activity for our investment in Klepierre and Simon HBC joint venture. For further information on Klepierre, reference should be made to financial information in Klepierre's public filings and additional discussion and analysis in our Form 10-Q.
- (C) This report contains measures of financial or operating performance that are not specifically defined by GAAP, including FFO, FFO per share, comparable FFO per share and comparable EPS. FFO is a performance measure that is standard in the REIT business. We believe FFO provides investors with additional information concerning our operating performance and a basis to compare our performance with those of other REITs. We also use these measures internally to monitor the operating performance of our portfolio. Our computation of these non-GAAP measures may not be the same as similar measures reported by other REITs.

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

We have adopted NAREIT's clarification of the definition of FFO that requires it to include the effects of nonrecurring items not classified as extraordinary, cumulative effect of accounting changes, or a gain or loss resulting from the sale or disposal of, or any impairment charges relating to, previously depreciated retail operating properties. We include in FFO gains and losses realized from the sale of land, 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 \$0.9 million and \$2.0 million for the three months ended September 30, 2015 and 2014, respectively, and \$4.6 million and \$14.4 million for the nine months ended September 30, 2015 and 2014, respectively.
  - Straight-line adjustments to minimum rent of \$15.0 million and \$17.6 million for the three months ended September 30, 2015 and 2014, respectively, and \$48.2 million and \$44.9 million for the nine months ended September 30, 2015 and 2014, respectively (including \$0.3 million related to WPG in 2014).
  - Amortization of fair market value of leases from acquisitions of \$3.4 million and \$3.7 million for the three months ended September 30, 2015 and 2014, respectively, and \$10.0 million and \$12.2 million for the nine months ended September 30, 2015 and 2014, respectively (including \$0.3 million related to WPG in 2014).
  - Debt premium amortization of \$5.4 million and \$5.2 million for the three months ended September 30, 2015 and 2014, respectively, and \$18.0 million and \$26.6 million for the nine months ended September 30, 2015 and 2014, respectively (including \$0.2 million related to WPG in 2014).
- (E) Includes FFO of the operating partnership related to the sale of marketable securities of \$80.2 million for the nine months ended September 30, 2015. Includes FFO of the operating partnership related to a loss on the extinguishment of debt of \$127.6 million for the three and nine months ended September 30, 2014 and FFO related to WPG of \$108.0 million (\$146.2 million from operations net of \$38.2 million of transaction expenses) for the nine months ended September 30, 2014.
- (F) 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. Includes Basic and Diluted FFO per share related to a loss on the extinguishment of debt of \$0.35 for the three and nine months ended September 30, 2014 and FFO per share related to WPG of \$0.30 (\$0.40 from operations net of \$0.10 of transaction expenses) for the nine months ended September 30, 2014.
- (G) Includes Diluted FFO allocable to common stockholders related to a loss on the extinguishment of debt of \$109.1 million for the three and nine months ended September 30, 2014 and FFO related to WPG of \$92.4 million for the nine months ended September 30, 2014.

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

	<b>THREE MONTHS ENDED SEPTEMBER 30,</b>		<b>NINE MONTHS ENDED SEPTEMBER 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Reported FFO per share	\$ 2.54	\$ 1.90	\$ 7.46	\$ 6.43
Less: Gain upon sale of marketable securities	-	-	(0.22)	-
Add: Loss on extinguishment of debt	-	0.35	-	0.35
Add: WPG spin-off transaction expenses	-	-	-	0.10
Less: FFO from WPG properties	-	-	-	(0.40)
Comparable FFO per share	<u>\$ 2.54</u>	<u>\$ 2.25</u>	<u>\$ 7.24</u>	<u>\$ 6.48</u>
Comparable FFO per share growth	12.9%		11.7%	

  

	<b>THREE MONTHS ENDED SEPTEMBER 30,</b>		<b>NINE MONTHS ENDED SEPTEMBER 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Reported earnings per share <sup>1</sup>	\$ 1.36	\$ 0.81	\$ 4.04	\$ 3.22
Less: Gain upon sale of marketable securities	-	-	(0.22)	-
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	-	-	-	(0.18)
Comparable earnings per share	<u>\$ 1.36</u>	<u>\$ 1.16</u>	<u>\$ 3.82</u>	<u>\$ 3.49</u>
Comparable earnings per share growth	17.2%		9.5%	

<sup>1</sup> Nine month period ended September 30, 2014 includes a gain on disposition of \$0.37 per diluted share related to Klepierre's sale of a portfolio of 126 retail galleries.

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SOURCE Simon Property Group, Inc.

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