



Simon Property Group Reports First Quarter Results And Raises Quarterly Dividend

April 22, 2014

INDIANAPOLIS, April 22, 2014 /PRNewswire/ -- Simon Property Group, Inc. (NYSE: SPG) today reported results for the quarter ended March 31, 2014.

Results for the Quarter

- Funds from Operations ("FFO") was \$865.3 million, or \$2.38 per diluted share, as compared to \$741.9 million, or \$2.05 per diluted share, in the prior year period. The FFO increase per diluted share was 16.1%.
- Net income attributable to common stockholders was \$341.6 million, or \$1.10 per diluted share, as compared to \$283.1 million, or \$0.91 per diluted share, in the prior year period.

"We are off to an outstanding start in 2014, reporting strong financial and operating results led by a 16.1% growth in FFO per diluted share," said David Simon, Chairman and CEO. "The increase in comparable property net operating income of 3.7% was driven by strong releasing spreads and occupancy gains, and demonstrates our ability to continue to increase our cash flow. We are increasing our full-year 2014 guidance and raising our dividend due to our strong first quarter performance and expectations for continued growth."

U.S. Malls and Premium Outlets Operating Statistics

	As of March 31,		Year-over-Year Change
	2014	2013	
Occupancy (1)	95.5%	94.7%	+ 80 basis points
Total Sales per sq. ft. (2)	\$576	\$575	+0.2%
Base Minimum Rent per sq. ft. (1)	\$42.77	\$41.05	+4.2%
Releasing Spread per sq. ft. (1)(3)	\$9.90	\$7.00	+ \$2.90
Releasing Spread (percentage change) (1)(3)	19.5%	13.4%	+ 610 basis points

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

(2) 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.

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

Dividends

Today the Company announced that the Board of Directors declared a quarterly common stock dividend of \$1.30 per share. This is an increase of \$0.05 from the previous quarter, and a year-over-year increase of 13%. The dividend will be payable on May 30, 2014 to stockholders of record on May 16, 2014.

The Company 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 June 30, 2014 to stockholders of record on June 16, 2014.

Development Activity

During the first quarter, we started construction on three significant redevelopment and expansion projects:

- Stanford Shopping Center in Palo Alto, California – relocation of Bloomingdale's (opening October 2014), and a 120,000 square foot small shop expansion including restaurants and leading retailers
- Houston Galleria in Houston, Texas – relocation of Saks Fifth Avenue, and 105,000 square foot small shop expansion including restaurants and leading retailers
- Yeosu Premium Outlets in Yeosu (Seoul), Korea – 259,000 square foot expansion of this highly productive outlet center

Redevelopment and expansion projects, including the addition of new anchors, are underway at 29 properties in the U.S., Asia and Mexico.

Construction continues on four new Premium Outlets opening in 2014 and 2015:

- Charlotte Premium Outlets in Charlotte, North Carolina is a 400,000 square foot center scheduled to open in July of 2014.

The Company owns a 50% interest in this project.

- Twin Cities Premium Outlets in Eagan, Minnesota is a 410,000 square foot center scheduled to open in August of 2014. The Company owns a 35% interest in this project.
- Montreal Premium Outlets in Mirabel, Quebec, Canada is a 360,000 square foot center scheduled to open in October of 2014. The Company owns a 50% interest in this project.
- Vancouver Designer Outlet in Vancouver, British Columbia, Canada is a 242,000 square foot center scheduled to open in April of 2015. The Company owns a 45% interest in this project.

The Company's share of the costs of all development and redevelopment projects currently under construction is approximately \$1.5 billion.

Acquisitions and Dispositions

As previously announced in January 2014, we acquired our joint venture partners' remaining interest in Kravco Simon Investments, an owner of interests in a portfolio of 10 assets. This transaction included the remaining interest in King of Prussia Mall, bringing our ownership of that asset to 100%.

In January, we completed the acquisition of our joint venture partner's interest in Arizona Mills, as well as land in Oyster Bay, Long Island for future development. We now own 100% of Arizona Mills.

Financing Activity

In January, 2014, Simon Property Group, L.P., completed a \$1.2 billion senior unsecured notes offering with a weighted average duration of 7.5 years and an average coupon rate of 2.975%. The offering was comprised of \$600 million of 2.20% five-year senior notes and \$600 million of 3.75% ten-year senior notes. Net proceeds from the public offering were used to repay debt and for general corporate purposes.

On April 7th, the Company announced that it had amended and extended its \$4.0 billion unsecured multi-currency revolving credit facility. The newly refinanced facility, which can be increased to \$5.0 billion during its term, will initially mature on June 30, 2018 and can be extended for an additional year to June 30, 2019 at the Company's sole option. The interest rate on the amended revolver is reduced to LIBOR plus 80 basis points from LIBOR plus 95 basis points. The Company has a combined \$6.0 billion of total revolving credit capacity.

Washington Prime Group Inc. Spin-Off

Activities continue related to the announced spin-off transaction of our strip centers and smaller enclosed malls. During the first quarter, we announced the senior management team and Board of Directors for Washington Prime Group Inc. We continue to expect the transaction will be completed in the second quarter of 2014.

2014 Guidance

Today the Company increased its FFO guidance by \$0.10 to a range of \$9.60 to \$9.70 per diluted share for the year ending December 31, 2014, and net income to a range of \$4.55 to \$4.65 per diluted share. This guidance does not take into consideration any impact from the previously mentioned spin-off of Washington Prime Group. The Company plans to update guidance once the spin-off transaction is completed.

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, 2014

	Low <u>End</u>	High <u>End</u>
Estimated net income available to common stockholders per diluted share	\$4.55	\$4.65
Depreciation and amortization including the Company's share of unconsolidated entities	5.06	5.06
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, net	<u>(0.01)</u>	<u>(0.01)</u>
Estimated FFO per diluted share	<u>\$9.60</u>	<u>\$9.70</u>

Conference Call

Simon Property Group will hold a conference call to discuss the quarterly financial results today at 11:00 a.m. Eastern Time, Tuesday, April 22, 2014. Live streaming audio of the conference call will be accessible at investors.simon.com. An online replay will be available until May 6, 2014 at investors.simon.com.

Supplemental Materials and Website

Supplemental information on our first quarter 2014 performance is available at investors.simon.com. This information has also been furnished to the SEC in a current report on Form 8-K.

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

Non-GAAP Financial Measures

This press release includes FFO 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 the Company's supplemental information for the quarter. FFO and comparable property net operating income growth are financial performance measures widely used in the REIT industry. Our definitions of these non-GAAP measures may not be the same as similar measures reported by other REITs.

Forward-Looking Statements

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

About Simon Property Group

Simon Property Group, Inc. (NYSE: SPG) is an S&P 100 company and a global leader in the retail real estate industry. We currently own or have an interest in more than 325 retail real estate properties in North America, Asia and Europe comprising approximately 242 million square feet. We are headquartered in Indianapolis, Indiana and employ approximately 5,500 people in the U.S. For more information, visit simon.com.

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

	For the Three Months Ended March 31,	
	2014	2013
REVENUE:		
Minimum rent	\$ 828,920	\$ 777,907
Overage rent	33,784	37,699
Tenant reimbursements	372,639	338,969
Management fees and other revenues	30,607	29,729
Other income	49,041	30,754
Total revenue	1,314,991	1,215,058
EXPENSES:		
Property operating	121,087	109,910
Depreciation and amortization	326,461	316,633
Real estate taxes	114,252	109,705
Repairs and maintenance	36,916	29,725
Advertising and promotion	24,571	21,259
Provision for credit losses	5,209	2,734
Home and regional office costs	35,288	34,894
General and administrative	14,855	14,509
Other	20,480	18,000
Total operating expenses	699,119	657,369
OPERATING INCOME	615,872	557,689
Interest expense	(268,151)	(285,026)
Income and other taxes	(6,938)	(13,193)
Income from unconsolidated entities	57,423	54,231
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	2,897	20,767
CONSOLIDATED NET INCOME	401,103	334,468
Net income attributable to noncontrolling interests	58,621	50,496

Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 341,648</u>	<u>\$ 283,138</u>
BASIC EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	<u>\$ 1.10</u>	<u>\$ 0.91</u>
DILUTED EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	<u>\$ 1.10</u>	<u>\$ 0.91</u>

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

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
ASSETS:		
Investment properties at cost	\$ 35,598,458	\$ 35,126,344
Less - accumulated depreciation	<u>10,309,988</u>	<u>10,067,743</u>
	25,288,470	25,058,601
Cash and cash equivalents	1,013,368	1,716,863
Tenant receivables and accrued revenue, net	530,479	581,482
Investment in unconsolidated entities, at equity	2,347,523	2,433,399
Investment in Klepierre, at equity	2,010,771	2,014,415
Deferred costs and other assets	<u>1,564,988</u>	<u>1,519,814</u>
Total assets	<u>\$ 32,755,599</u>	<u>\$ 33,324,574</u>
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,186,610	\$ 23,588,531
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,259,452	1,374,113
Cash distributions and losses in partnerships and joint ventures, at equity	1,139,034	1,091,591
Other liabilities	<u>198,610</u>	<u>257,222</u>
Total liabilities	<u>25,783,706</u>	<u>26,311,457</u>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	107,612	190,485
EQUITY:		
Stockholders' Equity		
Capital stock (850,000,000 total shares authorized, \$ 0.0001 par value, 238,000,000 shares of excess common stock, 100,000,000 authorized shares of preferred stock):		
Series J 8 3/8% cumulative redeemable preferred stock, 1,000,000 shares authorized, 796,948 issued and outstanding with a liquidation value of \$ 39,847	44,308	44,390
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 314,299,970 and 314,251,245 issued and outstanding, respectively	31	31
Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
Capital in excess of par value	9,288,321	9,217,363
Accumulated deficit	(3,273,092)	(3,218,686)
Accumulated other comprehensive loss	(67,579)	(75,795)
Common stock held in treasury at cost, 3,649,434 and 3,650,680 shares, respectively	<u>(117,696)</u>	<u>(117,897)</u>
Total stockholders' equity	5,874,293	5,849,406
Noncontrolling interests	<u>989,988</u>	<u>973,226</u>
Total equity	<u>6,864,281</u>	<u>6,822,632</u>
Total liabilities and equity	<u>\$ 32,755,599</u>	<u>\$ 33,324,574</u>

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

	For the Three Months Ended March 31,	
	2014	2013
Revenue:		
Minimum rent	\$ 436,519	\$ 394,153
Overage rent	48,932	47,767
Tenant reimbursements	197,452	184,399
Other income	112,908	42,074
Total revenue	795,811	668,393
Operating Expenses:		
Property operating	164,150	115,869
Depreciation and amortization	156,077	127,686
Real estate taxes	56,812	54,706
Repairs and maintenance	20,614	16,164
Advertising and promotion	19,088	15,921
Provision for credit losses	3,230	1,245
Other	53,060	35,682
Total operating expenses	473,031	367,273
Operating Income	322,780	301,120
Interest expense	(155,199)	(147,486)
Income from Continuing Operations	167,581	153,634
Loss from operations of discontinued joint venture interests	-	(320)
Net Income	\$ 167,581	\$ 153,314
Third-party investors' share of net income	\$ 89,313	\$ 83,766
Our share of net income	78,268	69,548
Amortization of Excess Investment (A)	(25,598)	(24,829)
Income from Unconsolidated Entities (B)	\$ 52,670	\$ 44,719

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

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

	March 31, 2014	December 31, 2013
Assets:		
Investment properties, at cost	\$ 16,019,083	\$ 15,824,689
Less - accumulated depreciation	5,339,813	5,294,578
	10,679,270	10,530,111
Cash and cash equivalents	747,103	792,751
Tenant receivables and accrued revenue, net	287,777	310,320
Investment in unconsolidated entities, at equity	28,832	38,352
Deferred costs and other assets	520,058	586,622
Total assets	\$ 12,263,040	\$ 12,258,156
Liabilities and Partners' Deficit:		
Mortgages	\$ 13,013,998	\$ 13,024,257
Accounts payable, accrued expenses, intangibles, and deferred revenue	977,038	849,107

Other liabilities	<u>542,950</u>	514,822
Total liabilities	<u>14,533,986</u>	14,388,186
Preferred units	<u>67,450</u>	67,450
Partners' deficit	<u>(2,338,396)</u>	(2,197,480)
Total liabilities and partners' deficit	<u>\$ 12,263,040</u>	<u>\$ 12,258,156</u>
Our Share of:		
Partners' deficit	<u>\$ (763,064)</u>	\$ (717,776)
Add: Excess Investment ^(A)	<u>1,971,553</u>	2,059,584
Our net Investment in Joint Ventures	<u>\$ 1,208,489</u>	<u>\$ 1,341,808</u>

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

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

Reconciliation of Consolidated Net Income to FFO

	For the Three Months	
	Ended March 31,	
	<u>2014</u>	<u>2013</u>
Consolidated Net Income (D)	\$ 401,103	\$ 334,468
Adjustments to Arrive at FFO:		
Depreciation and amortization from consolidated properties	322,604	312,585
Our share of depreciation and amortization from unconsolidated entities, including Klepierre	147,256	121,549
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(2,897)	(20,767)
Net income attributable to noncontrolling interest holders in properties	(523)	(2,461)
Noncontrolling interests portion of depreciation and amortization	(897)	(2,173)
Preferred distributions and dividends	(1,313)	(1,313)
FFO of the Operating Partnership	<u>\$ 865,333</u>	<u>\$ 741,888</u>

Diluted Net Income Per Share to Diluted FFO Per Share Reconciliation:

Diluted net income per share	\$ 1.10	\$ 0.91
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	1.29	1.20
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(0.01)	(0.06)
Diluted FFO per share	<u>\$ 2.38</u>	<u>\$ 2.05</u>

Details for per share calculations:

FFO of the Operating Partnership	\$ 865,333	\$ 741,888
Diluted FFO allocable to unitholders	(124,878)	(106,687)
Diluted FFO allocable to common stockholders	<u>\$ 740,455</u>	<u>\$ 635,201</u>
Basic and Diluted weighted average shares outstanding	310,623	309,987
Weighted average limited partnership units outstanding	52,386	52,065
Basic and Diluted weighted average shares and units outstanding	<u>363,009</u>	<u>362,052</u>
Basic and Diluted FFO per Share	\$ 2.38	\$ 2.05
Percent Change	16.1%	

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

Notes:

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

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

We have adopted NAREIT's clarification of the definition of FFO that requires it to include the effects of nonrecurring items not classified as extraordinary, cumulative effect of accounting changes, or a gain or loss resulting from the sale or disposal of, or any impairment charges relating to, previously depreciated retail operating properties. We include in FFO gains and losses realized from the sale of land, 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 \$6.8 million and \$0.4 million for the three months ended March 31, 2014 and 2013, respectively
 - Straight-line adjustments to minimum rent of \$14.0 million and \$12.8 million for the three months ended March 31, 2014 and 2013, respectively
 - Amortization of fair market value of leases from acquisitions of \$5.4 million and \$10.7 million for the three months ended March 31, 2014 and 2013, respectively
 - Debt premium amortization of \$16.1 million and \$10.9 million for the three months ended March 31, 2014 and 2013, respectively.

SOURCE Simon Property Group, Inc.

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