



## Simon Property Group Reports Fourth Quarter Results And Raises Quarterly Dividend

January 31, 2014

INDIANAPOLIS, Jan. 31, 2014 /PRNewswire/ -- Simon Property Group, Inc. (NYSE: SPG) today reported results for the quarter and twelve months ended December 31, 2013.

### Results for the Quarter

- Funds from Operations ("FFO") was \$894.8 million, or \$2.47 per diluted share, as compared to \$827.4 million, or \$2.29 per diluted share, in the prior year period. The FFO increase on a per diluted share basis was 7.9%.
- Net income attributable to common stockholders was \$381.6 million, or \$1.23 per diluted share, as compared to \$315.4 million, or \$1.01 per diluted share, in the prior year period.

### Results for the Year

- Funds from Operations ("FFO") was \$3.206 billion, or \$8.85 per diluted share, as compared to \$2.885 billion, or \$7.98 per diluted share, in the prior year period. The FFO increase on a per diluted share basis was 10.9%.
- Net income attributable to common stockholders was \$1.316 billion, or \$4.24 per diluted share, as compared to \$1.431 billion, or \$4.72 per diluted share, in the prior year period. Results for 2012 include primarily non-cash net gains from acquisitions and dispositions of \$1.41 per diluted share.

"This was an excellent quarter and year for Simon Property Group, capped off by our twentieth anniversary as a public company in December. Over that 20-year period, we delivered a total return to shareholders of 1,915%," said David Simon, Chairman and CEO. "We produced strong financial and operating results in the fourth quarter, led by 5.5% growth in comparable property net operating income for our U.S. Malls and Premium Outlets. We also completed our acquisition of ownership interests in the European designer outlet business of McArthurGlen and opened significant redevelopments and expansions at several of our properties."

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

	As of		
	December 31,		%
	2013	2012	Increase
Occupancy <sup>(1)</sup>	96.1%	95.3%	+ 80 basis points
Total Sales per sq. ft. <sup>(2)</sup>	\$582	\$568	2.5%
Base Minimum Rent per sq. ft. <sup>(1)</sup>	\$42.34	\$40.73	4.0%
Releasing Spread per sq. ft. <sup>(1)(3)</sup>	\$8.94	\$5.21	+ \$3.73
Releasing Spread (percentage change) <sup>(1)(3)</sup>	16.8%	10.8%	+ 600 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 \$1.25 per share. This is an increase of \$0.05 from the previous quarter, and a year over year increase of 8.7%. The dividend will be payable on February 28, 2014 to stockholders of record on February 14, 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 March 31, 2014 to stockholders of record on March 17, 2014.

### Development Activity

In early October, we opened The Shops at Nanuet, a 750,000 square foot open-air, state-of-the-art center located in Rockland County, New York. This project, which was 98% leased at opening, transformed the property from an enclosed mall to a main-street outdoor shopping destination providing customers with a wide variety of fashion and specialty retail, dining and entertainment opportunities.

During the fourth quarter, the Company completed expansions at the following properties:

- Orlando Premium Outlets – Vineland Ave (Orlando, Florida) – 105,000 square feet, 100% leased at opening
- Johor Premium Outlets (Johor, Malaysia) – 90,000 square feet, 100% leased at opening
- Walt Whitman Shops (Huntington Station, New York) – 74,000 square feet, 100% leased at opening

We started construction on the transformational redevelopment and expansion of Roosevelt Field in Garden City, New York, during the fourth quarter, which will include the addition of Neiman Marcus. Redevelopment and expansion projects, including the addition of new anchors, are underway at 25 properties in the U.S., Asia and Mexico. The Company's share of the cost of these projects is approximately \$1.1 billion.

The Company's outlet business continues its robust expansion with four new Premium Outlets under construction:

- 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.

### **Acquisitions and Dispositions**

As previously announced, the Company completed the closing of its acquisition of ownership interests in four existing McArthurGlen Designer Outlets: Parndorf (Vienna, Austria), La Reggia (Naples, Italy), Noventa di Piave (Venice, Italy) and Roermond (Roermond, the Netherlands) during the fourth quarter. The Company also owns an interest in the existing Ashford Designer Outlet in Kent, UK, Vancouver Designer Outlet (currently under construction), and a 50% ownership in McArthurGlen's management and development company. McArthurGlen is a leader in upscale, European designer outlet centers.

During the fourth quarter, the Company completed the sale of four assets – two community/lifestyle centers and two outlets.

In January, 2014, we acquired our joint venture partners' remaining interest in Kravco Simon Investments, a portfolio of 10 assets. This transaction included the remaining interest in King of Prussia Mall, bringing our ownership to 100%.

### **Financing Activity**

On October 2, 2013, Simon Property Group, L.P., the Company's majority-owned operating partnership subsidiary, issued €750 million 7-year senior unsecured notes at 2.375%. This was the Company's first offering in the euro-denominated debt market. Net proceeds from the public offering were used to repay euro-denominated borrowings under the Company's unsecured revolving credit facility and for general corporate purposes.

The Company was also active in the secured debt markets in 2013. During the fourth quarter, we closed or locked rates on 10 new loans totaling approximately \$2.2 billion, of which SPG's share is \$1.0 billion. The weighted average interest rate on these new loans is 4.00% and the weighted average term is 7.4 years. For the year, we closed or locked rates on 30 new loans totaling approximately \$5.1 billion, of which SPG's share is \$3.0 billion. The weighted average interest rate on these new loans is 3.31% and the weighted average term is 7.5 years.

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.

### **Spin Off**

In December, 2013, Simon Property Group announced a plan to spin off all of its strip center business and 44 smaller enclosed malls into an independent, publicly traded REIT. In conjunction with this transaction, we filed a Form 10 on December 24, 2013. We continue to expect the transaction will be effective in the second quarter of 2014.

### **2014 Guidance**

The Company estimates that FFO will be within a range of \$9.50 to \$9.60 per diluted share for the year ending December 31, 2014, and net income will be within a range of \$4.55 to \$4.65 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, 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	<u>4.95</u>	<u>4.95</u>
Estimated FFO per diluted share	<u>\$9.50</u>	<u>\$9.60</u>

This guidance does not take into consideration any impact from the previously mentioned spin-off transaction.

### **Conference Call**

Simon Property Group will hold a conference call to discuss our financial results today at 10:00 a.m. Eastern Time, Friday, January 31, 2014. Live

streaming audio of the conference call will be accessible at [investors.simon.com](http://investors.simon.com). An online replay will be available until February 14, 2014 at [investors.simon.com](http://investors.simon.com).

### **Supplemental Materials and Website**

The Company has provided supplemental information on its fourth quarter performance 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 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. The Company currently owns or has an interest in more than 325 retail real estate properties in North America, Asia and Europe comprising approximately 243 million square feet. We are headquartered in Indianapolis, Indiana and employ approximately 5,500 people in the U.S. For more information, visit [www.simon.com](http://www.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 Twelve Months</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>REVENUE:</b>				
Minimum rent	<b>\$ 850,082</b>	\$ 808,533	<b>\$ 3,201,958</b>	\$ 3,015,866
Overage rent	<b>89,015</b>	85,449	<b>223,473</b>	195,726
Tenant reimbursements	<b>383,072</b>	361,006	<b>1,442,907</b>	1,340,307
Management fees and other revenues	<b>31,816</b>	35,438	<b>126,972</b>	128,366
Other income	<b>62,275</b>	54,005	<b>174,828</b>	199,819
<b>Total revenue</b>	<b>1,416,260</b>	1,344,431	<b>5,170,138</b>	4,880,084
<b>EXPENSES:</b>				
Property operating	<b>121,039</b>	116,619	<b>475,133</b>	469,755
Depreciation and amortization	<b>329,183</b>	350,353	<b>1,290,528</b>	1,257,569
Real estate taxes	<b>112,640</b>	108,094	<b>444,899</b>	419,267
Repairs and maintenance	<b>36,224</b>	37,306	<b>120,803</b>	116,168
Advertising and promotion	<b>44,866</b>	41,028	<b>126,210</b>	118,790

Provision for credit losses	3,531	7,538	7,737	12,809
Home and regional office costs	34,911	28,907	140,931	123,926
General and administrative	15,327	14,358	59,803	57,144
Marketable and non-marketable securities charges and realized gains, net	-	(6,426)	-	(6,426)
Other	25,993	32,056	88,405	90,482
<b>Total operating expenses</b>	<b>723,714</b>	<b>729,833</b>	<b>2,754,449</b>	<b>2,659,484</b>
<b>OPERATING INCOME</b>	<b>692,546</b>	614,598	<b>2,415,689</b>	2,220,600
Interest expense	(287,657)	(291,492)	(1,137,139)	(1,127,025)
Income and other taxes	(9,790)	(6,008)	(39,734)	(15,880)
Income from unconsolidated entities	46,596	35,294	205,259	131,907
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	7,609	18,104	107,515	510,030 (A)
<b>CONSOLIDATED NET INCOME</b>	<b>449,304</b>	370,496	<b>1,551,590</b>	1,719,632
Net income attributable to noncontrolling interests	66,915	54,279	231,949	285,136
Preferred dividends	834	834	3,337	3,337
<b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 381,555</b>	<b>\$ 315,383</b>	<b>\$ 1,316,304</b>	<b>\$ 1,431,159</b>
<b>BASIC EARNINGS PER COMMON SHARE:</b>				
Net income attributable to common stockholders	<u>\$ 1.23</u>	<u>\$ 1.01</u>	<u>\$ 4.24</u>	<u>\$ 4.72</u>
<b>DILUTED EARNINGS PER COMMON SHARE:</b>				
Net income attributable to common stockholders	<u>\$ 1.23</u>	<u>\$ 1.01</u>	<u>\$ 4.24</u>	<u>\$ 4.72</u>

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

	December 31, 2013	December 31, 2012
<b>ASSETS:</b>		
Investment properties at cost	\$ 35,126,344	\$ 34,252,521
Less - accumulated depreciation	<u>10,067,743</u>	<u>9,068,388</u>
	25,058,601	25,184,133
Cash and cash equivalents	1,716,863	1,184,518
Tenant receivables and accrued revenue, net	581,482	521,301
Investment in unconsolidated entities, at equity	2,433,399	2,108,966
Investment in Klepierre, at equity	2,014,415	2,016,954
Deferred costs and other assets	<u>1,519,814</u>	<u>1,570,734</u>
<b>Total assets</b>	<b>\$ 33,324,574</b>	<b>\$ 32,586,606</b>
<b>LIABILITIES:</b>		
Mortgages and unsecured indebtedness	\$ 23,588,531	\$ 23,113,007
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,374,113	1,374,172
Cash distributions and losses in partnerships and joint ventures, at equity	1,091,591	724,744
Other liabilities	<u>257,222</u>	<u>303,588</u>
<b>Total liabilities</b>	<b>26,311,457</b>	<b>25,515,511</b>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	190,485	178,006
<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 44,390      44,719

Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 314,251,245 and 313,658,419 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 9,217,363      9,175,724

Accumulated deficit (3,218,686)      (3,083,190)

Accumulated other comprehensive loss (75,795)      (90,900)

Common stock held in treasury at cost, 3,650,680 and 3,762,595 shares, respectively (117,897)      (135,781)

Total stockholders' equity 5,849,406      5,910,603

Noncontrolling interests 973,226      982,486

**Total equity** **6,822,632**      **6,893,089**

**Total liabilities and equity** **\$ 33,324,574**      **\$ 32,586,606**

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

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2013	2012	2013	2012
<b>Revenue:</b>				
Minimum rent	\$ 465,138	\$ 395,853	\$ 1,666,886	\$ 1,487,554
Overage rent	52,207	47,987	180,772	176,609
Tenant reimbursements	196,313	182,866	765,357	691,564
Other income	77,599	50,012	200,104	171,698
Total revenue	791,257	676,718	2,813,119	2,527,425
<b>Operating Expenses:</b>				
Property operating	133,991	125,375	498,485	477,338
Depreciation and amortization	138,474	132,803	528,317	508,083
Real estate taxes	52,515	46,121	212,667	178,739
Repairs and maintenance	20,960	19,894	69,116	65,163
Advertising and promotion	18,175	15,575	62,339	55,175
(Recovery of) provision for credit losses	(485)	2,071	1,287	1,824
Other	45,986	42,376	156,115	170,510
Total operating expenses	409,616	384,215	1,528,326	1,456,832
<b>Operating Income</b>	381,641	292,503	1,284,793	1,070,593
Interest expense	(241,331)	(147,818)	(694,904)	(599,400)
<b>Income from Continuing Operations</b>	140,310	144,685	589,889	471,193
Gain (loss) from operations of discontinued joint venture interests	385	457	46	(20,311)
Gain (loss) on disposal of discontinued operations, net	26,228	(450)	51,164	(5,354)
<b>Net Income</b>	\$ 166,923	\$ 144,692	\$ 641,099	\$ 445,528
<b>Third-party investors' share of net income</b>	\$ 89,782	\$ 76,823	\$ 353,708	\$ 239,931
<b>Our share of net income</b>	77,141	67,869	287,391	205,597
<b>Amortization of Excess Investment (B)</b>	(27,460)	(28,341)	(102,875)	(83,400)
<b>Our share of loss on sale or disposal of assets and interests in unconsolidated entities, net</b>	-	-	-	9,245
<b>Income from Unconsolidated Entities (C)</b>	\$ 49,681	\$ 39,528	\$ 184,516	\$ 131,442

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

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

<b>BALANCE SHEETS</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Assets:</b>		
Investment properties, at cost	<b>\$ 15,824,689</b>	\$ 14,607,291
Less - accumulated depreciation	<b>5,294,578</b>	4,926,511
	<b>10,530,111</b>	9,680,780
Cash and cash equivalents	<b>792,751</b>	619,546
Tenant receivables and accrued revenue, net	<b>310,320</b>	252,774
Investment in unconsolidated entities, at equity	<b>38,352</b>	39,589
Deferred costs and other assets	<b>586,622</b>	438,399
Total assets	<b><u>\$ 12,258,156</u></b>	<b><u>\$ 11,031,088</u></b>
<b>Liabilities and Partners' Deficit:</b>		
Mortgages	<b>\$ 13,024,257</b>	\$ 11,584,863
Accounts payable, accrued expenses, intangibles, and deferred revenues	<b>849,107</b>	672,483
Other liabilities	<b>514,822</b>	447,132
Total liabilities	<b>14,388,186</b>	12,704,478
Preferred units	<b>67,450</b>	67,450
Partners' deficit	<b>(2,197,480)</b>	(1,740,840)
Total liabilities and partners' deficit	<b><u>\$ 12,258,156</u></b>	<b><u>\$ 11,031,088</u></b>
<b>Our Share of:</b>		
Partners' deficit	<b>\$ (717,776)</b>	\$ (799,911)
Add: Excess Investment <sup>(B)</sup>	<b>2,059,584</b>	2,184,133
Our net Investment in Joint Ventures	<b><u>\$ 1,341,808</u></b>	<b><u>\$ 1,384,222</u></b>

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

**Simon Property Group, Inc. and Subsidiaries**  
*Unaudited Reconciliation of Non-GAAP Financial Measures <sup>(D)</sup>*  
*(Amounts in thousands, except per share amounts)*

**Reconciliation of Consolidated Net Income to FFO**

	<b>For the Three Months Ended December 31,</b>		<b>For the Twelve Months Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Consolidated Net Income <sup>(E)</sup></b>	<b>\$ 449,304</b>	\$ 370,496	<b>\$ 1,551,590</b>	\$ 1,719,632
<b>Adjustments to Arrive at FFO:</b>				
Depreciation and amortization from consolidated properties	<b>324,478</b>	346,594	<b>1,273,646</b>	1,242,741
Our share of depreciation and amortization from unconsolidated entities, including Klepierre	<b>134,768</b>	134,692	<b>511,200</b>	456,011
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	<b>(7,609)</b>	(18,104)	<b>(107,515)</b>	(510,030)
Net income attributable to noncontrolling interest holders in				

properties	(2,474)	(2,092)	(8,990)	(8,520)
Noncontrolling interests portion of depreciation and amortization	(2,391)	(2,831)	(8,986)	(9,667)
Preferred distributions and dividends	(1,313)	(1,313)	(5,252)	(5,252)
<b>FFO of the Operating Partnership</b>	<b>\$ 894,763</b>	<b>\$ 827,442</b>	<b>\$ 3,205,693</b>	<b>\$ 2,884,915</b>

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

<b>Diluted net income per share</b>	<b>\$ 1.23</b>	<b>\$ 1.01</b>	<b>\$ 4.24</b>	<b>\$ 4.72</b>
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	1.26	1.33	4.91	4.67
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	(0.02)	(0.05)	(0.30)	(1.41)
<b>Diluted FFO per share</b>	<b>\$ 2.47</b>	<b>\$ 2.29</b>	<b>\$ 8.85</b>	<b>\$ 7.98</b>

**Details for per share calculations:**

FFO of the Operating Partnership	\$ 894,763	\$ 827,442	\$ 3,205,693	\$ 2,884,915
Diluted FFO allocable to unitholders	(128,419)	(119,633)	(460,923)	(464,567)
Diluted FFO allocable to common stockholders	<u>\$ 766,344</u>	<u>\$ 707,809</u>	<u>\$ 2,744,770</u>	<u>\$ 2,420,348</u>
Basic weighted average shares outstanding	310,434	309,417	310,255	303,137
Adjustments for dilution calculation:				
Effect of stock options	-	1	-	1
Diluted weighted average shares outstanding	<u>310,434</u>	<u>309,418</u>	<u>310,255</u>	<u>303,138</u>
Weighted average limited partnership units outstanding	52,021	52,297	52,101	58,186
Diluted weighted average shares and units outstanding	<u>362,455</u>	<u>361,715</u>	<u>362,356</u>	<u>361,324</u>
Basic and Diluted FFO per Share	\$ 2.47	\$ 2.29	\$ 8.85	\$ 7.98
Percent Change	7.9%		10.9%	

**Simon Property Group, Inc. and Subsidiaries**

*Footnotes to Unaudited Reconciliation of Non-GAAP Financial Measures*

**Notes:**

- (A) 2012 primarily represents non-cash gains resulting from our acquisition/disposition activity and the remeasurement of our previously held interest to fair value for those properties in which we now have a controlling interest.
- (B) 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.
- (C) 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 E 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-K.
- (D) 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.

(E) Includes our share of:

- Gains on land sales of \$2.2 million and \$7.9 million for the three months ended December 31, 2013 and 2012, respectively, and \$7.6 million and \$19.6 million for the twelve months ended December 31, 2013 and 2012, respectively
- Straight-line adjustments to minimum rent of \$18.1 million and \$12.6 million for the three months ended December 31, 2013 and 2012, respectively, and \$57.8 million and \$44.3 million for the twelve months ended December 31, 2013 and 2012, respectively
- Amortization of fair market value of leases from acquisitions of \$5.8 million and \$4.8 million for the three months ended December 31, 2013 and 2012, and \$27.7 million and \$21.0 million for the twelve months ended December 31, 2013 and 2012, respectively
- Debt premium amortization of \$9.6 million and \$12.1 million for the three months ended December 31, 2013 and 2012, respectively, and \$41.9 million and \$41.8 million for the twelve months ended December 31, 2013 and 2012, respectively

SOURCE Simon Property Group, Inc.

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