



Simon Property Group Reports Third Quarter Results And Raises Quarterly Dividend

October 25, 2013

INDIANAPOLIS, Oct. 25, 2013 /PRNewswire-FirstCall/ -- Simon Property Group, Inc. (NYSE: SPG) today reported results for the quarter and nine months ended September 30, 2013.

Results for the Quarter

- Funds from Operations ("FFO") was \$802.8 million, or \$2.21 per diluted share, as compared to \$720.1 million, or \$1.99 per diluted share, in the prior year period. The FFO increase on a per diluted share basis was 11.1%.
- Net income attributable to common stockholders was \$311.7 million, or \$1.00 per diluted share, as compared to \$254.9 million, or \$0.84 per diluted share, in the prior year period.

Results for the Nine Months

- Funds from Operations ("FFO") was \$2.311 billion, or \$6.38 per diluted share, as compared to \$2.057 billion, or \$5.70 per diluted share, in the prior year period. The FFO increase on a per diluted share basis was 11.9%.
- Net income attributable to common stockholders was \$934.7 million, or \$3.01 per diluted share, as compared to \$1.116 billion, or \$3.71 per diluted share, in the prior year period. Results for 2012 include primarily non-cash net gains from acquisitions and dispositions of \$1.36 per diluted share.

"We achieved excellent financial performance for the quarter and had successful openings of three new Premium Outlet Centers[®]. We have also completed our acquisition of ownership interests in the European designer outlet business of McArthurGlen," said David Simon, Chairman and CEO. "Our relentless focus on operating performance and executing our growth strategy through expansions, new Premium Outlets development and smart acquisitions delivered strong results, including 4.9% growth in comparable property net operating income for our U.S. Malls and Premium Outlets for the quarter. We are pleased to raise our dividend and increase our 2013 FFO guidance based on our results to date and our expectations for the remainder of 2013."

U.S. Malls and Premium Outlets Operating Statistics

	As of		%
	September 30, 2013	September 30, 2012	
Occupancy ⁽¹⁾	95.5%	94.6%	+ 90 basis points
Total Sales per sq. ft. ⁽²⁾	\$579	\$562	3.0%
Base Minimum Rent per sq. ft. ⁽¹⁾	\$41.73	\$40.33	3.5%
Releasing Spread per sq. ft. ⁽¹⁾⁽³⁾	\$8.05	\$4.86	+ \$3.19
Releasing Spread (percentage change) ⁽¹⁾⁽³⁾	15.2%	10.4%	+ 480 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 \$1.20 per share. This is an increase of \$0.05 per share from the previous quarter, and a year over year increase of 9.1%. The dividend will be payable on November 29, 2013 to stockholders of record on November 15, 2013.

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 December 31, 2013 to stockholders of record on December 17, 2013.

Development Activity

Three new Premium Outlets opened during the quarter:

- August 1st - Toronto Premium Outlets in Halton Hills (Toronto), Canada is a 360,000 square foot center with over 100 high quality outlet stores. The center is the Canadian entry point for many upscale, U.S. retailers and designer brands and opened 98% leased. The Company owns a 50% interest in this project.

- August 22nd - St. Louis Premium Outlets in Chesterfield (St. Louis), Missouri is located on the south side of I-64/US Highway 40 east of the Daniel Boone Bridge. The center's first phase of 350,000 square feet with 85 stores opened 100% leased. St. Louis Premium Outlets is a part of Chesterfield Blue Valley, a mixed-use development to include office space, hotel, restaurant and entertainment venues. The Company owns a 60% interest in the project.
- August 29th - Busan Premium Outlets in Busan, Korea is a 360,000 square foot center that serves the southeastern Korean peninsula, including the cities of Busan, Ulsan and Daegu, as well as local and overseas visitors. The center opened 99% leased. The Company owns a 50% interest in this project, which is its third Premium Outlet Center in Korea.

Four new Premium Outlets are currently 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 215,000 square foot center scheduled to open in March of 2015. The Company owns a 45% interest in this project.

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 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. In October, we also completed a 105,000 square foot expansion of Orlando Premium Outlets-Vineland Ave which is 100% leased.

Redevelopment and expansion projects, including the addition of anchors and big box tenants, are underway at more than 35 properties in the U.S. and Asia. The Company's share of the cost of these projects is approximately \$1.1 billion.

Acquisitions

On October 16, 2013, the Company completed the closing of its acquisition of ownership interests in four McArthurGlen Designer Outlets: Parndorf (Vienna, Austria), La Reggia (Naples, Italy), Noventa di Piave (Venice, Italy) and Roermond (Roermond, the Netherlands). McArthurGlen is the leader in upscale, European designer outlet centers.

Simon Property Group previously completed the acquisition of a 50% ownership in McArthurGlen's management and development company through a joint venture, as well as an interest in Ashford Designer Outlets in Kent, UK, and became a partner in a new designer outlet under development in Vancouver, British Columbia, Canada.

Total cash consideration for the McArthurGlen transaction was approximately \$500 million.

Dispositions

During the third quarter, the Company completed the sale of the following assets:

- Arsenal Mall and Office in Watertown (Boston), Massachusetts
- Terrace at The Florida Mall in Orlando, Florida

Proceeds from the sale of these assets were approximately \$76 million.

Financing Activity

On August 7, 2013, Moody's Investors Service upgraded its rating of Simon Property Group's senior unsecured debt to A2, with a stable outlook.

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 represents 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 has also been active in the secured debt markets in 2013, closing or locking rates on 22 new loans totaling approximately \$3.0 billion, of which SPG's share is \$2.2 billion. The weighted average interest rate on these new loans is 2.85% and the weighted average term is 7.6 years.

2013 Guidance

Today the Company updated and raised its guidance, estimating that FFO will be within a range of \$8.72 to \$8.78 per diluted share for the year ending December 31, 2013, and net income will be within a range of \$4.10 to \$4.16 per diluted share. This represents an increase of \$0.10 per diluted share for midpoint of the range provided on July 29, 2013.

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:

	Low	High
	End	End
Estimated net income available to common stockholders per diluted share	\$4.10	\$4.16
Depreciation and amortization including the Company's share of unconsolidated entities	4.90	4.90

Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, net	<u>(0.28)</u>	<u>(0.28)</u>
Estimated FFO per diluted share	<u>\$8.72</u>	<u>\$8.78</u>

Sustainability

During the quarter, Simon Property Group was honored for its leadership and transparency on sustainable practices and was named to the 2013 CDP Global 500 Climate Disclosure Leadership Index (CDLI). This annual index highlights FTSE Global 500 companies that demonstrate leadership through disclosure of information regarding climate change and score within the top 10% of the five hundred companies assessed.

This is the third time Simon Property Group has been awarded the CDLI distinction due to its top score on disclosure of greenhouse gas emissions and energy use, and SPG is the only real estate company included in 2013. Simon Property Group has also been named to the S&P 500 Climate Disclosure Leadership Index five times including this year.

In addition, Simon Property Group was recognized as the leading retail real estate company in North America for its sustainability practices by The Global Real Estate Sustainability Benchmark (GRESB), and ranked #1 among fifteen U.S. retail real estate peers in GRESB's recently released 2013 Report.

Conference Call

Simon Property Group will hold a conference call to discuss our financial results today at 9:00 a.m. Eastern Time, Friday, October 25, 2013. Live streaming audio of the conference call will be accessible at investors.simon.com. An online replay will be available until January 25, 2014 at investors.simon.com. A searchable podcast of the conference call will be available at www.REITcafe.com.

Supplemental Materials and Website

The Company has provided supplemental information on its third quarter performance 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. The Company currently owns or has an interest in more than 325 retail real estate properties in North America and Asia 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 September 30,		For the Nine Months Ended September 30,	
2013	2012	2013	2012

REVENUE:				
Minimum rent	\$ 795,809	\$ 759,039	\$ 2,351,876	\$ 2,207,334
Overage rent	56,511	51,170	134,458	110,277
Tenant reimbursements	367,702	342,443	1,059,834	979,300
Management fees and other revenues	33,613	32,294	95,156	92,928
Other income	48,621	43,671	112,553	145,813
Total revenue	1,302,256	1,228,617	3,753,877	3,535,652
EXPENSES:				
Property operating	126,706	132,378	354,094	353,136
Depreciation and amortization	326,073	310,244	961,344	907,217
Real estate taxes	113,145	105,694	332,259	311,173
Repairs and maintenance	27,747	26,556	84,579	78,862
Advertising and promotion	30,725	28,114	81,343	77,762
Provision for (recovery of) credit losses	2,774	(1,180)	4,207	5,271
Home and regional office costs	34,171	27,057	106,021	95,019
General and administrative	14,546	14,165	44,476	42,787
Other	25,804	20,636	62,411	58,424
Total operating expenses	701,691	663,664	2,030,734	1,929,651
OPERATING INCOME	600,565	564,953	1,723,143	1,606,001
Interest expense	(284,491)	(288,896)	(849,482)	(835,532)
Income and other taxes	(7,768)	(3,904)	(29,943)	(9,872)
Income from unconsolidated entities	47,916	37,129	158,663	96,613
Gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	11,071	(2,911)	99,906	491,926 (A)
CONSOLIDATED NET INCOME	367,293	306,371	1,102,287	1,349,136
Net income attributable to noncontrolling interests	54,784	50,616	165,035	230,857
Preferred dividends	834	834	2,503	2,503
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 311,675	\$ 254,921	\$ 934,749	\$ 1,115,776
BASIC EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	\$ 1.00	\$ 0.84	\$ 3.01	\$ 3.71
DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	\$ 1.00	\$ 0.84	\$ 3.01	\$ 3.71

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

	September 30, 2013	December 31, 2012
ASSETS:		
Investment properties at cost	\$ 34,764,669	\$ 34,252,521
Less - accumulated depreciation	9,804,069	9,068,388
	24,960,600	25,184,133
Cash and cash equivalents	1,099,321	1,184,518
Tenant receivables and accrued revenue, net	529,893	521,301
Investment in unconsolidated entities, at equity	1,991,900	2,108,966
Investment in Klepierre, at equity	1,971,230	2,016,954
Deferred costs and other assets	1,558,465	1,570,734
Total assets	\$ 32,111,409	\$ 32,586,606
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 22,729,654	\$ 23,113,007
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,328,089	1,374,172

Cash distributions and losses in partnerships and joint ventures, at equity	842,062	724,744
Other liabilities	227,319	303,588
Total liabilities	25,127,124	25,515,511
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	179,792	178,006
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	44,472	44,719
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 313,976,863 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	9,197,939	9,175,724
Accumulated deficit	(3,218,890)	(3,083,190)
Accumulated other comprehensive loss	(76,702)	(90,900)
Common stock held in treasury at cost, 3,651,580 and 3,762,595 shares, respectively	(118,031)	(135,781)
Total stockholders' equity	5,828,819	5,910,603
Noncontrolling interests	975,674	982,486
Total equity	6,804,493	6,893,089
Total liabilities and equity	\$ 32,111,409	\$ 32,586,606

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

	<u>For the Three Months</u> <u>Ended September 30,</u>		<u>For the Nine Months</u> <u>Ended September 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue:				
Minimum rent	\$ 408,204	\$ 370,183	\$ 1,201,748	\$ 1,091,701
Overage rent	40,784	44,002	128,565	128,622
Tenant reimbursements	197,494	176,544	569,044	508,698
Other income	40,903	34,754	122,505	121,686
Total revenue	687,385	625,483	2,021,862	1,850,707
Operating Expenses				
Property operating	125,329	125,162	364,494	351,963
Depreciation and amortization	135,457	125,828	389,843	375,280
Real estate taxes	55,374	45,068	160,152	132,618
Repairs and maintenance	15,653	15,418	48,156	45,269
Advertising and promotion	14,141	11,706	44,164	39,600
Provision for (recovery of) credit losses	192	(646)	1,772	(247)
Other	37,948	36,089	110,129	128,134
Total operating expenses	384,094	358,625	1,118,710	1,072,617
Operating Income	303,291	266,858	903,152	778,090
Interest expense	(151,579)	(148,891)	(453,573)	(451,581)
Income from Continuing Operations	151,712	117,967	449,579	326,509
Gain (loss) from operations of discontinued joint venture interests	7	(1,978)	(339)	(20,769)
Gain (loss) on disposal of discontinued operations, net	6,580	(4,904)	24,936	(4,904)
Net Income	\$ 158,299	\$ 111,085	\$ 474,176	\$ 300,836

Third-party investors' share of net income	<u>\$ 85,211</u>	<u>\$ 66,308</u>	<u>\$ 263,926</u>	<u>\$ 163,108</u>
Our share of net income	73,088	44,777	210,250	137,728
Amortization of Excess Investment (B)	(25,733)	(21,726)	(75,415)	(55,059)
Our share of loss on sale or disposal of assets and interests in unconsolidated entities, net	-	9,245	-	9,245
Income from Unconsolidated Entities (C)	<u>\$ 47,355</u>	<u>\$ 32,296</u>	<u>\$ 134,835</u>	<u>\$ 91,914</u>

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)

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Assets:		
Investment properties, at cost	\$ 14,828,264	\$ 14,607,291
Less - accumulated depreciation	<u>5,144,189</u>	<u>4,926,511</u>
	9,684,075	9,680,780
Cash and cash equivalents	653,185	619,546
Tenant receivables and accrued revenue, net	270,770	252,774
Investment in unconsolidated entities, at equity	38,669	39,589
Deferred costs and other assets	<u>442,831</u>	<u>438,399</u>
Total assets	<u>\$ 11,089,530</u>	<u>\$ 11,031,088</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 11,979,021	\$ 11,584,863
Accounts payable, accrued expenses, intangibles, and deferred revenue	723,143	672,483
Other liabilities	<u>394,461</u>	<u>447,132</u>
Total liabilities	13,096,625	12,704,478
Preferred units	67,450	67,450
Partners' deficit	<u>(2,074,545)</u>	<u>(1,740,840)</u>
Total liabilities and partners' deficit	<u>\$ 11,089,530</u>	<u>\$ 11,031,088</u>
Our Share of:		
Partners' deficit	\$ (943,037)	\$ (799,911)
Add: Excess Investment (B)	<u>2,092,875</u>	<u>2,184,133</u>
Our net Investment in Joint Ventures	<u>\$ 1,149,838</u>	<u>\$ 1,384,222</u>

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 (D)
(Amounts in thousands, except per share amounts)

Reconciliation of Consolidated Net Income to FFO

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Consolidated Net Income (E)	\$ 367,293	\$ 306,371	\$ 1,102,287	\$ 1,349,136
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties	321,962	306,612	949,169	896,147

Our share of depreciation and amortization from unconsolidated entities, including Klepierre	130,055	110,188	376,432	321,318
(Gain) loss upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	(11,071)	2,911	(99,906)	(491,926)
Net income attributable to noncontrolling interest holders in properties	(1,958)	(2,464)	(6,517)	(6,427)
Noncontrolling interests portion of depreciation and amortization	(2,218)	(2,253)	(6,595)	(6,835)
Preferred distributions and dividends	(1,313)	(1,313)	(3,939)	(3,939)
FFO of the Operating Partnership	\$ 802,750	\$ 720,052	\$ 2,310,931	\$ 2,057,474

Diluted net income per share to diluted FFO per share reconciliation:

Diluted net income per share	\$ 1.00	\$ 0.84	\$ 3.01	\$ 3.71
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	1.24	1.14	3.65	3.35
(Gain) loss upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	(0.03)	0.01	(0.28)	(1.36)
Diluted FFO per share	\$ 2.21	\$ 1.99	\$ 6.38	\$ 5.70

Details for per share calculations:

FFO of the Operating Partnership	\$ 802,750	\$ 720,052	\$ 2,310,931	\$ 2,057,474
Diluted FFO allocable to unitholders	(115,440)	(116,207)	(332,474)	(342,704)
Diluted FFO allocable to common stockholders	\$ 687,310	\$ 603,845	\$ 1,978,457	\$ 1,714,770
Basic weighted average shares outstanding	310,333	304,108	310,195	301,029
Adjustments for dilution calculation:				
Effect of stock options	-	1	-	1
Diluted weighted average shares outstanding	310,333	304,109	310,195	301,030
Weighted average limited partnership units outstanding	52,122	58,524	52,127	60,162
Diluted weighted average shares and units outstanding	362,455	362,633	362,322	361,192
Basic and Diluted FFO per Share	\$ 2.21	\$ 1.99	\$ 6.38	\$ 5.70
Percent Change	11.1%		11.9%	

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-Q.
- (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 \$4.2 million and \$1.9 million for the three months ended September 30, 2013 and 2012, respectively, and \$5.4 million and \$11.7 million for the nine months ended September 30, 2013 and 2012, respectively
- Straight-line adjustments to minimum rent of \$13.6 million and \$11.5 million for the three months ended September 30, 2013 and 2012, respectively, and \$39.7 million and \$31.7 million for the nine months ended September 30, 2013 and 2012, respectively
- Amortization of fair market value of leases from acquisitions of \$5.6 million and \$5.5 million for the three months ended September 30, 2013 and 2012, and \$21.9 million and \$16.2 million for the nine months ended September 30, 2013 and 2012, respectively
- Debt premium amortization of \$10.1 million and \$9.6 million for the three months ended September 30, 2013 and 2012, respectively, and \$32.3 million and \$29.7 million for the nine months ended September 30, 2013 and 2012, respectively

SOURCE Simon Property Group, Inc.

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