



Simon Property Group Reports Second Quarter 2016 Results And Raises Quarterly Dividend And Full Year 2016 Guidance

July 27, 2016

INDIANAPOLIS, July 27, 2016 /PRNewswire/ -- Simon, a global leader in retail real estate, today reported results for the quarter ended June 30, 2016.



Results for the Quarter¹

- Net income attributable to common stockholders was \$455.4 million, or \$1.45 per diluted share, as compared to \$472.9 million, or \$1.52 per diluted share, in the prior year period. Net income attributable to common stockholders in the prior year period included \$80.2 million, or \$0.22 per diluted share, related to a gain upon sale of marketable securities.
- Funds from Operations ("FFO") was \$952.9 million, or \$2.63 per diluted share, as compared to \$955.4 million, or \$2.63 per diluted share, in the prior year period. Funds from Operations in the prior year period included the aforementioned \$0.22 per diluted share gain upon sale of marketable securities.
- Growth in comparable FFO per diluted share, which excludes the \$0.22 per diluted share gain in the prior year period, was 9.1% for the three months ended June 30, 2016.

Results for the Six Months¹

- Net income attributable to common stockholders was \$936.4 million, or \$3.01 per diluted share, as compared to \$1.012 billion, or \$3.26 per diluted share, in the prior year period. Net income attributable to common stockholders in the prior year period included a non-cash gain of \$206.9 million, or \$0.57 per diluted share, solely related to Klépierre's issuance of additional shares of its common stock to complete its acquisition of Corio N.V.
- Funds from Operations ("FFO") was \$1.905 billion, or \$5.27 per diluted share, as compared to \$1.786 billion, or \$4.92 per diluted share, in the prior year period, an increase of 7.1%.
- Growth in comparable FFO per diluted share for the six months ended June 30, 2016 was 12.1%.

"This was an excellent quarter for Simon Property Group, with strong financial and operational performance, the opening of a new outlet center, the groundbreaking for our second Premium Outlet in Malaysia, and the acquisition of The Shops at Crystals, a highly productive center," said David Simon, Chairman and Chief Executive Officer. "Today, we raised our quarterly dividend and are once again increasing our full-year 2016 guidance."

¹ For a reconciliation of FFO and net income per diluted share on a comparable basis, please see Footnote G of the Footnotes to Unaudited Reconciliation of Non-GAAP Financial Measures.

U.S. Malls and Premium Outlets Operating Statistics

	As of June 30,	
	2016	2015
Occupancy (1)	95.9%	96.1%
Base Minimum Rent per sq. ft.(1)	\$50.43	\$48.07
Releasing Spread per sq. ft. (1)(2)	\$8.88	\$10.87
Total Sales per sq. ft. (3)	\$607	\$620

(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 stores less than 20,000 square feet in Premium Outlets for 2016.

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

Total portfolio NOI growth for the three months ended June 30, 2016 was 7.4% and was 7.6% for the six months ended June 30, 2016. Total portfolio NOI includes comparable property NOI, NOI from new development, redevelopment, expansion and acquisitions, NOI from international properties and our share of NOI from investments. Comparable property NOI growth for the three months ended June 30, 2016 was 3.2% and was 4.1% for the six months ended June 30, 2016.

Dividends

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.65 per share. This is a 6.5% increase year-over-year. The dividend will be payable on August 31, 2016 to stockholders of record on August 17, 2016.

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

Development Activity

During the quarter, we completed the transformation of Stanford Shopping Center in Palo Alto, California which included the relocation of Bloomingdale's into a new, 120,000 square foot store. The former Bloomingdale's store has been redeveloped into more than 130,000 square feet of new specialty retail shops and restaurants.

We also opened a 355,000 square foot outlet center in Columbus, Ohio on June 24, 2016. Simon owns 50% of this new center.

Construction continues on two new development projects scheduled to open in 2016:

- The 500,000 square foot retail component to Brickell City Centre in Miami, Florida scheduled to open in November of 2016. Simon owns a 25% interest in this project.
- Clarksburg Premium Outlets, a 392,000 square foot center in Clarksburg, Maryland scheduled to open in October of 2016. Simon owns a 66% interest in this project.

We started construction on two new development projects during the quarter. Norfolk Premium Outlets, a 332,000 square foot center in Norfolk, Virginia is scheduled to open in June of 2017. Simon owns a 65% interest in this project. We also started construction on Genting Highlands Premium Outlets, a 252,000 square foot center in Kuala Lumpur, Malaysia, scheduled to open in the second quarter of 2017. Simon owns a 50% interest in this project.

Construction also continues on four other new development projects scheduled to open in 2017, including The Shops at Clearfork (Fort Worth, Texas), Siheung Premium Outlets (Siheung (Seoul), South Korea), Premium Outlet Collection Edmonton IA (Edmonton, Alberta, Canada) and Provence Designer Outlet (Miramas, France).

During the second quarter, we started construction on significant redevelopment and expansion projects including a 221,000 square foot expansion at La Plaza Mall in McAllen, Texas that will include additional specialty stores, four junior anchors and an exciting dining plaza with a number of first-to-market restaurants.

Construction continues on other significant expansion projects including The Fashion Centre at Pentagon City, King of Prussia, The Galleria in Houston, and Woodbury Common Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 33 properties in the U.S. and Europe. Simon's share of the costs of all new development and redevelopment projects under construction at quarter-end was approximately \$2.1 billion.

Acquisitions

In April 2016, we completed the acquisition of The Shops at Crystals in Las Vegas, Nevada in a 50:50 joint venture with Invesco Real Estate. Simon will lease and manage the center for the joint venture. The purchase price was approximately \$1.1 billion.

Financing Activity

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

During the quarter, the Company completed a Euro senior notes offering totaling €500 million with a 1.25% coupon rate and term of nine years.

During the first six months, we closed or locked rate on 14 new mortgage loans totaling approximately \$2.5 billion, or the non-U.S. dollar equivalent thereof, of which Simon's share is \$1.6 billion. The weighted average interest rate and term on these loans is 3.73% and 9.4 years, respectively. Included in these loans was a \$550 million mortgage for The Shops at Crystals.

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

2016 Guidance

The Company currently estimates net income to be within a range of \$6.04 to \$6.12 per diluted share for the year ending December 31, 2016 and that FFO will be within a range of \$10.77 to \$10.85 per diluted share.

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

For the year ending December 31, 2016

	Low	High
	End	End

Estimated net income available to common stockholders

per diluted share	\$6.04	\$6.12
Depreciation and amortization including Simon's share of unconsolidated entities	4.80	4.80
Gain upon acquisition of controlling interest, sale or disposal of assets and interests in unconsolidated entities, net	<u>(0.07)</u>	<u>(0.07)</u>
Estimated FFO per diluted share	<u>\$10.77</u>	<u>\$10.85</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 9:00 a.m. Eastern Time, Wednesday, July 27, 2016. A live webcast of the conference call will be accessible in listen-only mode at investors.simon.com. An audio replay of the conference call will be available until August 3, 2016. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 36644312.

Supplemental Materials and Website

Supplemental information on our second quarter 2016 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, FFO per share, comparable FFO per share, comparable earnings per share, portfolio net operating income growth and comparable property net operating income growth, which are financial performance measures not defined by generally accepted accounting principles in the United States ("GAAP"). Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this press release and in Simon's supplemental information for the quarter. FFO and comparable property net operating income growth are financial performance measures widely used in the REIT industry. Our definitions of these non-GAAP measures may not be the same as similar measures reported by other REITs.

Forward-Looking Statements

Certain statements made in this press release may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the Company can give no assurance that its expectations will be attained, and it is possible that the Company's actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks, uncertainties and other factors. Such factors include, but are not limited to: the Company's ability to meet debt service requirements, the availability and terms of financing, changes in the Company's credit rating or outlook, changes in market rates of interest and foreign exchange rates for foreign currencies, changes in value of investments in foreign entities, the ability to hedge interest rate and currency risk, risks associated with the acquisition, development, expansion, leasing and management of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic conditions, changes in market rental rates, security breaches that could compromise our information technology or infrastructure or personally identifiable data of customers of our retail properties, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, the intensely competitive market environment in the retail industry, costs of common area maintenance, risks related to international activities, including, without limitation, the impact of the United Kingdom's vote to leave the European Union, insurance costs and coverage, the loss of key management personnel, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. The Company discusses these and other risks and uncertainties under the heading "Risk Factors" in its annual and quarterly periodic reports filed with the SEC. The Company may update that discussion in its periodic reports, but except as required by law, the Company undertakes no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

About Simon

Simon is a global leader in retail real estate ownership, management and development and an S&P100 company (Simon Property Group) (NYSE:SPG). Our industry-leading retail properties and investments across North America, Europe and Asia provide shopping experiences for millions of consumers every day and generate billions in annual retail sales. For more information, visit simon.com.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUE:				
Minimum rent	\$ 822,224	\$ 768,138	\$ 1,640,760	\$ 1,521,583
Overage rent	31,250	37,029	60,167	75,986
Tenant reimbursements	367,062	364,309	738,676	704,479
Management fees and other revenues	34,478	40,027	67,878	75,106
Other income	60,366	139,607	144,614	188,191
Total revenue	1,315,380	1,349,110	2,652,095	2,565,345

EXPENSES:				
Property operating	104,756	99,841	207,817	199,598
Depreciation and amortization	303,585	295,778	604,199	583,883
Real estate taxes	107,505	106,487	216,929	213,374
Repairs and maintenance	22,842	22,676	48,907	52,410
Advertising and promotion	33,172	41,215	68,210	59,971
Provision for credit losses	4,944	2,685	8,608	6,533
Home and regional office costs	40,326	39,346	78,933	75,250
General and administrative	15,125	15,345	29,989	30,344
Other	23,889	23,352	44,366	42,426
Total operating expenses	656,144	646,725	1,307,958	1,263,789
OPERATING INCOME	659,236	702,385	1,344,137	1,301,556
Interest expense	(213,995)	(230,974)	(433,185)	(463,147)
Income and other taxes	(7,115)	(3,420)	(22,301)	(9,781)
Income from unconsolidated entities	84,990	70,196	175,616	135,068
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	4,209	16,339	26,897	223,266
CONSOLIDATED NET INCOME	527,325	554,526	1,091,164	1,186,962
Net income attributable to noncontrolling interests	71,102	80,748	153,111	173,215
Preferred dividends	834	834	1,669	1,669
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 455,389	\$ 472,944	\$ 936,384	\$ 1,012,078
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	\$ 1.45	\$ 1.52	\$ 3.01	\$ 3.26

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

	<u>June 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
ASSETS:		
Investment properties at cost	\$ 34,332,270	\$ 33,463,124
Less - accumulated depreciation	10,344,141	9,915,386
	<u>23,988,129</u>	<u>23,547,738</u>
Cash and cash equivalents	884,281	701,134
Tenant receivables and accrued revenue, net	600,817	624,605
Investment in unconsolidated entities, at equity	2,690,821	2,481,574
Investment in Klépierre, at equity	1,878,751	1,943,363
Deferred costs and other assets	1,336,984	1,266,768
Total assets	<u>\$ 31,379,783</u>	<u>\$ 30,565,182</u>
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 22,923,941	\$ 22,416,682
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,209,518	1,323,801
Cash distributions and losses in partnerships and joint ventures, at equity	1,402,230	1,368,544
Other liabilities	369,281	214,249
Total liabilities	<u>25,904,970</u>	<u>25,323,276</u>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	157,436	25,537
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	43,569	43,733

Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 319,570,466 and 314,806,914 issued and outstanding, respectively	32	31
Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
Capital in excess of par value	9,465,862	9,384,450
Accumulated deficit	(4,341,316)	(4,266,930)
Accumulated other comprehensive loss	(119,915)	(252,686)
Common stock held in treasury at cost, 5,346,843 and 5,394,345 shares, respectively	(427,141)	(437,134)
Total stockholders' equity	4,621,091	4,471,464
Noncontrolling interests	696,286	744,905
Total equity	5,317,377	5,216,369
Total liabilities and equity	\$ 31,379,783	\$ 30,565,182

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUE:				
Minimum rent	\$ 458,267	\$ 443,485	\$ 897,114	\$ 877,266
Overage rent	46,903	41,342	96,527	92,522
Tenant reimbursements	212,265	199,142	423,206	393,629
Other income	54,806	61,545	113,486	115,539
Total revenue	<u>772,241</u>	<u>745,514</u>	<u>1,530,333</u>	<u>1,478,956</u>
OPERATING EXPENSES:				
Property operating	131,413	132,257	262,494	263,061
Depreciation and amortization	149,721	148,607	281,200	290,265
Real estate taxes	59,429	56,477	120,938	115,051
Repairs and maintenance	18,480	17,086	38,234	37,447
Advertising and promotion	20,777	17,388	43,306	34,090
Provision for credit losses	2,885	1,296	5,574	3,149
Other	43,625	38,924	88,679	83,351
Total operating expenses	<u>426,330</u>	<u>412,035</u>	<u>840,425</u>	<u>826,414</u>
OPERATING INCOME	345,911	333,479	689,908	652,542
Interest expense	(151,022)	(149,041)	(294,781)	(296,062)
Gain on sale or disposal of assets and interests in unconsolidated entities	6,049	35,779	60,522	35,779
NET INCOME	<u>\$ 200,938</u>	<u>\$ 220,217</u>	<u>\$ 455,649</u>	<u>\$ 392,259</u>
Third-Party Investors' Share of Net Income	<u>\$ 100,391</u>	<u>\$ 112,763</u>	<u>\$ 219,200</u>	<u>\$ 201,877</u>
Our Share of Net Income	100,547	107,454	236,449	190,382
Amortization of Excess Investment (A)	(25,558)	(24,387)	(48,770)	(48,541)
Our Share of Gain on Sale or Disposal of Assets and Interests in Unconsolidated Entities, net	(2,487)	(16,339)	(2,487)	(16,339)
Our Share of Gain on Sale or Disposal of Assets and Interests Included in Other Income in the Consolidated Financial Statements	-	-	(36,153)	-
Income from Unconsolidated Entities (B)	<u>\$ 72,502</u>	<u>\$ 66,728</u>	<u>\$ 149,039</u>	<u>\$ 125,502</u>

Note: The above financial presentation does not include any information related to our investments in Klépierre S.A. ("Klépierre") and HBS Global Properties ("HBS"). For additional information, see footnote B.

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

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets:		
Investment properties, at cost	\$ 17,928,316	\$ 17,186,884
Less - accumulated depreciation	<u>5,915,080</u>	<u>5,780,261</u>
	12,013,236	11,406,623
Cash and cash equivalents	745,868	818,805
Tenant receivables and accrued revenue, net	331,377	354,133
Deferred costs and other assets	<u>336,854</u>	<u>482,024</u>
Total assets	<u>\$ 13,427,335</u>	<u>\$ 13,061,585</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 14,272,584	\$ 13,827,215
Accounts payable, accrued expenses, intangibles, and deferred revenue	759,250	985,159
Other liabilities	<u>441,536</u>	<u>468,005</u>
Total liabilities	15,473,370	15,280,379
Preferred units	67,450	67,450
Partners' deficit	<u>(2,113,485)</u>	<u>(2,286,244)</u>
Total liabilities and partners' deficit	<u>\$ 13,427,335</u>	<u>\$ 13,061,585</u>
Our Share of:		
Partners' deficit	\$ (914,222)	\$ (854,562)
Add: Excess Investment (A)	<u>2,015,542</u>	<u>1,788,749</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 1,101,320</u>	<u>\$ 934,187</u>

Note: The above financial presentation does not include any information related to our investments in Klépierre and HBS Global Properties. For additional information, see footnote B attached hereto.

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

Reconciliation of Consolidated Net Income to FFO

	<u>For the Three Months Ended</u> <u>June 30,</u>		<u>For the Six Months Ended</u> <u>June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Consolidated Net Income (D)	\$ 527,325	\$ 554,526	\$ 1,091,164	\$ 1,186,962
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties	300,179	291,853	597,376	576,080
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	134,893	128,184	253,135	252,068
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(4,209)	(16,339)	(26,897)	(223,266)
Net income attributable to noncontrolling interest holders in properties	(565)	(609)	(1,294)	(1,298)
Noncontrolling interests portion of depreciation and amortization	(3,439)	(946)	(6,155)	(1,833)
Preferred distributions and dividends	<u>(1,313)</u>	<u>(1,313)</u>	<u>(2,626)</u>	<u>(2,626)</u>
FFO of the Operating Partnership (E)	<u>\$ 952,871</u>	<u>\$ 955,356</u>	<u>\$ 1,904,703</u>	<u>\$ 1,786,087</u>

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

Diluted net income per share	\$ 1.45	\$ 1.52	\$ 3.01	\$ 3.26
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS, net of noncontrolling interests portion of depreciation and amortization	1.19	1.16	2.33	2.28
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.07)</u>	<u>(0.62)</u>
Diluted FFO per share (F)	\$ <u>2.63</u>	\$ <u>2.63</u>	\$ <u>5.27</u>	\$ <u>4.92</u>

Details for per share calculations:

FFO of the Operating Partnership (E)	\$ 952,871	\$ 955,356	\$ 1,904,703	\$ 1,786,087
Diluted FFO allocable to unitholders	<u>(127,386)</u>	<u>(137,682)</u>	<u>(264,285)</u>	<u>(257,987)</u>
Diluted FFO allocable to common stockholders	\$ <u>825,485</u>	\$ <u>817,674</u>	\$ <u>1,640,418</u>	\$ <u>1,528,100</u>
Basic and Diluted weighted average shares outstanding	313,399	310,499	311,408	310,799
Weighted average limited partnership units outstanding	48,363	52,263	50,170	52,472
Basic and Diluted weighted average shares and units outstanding	<u>361,762</u>	<u>362,762</u>	<u>361,578</u>	<u>363,271</u>
Basic and Diluted FFO per Share (F)	\$ 2.63	\$ 2.63	\$ 5.27	\$ 4.92
<i>Percent Change</i>	0.0%		7.1%	

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

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

We have adopted NAREIT's clarification of the definition of FFO that requires it to include the effects of nonrecurring items not classified as extraordinary, cumulative effect of accounting changes, or a gain or loss resulting from the sale or disposal of, or any impairment charges relating to, previously depreciated retail operating properties. We include in FFO gains and losses realized from the sale of land, outlot buildings, marketable and non-marketable securities, and investment holdings of non-retail real estate. However, you should understand that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income determined in accordance with GAAP as a measure of operating performance, and is not an alternative to cash flows as a measure of liquidity.

- (D) Includes our share of:

- Gains on land sales of \$0.5 million and \$3.6 million for the three months ended June 30, 2016 and 2015, respectively, and \$2.1 million and \$3.7 million for the six months ended June 30, 2016 and 2015, respectively.
- Straight-line adjustments increased minimum rent by \$15.9 million and \$16.8 million for the three months ended June 30, 2016 and 2015, respectively, and \$31.0 million and \$33.2 million for the six months ended June 30, 2016 and 2015, respectively.

- Amortization of fair market value of leases from acquisitions increased income by \$2.2 million and \$3.2 million for the three months ended June 30, 2016 and 2015, respectively, and \$4.8 million and \$6.6 million for the six months ended June 30, 2016 and 2015, respectively.
 - Debt premium amortization of \$3.8 million and \$5.4 million for the three months ended June 30, 2016 and 2015, respectively, and \$8.0 million and \$12.6 million for the six months ended June 30, 2016 and 2015, respectively.
- (E) Includes FFO of the operating partnership related to the sale of marketable securities of \$80.2 million for the three and six months ended June 30, 2015.
- (F) Includes Basic and Diluted FFO per share related to the sale of marketable securities of \$0.22 for the three and six months ended June 30, 2015.
- (G) Reconciliation of reported earnings per share to comparable earnings per share and FFO per share to comparable FFO per share:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2016	2015	2016	2015
Reported earnings per share	\$ 1.45	\$ 1.52	\$ 3.01	\$ 3.26
Less: Gain upon sale of marketable securities	-	(0.22)	-	(0.22)
Less: Non-cash gain on equity method investment	-	-	-	(0.57)
Comparable earnings per share	<u>\$ 1.45</u>	<u>\$ 1.30</u>	<u>\$ 3.01</u>	<u>\$ 2.47</u>
Comparable earnings per share growth	11.5%		21.9%	

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2016	2015	2016	2015
Reported FFO per share	\$ 2.63	\$ 2.63	\$ 5.27	\$ 4.92
Less: Gain upon sale of marketable securities	-	(0.22)	-	(0.22)
Comparable FFO per share	<u>\$ 2.63</u>	<u>\$ 2.41</u>	<u>\$ 5.27</u>	<u>\$ 4.70</u>
Comparable FFO per share growth	9.1%		12.1%	

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SOURCE Simon

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