



Simon Property Group Reports Fourth Quarter And Full Year 2015 Results

January 29, 2016

INDIANAPOLIS, Jan. 29, 2016 /PRNewswire/ -- Simon, a leading global retail real estate company, today reported results for the quarter and twelve months ended December 31, 2015.



Results for the Year

- Funds from Operations ("FFO") was \$3.571 billion, or \$9.86 per diluted share, as compared to \$3.235 billion, or \$8.90 per diluted share, in the prior year period. Included in the 2015 results is \$0.22 per diluted share related to a gain upon sale of marketable securities and \$0.33 per diluted share loss related to the redemption of two series of senior notes of Simon Property Group, L.P.
- Growth in comparable FFO per diluted share for the twelve months ended December 31, 2015 was 11.4%¹.
- Net income attributable to common stockholders was \$1.824 billion, or \$5.88 per diluted share, as compared to \$1.405 billion, or \$4.52 per diluted share, in the prior year period.

Results for the Quarter

- Funds from Operations ("FFO") was \$866.5 million, or \$2.40 per diluted share, as compared to \$896.7 million, or \$2.47 per diluted share, in the prior year period. The fourth quarter 2015 results include a loss on the extinguishment of debt of \$121.0 million, or \$0.33 per diluted share.
- Growth in comparable FFO per diluted share for the three months ended December 31, 2015 was 10.5%¹.
- Net income attributable to common stockholders was \$392.3 million, or \$1.27 per diluted share, as compared to \$405.0 million, or \$1.30 per diluted share, in the prior year period.

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

"I am very pleased to report another year of industry-leading growth with record earnings and dividends for our company," said David Simon, Chairman and Chief Executive Officer. "Over the last five years, our FFO and dividends per share have achieved compound annual growth rates of 14% and 18%, respectively. We expect to achieve industry-leading growth again in 2016, driven by our unparalleled execution, irreplaceable assets and fortress balance sheet."

U.S. Malls and Premium Outlets Operating Statistics

	As of December 31, <u>2015</u>	<u>2014</u>	Year-over-Year <u>Change</u>
Occupancy ⁽¹⁾	96.1%	97.1%	-100 bps
Base Minimum Rent			
per sq. ft. ⁽¹⁾	\$48.96	\$47.01	+4.1%
Releasing Spread			
per sq. ft. ⁽¹⁾⁽²⁾	\$10.62	\$9.59	+\$1.03
Releasing Spread			
(percentage change) ⁽¹⁾⁽²⁾	18.0%	16.6%	+140 bps

Total Sales per sq. ft. ⁽³⁾	\$620	\$619	+0.1%
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(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 2015.

Comparable Property Net Operating Income ("NOI")

Comparable property NOI growth for the twelve months ended December 31, 2015 was 3.7%. The growth for the three months ended December 31, 2015 was 3.4%. Comparable properties include U.S. Malls, Premium Outlets and The Mills. Comparable property NOI in the fourth quarter was affected by a year-over-year decrease in overage rent due to the effect the stronger dollar had on tenant sales at the Company's tourist-oriented centers.

Dividends

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.60 per share. This is a 14.3% increase year-over-year. The dividend will be payable on February 29, 2016 to stockholders of record on February 12, 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 March 31, 2016 to stockholders of record on March 17, 2016.

Development Activity

During the fourth quarter, we opened two new Premium Outlets and completed two significant expansions.

- On October 1st, we opened Tucson Premium Outlets, a 367,000 square foot center with more than 90 retailers featuring high-quality designer and name brands. Simon owns 100% of this center.
- On October 9th, we completed a new two-level, 260,000 square foot 'Fashion Wing' expansion at Del Amo Fashion Center, anchored by a new Nordstrom store. Simon owns a 50% interest in this center.
- On October 29th, Tampa Premium Outlets opened with 441,000 square feet of high-quality, name brand stores. Simon owns 100% of this center.
- In December, we completed a 56,000 square foot expansion of The Colonnade at Sawgrass Mills. Simon owns 100% of this center.

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

During the fourth quarter, construction started on a transformational redevelopment of The Shops at Riverside to offer a complete luxury shopping, dining and entertainment experience that will further establish this landmark property as the luxury hub in Bergen County, New Jersey. Construction also started on Siheung Premium Outlets, a 399,000 square foot center in Siheung (Seoul), South Korea scheduled to open in April 2017. Simon owns 50% of this project.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 29 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.

Financing Activity

The Company was active in both the unsecured and secured credit markets in 2015 continuing to lower our effective borrowing costs and extend our maturity profile.

The Company completed two senior notes offerings, one in U.S. dollars and the other in Euros, totaling \$1.9 billion (U.S. dollar equivalent), with a weighted average coupon rate of 2.34% and weighted average term of 7.5 years. During the year, we redeemed four series of senior notes comprising approximately \$1.7 billion at a weighted average coupon rate of 6.00%. The two new notes offerings were approximately 370 basis points lower in rate than the notes we redeemed during the year.

The Company also amended and extended its \$2.0 billion revolving credit facility, increasing its capacity to \$2.75 billion, and reducing its pricing to LIBOR plus 80 basis points and the facility fee down to 10 basis points while extending the term to June 30, 2020.

With regard to secured debt activity, we completed 23 new loans totaling approximately \$4.3 billion (U.S. dollar equivalent), of which Simon's share is \$2.8 billion. The weighted average interest rate and term on these loans is 3.28% and 8.5 years, respectively.

As of year-end, and prior to the January notes offering, Simon had approximately \$5.5 billion of liquidity consisting of cash on hand, including its share of joint venture cash, and available capacity under its revolving credit facilities.

In addition, on January 8, 2016, Simon issued \$1.35 billion of senior notes consisting of \$550 million of 2.50% notes due 2021 and \$800 million of 3.30% notes due 2026. Combined, the issuance has a weighted average term of 8.2 years and a weighted average coupon rate of 2.97%.

2016 Guidance

The Company currently estimates that FFO will be within a range of \$10.70 to \$10.80 per diluted share for the year ending December 31, 2016, with net income to be within a range of \$5.95 to \$6.05 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	\$5.95	\$6.05
Depreciation and amortization including Simon's share of unconsolidated entities	<u>4.75</u>	<u>4.75</u>
Estimated FFO per diluted share	<u>\$10.70</u>	<u>\$10.80</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 11:00 a.m. Eastern Time, Friday, January 29, 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 February 5, 2016. To access the audio replay, dial 1-888-286-8010 (international 617-801-6888) passcode 82875834.

Supplemental Materials and Website

Supplemental information on our fourth quarter 2015 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 and comparable property net operating income growth, which are financial performance measures not defined by generally accepted accounting principles in the United States ("GAAP"). Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this press release and in Simon's supplemental information for the quarter. FFO and comparable property net operating income growth are financial performance measures widely used in the REIT industry. Our definitions of these non-GAAP measures may not be the same as similar measures reported by other REITs.

Forward-Looking Statements

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

About Simon

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

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

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2015	2014	2015	2014
REVENUE:				
Minimum rent	\$ 832,396	\$ 771,312	\$ 3,142,347	\$ 2,962,295
Overage rent	70,651	83,769	194,070	207,104
Tenant reimbursements	367,921	344,096	1,445,623	1,362,412
Management fees and other revenues	44,792	37,081	158,466	138,226
Other income	64,861	60,862	325,597	200,781
Total revenue	1,380,621	1,297,120	5,266,103	4,870,818
EXPENSES:				
Property operating	110,564	104,280	425,983	398,598
Depreciation and amortization	304,325	294,458	1,177,568	1,143,827
Real estate taxes	105,321	93,131	432,840	384,189
Repairs and maintenance	27,770	27,178	101,369	100,016

Advertising and promotion	36,127	37,528	134,854	136,656
Provision for credit losses	463	3,366	6,635	12,001
Home and regional office costs	42,362	37,577	154,816	158,576
General and administrative	15,147	15,116	60,329	59,958
Other	28,812	29,198	102,836	91,655
Total operating expenses	670,891	641,832	2,597,230	2,485,476
OPERATING INCOME	709,730	655,288	2,668,873	2,385,342
Interest expense	(230,896)	(233,655)	(923,697)	(992,601)
Loss on extinguishment of debt	(120,953)	-	(120,953)	(127,573)
Income and other taxes	(6,731)	(8,008)	(20,170)	(28,085)
Income from unconsolidated entities	81,517	58,301	284,806	226,774
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	27,250	4,066	250,516	158,308
Consolidated income from continuing operations	459,917	475,992	2,139,375	1,622,165
Discontinued operations and gain on disposal	-	-	-	67,524
Discontinued operations transaction expenses	-	-	-	(38,163)
CONSOLIDATED NET INCOME	459,917	475,992	2,139,375	1,651,526
Net income attributable to noncontrolling interests	66,786	70,110	311,655	242,938
Preferred dividends	834	834	3,337	3,337
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 392,297	\$ 405,048	\$ 1,824,383	\$ 1,405,251
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Income from continuing operations	\$ 1.27	\$ 1.30	\$ 5.88	\$ 4.44
Discontinued operations	-	-	-	0.08
Net income attributable to common stockholders	\$ 1.27	\$ 1.30	\$ 5.88	\$ 4.52

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

	December 31, 2015	December 31, 2014
ASSETS:		
Investment properties at cost	\$ 33,463,124	\$ 31,318,532
Less - accumulated depreciation	9,915,386	8,950,747
	<u>23,547,738</u>	<u>22,367,785</u>
Cash and cash equivalents	701,134	612,282
Tenant receivables and accrued revenue, net	624,605	580,197
Investment in unconsolidated entities, at equity	2,481,574	2,378,800
Investment in Klepierre, at equity	1,943,363	1,786,477
Deferred costs and other assets	1,352,259	1,806,789
Total assets	<u>\$ 30,650,673</u>	<u>\$ 29,532,330</u>
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 22,502,173	\$ 20,852,993
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,323,801	1,259,681
Cash distributions and losses in partnerships and joint ventures, at equity	1,368,544	1,167,163
Other liabilities	214,249	275,451
Total liabilities	<u>25,408,767</u>	<u>23,555,288</u>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership	25,537	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	43,733	44,062
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 314,806,914 and		

314,320,664 issued and outstanding, respectively	31	31
Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
Capital in excess of par value	9,384,450	9,422,237
Accumulated deficit	(4,266,930)	(4,208,183)
Accumulated other comprehensive loss	(252,686)	(61,041)
Common stock held in treasury at cost, 5,394,345 and 3,540,754 shares, respectively	(437,134)	(103,929)
Total stockholders' equity	4,471,464	5,093,177
Noncontrolling interests	744,905	858,328
Total equity	5,216,369	5,951,505
Total liabilities and equity	\$ 30,650,673	\$ 29,532,330

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,	
	2015	2014	2015	2014
Revenue:				
Minimum rent	\$ 475,967	\$ 457,286	\$ 1,801,023	\$ 1,746,549
Overage rent	55,058	50,332	191,249	183,478
Tenant reimbursements	201,959	197,579	799,420	786,351
Other income	66,126	64,626	236,726	293,419
Total revenue	<u>799,110</u>	<u>769,823</u>	<u>3,028,418</u>	<u>3,009,797</u>
Operating Expenses:				
Property operating	132,270	140,559	530,798	574,706
Depreciation and amortization	159,358	162,059	594,973	604,199
Real estate taxes	58,336	54,222	231,154	221,745
Repairs and maintenance	19,921	19,329	73,286	71,203
Advertising and promotion	21,288	18,038	75,773	72,496
Provision for credit losses	1,217	2,239	4,153	6,527
Other	47,289	46,484	169,504	187,729
Total operating expenses	<u>439,679</u>	<u>442,930</u>	<u>1,679,641</u>	<u>1,738,605</u>
Operating Income	359,431	326,893	1,348,777	1,271,192
Interest expense	(149,792)	(149,388)	(593,187)	(598,900)
Income from Continuing Operations	209,639	177,505	755,590	672,292
Income from operations of discontinued joint venture interests	-	-	-	5,079
Gain on sale or disposal of assets and interests in unconsolidated entities, net	31,397	-	67,176	-
Net Income	<u>\$ 241,036</u>	<u>\$ 177,505</u>	<u>\$ 822,766</u>	<u>\$ 677,371</u>
Third-Party Investors' Share of Net Income	<u>\$ 108,559</u>	<u>\$ 88,789</u>	<u>\$ 405,456</u>	<u>\$ 348,127</u>
Our Share of Net Income	132,477	88,716	417,310	329,244
Amortization of Excess Investment (A)	(23,407)	(23,295)	(94,828)	(99,463)
Our Share of Loss from Unconsolidated Discontinued Operations	-	-	-	(652)
Our Share of Gain on Sale or Disposal of Assets and Interests in Unconsolidated Entities, net	(27,250)	-	(43,589)	-
Income from Unconsolidated Entities (B)	<u>\$ 81,820</u>	<u>\$ 65,421</u>	<u>\$ 278,893</u>	<u>\$ 229,129</u>

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

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

December 31, December 31,

	<u>2015</u>	<u>2014</u>
Assets:		
Investment properties, at cost	\$ 17,186,884	\$ 16,087,282
Less - accumulated depreciation	<u>5,780,261</u>	<u>5,457,899</u>
	11,406,623	10,629,383
Cash and cash equivalents	818,805	993,178
Tenant receivables and accrued revenue, net	354,133	362,201
Investment in unconsolidated entities, at equity	-	11,386
Deferred costs and other assets	<u>545,850</u>	<u>536,600</u>
Total assets	<u>\$ 13,125,411</u>	<u>\$ 12,532,748</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 13,891,041	\$ 13,272,557
Accounts payable, accrued expenses, intangibles, and deferred revenue	985,159	1,015,334
Other liabilities	<u>468,005</u>	<u>493,718</u>
Total liabilities	15,344,205	14,781,609
Preferred units	67,450	67,450
Partners' deficit	<u>(2,286,244)</u>	<u>(2,316,311)</u>
Total liabilities and partners' deficit	<u>\$ 13,125,411</u>	<u>\$ 12,532,748</u>
Our Share of:		
Partners' deficit	\$ (854,562)	\$ (663,700)
Add: Excess Investment (A)	<u>1,788,749</u>	<u>1,875,337</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 934,187</u>	<u>\$ 1,211,637</u>

Note: The above financial presentation does not include any information related to our investment in Klépierre.
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

	<u>For the Three Months Ended</u>		<u>For the Twelve Months Ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Consolidated Net Income (D)	\$ 459,917	\$ 475,992	\$ 2,139,375	\$ 1,651,526
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties	299,346	289,584	1,160,916	1,204,624
Our share of depreciation and amortization from unconsolidated entities, including Klépierre	137,515	138,291	533,330	549,138
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(27,250)	(4,066)	(250,516)	(158,550)
Net income attributable to noncontrolling interest holders in properties	(845)	(772)	(2,984)	(2,491)
Noncontrolling interests portion of depreciation and amortization	(906)	(968)	(3,632)	(3,697)
Preferred distributions and dividends	<u>(1,313)</u>	<u>(1,313)</u>	<u>(5,252)</u>	<u>(5,252)</u>
FFO of the Operating Partnership (E)	<u>\$ 866,464</u>	<u>\$ 896,748</u>	<u>\$ 3,571,237</u>	<u>\$ 3,235,298</u>
Diluted net income per share to diluted FFO per share reconciliation:				
Diluted net income per share	\$ 1.27	\$ 1.30	\$ 5.88	\$ 4.52
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre, net of noncontrolling interests portion of depreciation and amortization	1.20	1.18	4.67	4.82
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(0.07)	(0.01)	(0.69)	(0.44)
Diluted FFO per share (F)	<u>\$ 2.40</u>	<u>\$ 2.47</u>	<u>\$ 9.86</u>	<u>\$ 8.90</u>

Details for per share calculations:

FFO of the Operating Partnership (E)	\$ 866,464	\$ 896,748	\$ 3,571,237	\$ 3,235,298
Diluted FFO allocable to unitholders	<u>(124,266)</u>	<u>(130,309)</u>	<u>(514,044)</u>	<u>(469,479)</u>
Diluted FFO allocable to common stockholders (G)	<u>\$ 742,198</u>	<u>\$ 766,439</u>	<u>\$ 3,057,193</u>	<u>\$ 2,765,819</u>

Basic and Diluted weighted average shares outstanding	309,419	310,784	310,103	310,731
Weighted average limited partnership units outstanding	51,816	52,851	52,141	52,745
	<u>361,235</u>	<u>363,635</u>	<u>362,244</u>	<u>363,476</u>
Basic and Diluted weighted average shares and units outstanding				
Basic and Diluted FFO per Share (F)	\$ 2.40	\$ 2.47	\$ 9.86	\$ 8.90
Percent Change	-2.8%		10.8%	

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 Klépierre. Amounts included in Footnotes D below exclude our share of related activity for our investment in Klépierre. 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-K and our Form 10-Q/As for the periods ending March 31, 2015, June 30, 2015 and September 30, 2015.
- (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 \$1.5 million and \$1.2 million for the three months ended December 31, 2015 and 2014, respectively, and \$6.1 million and \$15.6 million for the twelve months ended December 31, 2015 and 2014, respectively.
 - Straight-line adjustments to minimum rent of \$17.5 million and \$14.2 million for the three months ended December 31, 2015 and 2014, respectively, and \$65.7 million and \$59.1 million for the twelve months ended December 31, 2015 and 2014, respectively (including \$0.3 million related to WPG in 2014).
 - Amortization of fair market value of leases from acquisitions of \$7.2 million and \$3.7 million for the three months ended December 31, 2015 and 2014, respectively, and \$17.2 million and \$15.9 million for the twelve months ended December 31, 2015 and 2014, respectively (including \$0.3 million related to WPG in 2014).
 - Debt premium amortization of \$4.5 million and \$4.9 million for the three months ended December 31, 2015 and 2014, respectively, and \$22.5 million and \$31.5 million for the twelve months ended December 31, 2015 and 2014, respectively (including \$0.2 million related to WPG in 2014).
- (E) Includes FFO of the operating partnership related to a loss on the extinguishment of debt of \$121.0 million for the three and twelve months ended December 31, 2015 and FFO related to the gain upon sale of marketable securities of \$80.2 million for the twelve months ended December 31, 2015. Includes FFO of the operating partnership related to a loss on the extinguishment of debt of \$127.6 million and FFO related to WPG of \$108.0 million (\$146.2 million from operations net of \$38.2 million of transaction expenses) for the twelve months ended December 31, 2014.
- (F) Includes Basic and Diluted FFO per share related to a loss on the extinguishment of debt of \$0.33 for the three and twelve months ended December 31, 2015 and FFO related to the gain upon sale of marketable securities of \$0.22 for the twelve months ended December 31, 2015. Includes Basic and Diluted FFO per share related to a loss on the extinguishment of debt of \$0.35 and FFO related to WPG of \$0.30 (\$0.40 from operations net of \$0.10 of transaction expenses) for the twelve months ended December 31, 2014.
- (G) Includes Diluted FFO allocable to common stockholders related to a loss on the extinguishment of debt of \$103.6 million for the three and twelve months ended December 31, 2015. Includes Diluted FFO allocable to common stockholders related to a loss on the extinguishment of debt of \$109.1 million and FFO related to WPG of \$92.4 million for the twelve months ended December 31, 2014.
- (H) Reconciliation of reported earnings per share to comparable earnings per share and FFO per share to comparable FFO per share:

THREE MONTHS

TWELVE MONTHS

	ENDED DECEMBER 31,		ENDED DECEMBER 31,	
	2015	2014	2015	2014
Reported FFO per share	\$ 2.40	\$ 2.47	\$ 9.86	\$ 8.90
Less: Gain upon sale of marketable securities	-	-	(0.22)	-
Add: Loss on extinguishment of debt	0.33	-	0.33	0.35
Add: WPG spin-off transaction expenses	-	-	-	0.10
Less: FFO from WPG properties	-	-	-	(0.40)
Comparable FFO per share	<u>\$ 2.73</u>	<u>\$ 2.47</u>	<u>\$ 9.97</u>	<u>\$ 8.95</u>
Comparable FFO per share growth	10.5%		11.4%	

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2015	2014	2015	2014
Reported earnings per share ¹	\$ 1.27	\$ 1.30	\$ 5.88	\$ 4.52
Less: Gain upon sale of marketable securities	-	-	(0.22)	-
Less: Non-cash gain on equity method investment	-	-	(0.57)	-
Add: Loss on extinguishment of debt	0.33	-	0.33	0.35
Add: WPG spin-off transaction expenses	-	-	-	0.10
Less: Earnings per share from WPG properties	-	-	-	(0.18)
Comparable earnings per share	<u>\$ 1.60</u>	<u>\$ 1.30</u>	<u>\$ 5.42</u>	<u>\$ 4.79</u>
Comparable earnings per share growth	23.1%		13.2%	

¹ Twelve month period ended December 31, 2014 includes a gain on disposition of \$0.37 per diluted share related to Klépierre's sale of a portfolio of 126 retail galleries.

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