

SIMON PROPERTY GROUP INC /DE/
Form 10-Q
August 02, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

SIMON PROPERTY GROUP, INC.

SIMON PROPERTY GROUP, L.P.

(Exact name of registrant as specified in its charter)

Delaware	001 14469	04 6268599
(Simon Property Group, Inc.)	(Simon Property Group, Inc.)	(Simon Property Group, Inc.)
Delaware	001-36110	34-1755769
(Simon Property Group, L.P.)	(Simon Property Group, L.P.)	(Simon Property Group, L.P.)
(State of incorporation	(Commission File No.)	(I.R.S. Employer
or organization)		Identification No.)
225 West Washington Street		
Indianapolis, Indiana 46204		
(Address of principal executive offices)		
(317) 636 1600		
(Registrant's telephone number, including area code)		

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Simon Property Group, Inc. Yes No Simon Property Group, L.P. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Simon Property Group, Inc. Yes No Simon Property Group, L.P. Yes No

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act (check one):

Simon Property Group, Inc.:

Large accelerated filer	Accelerated filer	Non accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
			Emerging growth company

Simon Property Group, L.P.:

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
			Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Simon Property Group, Inc.

Simon Property Group, L.P.

Indicate by check mark whether Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Simon Property Group, Inc.	Yes	No	Simon Property Group, L.P.	Yes	No
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As of June 30, 2018, Simon Property Group, Inc. had 309,209,683 shares of common stock, par value \$0.0001 per share, and 8,000 shares of Class B common stock, par value \$0.0001 per share, outstanding. Simon Property Group, L.P. has no common stock outstanding.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarterly period ended June 30, 2018 of Simon Property Group, Inc., a Delaware corporation, and Simon Property Group, L.P., a Delaware limited partnership. Unless stated otherwise or the context otherwise requires, references to “Simon” mean Simon Property Group, Inc. and references to the “Operating Partnership” mean Simon Property Group, L.P. References to “we,” “us” and “our” mean collectively Simon, the Operating Partnership and those entities/subsidiaries owned or controlled by Simon and/or the Operating Partnership.

Simon is a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. We are structured as an umbrella partnership REIT under which substantially all of our business is conducted through the Operating Partnership, Simon’s majority owned partnership subsidiary, for which Simon is the general partner. As of June 30, 2018, Simon owned an approximate 86.8% ownership interest in the Operating Partnership, with the remaining 13.2% ownership interest owned by limited partners. As the sole general partner of the Operating Partnership, Simon has exclusive control of the Operating Partnership’s day to day management.

We operate Simon and the Operating Partnership as one business. The management of Simon consists of the same members as the management of the Operating Partnership. As general partner with control of the Operating Partnership, Simon consolidates the Operating Partnership for financial reporting purposes, and Simon has no material assets or liabilities other than its investment in the Operating Partnership. Therefore, the assets and liabilities of Simon and the Operating Partnership are the same on their respective financial statements.

We believe that combining the quarterly reports on Form 10-Q of Simon and the Operating Partnership into this single report provides the following benefits:

- enhances investors’ understanding of Simon and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined presentation since substantially all of the disclosure in this report applies to both Simon and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important for investors to understand the few differences between Simon and the Operating Partnership in the context of how we operate as a consolidated company. The primary difference is that Simon itself does not conduct business, other than acting as the general partner of the Operating Partnership and issuing equity or equity related instruments from time to time. In addition, Simon itself does not incur any indebtedness, as all debt is incurred by the Operating Partnership or entities/subsidiaries owned or controlled by the Operating Partnership.

The Operating Partnership holds, directly or indirectly, substantially all of our assets, including our ownership interests in our joint ventures. The Operating Partnership conducts substantially all of our business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity issuances by Simon, which are contributed to the capital of the Operating Partnership in exchange for, in the case of common stock issuances by Simon, common units of partnership interest in the Operating Partnership, or units, or, in the case of preferred stock issuances by Simon, preferred units of partnership interest in the Operating Partnership, or preferred units, the Operating Partnership, directly or indirectly, generates the capital required by our business through its operations, the incurrence of indebtedness, proceeds received from the disposition of certain properties and joint ventures and the issuance of units or preferred units to third parties.

The presentation of stockholders’ equity, partners’ equity and noncontrolling interests are the main areas of difference between the consolidated financial statements of Simon and those of the Operating Partnership. The differences between stockholders’ equity and partners’ equity result from differences in the equity issued at the Simon and

Operating Partnership levels. The units held by limited partners in the Operating Partnership are accounted for as partners' equity in the Operating Partnership's financial statements and as noncontrolling interests in Simon's financial statements. The noncontrolling interests in the Operating Partnership's financial statements include the interests of unaffiliated partners in various consolidated partnerships. The noncontrolling interests in Simon's financial statements include the same noncontrolling interests at the Operating Partnership level and, as previously stated, the units held by limited partners of the Operating Partnership. Although classified differently, total equity of Simon and the Operating Partnership is the same.

To help investors understand the differences between Simon and the Operating Partnership, this report provides:

- separate consolidated financial statements for Simon and the Operating Partnership;

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- a single set of condensed notes to such consolidated financial statements that includes separate discussions of noncontrolling interests and stockholders' equity or partners' equity, accumulated other comprehensive income (loss) and per share and per unit data, as applicable;
- a combined Management's Discussion and Analysis of Financial Condition and Results of Operations section that also includes discrete information related to each entity; and
- separate Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds sections related to each entity.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of Simon and the Operating Partnership in order to establish that the requisite certifications have been made and that Simon and the Operating Partnership are each compliant with Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 and 18 U.S.C. §1350. The separate discussions of Simon and the Operating Partnership in this report should be read in conjunction with each other to understand our results on a consolidated basis and how management operates our business.

In order to highlight the differences between Simon and the Operating Partnership, the separate sections in this report for Simon and the Operating Partnership specifically refer to Simon and the Operating Partnership. In the sections that combine disclosure of Simon and the Operating Partnership, this report refers to actions or holdings of Simon and the Operating Partnership as being "our" actions or holdings. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures, holds assets and incurs debt, we believe that references to "we," "us" or "our" in this context is appropriate because the business is one enterprise and we operate substantially all of our business through the Operating Partnership.

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Simon Property Group, Inc.

Simon Property Group, L.P.

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Simon Property Group, Inc.

Unaudited Consolidated Balance Sheets

(Dollars in thousands, except share amounts)

	June 30, 2018	December 31, 2017
ASSETS:		
Investment properties, at cost	\$ 36,429,603	\$ 36,393,464
Less - accumulated depreciation	12,354,966	11,935,949
	24,074,637	24,457,515
Cash and cash equivalents	714,247	1,482,309
Tenant receivables and accrued revenue, net	681,551	742,672
Investment in unconsolidated entities, at equity	2,302,833	2,266,483
Investment in Klépierre, at equity	1,772,155	1,934,676
Deferred costs and other assets	1,297,717	1,373,983
Total assets	\$ 30,843,140	\$ 32,257,638
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,505,002	\$ 24,632,463
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,230,775	1,269,190
Cash distributions and losses in unconsolidated entities, at equity	1,531,136	1,406,378
Other liabilities	499,598	520,363
Total liabilities	26,766,511	27,828,394
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	198,001	190,480
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 83/8% cumulative redeemable preferred stock, 1,000,000 shares authorized, 796,948 issued and outstanding with a liquidation value of \$39,847	42,912	43,077
Common stock, \$0.0001 par value, 511,990,000 shares authorized, 320,324,839 and 320,322,774 issued and outstanding, respectively	32	32
Class B common stock, \$0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	—	—
Capital in excess of par value	9,657,810	9,614,748
Accumulated deficit	(4,833,826)	(4,782,173)
Accumulated other comprehensive loss	(115,285)	(110,453)
Common stock held in treasury, at cost, 11,115,156 and 9,163,920 shares, respectively	(1,380,619)	(1,079,063)
Total stockholders' equity	3,371,024	3,686,168
Noncontrolling interests	507,604	552,596
Total equity	3,878,628	4,238,764
Total liabilities and equity	\$ 30,843,140	\$ 32,257,638

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc.

Unaudited Consolidated Statements of Operations and Comprehensive Income

(Dollars in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUE:				
Minimum rent	\$ 857,106	\$ 851,552	\$ 1,717,277	\$ 1,698,350
Overage rent	31,942	29,764	64,932	57,967
Tenant reimbursements	372,949	380,527	753,312	759,442
Management fees and other revenues	28,541	31,367	56,722	61,914
Other income	97,820	68,338	195,929	129,638
Total revenue	1,388,358	1,361,548	2,788,172	2,707,311
EXPENSES:				
Property operating	102,951	107,371	216,400	211,419
Depreciation and amortization	320,198	322,396	637,134	633,228
Real estate taxes	111,449	113,415	225,635	220,073
Repairs and maintenance	22,191	21,700	49,875	47,301
Advertising and promotion	36,491	36,496	71,291	72,444
Provision for credit losses	3,299	2,659	8,931	7,870
Home and regional office costs	32,316	36,476	73,380	79,455
General and administrative	10,913	13,074	23,542	27,075
Other	10,875	21,812	42,377	45,627
Total operating expenses	650,683	675,399	1,348,565	1,344,492
OPERATING INCOME	737,675	686,149	1,439,607	1,362,819
Interest expense	(206,624)	(207,174)	(412,115)	(405,373)
Loss on extinguishment of debt	—	(128,618)	—	(128,618)
Income and other taxes	(10,137)	(5,990)	(16,357)	(2,470)
Income from unconsolidated entities	100,828	92,017	190,854	161,101
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	9,672	4,989	144,949	4,989
CONSOLIDATED NET INCOME	631,414	441,373	1,346,938	992,448
Net income attributable to noncontrolling interests	83,576	58,549	177,611	131,053
Preferred dividends	834	834	1,669	1,669
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 547,004	\$ 381,990	\$ 1,167,658	\$ 859,726
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	\$ 1.77	\$ 1.23	\$ 3.77	\$ 2.75
Consolidated Net Income	\$ 631,414 21,260	\$ 441,373 (21,545)	\$ 1,346,938 15,113	\$ 992,448 (22,798)

Unrealized gain (loss) on derivative hedge agreements				
Net loss reclassified from accumulated other comprehensive loss into earnings	2,185	2,439	4,339	5,059
Currency translation adjustments	(38,126)	16,745	(25,034)	29,892
Changes in available-for-sale securities and other	222	(1,152)	(66)	(463)
Comprehensive income	616,955	437,860	1,341,290	1,004,138
Comprehensive income attributable to noncontrolling interests	81,654	58,065	176,794	132,490
Comprehensive income attributable to common stockholders	\$ 535,301	\$ 379,795	\$ 1,164,496	\$ 871,648

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc.

Unaudited Consolidated Statements of Cash Flows

(Dollars in thousands)

	For the Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated Net Income	\$ 1,346,938	\$ 992,448
Adjustments to reconcile consolidated net income to net cash provided by operating activities —		
Depreciation and amortization	674,067	675,608
Loss on debt extinguishment	—	128,618
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(144,949)	(4,989)
Unrealized change in fair value of equity instruments	(6,664)	—
Gain on interest in unconsolidated entity (Note 5)	(35,621)	—
Straight-line rent	(10,564)	(11,970)
Equity in income of unconsolidated entities	(190,854)	(161,101)
Distributions of income from unconsolidated entities	192,649	161,833
Changes in assets and liabilities —		
Tenant receivables and accrued revenue, net	59,737	46,748
Deferred costs and other assets	(28,007)	(29,289)
Accounts payable, accrued expenses, intangibles, deferred revenues and other liabilities	(19,950)	11,677
Net cash provided by operating activities	1,836,782	1,809,583
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions	—	(87,741)
Funding of loans to related parties	(4,641)	(49,668)
Capital expenditures, net	(334,674)	(318,948)
Cash impact from the consolidation of properties	—	7,536
Investments in unconsolidated entities	(29,296)	(93,459)
Purchase of marketable and non-marketable securities	(9,258)	(3,837)
Distributions of capital from unconsolidated entities and other	359,083	296,007
Net cash used in investing activities	(18,786)	(250,110)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sales of common stock and other, net of transaction costs	(165)	(164)
Purchase of shares related to stock grant recipients' tax withholdings	(2,911)	(2,789)
Redemption of limited partner units	(7,619)	—
Purchase of treasury stock	(307,296)	(396,169)
Distributions to noncontrolling interest holders in properties	(10,067)	(6,150)
Contributions from noncontrolling interest holders in properties	116	236
Preferred distributions of the Operating Partnership	(958)	(958)
Distributions to stockholders and preferred dividends	(1,210,168)	(1,094,925)
Distributions to limited partners	(182,949)	(165,741)
Loss on debt extinguishment	—	(128,618)

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Proceeds from issuance of debt, net of transaction costs	3,720,806	5,749,137
Repayments of debt	(4,584,847)	(5,584,777)
Net cash used in financing activities	(2,586,058)	(1,630,918)
DECREASE IN CASH AND CASH EQUIVALENTS	(768,062)	(71,445)
CASH AND CASH EQUIVALENTS, beginning of period	1,482,309	560,059
CASH AND CASH EQUIVALENTS, end of period	\$ 714,247	\$ 488,614

The accompanying notes are an integral part of these statements.

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Simon Property Group, L.P.

Unaudited Consolidated Balance Sheets

(Dollars in thousands, except unit amounts)

	June 30, 2018	December 31, 2017
ASSETS:		
Investment properties, at cost	\$ 36,429,603	\$ 36,393,464
Less — accumulated depreciation	12,354,966	11,935,949
	24,074,637	24,457,515
Cash and cash equivalents	714,247	1,482,309
Tenant receivables and accrued revenue, net	681,551	742,672
Investment in unconsolidated entities, at equity	2,302,833	2,266,483
Investment in Klépierre, at equity	1,772,155	1,934,676
Deferred costs and other assets	1,297,717	1,373,983
Total assets	\$ 30,843,140	\$ 32,257,638
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,505,002	\$ 24,632,463
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,230,775	1,269,190
Cash distributions and losses in unconsolidated entities, at equity	1,531,136	1,406,378
Other liabilities	499,598	520,363
Total liabilities	26,766,511	27,828,394
Commitments and contingencies		
Preferred units, various series, at liquidation value, and noncontrolling redeemable interests in properties	198,001	190,480
EQUITY:		
Partners' Equity		
Preferred units, 796,948 units outstanding. Liquidation value of \$39,847	42,912	43,077
General Partner, 309,217,683 and 311,166,854 units outstanding, respectively	3,328,112	3,643,091
Limited Partners, 46,824,406 and 46,879,625 units outstanding, respectively	503,972	548,858
Total partners' equity	3,874,996	4,235,026
Nonredeemable noncontrolling interests in properties, net	3,632	3,738
Total equity	3,878,628	4,238,764
Total liabilities and equity	\$ 30,843,140	\$ 32,257,638

The accompanying notes are an integral part of these statements.

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Simon Property Group, L.P.

Unaudited Consolidated Statements of Operations and Comprehensive Income

(Dollars in thousands, except per unit amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUE:				
Minimum rent	\$ 857,106	\$ 851,552	\$ 1,717,277	\$ 1,698,350
Overage rent	31,942	29,764	64,932	57,967
Tenant reimbursements	372,949	380,527	753,312	759,442
Management fees and other revenues	28,541	31,367	56,722	61,914
Other income	97,820	68,338	195,929	129,638
Total revenue	1,388,358	1,361,548	2,788,172	2,707,311
EXPENSES:				
Property operating	102,951	107,371	216,400	211,419
Depreciation and amortization	320,198	322,396	637,134	633,228
Real estate taxes	111,449	113,415	225,635	220,073
Repairs and maintenance	22,191	21,700	49,875	47,301
Advertising and promotion	36,491	36,496	71,291	72,444
Provision for credit losses	3,299	2,659	8,931	7,870
Home and regional office costs	32,316	36,476	73,380	79,455
General and administrative	10,913	13,074	23,542	27,075
Other	10,875	21,812	42,377	45,627
Total operating expenses	650,683	675,399	1,348,565	1,344,492
OPERATING INCOME	737,675	686,149	1,439,607	1,362,819
Interest expense	(206,624)	(207,174)	(412,115)	(405,373)
Loss on extinguishment of debt	—	(128,618)	—	(128,618)
Income and other taxes	(10,137)	(5,990)	(16,357)	(2,470)
Income from unconsolidated entities	100,828	92,017	190,854	161,101
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	9,672	4,989	144,949	4,989
CONSOLIDATED NET INCOME	631,414	441,373	1,346,938	992,448
Net income (loss) attributable to noncontrolling interests	279	74	186	(170)
Preferred unit requirements	1,313	1,313	2,626	2,626
NET INCOME ATTRIBUTABLE TO UNITHOLDERS	\$ 629,822	\$ 439,986	\$ 1,344,126	\$ 989,992
NET INCOME ATTRIBUTABLE TO UNITHOLDERS ATTRIBUTABLE TO:				
General Partner	\$ 547,004	381,990	\$ 1,167,658	\$ 859,726
Limited Partners	82,818	57,996	176,468	130,266
Net income attributable to unitholders	\$ 629,822	\$ 439,986	\$ 1,344,126	\$ 989,992

BASIC AND DILUTED EARNINGS PER
UNIT:

Net income attributable to unitholders	\$ 1.77	\$ 1.23	\$ 3.77	\$ 2.75
Consolidated net income	\$ 631,414	\$ 441,373	\$ 1,346,938	\$ 992,448
Unrealized gain (loss) on derivative hedge agreements	21,260	(21,545)	15,113	(22,798)
Net loss reclassified from accumulated other comprehensive loss into earnings	2,185	2,439	4,339	5,059
Currency translation adjustments	(38,126)	16,745	(25,034)	29,892
Changes in available-for-sale securities and other	222	(1,152)	(66)	(463)
Comprehensive income	616,955	437,860	1,341,290	1,004,138
Comprehensive income attributable to noncontrolling interests	218	397	745	1,072
Comprehensive income attributable to unitholders	\$ 616,737	\$ 437,463	\$ 1,340,545	\$ 1,003,066

The accompanying notes are an integral part of these statements.

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Simon Property Group, L.P.

Unaudited Consolidated Statements of Cash Flows

(Dollars in thousands)

	For the Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated Net Income	\$ 1,346,938	\$ 992,448
Adjustments to reconcile consolidated net income to net cash provided by operating activities —		
Depreciation and amortization	674,067	675,608
Loss on debt extinguishment	—	128,618
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(144,949)	(4,989)
Unrealized change in fair value of equity instruments	(6,664)	—
Gain on interest in unconsolidated entity (Note 5)	(35,621)	—
Straight-line rent	(10,564)	(11,970)
Equity in income of unconsolidated entities	(190,854)	(161,101)
Distributions of income from unconsolidated entities	192,649	161,833
Changes in assets and liabilities —		
Tenant receivables and accrued revenue, net	59,737	46,748
Deferred costs and other assets	(28,007)	(29,289)
Accounts payable, accrued expenses, intangibles, deferred revenues and other liabilities	(19,950)	11,677
Net cash provided by operating activities	1,836,782	1,809,583
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions	—	(87,741)
Funding of loans to related parties	(4,641)	(49,668)
Capital expenditures, net	(334,674)	(318,948)
Cash impact from the consolidation of properties	—	7,536
Investments in unconsolidated entities	(29,296)	(93,459)
Purchase of marketable and non-marketable securities	(9,258)	(3,837)
Distributions of capital from unconsolidated entities and other	359,083	296,007
Net cash used in investing activities	(18,786)	(250,110)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of units and other	(165)	(164)
Purchase of units related to stock grant recipients' tax withholdings	(2,911)	(2,789)
Redemption of limited partner units	(7,619)	—
Purchase of general partner units	(307,296)	(396,169)
Distributions to noncontrolling interest holders in properties	(10,067)	(6,150)
Contributions from noncontrolling interest holders in properties	116	236
Partnership distributions	(1,394,075)	(1,261,624)
Loss on debt extinguishment	—	(128,618)
Mortgage and unsecured indebtedness proceeds, net of transaction costs	3,720,806	5,749,137
Mortgage and unsecured indebtedness principal payments	(4,584,847)	(5,584,777)

Net cash used in financing activities	(2,586,058)	(1,630,918)
DECREASE IN CASH AND CASH EQUIVALENTS	(768,062)	(71,445)
CASH AND CASH EQUIVALENTS, beginning of period	1,482,309	560,059
CASH AND CASH EQUIVALENTS, end of period	\$ 714,247	\$ 488,614

The accompanying notes are an integral part of these statements.

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1. Organization

Simon Property Group, Inc. is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. REITs will generally not be liable for U.S. federal corporate income taxes as long as they distribute not less than 100% of their REIT taxable income. Simon Property Group, L.P. is our majority-owned Delaware partnership subsidiary that owns all of our real estate properties and other assets. In these condensed notes to the consolidated financial statements, unless stated otherwise or the context otherwise requires, references to "Simon" mean Simon Property Group, Inc. and references to the "Operating Partnership" mean Simon Property Group, L.P. References to "we," "us" and "our" mean collectively Simon, the Operating Partnership and those entities/subsidiaries owned or controlled by Simon and/or the Operating Partnership. Unless otherwise indicated, these condensed notes to consolidated financial statements apply to both Simon and the Operating Partnership. According to the Operating Partnership's partnership agreement, the Operating Partnership is required to pay all expenses of Simon.

We own, develop and manage premier shopping, dining, entertainment and mixed-use destinations, which consist primarily of malls, Premium Outlets®, and The Mills®. As of June 30, 2018, we owned or held an interest in 206 income producing properties in the United States, which consisted of 107 malls, 68 Premium Outlets, 14 Mills, four lifestyle centers, and 13 other retail properties in 37 states and Puerto Rico. Internationally, as of June 30, 2018, we had ownership interests in nine Premium Outlets in Japan, four Premium Outlets in South Korea, three Premium Outlets in Canada, two Premium Outlets in Malaysia and one Premium Outlet in Mexico. We also own an interest in eight Designer Outlet properties in Europe, of which six properties are consolidated, and one Designer Outlet property in Canada. Of the eight properties in Europe, two are located in Italy, two are located in the Netherlands and one each is located in Austria, Germany, France and the United Kingdom. As of June 30, 2018, we also owned a 21.1% equity stake in Klépierre SA, or Klépierre, a publicly traded, Paris based real estate company which owns, or has an interest in, shopping centers located in 16 countries in Europe.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of all controlled subsidiaries, and all significant intercompany amounts have been eliminated. Due to the seasonal nature of certain operational activities, the results for the interim periods ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year.

These consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States (GAAP) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring accruals) have been included. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in the combined 2017 Annual Report on Form 10-K of Simon and the Operating Partnership.

As of June 30, 2018, we consolidated 133 wholly owned properties and 19 additional properties that are less than wholly owned, but which we control or for which we are the primary beneficiary. We account for the remaining 82 properties, or the joint venture properties, as well as our investments in Klépierre, Aéropostale, Authentic Brands Group, LLC, or ABG, and HBS Global Properties, or HBS, using the equity method of accounting, as we have determined we have significant influence over their operations. We manage the day to day operations of 58 of the 82 joint venture properties, but have determined that our partner or partners have substantive participating rights with respect to the assets and operations of these joint venture properties. Our investments in joint ventures in Japan, South Korea, Mexico, Malaysia, Germany, Canada, and the United Kingdom comprise 20 of the remaining 24 properties. These international properties are managed by joint ventures in which we share control.

Preferred distributions of the Operating Partnership are accrued at declaration and represent distributions on outstanding preferred units of partnership interests, or preferred units, and are included in net income attributable to noncontrolling interests. We allocate net operating results of the Operating Partnership after preferred distributions to

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limited partners and to Simon based on the partners' respective weighted average ownership interests in the Operating Partnership. Net operating results of the Operating Partnership attributable to limited partners are reflected in net income attributable to noncontrolling interests. Simon's weighted average ownership interest in the Operating Partnership was 86.9% and 86.8% for the six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and December 31, 2017, Simon's ownership interest in the Operating Partnership was 86.8% and 86.9%, respectively. We adjust the noncontrolling limited partners' interests at the end of each period to reflect their interest in the net assets of the Operating Partnership.

Preferred unit requirements in the Operating Partnership's accompanying consolidated statements of operations and comprehensive income represent distributions on outstanding preferred units and are recorded when declared.

3. Significant Accounting Policies

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents generally consist of commercial paper, bankers' acceptances, Eurodollars, repurchase agreements, and money market deposits or securities. Financial instruments that potentially subject us to concentrations of credit risk include our cash and cash equivalents and our trade accounts receivable. We place our cash and cash equivalents with institutions of high credit quality. However, at certain times, such cash and cash equivalents are in excess of Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance limits.

Equity Instruments and Debt Securities

Equity instruments and debt securities consist primarily of the debt securities of our captive insurance subsidiary, equity instruments, our deferred compensation plan investments, and certain investments held to fund the debt service requirements of debt previously secured by investment properties. At June 30, 2018 and December 31, 2017, we had equity instruments with readily determinable fair values of \$105.3 million and \$88.3 million, respectively. Effective January 1, 2018, changes in fair value of these equity instruments are recorded in earnings. At June 30, 2018 and December 31, 2017, we had equity instruments without readily determinable fair values of \$164.4 million and \$186.9 million, respectively, for which we have elected the measurement alternative. We regularly evaluate these investments for any impairment in their estimated fair value, as well as any observable price changes for an identical or similar equity instrument of the same issuer, and determined that no material adjustment in the carrying value was required for the three or six months ended June 30, 2018.

Our deferred compensation plan equity instruments are valued based upon quoted market prices. The investments have a matching liability as the amounts are fully payable to the employees that earned the compensation. Changes in value of these securities and changes to the matching liability to employees are both recognized in earnings and, as a result, there is no impact to consolidated net income.

At June 30, 2018 and December 31, 2017, we held debt securities of \$64.9 million and \$55.7 million, respectively, in our captive insurance subsidiary. The types of securities included in the investment portfolio of our captive insurance subsidiary typically includes U.S. Treasury or other U.S. government securities as well as corporate debt securities with maturities ranging from less than 1 year to 10 years. These securities are classified as available for sale and are valued based upon quoted market prices or other observable inputs when quoted market prices are not available. The amortized cost of debt securities, which approximates fair value, held by our captive insurance subsidiary is adjusted for amortization of premiums and accretion of discounts to maturity. Changes in the values of these securities are recognized in accumulated other comprehensive income (loss) until the gain or loss is realized or until any unrealized loss is deemed to be other than temporary. We review any declines in value of these securities for other than temporary impairment and consider the severity and duration of any decline in value. To the extent an other than temporary impairment is deemed to have occurred, an impairment is recorded and a new cost basis is established.

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Our captive insurance subsidiary is required to maintain statutory minimum capital and surplus as well as maintain a minimum liquidity ratio. Therefore, our access to these securities may be limited.

Fair Value Measurements

Level 1 fair value inputs are quoted prices for identical items in active, liquid and visible markets such as stock exchanges. Level 2 fair value inputs are observable information for similar items in active or inactive markets, and appropriately consider counterparty creditworthiness in the valuations. Level 3 fair value inputs reflect our best estimate of inputs and assumptions market participants would use in pricing an asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation estimate. We have no investments for which fair value is measured on a recurring basis using Level 3 inputs.

The equity instruments with readily available determinable fair values we held at June 30, 2018 and December 31, 2017 were primarily classified as having Level 1 and Level 2 fair value inputs. In addition, we had derivative instruments which were classified as having Level 2 inputs, which consist primarily of foreign currency forward contracts and interest rate swap agreements with a gross asset balance of \$7.8 million at June 30, 2018 and a gross liability balance of \$10.7 million and \$18.1 million at June 30, 2018 and December 31, 2017, respectively.

Note 6 includes a discussion of the fair value of debt measured using Level 2 inputs. Level 3 inputs to our purchase accounting and impairment analyses include our estimations of net operating results of the property, capitalization rates and discount rates.

Noncontrolling Interests

Simon

Details of the carrying amount of our noncontrolling interests are as follows:

	As of June 30, 2018	As of December 31, 2017
Limited partners' interests in the Operating Partnership	\$ 503,972	\$ 548,858
Nonredeemable noncontrolling interests in properties, net	3,632	3,738
Total noncontrolling interests reflected in equity	\$ 507,604	\$ 552,596

Net income attributable to noncontrolling interests (which includes nonredeemable and redeemable noncontrolling interests in consolidated properties, limited partners' interests in the Operating Partnership and preferred distributions payable by the Operating Partnership on its outstanding preferred units) is a component of consolidated net income. In

addition, the individual components of other comprehensive income (loss) are presented in the aggregate for both controlling and noncontrolling interests, with the portion attributable to noncontrolling interests deducted from comprehensive income attributable to common stockholders.

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A rollforward of noncontrolling interests is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Noncontrolling interests, beginning of period	\$ 527,430	621,738	\$ 552,596	\$ 649,464
Net income attributable to noncontrolling interests after preferred distributions and income attributable to redeemable noncontrolling interests in consolidated properties	83,037	58,393	177,213	131,338
Distributions to noncontrolling interest holders	(91,901)	(83,680)	(183,913)	(167,901)
Other comprehensive (loss) income allocable to noncontrolling interests:				
Unrealized gain (loss) on derivative hedge agreements	2,797	(2,837)	1,993	(2,981)
Net loss reclassified from accumulated other comprehensive loss into earnings	288	322	571	668
Currency translation adjustments	(5,034)	2,181	(3,371)	3,799
Changes in available-for-sale securities and other	29	(150)	(9)	(49)
	(1,920)	(484)	(816)	1,437
Adjustment to limited partners' interest from change in ownership in the Operating Partnership	(16,496)	(35,100)	(52,717)	(68,335)
Units exchanged for common shares	—	(1,341)	(70)	(1,353)
Units redeemed	(98)	—	(572)	—
Long-term incentive performance units	7,462	4,853	15,769	19,558
Contributions by noncontrolling interests, net, and other	90	65	114	236
Noncontrolling interests, end of period	\$ 507,604	\$ 564,444	\$ 507,604	\$ 564,444

The Operating Partnership

Our evaluation of the appropriateness of classifying the Operating Partnership's common units of partnership interest, or units, held by Simon and the Operating Partnership's limited partners within permanent equity considered several significant factors. First, as a limited partnership, all decisions relating to the Operating Partnership's operations and distributions are made by Simon, acting as the Operating Partnership's sole general partner. The decisions of the general partner are made by Simon's Board of Directors or management. The Operating Partnership has no other governance structure. Secondly, the sole asset of Simon is its interest in the Operating Partnership. As a result, a share

of common stock of Simon, or common stock, if owned by the Operating Partnership, is best characterized as being similar to a treasury share and thus not an asset of the Operating Partnership.

Limited partners of the Operating Partnership have the right under the Operating Partnership's partnership agreement to exchange their units for shares of common stock or cash, as selected by Simon as the sole general partner. Accordingly, we classify units held by limited partners in permanent equity because Simon may elect to issue shares of common stock to limited partners exercising their exchange rights rather than using cash. Under the Operating Partnership's partnership agreement, the Operating Partnership is required to redeem units held by Simon only when Simon has repurchased shares of common stock. We classify units held by Simon in permanent equity because the decision to redeem those units would be made by Simon.

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Net income attributable to noncontrolling interests (which includes nonredeemable and redeemable noncontrolling interests in consolidated properties) is a component of consolidated net income.

A rollforward of noncontrolling interests is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Noncontrolling nonredeemable interests in properties, net — beginning of period	\$ 3,800	4,647	\$ 3,738	\$ 5,116
Net income attributable to noncontrolling nonredeemable interests	218	397	745	1,072
Distributions to noncontrolling nonredeemable interestholders	(475)	(845)	(964)	(2,160)
Contributions by noncontrolling nonredeemable interests, net, and other	89	65	113	236
Noncontrolling nonredeemable interests in properties, net — end of period	\$ 3,632	\$ 4,264	\$ 3,632	\$ 4,264

Accumulated Other Comprehensive Income (Loss)

Simon

The changes in components of our accumulated other comprehensive income (loss) attributable to common stockholders consisted of the following net of noncontrolling interest as of June 30, 2018:

	Currency translation adjustments	Accumulated derivative gains, net	Net unrealized losses on marketable securities	Total
Beginning balance	\$ (118,138)	\$ 8,055	\$ (370)	\$ (110,453)
Other comprehensive (loss) income before reclassifications	(21,663)	13,120	(57)	(8,600)
Amounts reclassified from accumulated other comprehensive income (loss)	—	3,768	—	3,768
Net current-period other comprehensive (loss) income	(21,663)	16,888	(57)	(4,832)

Ending balance	\$ (139,801)	\$ 24,943	\$ (427)	\$ (115,285)
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The reclassifications out of accumulated other comprehensive income (loss) consisted of the following during the six months ended June 30:

	2018	2017	
Details about accumulated other comprehensive income (loss) components:	Amount reclassified from accumulated other comprehensive income (loss)	Amount reclassified from accumulated other comprehensive income (loss)	Affected line item where net income is presented
Accumulated derivative losses, net	\$ (4,339)	\$ (5,059)	Interest expense
	571	668	Net income attributable to noncontrolling interests
	\$ (3,768)	\$ (4,391)	

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The changes in accumulated other comprehensive income (loss) by component consisted of the following as of June 30, 2018:

	Currency translation adjustments	Accumulated derivative gains, net	Net unrealized losses on marketable securities	Total
Beginning balance	\$ (135,940)	\$ 9,263	\$ (425)	\$ (127,102)
Other comprehensive (loss) income before reclassifications	(25,034)	15,113	(66)	(9,987)
Amounts reclassified from accumulated other comprehensive income (loss)	—	4,339	—	4,339
Net current-period other comprehensive (loss) income	(25,034)	19,452	(66)	(5,648)
Ending balance	\$ (160,974)	\$ 28,715	\$ (491)	\$ (132,750)

The reclassifications out of accumulated other comprehensive income (loss) consisted of the following during the six months ended June 30:

	2018 Amount reclassified from accumulated other comprehensive income (loss)	2017 Amount reclassified from accumulated other comprehensive income (loss)	Affected line item where net income is presented
Details about accumulated other comprehensive income (loss) components:			
Accumulated derivative losses, net	\$ (4,339)	\$ (5,059)	Interest expense

Derivative Financial Instruments

We record all derivatives on our consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have designated a derivative as a hedge and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We may use a variety of derivative financial instruments in the normal course of business to selectively manage or hedge a portion of the risks associated with our indebtedness and interest payments. Our objectives in using interest rate derivatives are to

add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps and caps. We require that hedging derivative instruments be highly effective in reducing the risk exposure that they are designated to hedge. We formally designate any instrument that meets these hedging criteria as a hedge at the inception of the derivative contract. We have no credit risk related hedging or derivative activities.

As of June 30, 2018 and December 31, 2017, we had no outstanding interest rate derivatives. We generally do not apply hedge accounting to interest rate caps, which had a nominal value as of June 30, 2018 and December 31, 2017, respectively.

We are also exposed to fluctuations in foreign exchange rates on financial instruments which are denominated in foreign currencies, primarily in Yen and Euro. We use currency forward contracts, cross currency swap contracts and foreign currency denominated debt to manage our exposure to changes in foreign exchange rates on certain Yen and Euro denominated receivables and net investments. Currency forward contracts involve fixing the Yen:USD or Euro:USD exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward contracts are typically cash settled in U.S. dollars for their fair value at or close to their settlement date.

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We had the following Euro:USD forward contracts at June 30, 2018 and December 31, 2017 (in millions):

		Liability Value as of	
		June 30,	December 31,
Notional			
Value	Maturity Date	2018	2017
€ 50.0	May 15, 2019	(0.3)	(2.4)
€ 50.0	May 15, 2019	(2.7)	(4.9)
€ 50.0	May 15, 2020	(3.5)	(5.2)
€ 50.0	May 14, 2021	(4.1)	(5.5)

Liability balances in the above table are included in other liabilities.

In the first quarter of 2018, we entered into a cross-currency swap agreement to manage our exposure to changes in foreign exchange rates by swapping \$150.0 million of 4.38% fixed-rate U.S. dollar-denominated debt to 1.37% fixed-rate Euro-denominated debt of €121.6 million. The cross-currency swap matures on December 1, 2020. The carrying value of our cross-currency swap agreement at June 30, 2018 is \$7.5 million and is included in deferred costs and other assets. On July 10, 2018, we entered into a Yen-denominated cross-currency swap agreement designated as a net investment hedge by swapping \$200.1 million of 4.38% fixed-rate U.S. dollar-denominated debt to ¥22.3 billion of 1.19% fixed rate Yen-denominated debt. Contemporaneously, we repaid Yen-denominated borrowings of \$201.1 million (U.S. dollar equivalent) on the Operating Partnership's \$4.0 billion unsecured revolving credit facility, or Credit Facility.

We have designated the currency forward contracts and cross-currency swaps as net investment hedges. Accordingly, we report the changes in fair value in other comprehensive income (loss). Changes in the value of these forward contracts are offset by changes in the underlying hedged Euro or Yen-denominated joint venture investment.

The total gross accumulated other comprehensive income related to the Operating Partnership's derivative activities, including our share of the other comprehensive income from unconsolidated entities, approximated \$28.7 million and \$9.3 million as of June 30, 2018 and December 31, 2017, respectively.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue From Contracts With Customers." ASU 2014-09 amends the existing accounting standards for revenue recognition. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers. The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets,

such as property, including real estate.

Our revenues impacted by this standard primarily include management, development, leasing and financing fee revenues for services performed related to various domestic joint ventures that we manage, licensing fees earned from various international properties, sales of real estate, including land parcels and operating properties, and other ancillary income earned at our properties. For the years ended December 31, 2017 and 2016, these revenues were less than 6.0% and 7.0% of consolidated revenue, respectively. The amount and timing of revenue recognition from our services to joint ventures, licensing fee arrangements, and ancillary income under the newly effective standard is consistent with the prior measurement and pattern of recognition. In addition, we do not actively sell operating properties as part of our core business strategy and, accordingly, the sale of properties does not generally constitute a significant part of our revenue and cash flows. We adopted the standard using the modified retrospective approach on January 1, 2018 and there was no cumulative effect adjustment recognized. Our revenues impacted by this standard are included in management fees and other revenues and in other income in the accompanying consolidated statements of operations and comprehensive income.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which requires entities to recognize changes in equity investments with readily determinable fair values in net income. We recognized a cumulative effect adjustment of \$7.3 million as of adoption on

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January 1, 2018 to reclassify unrealized gains previously reported in accumulated other comprehensive income for equity instruments with readily determinable fair values that were previously accounted for as available-for-sale securities and certain equity instruments previously accounted for using the cost method for which the measurement alternative described below was not elected. For those equity instruments that do not have readily determinable fair values, the ASU permits the application of a measurement alternative using the cost of the investment, less any impairments, plus or minus changes resulting from observable price changes for an identical or similar investment of the same issuer. This guidance will be applied prospectively upon the occurrence of an event which establishes fair value to all other equity instruments we account for using the measurement alternative.

In February 2016, the FASB issued ASU 2016-02, "Leases," which will result in lessees recognizing most leased assets and corresponding lease liabilities on the balance sheet. Lessor accounting will remain substantially similar to the current accounting; however, certain refinements were made to conform the standard with the recently issued revenue recognition guidance in ASU 2014-09, specifically related to the allocation and recognition of contract consideration earned from lease and non-lease revenue components. ASU 2016-02 also limits the capitalization of leasing costs to initial direct costs, which will likely result in a reduction to our capitalized leasing costs and an increase in expenses, though the amount of such change is highly dependent upon the leasing compensation structures in place at the time of adoption.

Substantially all of our revenues and the revenues of our equity method investments are earned from arrangements that are within the scope of ASU 2016-02. Upon adoption of ASU 2016-02, consideration related to non-lease components identified in our lease arrangements will be accounted for using the guidance in ASU 2014-09, which we have determined would (i) necessitate that we reallocate consideration received under many of our lease arrangements between the lease and non-lease component, (ii) result in recognizing revenue allocated to our primary non-lease component (consideration received from fixed common area maintenance arrangements) on a straight-line basis and (iii) require separate presentation of revenue recognized from lease and non-lease components on our statements of operations and comprehensive income. However, on January 5, 2018, the FASB issued an Exposure Draft that proposes targeted improvements to ASU 2016-02, which include creating a practical expedient that would provide lessors an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component. We believe we would meet the criteria to account for lease and non-lease components as a single component, which would alleviate the requirement upon adoption of ASU 2016-02 that we reallocate or separately present lease and non-lease components. We would, however, recognize consideration received from fixed common area maintenance arrangements on a straight-line basis. On July 30, 2018, the FASB adopted these targeted improvements.

Further, upon adoption of ASU 2016-02, leases of land and other arrangements where we are the lessee will be recognized on our balance sheet. Undiscounted future minimum lease payments due under long-term ground leases with termination dates which range from 2019 to 2090, excluding extension options, over the term of these leases total approximately \$780.4 million. The adoption of the guidance will result in the recognition of leased assets and corresponding liabilities discounted over the life of the applicable leases.

We will adopt ASU 2016-02 and any subsequent amendments beginning in the first quarter of 2019. In the targeted improvements adopted on July 30, 2018, the FASB also provided a transition option that would permit the application of the new guidance as of the adoption date rather than to all periods presented. We are currently evaluating the impact that the adoption of the new standard and the targeted improvements the FASB adopted will have on our consolidated financial statements and method of adoption.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses," which introduces new guidance for an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. Instruments in scope include loans, held-to-maturity debt securities, and net investments in leases as well as reinsurance and trade receivables. This standard will be effective for us in fiscal years beginning after December 15, 2019. We are currently evaluating the impact that the adoption of the new standard will have on our consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets," which clarifies the scope and application of Accounting Standards Codification 610-20 on the sale or

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transfer of nonfinancial assets and in substance assets to noncustomers, including partial sales. The standard generally aligns the measurement of a retained interest in a nonfinancial asset with that of a retained interest in a business. It also eliminates the use of the carryover basis for contributions of real estate into a joint venture where control of the real estate is not retained, which will result in the recognition of a gain or loss upon contribution. We adopted the standard using the modified retrospective approach on January 1, 2018 and there was no cumulative effect adjustment to recognize.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," which introduced amendments to the hedge accounting model to allow for better alignment with risk management practices in addition to simplifying the hedge accounting model. The provisions may permit more risk management strategies to qualify for hedge accounting, including interest rate hedges and foreign currency hedges. We early adopted the ASU on January 1, 2018 as permitted under the standard. There was no impact on our consolidated financial statements at adoption.

4. Per Share and Per Unit Data

We determine basic earnings per share and basic earnings per unit based on the weighted average number of shares of common stock or units, as applicable, outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine diluted earnings per share and diluted earnings per unit based on the weighted average number of shares of common stock or units, as applicable, outstanding combined with the incremental weighted average number of shares or units, as applicable, that would have been outstanding assuming all potentially dilutive securities were converted into shares of common stock or units, as applicable, at the earliest date possible. The following tables set forth the components of basic and diluted earnings per share and basic and diluted earnings per unit.

Simon

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net Income attributable to Common Stockholders — Basic and Diluted	\$ 547,004	\$ 381,990	\$ 1,167,658	\$ 859,726
Weighted Average Shares Outstanding — Basic and Diluted	309,355,154	311,579,301	309,966,005	312,191,241

For the three and six months ended June 30, 2018, potentially dilutive securities include units that are exchangeable for common stock and long-term incentive performance units, or LTIP units, granted under our long-term incentive performance programs that are convertible into units and exchangeable for common stock. No securities had a

material dilutive effect for the three or six months ended June 30, 2018 and 2017. We have not adjusted net income attributable to common stockholders and weighted average shares outstanding for income allocable to limited partners or units, respectively, as doing so would have no dilutive impact. We accrue dividends when they are declared.

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income attributable to Unitholders — Basic and Diluted	\$ 629,822	\$ 439,986	\$ 1,344,126	\$ 989,992
Weighted Average Units Outstanding — Basic and Diluted	356,181,817	358,865,806	356,810,908	359,494,630

For the three and six months ended June 30, 2018, potentially dilutive securities include LTIP units. No securities had a material dilutive effect for the three or six months ended June 30, 2018 and 2017. We accrue distributions when they are declared.

5. Investment in Unconsolidated Entities

Real Estate Joint Ventures and Investments

Joint ventures are common in the real estate industry. We use joint ventures to finance properties, develop new properties and diversify our risk in a particular property or portfolio of properties. As discussed in Note 2, we held joint venture interests in 82 properties as of June 30, 2018.

Certain of our joint venture properties are subject to various rights of first refusal, buy-sell provisions, put and call rights, or other sale or marketing rights for partners which are customary in real estate joint venture agreements and the industry. We and our partners in these joint ventures may initiate these provisions (subject to any applicable lock up or similar restrictions), which may result in either the sale of our interest or the use of available cash or borrowings, or the use of limited partnership interests in the Operating Partnership, to acquire the joint venture interest from our partner.

We may provide financing to joint ventures primarily in the form of interest bearing construction loans. As of June 30, 2018 and December 31, 2017, we had construction loans and other advances to related parties totaling \$87.4 million and \$87.0 million, respectively, which are included in deferred costs and other assets in the accompanying consolidated balance sheets.

Unconsolidated Entity Transactions

On June 7, 2018, Aventura Mall, a property in which we own a 33.3% interest, refinanced its \$1.2 billion mortgage and its \$200.8 million construction loan with a \$1.75 billion mortgage at a fixed interest rate of 4.12% that matures on

July 1, 2028. An early repayment charge of \$30.9 million was incurred at the property, which along with the write-off of deferred debt issuance costs of \$6.5 million, is included in interest expense in the accompanying combined joint venture statements of operations. Our \$12.5 million share of the charge associated with the repayment is included in income from unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income. Excess proceeds from the financing were distributed to the venture partners in June 2018.

In May 2017, Colorado Mills, a property in which we have a 37.5% interest, sustained significant hail damage. During the second quarter of 2017, the property recorded an impairment charge of approximately \$32.5 million based on the net carrying value of the assets damaged, which was fully offset by anticipated insurance recoveries. As of June 30, 2018, the property had received business interruption proceeds and also property damage proceeds of \$58.3 million, which resulted in the property recording a \$25.8 million gain in 2018. Our share of the gain, \$9.7 million, is reflected within the gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net in the accompanying consolidated statements of operations and comprehensive income.

On September 15, 2016, we and a group of co-investors acquired certain assets and liabilities of Aéropostale, a retailer of apparel and accessories, out of bankruptcy. The interests were acquired through two separate joint ventures, a

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licensing venture and an operating venture. In April 2018, we contributed our entire interest in the licensing venture in exchange for additional interests in ABG, a brand development, marketing, and entertainment company. As a result, we recognized a \$35.6 million non-cash gain representing the increase in value of our previously held interest in the licensing venture, which is included in other income in the accompanying consolidated statements of operations and comprehensive income. At June 30, 2018, our noncontrolling equity method interests in the operations venture of Aéropostale and in ABG were 44.95% and 5.78%, respectively.

As of June 30, 2018 and December 31, 2017, we had an 11.7% noncontrolling equity interest in HBS, a venture formed with Hudson's Bay Company. The venture has 42 properties in the U.S. and, subsequent to formation, acquired 41 properties from Kaufhof. In exchange for our interest, we committed to contribute \$100.0 million for improvements to certain properties. As of June 30, 2018 and December 31, 2017, we had funded \$68.3 million of this commitment. In addition, we contributed \$178.5 million in connection with the acquisition of the Kaufhof department stores. Our share of net income, net of amortization of our excess investment, was \$3.7 million and \$3.3 million for the three months ended June 30, 2018 and 2017, respectively, and \$7.6 million and \$6.5 million for the six months ended June 30, 2018 and 2017, respectively. Total revenues, operating income and consolidated net income were approximately \$174.2 million, \$102.3 million and \$53.8 million, respectively, for the six months ended June 30, 2018 and \$183.0 million, \$177.9 million and \$129.7 million, respectively, for the six months ended June 30, 2017.

European Investments

At June 30, 2018, we owned 63,924,148 shares, or approximately 21.1%, of Klépierre, which had a quoted market price of \$37.86 per share. Our share of net income, net of amortization of our excess investment, was \$24.8 million and \$15.9 million for the three months ended June 30, 2018 and 2017, respectively, and \$47.7 million and \$23.1 million for the six months ended June 30, 2018 and 2017, respectively. Based on applicable Euro:USD exchange rates and after our conversion of Klépierre's results to GAAP, Klépierre's total revenues, operating income and consolidated net income were approximately \$814.7 million, \$333.3 million and \$364.4 million, respectively, for the six months ended June 30, 2018 and \$713.2 million, \$251.6 million and \$209.7 million, respectively, for the six months ended June 30, 2017.

During the six months ended June 30, 2018, Klépierre completed the disposal of its interests in certain shopping centers. In connection with these disposals, we recorded a gain of \$13.4 million, representing our share of the gains recognized by Klépierre, which is included in gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net in the accompanying consolidated statements of operations and comprehensive income.

We have an interest in a European investee that had interests in nine Designer Outlet properties as of June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, our legal percentage ownership interests in these properties ranged from 45% to 94%.

In addition, we have a 50.0% noncontrolling interest in a European property management and development company that provides services to the Designer Outlet properties.

We also have minority interests in Value Retail PLC and affiliated entities, which own or have interests in and operate nine luxury outlets located throughout Europe and we have a direct minority ownership in three of those outlets. At June 30, 2018 and December 31, 2017, the carrying value of these equity instruments was \$140.8 million and is included in deferred costs and other assets.

Asian Joint Ventures

We conduct our international Premium Outlet operations in Japan through a joint venture with Mitsubishi Estate Co., Ltd. We have a 40% noncontrolling ownership interest in this joint venture. The carrying amount of our investment in this joint venture was \$221.6 million and \$230.3 million as of June 30, 2018 and December 31, 2017, respectively, including all related components of accumulated other comprehensive income (loss). We conduct our international Premium Outlet operations in South Korea through a joint venture with Shinsegae International Co. We have a 50% noncontrolling ownership interest in this joint venture. The carrying amount of our investment in this joint venture

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was \$155.2 million and \$149.1 million as of June 30, 2018 and December 31, 2017, respectively, including all related components of accumulated other comprehensive income (loss).

Summary Financial Information

A summary of our equity method investments and share of income from such investments, excluding Klépierre, and our investments in Aéropostale, ABG and HBS follows.

COMBINED BALANCE SHEETS

	June 30, 2018	December 31, 2017
Assets:		
Investment properties, at cost	\$ 18,580,295	\$ 18,328,747
Less - accumulated depreciation	6,618,858	6,371,363
	11,961,437	11,957,384
Cash and cash equivalents	970,605	956,084
Tenant receivables and accrued revenue, net	386,980	403,125
Deferred costs and other assets	389,710	355,585
Total assets	\$ 13,708,732	\$ 13,672,178
Liabilities and Partners' Deficit:		
Mortgages	\$ 15,252,252	\$ 14,784,310
Accounts payable, accrued expenses, intangibles, and deferred revenue	859,475	1,033,674
Other liabilities	386,151	365,857
Total liabilities	16,497,878	16,183,841
Preferred units	67,450	67,450
Partners' deficit	(2,856,596)	(2,579,113)
Total liabilities and partners' deficit	\$ 13,708,732	\$ 13,672,178
Our Share of:		
Partners' deficit	\$ (1,240,838)	\$ (1,144,620)
Add: Excess Investment	1,693,800	1,733,063
Our net Investment in unconsolidated entities, at equity	\$ 452,962	\$ 588,443

“Excess Investment” represents the unamortized difference of our investment over our share of the equity in the underlying net assets of the joint ventures or other investments acquired and is allocated on a fair value basis primarily to investment properties, lease related intangibles, and debt premiums and discounts. We amortize excess investment over the life of the related depreciable components of investment properties, typically no greater than 40 years, the terms of the applicable leases and the applicable debt maturity, respectively. The amortization is included in the

reported amount of income from unconsolidated entities.

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COMBINED STATEMENTS OF OPERATIONS

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUE:				
Minimum rent	\$ 483,976	\$ 465,705	\$ 959,931	\$ 916,760
Overage rent	51,067	46,447	110,728	97,816
Tenant reimbursements	220,426	212,465	443,916	428,246
Other income	78,378	71,753	159,487	136,079
Total revenue	833,847	796,370	1,674,062	1,578,901
OPERATING EXPENSES:				
Property operating	139,553	132,028	285,845	265,013
Depreciation and amortization	166,299	159,748	326,134	313,202
Real estate taxes	68,576	63,977	136,843	130,560
Repairs and maintenance	20,736	20,471	43,933	40,701
Advertising and promotion	20,884	21,836	45,108	44,034
Provision for credit losses	5,577	2,789	12,078	6,566
Other	49,885	45,030	99,617	88,384
Total operating expenses	471,510	445,879	949,558	888,460
Operating Income	362,337	350,491	724,504	690,441
Interest expense	(190,751)	(146,440)	(341,684)	(288,647)
Gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities, net	25,792	—	25,792	—
Net Income	\$ 197,378	\$ 204,051	\$ 408,612	\$ 401,794
Third-Party Investors' Share of Net Income	\$ 96,240	\$ 104,265	\$ 202,424	\$ 203,950
Our Share of Net Income	101,138	99,786	206,188	197,844
Amortization of Excess Investment	(21,395)	(22,979)	(42,921)	(45,436)
Our Share of Gain on Sale or Disposal of, or Recovery on, Assets and Interests in Unconsolidated Entities, net	(9,672)	—	(9,672)	—
Income from Unconsolidated Entities	\$ 70,071	\$ 76,807	\$ 153,595	\$ 152,408

Our share of income from unconsolidated entities in the above table, aggregated with our share of the results of Klépierre, and our investments in Aéropostale, ABG and HBS, is presented in income from unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income. Unless otherwise noted, our share of the gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities, net is reflected

within gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net in the accompanying consolidated statements of operations and comprehensive income.

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6. Debt

Unsecured Debt

At June 30, 2018, our unsecured debt consisted of \$15.7 billion of senior unsecured notes of the Operating Partnership, \$326.1 million outstanding under the Credit Facility, and \$981.5 million outstanding under the Operating Partnership's global unsecured commercial paper note program, or Commercial Paper program. The June 30, 2018 balance on the Credit Facility included \$201.1 million (U.S. dollar equivalent) of Yen-denominated borrowings. Foreign currency denominated borrowings under the Credit Facility are designated as net investment hedges of a portion of our international investments.

On June 30, 2018, we had an aggregate available borrowing capacity of \$6.2 billion under the Credit Facility and the Operating Partnership's \$3.5 billion unsecured revolving credit facility, or Supplemental Facility, and together with the Credit Facility, the Credit Facilities. The maximum aggregate outstanding balance under the Credit Facilities during the six months ended June 30, 2018 was \$423.1 million and the weighted average outstanding balance was \$332.9 million. Letters of credit of \$6.2 million were outstanding under the Credit Facilities as of June 30, 2018.

The Credit Facility's initial borrowing capacity of \$4.0 billion may be increased to \$5.0 billion during its term and provides for borrowings denominated in U.S. dollars, Euro, Yen, Sterling, Canadian dollars and Australian dollars. Borrowings in currencies other than the U.S. dollar are limited to 95% of the maximum revolving credit amount, as defined. The initial maturity date of the Credit Facility is June 30, 2021 and can be extended for an additional year to June 30, 2022 at our sole option, subject to our continued compliance with the terms thereof. The base interest rate on the Credit Facility is LIBOR plus 77.5 basis points with a facility fee of 10 basis points.

On February 15, 2018, the Operating Partnership amended and extended the Supplemental Facility. The Supplemental Facility's initial borrowing capacity of \$3.5 billion may be increased to \$4.5 billion during its term and provides for borrowings denominated in U.S. dollars, Euro, Yen, Sterling, Canadian dollars and Australian dollars. The initial maturity date of the Supplemental Facility was extended to June 30, 2022 and can be extended for an additional year to June 30, 2023 at our sole option, subject to our continued compliance with the terms thereof. The base interest rate on the Supplemental Facility was reduced to LIBOR plus 77.5 basis points from LIBOR plus 80 basis points, with a facility fee of 10 basis points.

The Operating Partnership also has available a Commercial Paper program of \$1.0 billion, or the non-U.S. dollar equivalent thereof. The Operating Partnership may issue unsecured commercial paper notes, denominated in U.S. dollars, Euro and other currencies. Notes issued in non-U.S. currencies may be issued by one or more subsidiaries of the Operating Partnership and are guaranteed by the Operating Partnership. Notes will be sold under customary terms in the U.S. and Euro commercial paper note markets and rank (either by themselves or as a result of the guarantee described above) pari passu with the Operating Partnership's other unsecured senior indebtedness. The Commercial Paper program is supported by the Credit Facilities and if necessary or appropriate, we may make one or more draws under either of the Credit Facilities to pay amounts outstanding from time to time on the Commercial Paper program.

On June 30, 2018, we had \$981.5 million outstanding under the Commercial Paper program, fully comprised of U.S. dollar-denominated notes with a weighted average interest rate of 2.02%. These borrowings mature on various dates through August 20, 2018 and reduce amounts otherwise available under the Credit Facilities.

On January 3, 2018, the Operating Partnership redeemed at par \$750.0 million of senior unsecured notes with a fixed interest rate of 1.50%.

On July 10, 2018, the Operating Partnership repaid Yen-denominated borrowings of \$201.1 million (U.S. dollar equivalent) on the Credit Facility.

Mortgage Debt

Total mortgage indebtedness was \$6.6 billion and \$6.9 billion at June 30, 2018 and December 31, 2017, respectively.

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During the six months ended June 30, 2018, we repaid a mortgage loan of \$86.6 million with an interest rate of 7.79%, unencumbering the property.

Covenants

Our unsecured debt agreements contain financial covenants and other non-financial covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender, including adjustments to the applicable interest rate. As of June 30, 2018, we were in compliance with all covenants of our unsecured debt.

At June 30, 2018, we or our subsidiaries were the borrowers under 46 non recourse mortgage notes secured by mortgages on 49 properties, including two separate pools of cross defaulted and cross collateralized mortgages encumbering a total of five properties. Under these cross default provisions, a default under any mortgage included in the cross defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non financial covenants which are specific to the properties that serve as collateral for that debt. If the applicable borrower under these non-recourse mortgage notes were to fail to comply with these covenants, the lender could accelerate the debt and enforce its rights against their collateral. At June 30, 2018, the applicable borrowers under these non recourse mortgage notes were in compliance with all covenants where non compliance could individually or in the aggregate, giving effect to applicable cross default provisions, have a material adverse effect on our financial condition, liquidity or results of operations.

Fair Value of Debt

The carrying value of our variable rate mortgages and other loans approximates their fair values. We estimate the fair values of consolidated fixed rate mortgages using cash flows discounted at current borrowing rates and other indebtedness using cash flows discounted at current market rates. We estimate the fair values of consolidated fixed rate unsecured notes using quoted market prices, or, if no quoted market prices are available, we use quoted market prices for securities with similar terms and maturities. The book value of our consolidated fixed rate mortgages and unsecured indebtedness including commercial paper was \$22.3 billion and \$23.4 billion as of June 30, 2018 and December 31, 2017, respectively. The fair values of these financial instruments and the related discount rate assumptions as of June 30, 2018 and December 31, 2017 are summarized as follows:

	June 30, 2018		December 31, 2017	
Fair value of fixed-rate mortgages and unsecured indebtedness	\$ 22,154		\$ 24,003	
Weighted average discount rates assumed in calculation of fair value for fixed-rate mortgages	4.75	%	4.25	%
	4.59	%	4.10	%

Weighted average discount rates assumed in calculation of fair value for
unsecured indebtedness

7. Equity

During the six months ended June 30, 2018, Simon issued 6,000 shares of common stock to a limited partner of the Operating Partnership in exchange for an equal number of units pursuant to the partnership agreement of the Operating Partnership. During the six months ended June 30, 2018, the Operating Partnership redeemed 49,219 units from four limited partners for \$7.6 million. These transactions increased Simon's ownership interest in the Operating Partnership.

On February 13, 2017, Simon's Board of Directors authorized a two-year extension of the previously authorized \$2.0 billion common stock repurchase plan through March 31, 2019. Simon may repurchase the shares in the open market or in privately negotiated transactions as market conditions warrant. During the six months ended June 30, 2018, Simon purchased 1,988,247 shares at an average price of \$154.56 per share as part of this program. During the six months

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ended June 30, 2017, Simon purchased 2,399,051 shares at an average price of \$165.14 per share as part of this program. As Simon repurchases shares under this program, the Operating Partnership repurchases an equal number of units from Simon.

Temporary Equity

Simon

Simon classifies as temporary equity those securities for which there is the possibility that Simon could be required to redeem the security for cash irrespective of the probability of such a possibility. As a result, Simon classifies one series of preferred units in the Operating Partnership and noncontrolling redeemable interests in properties in temporary equity. Each of these securities is discussed further below.

Limited Partners' Preferred Interest in the Operating Partnership and Noncontrolling Redeemable Interests in Properties. The redemption features of the preferred units in the Operating Partnership contain provisions which could require the Operating Partnership to settle the redemption in cash. As a result, this series of preferred units in the Operating Partnership remains classified outside permanent equity. The remaining interests in a property or portfolio of properties which are redeemable at the option of the holder or in circumstances that may be outside Simon's control are accounted for as temporary equity. The carrying amount of the noncontrolling interest is adjusted to the redemption amount assuming the instrument is redeemable at the balance sheet date. Changes in the redemption value of the underlying noncontrolling interest are recorded within accumulated deficit. There were no noncontrolling interests redeemable at amounts in excess

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of fair value as of June 30, 2018 and December 31, 2017. The following table summarizes the preferred units in the Operating Partnership and the amount of the noncontrolling redeemable interests in properties as follows:

	As of June 30, 2018	As of December 31, 2017
7.50% Cumulative Redeemable Preferred Units, 260,000 units authorized, 255,373 issued and outstanding	\$ 25,537	\$ 25,537
Other noncontrolling redeemable interests in properties	172,464	164,943
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	\$ 198,001	\$ 190,480
The Operating Partnership		

The Operating Partnership classifies as temporary equity those securities for which there is the possibility that the Operating Partnership could be required to redeem the security for cash, irrespective of the probability of such a possibility. As a result, the Operating Partnership classifies one series of preferred units and noncontrolling redeemable interests in properties in temporary equity. The following table summarizes the preferred units and the amount of the noncontrolling redeemable interests in properties as follows:

	As of June 30, 2018	As of December 31, 2017
7.50% Cumulative Redeemable Preferred Units, 260,000 units authorized, 255,373 issued and outstanding	\$ 25,537	\$ 25,537
Other noncontrolling redeemable interests in properties	172,464	164,943
Total preferred units, at liquidation value, and noncontrolling redeemable interests in properties	\$ 198,001	\$ 190,480
Stock Based Compensation		

Awards under our stock based compensation plans primarily take the form of LTIP unit and restricted stock grants. Restricted stock and awards under the LTIP programs are all performance based and are based on various individual, corporate and business unit performance measures as further described below. The expense related to these programs, net of amounts capitalized, is included within home and regional office costs and general and administrative costs in the accompanying statements of operations and comprehensive income.

LTIP Programs. The Compensation Committee has approved long term, performance based incentive compensation programs, or the LTIP programs, for certain senior executive officers. Awards under the LTIP programs take the form of LTIP units, a form of limited partnership interest issued by the Operating Partnership, which are subject to the

participant maintaining employment with us through certain dates and other conditions as described in the applicable award agreements. Awarded LTIP units not earned in accordance with the conditions set forth in the applicable award agreements are forfeited. Earned and fully vested LTIP units are equivalent to units of the Operating Partnership. During the performance period, participants are entitled to receive distributions on the LTIP units awarded to them equal to 10% of the regular quarterly distributions paid on a unit of the Operating Partnership. As a result, we account for these LTIP units as participating securities under the two class method of computing earnings per share.

Awards under the LTIP programs for 2016 will be considered earned if, and only to the extent to which, applicable total shareholder return, or TSR, performance measures, as defined in the applicable award agreements, are achieved during the applicable performance periods. Once earned, LTIP units are subject to a two-year vesting period. One half of the earned LTIP units will vest on January 1 of each of the second and third years following the end of the applicable performance period.

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In 2018, the Compensation Committee established and granted awards under a redesigned LTIP program, or the 2018 LTIP program. Awards under the 2018 LTIP program were granted in two tranches, Tranche A LTIP units and Tranche B LTIP units. Each of the Tranche A LTIP units and the Tranche B LTIP units will be considered earned if, and only to the extent to which, the respective goals based on Funds From Operations, or FFO, per share or Relative TSR Goal performance criteria, as defined in the applicable award agreements, are achieved during the applicable two-year and three-year performance periods of the Tranche A LTIP units and Tranche B LTIP units, respectively. One half of the earned Tranche A LTIP units will vest on January 1, 2021 with the other one-half vesting on January 1, 2022. All of the earned Tranche B LTIP units will vest on January 1, 2022.

The grant date fair value of the portion of the LTIP units based on achieving the target FFO performance criteria is \$6.25 million for the Tranche A LTIP units and the Tranche B LTIP units, for a total of \$12.5 million. The 2018 LTIP program provides that the value of the FFO-based award may be adjusted up or down based on the Company's performance compared to the target FFO performance criteria and has a maximum potential fair value of \$18.75 million. The value of the FFO-based award is recorded as expense over the period from the grant date to the date at which the awards, if earned, would become vested, based on our assessment as to whether it is probable that the performance criteria will be achieved during the applicable performance periods.

The grant date fair values of any LTIP units based on TSR performance are estimated using a Monte Carlo model, and the resulting fixed expense is recorded regardless of whether the TSR performance criteria are achieved if the required service is delivered. The grant date fair values are being amortized into expense over the period from the grant date to the date at which the awards, if earned, would become vested.

The Compensation Committee approved LTIP unit grants as shown in the table below. The extent to which LTIP units were earned, and the aggregate grant date fair value, are as follows:

LTIP Program	LTIP Units Earned	Grant Date Fair Value of TSR Award	Grant Date Target Value of FFO-Based Award
2013-2015 LTIP program	466,405	\$28.5 million	—
2014-2016 LTIP program	120,314	\$27.5 million	—
2015-2017 LTIP program	—	\$25.1 million	—
2016-2018 LTIP program	To be determined in 2019	\$26.3 million	—
2018 LTIP program - Tranche A	To be determined in 2020	\$6.25 million	\$6.25 million
2018 LTIP program - Tranche B	To be determined in 2021	\$6.25 million	\$6.25 million

We recorded compensation expense, net of capitalization, related to these LTIP programs of approximately \$8.6 million and \$5.1 million for the six months ended June 30, 2018 and 2017, respectively.

Restricted Stock. The Compensation Committee awarded 43,043 shares of restricted stock to employees during the six months ended June 30, 2018 at a weighted-average fair market value of \$154.35 per share. During the six months ended June 30, 2018, our non-employee Directors were awarded an aggregate of 12,648 shares of restricted stock at a weighted average fair market value of \$158.71 per share. These shares represent a portion of the compensation we pay our non-employee Directors, and all of the shares have been placed in a non-employee Director deferred compensation account maintained by us. The grant date fair value of the employee restricted stock awards is being recognized as expense over the three-year vesting service period. The grant date fair value of the non-employee Director restricted stock awards is being recognized as expense over the one-year vesting service period. In accordance with the Operating Partnership's partnership agreement, the Operating Partnership issued an equal number of units to Simon that are subject to the same vesting conditions as the restricted stock.

We recorded compensation expense, net of capitalization, related to restricted stock of approximately \$4.0 million and \$5.3 million for the six months ended June 30, 2018 and 2017, respectively.

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Other Compensation Arrangements. On July 6, 2011, in connection with the execution of an employment agreement, the Compensation Committee granted David Simon, Simon's Chairman and Chief Executive Officer, a retention award in the form of 1,000,000 LTIP units, or the Award, for his continued service as Simon's Chairman and Chief Executive Officer through July 5, 2019. Effective December 31, 2013, the Award was modified, or the Current Award, and as a result the LTIP units now become earned and eligible to vest based on the attainment of Company based performance goals, in addition to the service based vesting requirement included in the original Award. The Current Award does not contain an opportunity for Mr. Simon to receive additional LTIP units above and beyond the original Award should our performance exceed the higher end of the performance criteria. The performance criteria of the Current Award are based on the attainment of specific FFO per share. Because the performance criteria has been met, a maximum of 360,000 LTIP units, or the A units, 360,000 LTIP units, or the B units, and 280,000 LTIP units, or the C units, became earned on December 31, 2015, December 31, 2016 and December 31, 2017, respectively. Based on the Company's performance in 2015, 360,000 A units were earned. Based on the Company's performance in 2016, 360,000 B units were earned. Based on the Company's performance in 2017, 280,000 C units were earned. If the relevant performance criteria had not been achieved, all or a portion of the Current Award would have been forfeited. The earned A units vested on January 1, 2018, earned B units will vest on January 1, 2019 and earned C units will vest on June 30, 2019, subject to Mr. Simon's continued employment through such applicable date. The grant date fair value of the retention award of \$120.3 million is being recognized as expense over the eight year term of his employment agreement on a straight line basis based through the applicable vesting periods of the A units, B units and C units.

Changes in Equity

Simon

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to common stockholders and equity attributable to noncontrolling interests:

	Preferred	Common	Accumulated Other Comprehensive Income	Capital in Excess of Par Value	Accumulated Deficit	Common Stock Held in Treasury	Noncontrolling interests	Total
January 1, 2018	\$ 43,077	\$ 32	\$ (110,453)	\$ 9,614,748	\$ (4,782,173)	\$ (1,079,063)	\$ 552,596	\$ 4,328,732
Change of limited partner units for common shares				70			(70)	—
Treasury stock purchase						(307,296)		(307,296)
Redemption of limited partner units				(7,047)			(572)	(7,619)
LTIP units							15,769	15,769

cumulative effect of accounting change					7,264			7,
purchase and disposition								
incontrolling interests, and other	(165)		(2,678)		(18,076)	5,740	114	(1
adjustment to limited partners' interest								
in change in ownership in the								
Operating Partnership			52,717				(52,717)	—
distributions to common stockholders and limited								
partners, excluding								
Operating Partnership								
preferred interests					(1,210,168)		(182,949)	(1
distributions to other								
incontrolling								
interest partners							(964)	(9
comprehensive income, including \$957								
attributable to preferred								
interests in								
Operating								
Partnership and a \$559								
loss attributable to								
incontrolling								
deemable interests in								
properties			(4,832)		1,169,327		176,397	1,
December 30, 2018	\$ 42,912	\$ 32	\$ (115,285)	\$ 9,657,810	\$ (4,833,826)	\$ (1,380,619)	\$ 507,604	\$ 3,

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Simon Property Group, Inc.

Simon Property Group, L.P.

Condensed Notes to Consolidated Financial Statements

(Unaudited)

(Dollars in thousands, except share, per share, unit and per unit amounts
and where indicated in millions or billions)

The Operating Partnership

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to partners and equity attributable to noncontrolling interests:

	Preferred Units	Simon (Managing General Partner)	Limited Partners	Noncontrolling interests	Total Equity
January 1, 2018	\$ 43,077	\$ 3,643,091	\$ 548,858	\$ 3,738	\$ 4,238,764
Limited partner units exchanged to units		70	(70)		—
Treasury unit purchase		(307,296)			(307,296)
Redemption of limited partner units		(7,047)	(572)		(7,619)
LTIP Units			15,769		15,769
Cumulative effect of accounting change		7,264			7,264
Purchase and disposition of noncontrolling interests, net and other	(165)	(15,014)	1	113	(15,065)
Adjustment to limited partners' interest from change in ownership in the Operating Partnership		52,717	(52,717)		—
Distributions to limited partners, excluding preferred interests classified as temporary equity	(1,669)	(1,208,499)	(182,949)	(964)	(1,394,081)
Comprehensive income, excluding \$957 attributable to preferred interests in the Operating Partnership and a \$559 loss attributable to noncontrolling redeemable interests in properties	1,669	1,162,826	175,652	745	1,340,892
June 30, 2018	\$ 42,912	\$ 3,328,112	\$ 503,972	\$ 3,632	\$ 3,878,628

8. Commitments and Contingencies

Litigation

We are involved from time-to-time in various legal and regulatory proceedings that arise in the ordinary course of our business, including, but not limited to, commercial disputes, environmental matters, and litigation in connection with

transactions such as acquisitions and divestitures. We believe that current proceedings will not have a material adverse effect on our financial condition, liquidity, or results of operations. We record a liability when a loss is considered probable and the amount can be reasonably estimated.

Guarantees of Indebtedness

Joint venture debt is the liability of the joint venture and is typically secured by the joint venture property, which is non-recourse to us. As of June 30, 2018 and December 31, 2017, the Operating Partnership guaranteed joint venture related mortgage indebtedness of \$201.0 million and \$211.6 million, respectively (of which we have a right of recovery from our venture partners of \$10.8 million). Mortgages guaranteed by the Operating Partnership are secured by the property of the joint venture which could be sold in order to satisfy the outstanding obligation and which has an estimated fair value in excess of the guaranteed amount.

Concentration of Credit Risk

Our U.S. Malls, Premium Outlets, and The Mills rely heavily upon anchor tenants to attract customers; however, anchor retailers do not contribute materially to our financial results as many anchor retailers own their spaces. All material operations are within the United States and no customer or tenant accounts for 5% or more of our consolidated revenues.

9. Real Estate Acquisitions and Dispositions

During the first six months of 2018, we recorded net gains of \$144.9 million primarily related to disposition activity which included the foreclosure of a consolidated property in satisfaction of its \$200 million non-recourse mortgage.

Unless otherwise noted, gains and losses on the above are included in gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net in the accompanying consolidated statements of operations and comprehensive income. We capitalize asset acquisition costs and expense costs related to business combinations, as well as disposition related costs as they are incurred. We incurred a minimal amount of transaction expenses during the six months ended June 30, 2018 and 2017.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in this report.

Overview

Simon Property Group, Inc. is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. REITs will generally not be liable for U.S. federal corporate income taxes as long as they distribute not less than 100% of their REIT taxable income. Simon Property Group, L.P. is our majority-owned Delaware partnership subsidiary that owns all of our real estate properties and other assets. Unless stated otherwise or the context otherwise requires, references to "Simon" mean Simon Property Group, Inc. and references to the "Operating Partnership" mean Simon Property Group, L.P. References to "we," "us" and "our" mean collectively Simon, the Operating Partnership and those entities/subsidiaries owned or controlled by Simon and/or the Operating Partnership. According to the Operating Partnership's partnership agreement, the Operating Partnership is required to pay all expenses of Simon.

We own, develop and manage premier shopping, dining, entertainment and mixed-use destinations, which consist primarily of malls, Premium Outlets®, and The Mills®. As of June 30, 2018, we owned or held an interest in 206 income-producing properties in the United States, which consisted of 107 malls, 68 Premium Outlets, 14 Mills, four lifestyle centers, and 13 other retail properties in 37 states and Puerto Rico. In addition, we have redevelopment and expansion projects, including the addition of anchors, big box tenants, and restaurants, underway at properties in the United States, Canada, Europe and Asia. We have one outlet under development. Internationally, as of June 30, 2018, we had ownership interests in nine Premium Outlets in Japan, four Premium Outlets in South Korea, three Premium Outlets in Canada, two Premium Outlets in Malaysia and one Premium Outlet in Mexico. We also own an interest in eight Designer Outlet properties in Europe, of which six properties are consolidated, and one Designer Outlet property in Canada. Of the eight properties in Europe, two are located in Italy, two are located in the Netherlands and one each is located in Austria, Germany, France and the United Kingdom. We also have three international outlet properties under development. As of June 30, 2018, we also owned a 21.1% equity stake in Klépierre SA, or Klépierre, a publicly traded, Paris-based real estate company which owns, or has an interest in, shopping centers located in 16 countries in Europe.

We generate the majority of our revenues from leases with retail tenants including:

- base minimum rents,
- overage and percentage rents based on tenants' sales volumes, and
- recoverable expenditures such as property operating, real estate taxes, repair and maintenance, and advertising and promotional expenditures.

Revenues of our management company, after intercompany eliminations, consist primarily of management fees that are typically based upon the revenues of the property being managed.

We invest in real estate properties to maximize total financial return which includes both operating cash flows and capital appreciation. We seek growth in earnings, funds from operations, or FFO, and cash flows by enhancing the profitability and operation of our properties and investments. We seek to accomplish this growth through the following:

- attracting and retaining high quality tenants and utilizing economies of scale to reduce operating expenses,
- expanding and re-tenanting existing highly productive locations at competitive rental rates,
- selectively acquiring or increasing our interests in high quality real estate assets or portfolios of assets,

- generating consumer traffic in our retail properties through marketing initiatives and strategic corporate alliances, and
- selling selective non-core assets.

We also grow by generating supplemental revenues from the following activities:

- establishing our malls as leading market resource providers for retailers and other businesses and consumer-focused corporate alliances, including payment systems (such as handling fees relating to the sales of bank-issued prepaid cards), national marketing alliances, static and digital media initiatives, business development, sponsorship, and events,
- offering property operating services to our tenants and others, including waste handling and facility services, and the provision of energy services,
- selling or leasing land adjacent to our properties, commonly referred to as “outlots” or “outparcels,” and

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- generating interest income on cash deposits and investments in loans, including those made to related entities.

We focus on high quality real estate across the retail real estate spectrum. We expand or redevelop properties to enhance profitability and market share of existing assets when we believe the investment of our capital meets our risk reward criteria. We selectively develop new properties in markets we believe are not adequately served by existing retail properties.

We routinely review and evaluate acquisition opportunities based on their ability to enhance our portfolio. Our international strategy includes partnering with established real estate companies and financing international investments with local currency to minimize foreign exchange risk.

To support our growth, we employ a three fold capital strategy:

- provide the capital necessary to fund growth,
 - maintain sufficient flexibility to access capital in many forms, both public and private, and
 - manage our overall financial structure in a fashion that preserves our investment grade credit ratings.
- We consider FFO, net operating income, or NOI, portfolio NOI and comparable property NOI (NOI for properties owned and operated in both periods under comparison) to be key measures of operating performance that are not specifically defined by accounting principles generally accepted in the United States, or GAAP. We use these measures internally to evaluate the operating performance of our portfolio and provide a basis for comparison with other real estate companies. Reconciliations of these measures to the most comparable GAAP measure are included below in this discussion.

Results Overview

Diluted earnings per share and diluted earnings per unit increased \$1.02 during the first six months of 2018 to \$3.77 from \$2.75 for the same period last year. The increase in diluted earnings per share and diluted earnings per unit was primarily attributable to:

- improved operating performance and solid core business fundamentals in 2018 and the impact of our acquisition and expansion activity,
- 2018 net gains primarily related to disposition activity of \$144.9 million, or \$0.41 per diluted share/unit,
- a non-cash investment gain of \$35.6 million, or \$0.10 per diluted share/unit, in 2018,
- a charge on early extinguishment of debt of \$128.6 million, or \$0.36 per diluted share/unit, in 2017,
- increased consolidated lease settlement activity in 2018 of \$8.5 million, or \$0.02 per diluted share/unit, and
- increased income related to distributions from an international investment in 2018 of \$20.1 million, or \$0.06 per diluted share/unit, partially offset by
- our share of an early repayment charge and write-off of deferred debt issuance costs in 2018 related to refinancing at Aventura Mall, of \$12.5 million, or \$0.03 per diluted share/unit, and
- increased interest expense in 2018 of \$6.7 million, or \$0.02 per diluted share/unit.

Solid core business fundamentals during the first six months of 2018 were primarily driven by strong leasing activity. Portfolio NOI grew by 4.5% for the six month period in 2018 over the prior year period. Comparable property NOI grew 2.3% for our portfolio of U.S. Malls, Premium Outlets, and The Mills. Total sales per square foot, or psf, increased from \$618 psf at June 30, 2017 to \$646 psf, or 4.6%, at June 30, 2018, for our U.S. Malls and Premium Outlets. Average base minimum rent for U.S. Malls and Premium Outlets increased 3.3% to \$53.84 psf as of June 30, 2018, from \$52.10 psf as of June 30, 2017. Leasing spreads in our U.S. Malls and Premium Outlets were favorable as we were able to lease available square feet at higher rents, resulting in an open/close leasing spread (based on total tenant payments — base minimum rent plus common area maintenance) of \$7.32 psf (\$75.55 openings compared to \$68.23 closings) as of June 30, 2018, representing a 10.7% increase. Ending occupancy for our U.S. Malls and Premium Outlets decreased 0.5% to 94.7% as of June 30, 2018, from 95.2% as of June 30, 2017.

Our effective overall borrowing rate at June 30, 2018 on our consolidated indebtedness increased seven basis points to 3.32% as compared to 3.25% at June 30, 2017. This increase was primarily due to an increase in the effective overall borrowing rate on variable rate debt of 37 basis points (2.43% at June 30, 2018 as compared to 2.06% at June 30, 2017) combined with an increase in the effective overall borrowing rate on fixed rate debt of two basis points (3.36% at June 30, 2018 as compared to 3.34% at June 30, 2017), partially offset by a decrease in the amount of our variable rate

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debt. The weighted average years to maturity of our consolidated indebtedness was 6.8 years and 7.0 years at June 30, 2018 and December 31, 2017, respectively. Our financing activity for the six months ended June 30, 2018 included:

- Redeeming at par \$750.0 million of senior unsecured notes with a fixed interest rate of 1.50% on January 3, 2018.
- Unencumbering a property by repaying \$86.6 million in mortgage loans with an interest rate of 7.79%.
- Refinancing the \$1.2 billion mortgage and \$200.8 million construction loan at Aventura Mall, in which we have a 33.3% interest, with a \$1.75 billion mortgage at a fixed interest rate of 4.12% that matures on July 1, 2028.

United States Portfolio Data

The portfolio data discussed in this overview includes the following key operating statistics: ending occupancy, average base minimum rent per square foot, and total sales per square foot for our domestic assets. We include acquired properties in this data beginning in the year of acquisition and remove disposed properties in the year of disposition. For comparative purposes, we separate the information related to The Mills from our other U.S. operations. We also do not include any information for properties located outside the United States.

The following table sets forth these key operating statistics for:

- properties that are consolidated in our consolidated financial statements,
- properties we account for under the equity method of accounting as joint ventures, and
- the foregoing two categories of properties on a total portfolio basis.

	June 30, 2018	June 30, 2017	%/Basis Points Change (1)
U.S. Malls and Premium Outlets:			
Ending Occupancy			
Consolidated	94.8%	95.3%	-50 bps
Unconsolidated	94.6%	94.7%	-10 bps
Total Portfolio	94.7%	95.2%	-50 bps
Average Base Minimum Rent per Square Foot			
Consolidated	\$ 52.14	\$ 50.52	3.2%
Unconsolidated	\$ 58.37	\$ 56.48	3.3%
Total Portfolio	\$ 53.84	\$ 52.10	3.3%
Total Sales per Square Foot			
Consolidated	\$ 630	\$ 602	4.7%
Unconsolidated	\$ 694	\$ 665	4.4%
Total Portfolio	\$ 646	\$ 618	4.6%
The Mills:			
Ending Occupancy	98.3%	97.7%	60 bps
Average Base Minimum Rent per Square Foot	\$ 31.53	\$ 30.56	3.2%
Total Sales per Square Foot	\$ 604	\$ 581	4.0%

(1) Percentages may not recalculate due to rounding. Percentage and basis point changes are representative of the change from the comparable prior period.

Ending Occupancy Levels and Average Base Minimum Rent per Square Foot. Ending occupancy is the percentage of gross leasable area, or GLA, which is leased as of the last day of the reporting period. We include all company owned space except for mall anchors, mall majors, mall freestanding and mall outlots in the calculation. Base minimum rent per square foot is the average base minimum rent charge in effect for the reporting period for all tenants that would qualify to be included in ending occupancy.

Total Sales per Square Foot. Total sales include total reported retail tenant sales on a trailing 12 month basis at owned GLA (for mall stores with less than 10,000 square feet) in the malls and The Mills and stores with less than 20,000 square feet in the Premium Outlets. Retail sales at owned GLA affect revenue and profitability levels because sales determine the amount of minimum rent that can be charged, the percentage rent realized, and the recoverable expenses (common area maintenance, real estate taxes, etc.) that tenants can afford to pay.

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Current Leasing Activities

During the six months ended June 30, 2018, we signed 507 new leases and 514 renewal leases (excluding mall anchors and majors, new development, redevelopment and leases with terms of one year or less) with a fixed minimum rent across our U.S. Malls and Premium Outlets portfolio, comprising approximately 3.4 million square feet, of which 2.4 million square feet related to consolidated properties. During the comparable period in 2017, we signed 405 new leases and 634 renewal leases with a fixed minimum rent, comprising approximately 3.3 million square feet, of which 2.4 million square feet related to consolidated properties. The average annual initial base minimum rent for new leases was \$54.79 per square foot in 2018 and \$59.09 per square foot in 2017 with an average tenant allowance on new leases of \$49.58 per square foot and \$43.27 per square foot, respectively.

Japan Data

The following are selected key operating statistics for our Premium Outlets in Japan. The information used to prepare these statistics has been supplied by the managing venture partner.

	June 30, 2018	June 30, 2017	%/Basis Points Change
Ending Occupancy	99.5%	99.7%	-20 bps
Total Sales per Square Foot	¥ 106,641	¥ 102,308	4.24%
Average Base Minimum Rent per Square Foot	¥ 5,095	¥ 5,054	0.82%

Results of Operations

The following acquisitions, dispositions and openings of consolidated properties affected our consolidated results in the comparative periods:

- During the six months ended June 30, 2018, we disposed of one retail property.
- On April 21, 2017, through our European investee, we acquired Rosada Designer Outlet, a 247,500 square foot center in Roosendaal, Netherlands. We have a 94% interest in this new center.
- On April 13, 2017, through our European investee, we opened Provence Designer Outlet, a 269,000 square foot center in Miramas, France. We have a 90% interest in this new center.

The following acquisitions, dispositions and openings of equity method investments and properties affected our income from unconsolidated entities in the comparative periods:

- During 2018, we contributed our interest in the licensing venture of Aéropostale for additional interests in Authentic Brands Group LLC, or ABG. Our noncontrolling interest in ABG is 5.78%.
- On May 2, 2018, we and our partner opened Premium Outlet Collection Edmonton International Airport, a 424,000 square foot shopping center in Edmonton (Alberta), Canada. We have a 50% noncontrolling interest in this new center.
- During 2017, we disposed of our interests in one retail property.
 - On September 14, 2017, we and our partner opened The Shops at Clearfork, a 500,000 square foot center in Fort Worth, Texas. We have a 45% noncontrolling interest in this new center.
- On June 29, 2017, we and our partner opened Norfolk Premium Outlets, a 332,000 square foot center in Norfolk, Virginia. We have a 65% noncontrolling interest in this new center.
- On June 15, 2017, we and our partner opened Genting Highlands Premium Outlets in Kuala Lumpur, Malaysia. We have a 50% noncontrolling interest in this 278,000 square foot center.

On April 6, 2017, we and our partner opened Siheung Premium Outlets, a 444,400 square foot center in Siheung (Seoul), South Korea. We have a 50% noncontrolling interest in this new center.

For the purposes of the following comparison between the three and six months ended June 30, 2018 and 2017, the above transactions are referred to as the property transactions. In the following discussions of our results of operations, “comparable” refers to properties we owned or held interests in and operated in both of the periods under comparison.

During the third quarter of 2017, two of our wholly-owned properties located in Puerto Rico sustained significant damage as a result of Hurricane Maria. For purposes of the below comparisons, these properties are also included in the property transactions due to the fact they were not open for business during the entirety of the periods being compared.

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Three months ended June 30, 2018 vs. Three months ended June 30, 2017

Minimum rents increased \$5.5 million during 2018, of which the comparable rents increased \$12.4 million, or 1.6%, primarily attributable to an increase in base minimum rents, offset partially by a \$6.9 million decrease related to the property transactions. Overage rents increased \$2.2 million, or 7.3%, as a result of an increase in tenant sales.

Total other income increased \$29.5 million, primarily due to a \$35.6 million increase related to a non-cash gain associated with our contribution of our interest in the Aéropostale licensing venture for additional interests in ABG, partially offset by a \$10.3 million decrease in lease settlement income.

Home and regional office costs decreased \$4.2 million as a result of lower personnel and executive compensation expense.

Other expense decreased \$10.9 million primarily related to a favorable mark-to-market adjustment on an equity instrument of \$9.7 million, and a decrease in legal fees and expenses of \$1.2 million.

During 2017, we recorded a loss on extinguishment of debt of \$128.6 million as a result of an early redemption of a series of senior unsecured notes.

Income and other taxes increased \$4.1 million due to increased withholding and income taxes related to certain of our international investments.

Income from unconsolidated entities increased \$8.8 million primarily due to favorable results of operations from our international joint venture investments and our acquisition and development activity, offset partially by our share of an early repayment charge at one of our joint venture properties.

During 2018, we recorded net gains of \$9.7 million primarily related to a property insurance recovery of previously depreciated assets. During 2017, we recorded a \$5.0 million gain related to Klépierre's sale of certain assets.

Simon's net income attributable to noncontrolling interests increased \$25.0 million due to an increase in the net income of the Operating Partnership.

Six months ended June 30, 2018 vs. Six months ended June 30, 2017

Minimum rents increased \$18.9 million during 2018, of which the comparable rents increased \$27.7 million, or 1.7%, primarily attributable to an increase in base minimum rents, offset partially by an \$8.8 million decrease related to the property transactions. Overage rents increased \$7.0 million, or 12.0%, as a result of an increase in tenant sales.

Total other income increased \$66.3 million, primarily due to a \$35.6 million increase related to a non-cash gain associated with our contribution of our interest in the Aéropostale licensing venture for additional interests in ABG, a \$20.1 million increase in income related to distributions from an international investment, an \$8.5 million increase in lease settlement income and a \$2.7 million increase in Simon Brand Venture and net other revenues, partially offset by a \$4.9 million decrease related to non-retail real estate sales in 2017.

Home and regional office costs decreased \$6.1 million as a result of lower personnel and executive compensation expense.

Other expense decreased \$3.3 million primarily related to a favorable \$6.7 million mark-to-market adjustment on an equity instrument, partially offset by an increase in net other expense.

During 2017, we recorded a loss on extinguishment of debt of \$128.6 million as a result of an early redemption of a series of senior unsecured notes.

Income and other taxes increased \$13.9 million due to a lower tax benefit from improved performance and a lower tax rate on our share of results in the retail operations venture of Aéropostale as compared to 2017, and increased withholding and income taxes related to certain of our international investments.

Income from unconsolidated entities increased \$29.8 million primarily due to the stronger operations of the retail operations venture of Aéropostale and favorable results of operations from our international joint venture investments and our acquisition and development activity, offset partially by our share of an early repayment charge at one of our joint venture properties.

During 2018, we recorded net gains of \$9.7 million related to a property insurance recovery of previously depreciated assets and \$135.2 million primarily related to our disposition activity. During 2017, we recorded a \$5.0 million gain related to Klépierre's sale of certain assets.

Simon's net income attributable to noncontrolling interests increased \$46.6 million due to an increase in the net income of the Operating Partnership.

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Liquidity and Capital Resources

Because we own long lived income producing assets, our financing strategy relies primarily on long term fixed rate debt. Floating rate debt comprised only 4.8% of our total consolidated debt at June 30, 2018. We also enter into interest rate protection agreements from time to time to manage our interest rate risk. We derive most of our liquidity from positive net cash flow from operations and distributions of capital from unconsolidated entities that totaled \$2.2 billion in the aggregate during the six months ended June 30, 2018. The Operating Partnership has a \$4.0 billion unsecured revolving credit facility, or Credit Facility, and a \$3.5 billion supplemental unsecured revolving credit facility, or Supplemental Facility, and together with the Credit Facility, the Credit Facilities. The Credit Facilities and the Operating Partnership's global unsecured commercial paper note program, or the Commercial Paper program, provide alternative sources of liquidity as our cash needs vary from time to time. Borrowing capacity under these sources may be increased as discussed further below.

Our balance of cash and cash equivalents decreased \$768.1 million during the first six months of 2018 to \$714.2 million as of June 30, 2018 as further discussed in "Cash Flows" below.

On June 30, 2018, we had an aggregate available borrowing capacity of approximately \$6.2 billion under the Credit Facilities, net of outstanding borrowings of \$326.1 million and amounts outstanding under the Commercial Paper program of \$981.5 million and letters of credit of \$6.2 million. For the six months ended June 30, 2018, the maximum aggregate outstanding balance under the Credit Facilities was \$423.1 million and the weighted average outstanding balance was \$332.9 million. The weighted average interest rate was 1.34% for the six months ended June 30, 2018.

Simon has historically had access to public equity markets and the Operating Partnership has historically had access to private and public long and short-term unsecured debt markets and access to secured debt and private equity from institutional investors at the property level.

Our business model and Simon's status as a REIT require us to regularly access the debt markets to raise funds for acquisition, development and redevelopment activity, and to refinance maturing debt. Simon may also, from time to time, access the equity capital markets to accomplish our business objectives. We believe we have sufficient cash on hand and availability under the Credit Facilities and the Commercial Paper program to address our debt maturities and capital needs through 2018.

Cash Flows

Our net cash flow from operating activities and distributions of capital from unconsolidated entities for the six months ended June 30, 2018 totaled \$2.2 billion. In addition, we had net repayments from our debt financing and repayment activities of \$864.0 million in 2018. These activities are further discussed below under "Financing and Debt." During the first six months of 2018, we also:

- paid stockholder dividends and unitholder distributions totaling approximately \$1.4 billion and preferred unit distributions totaling \$2.6 million,
- funded consolidated capital expenditures of \$334.7 million (including development and other costs of \$42.9 million, redevelopment and expansion costs of \$180.7 million, and tenant costs and other operational capital expenditures of \$111.1 million),
- funded investments in unconsolidated entities of \$29.3 million, and
- funded the repurchase of \$307.3 million of Simon's common stock and the redemption of \$7.6 million of the Operating Partnership's units.

In general, we anticipate that cash generated from operations will be sufficient to meet operating expenses, monthly debt service, recurring capital expenditures, and dividends to stockholders and/or distributions to partners necessary to

maintain Simon's REIT qualification on a long term basis. In addition, we expect to be able to generate or obtain capital for nonrecurring capital expenditures, such as acquisitions, major building redevelopments and expansions, as well as for scheduled principal maturities on outstanding indebtedness, from:

- excess cash generated from operating performance and working capital reserves,
- borrowings on the Credit Facilities and Commercial Paper program,
- additional secured or unsecured debt financing, or
- additional equity raised in the public or private markets.

We expect to generate positive cash flow from operations in 2018, and we consider these projected cash flows in our sources and uses of cash. These cash flows are principally derived from rents paid by our tenants. A significant

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deterioration in projected cash flows from operations could cause us to increase our reliance on available funds from the Credit Facilities and Commercial Paper program, curtail planned capital expenditures, or seek other additional sources of financing as discussed above.

Financing and Debt

Unsecured Debt

At June 30, 2018, our unsecured debt consisted of \$15.7 billion of senior unsecured notes of the Operating Partnership, \$326.1 million outstanding under the Credit Facility, and \$981.5 million outstanding under the Commercial Paper program. The June 30, 2018 balance on the Credit Facility included \$201.1 million (U.S. dollar equivalent) of Yen-denominated borrowings. Foreign currency denominated borrowings under the Credit Facility are designated as net investment hedges of a portion of our international investments.

On June 30, 2018, we had an aggregate available borrowing capacity of \$6.2 billion under the Credit Facilities. The maximum aggregate outstanding balance under the Credit Facilities during the six months ended June 30, 2018 was \$423.1 million and the weighted average outstanding balance was \$332.9 million. Letters of credit of \$6.2 million were outstanding under the Credit Facilities as of June 30, 2018.

The Credit Facility's initial borrowing capacity of \$4.0 billion may be increased to \$5.0 billion during its term and provides for borrowings denominated in U.S. dollars, Euro, Yen, Sterling, Canadian dollars and Australian dollars. Borrowings in currencies other than the U.S. dollar are limited to 95% of the maximum revolving credit amount, as defined. The initial maturity date of the Credit Facility is June 30, 2021 and can be extended for an additional year to June 30, 2022 at our sole option, subject to our continued compliance with the terms thereof. The base interest rate on the Credit Facility is LIBOR plus 77.5 basis points with a facility fee of 10 basis points.

On February 15, 2018, the Operating Partnership amended and extended the Supplemental Facility. The Supplemental Facility's initial borrowing capacity of \$3.5 billion may be increased to \$4.5 billion during its term and provides for borrowings denominated in U.S. dollars, Euro, Yen, Sterling, Canadian dollars and Australian dollars. The initial maturity date of the Supplemental Facility was extended to June 30, 2022 and can be extended for an additional year to June 30, 2023 at our sole option, subject to our continued compliance with the terms thereof. The base interest rate on the Supplemental Facility was reduced to LIBOR plus 77.5 basis points from LIBOR plus 80 basis points, with a facility fee of 10 basis points.

The Operating Partnership also has available a Commercial Paper program of \$1.0 billion, or the non-U.S. dollar equivalent thereof. The Operating Partnership may issue unsecured commercial paper notes, denominated in U.S. dollars, Euro and other currencies. Notes issued in non-U.S. currencies may be issued by one or more subsidiaries of the Operating Partnership and are guaranteed by the Operating Partnership. Notes will be sold under customary terms in the U.S. and Euro commercial paper note markets and rank (either by themselves or as a result of the guarantee described above) pari passu with the Operating Partnership's other unsecured senior indebtedness. The Commercial Paper program is supported by the Credit Facilities and if necessary or appropriate, we may make one or more draws under either of the Credit Facilities to pay amounts outstanding from time to time on the Commercial Paper program. On June 30, 2018, we had \$981.5 million outstanding under the Commercial Paper program, fully comprised of U.S. dollar-denominated notes with a weighted average interest rate of 2.02%. These borrowings mature on various dates through August 20, 2018 and reduce amounts otherwise available under the Credit Facilities.

On January 3, 2018, the Operating Partnership redeemed at par \$750.0 million of senior unsecured notes with a fixed interest rate of 1.50%.

On July 10, 2018, the Operating Partnership repaid Yen-denominated borrowings of \$201.1 million (U.S. dollar equivalent) on the Credit Facility.

Mortgage Debt

Total mortgage indebtedness was \$6.6 billion and \$6.9 billion at June 30, 2018 and December 31, 2017, respectively.

During the six months ended June 30, 2018, we repaid a mortgage loan of \$86.6 million with an interest rate of 7.79%, unencumbering the property.

On June 7, 2018, Aventura Mall, in which we own a 33.3% interest, refinanced its \$1.2 billion mortgage and its \$200.8 million construction loan with a \$1.75 billion mortgage at a fixed interest rate of 4.12% that matures on July 1, 2028. The property incurred an early repayment charge of \$30.9 million and wrote off deferred debt issuance costs of \$6.5 million, our \$12.5 million share of which is included in income from unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income.

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Covenants

Our unsecured debt agreements contain financial covenants and other non-financial covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender, including adjustments to the applicable interest rate. As of June 30, 2018, we were in compliance with all covenants of our unsecured debt.

At June 30, 2018, we or our subsidiaries were the borrowers under 46 non-recourse mortgage notes secured by mortgages on 49 properties, including two separate pools of cross-defaulted and cross-collateralized mortgages encumbering a total of five properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non-financial covenants which are specific to the properties that serve as collateral for that debt. If the applicable borrower under these non-recourse mortgage notes were to fail to comply with these covenants, the lender could accelerate the debt and enforce its rights against their collateral. At June 30, 2018, the applicable borrowers under these non-recourse mortgage notes were in compliance with all covenants where non-compliance could individually or in the aggregate, giving effect to applicable cross-default provisions, have a material adverse effect on our financial condition, liquidity or results of operations.

Summary of Financing

Our consolidated debt, adjusted to reflect outstanding derivative instruments, and the effective weighted average interest rates as of June 30, 2018 and December 31, 2017, consisted of the following (dollars in thousands):

	Adjusted Balance as of	Effective Weighted Average Interest Rate(1)	Adjusted Balance as of	Effective Weighted Average Interest Rate(1)
Debt Subject to Fixed Rate	June 30, 2018 \$ 22,324,296	3.36%	December 31, 2017 \$ 23,374,732	3.30%
Variable Rate	1,180,706	2.43%	1,189,311	2.19%
	\$ 23,505,002	3.32%	\$ 24,564,043	3.25%

(1) Effective weighted average interest rate excludes the impact of net discounts and debt issuance costs.
Contractual Obligations

There have been no material changes to our outstanding capital expenditure and lease commitments previously disclosed in the combined 2017 Annual Reports on Form 10-K of Simon and the Operating Partnership.

In regards to long-term debt arrangements, the following table summarizes the material aspects of these future obligations on our consolidated indebtedness as of June 30, 2018, for the remainder of 2018 and subsequent years thereafter (dollars in thousands), assuming the obligations remain outstanding through initial maturities, including applicable exercise of available extension options:

	2018	2019 - 2020	2021 - 2022	After 2022	Total
Long Term Debt (1) (2)	\$ 1,087,719	\$ 2,776,629	\$ 6,976,611	\$ 12,736,248	\$ 23,577,207
Interest Payments (3)	391,553	1,506,934	1,153,930	3,161,222	6,213,639

- (1) Represents principal maturities only and, therefore, excludes net discounts and debt issuance costs.
 - (2) The amount due in 2018 includes \$981.5 million in Global Commercial Paper – USD.
 - (3) Variable rate interest payments are estimated based on the LIBOR rate at June 30, 2018.
- Off Balance Sheet Arrangements

Our off balance sheet arrangements consist primarily of our investments in joint ventures which are common in the real estate industry and are described in Note 5 of the condensed notes to our consolidated financial statements. Our joint ventures typically fund their cash needs through secured debt financings obtained by and in the name of the joint venture entity. The joint venture debt is secured by a first mortgage, is without recourse to the joint venture partners, and does not represent a liability of the partners, except to the extent the partners or their affiliates expressly guarantee the joint venture debt. As of June 30, 2018, the Operating Partnership guaranteed joint venture related mortgage indebtedness of \$201.0 million (of which we have a right of recovery from our joint venture partners of \$10.8 million as of June 30, 2018).

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Mortgages guaranteed by the Operating Partnership are secured by the property of the joint venture which could be sold in order to satisfy the outstanding obligation and which has an estimated fair value in excess of the guaranteed amount. We may elect to fund cash needs of a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such fundings are not typically required contractually or otherwise.

Acquisitions and Dispositions

Buy sell, marketing rights, and other exit mechanisms are common in real estate partnership agreements. Most of our partners are institutional investors who have a history of direct investment in retail real estate. We and our partners in our joint venture properties may initiate these provisions (subject to any applicable lock up or similar restrictions). If we determine it is in our stockholders' best interests for us to purchase the joint venture interest and we believe we have adequate liquidity to execute the purchase without hindering our cash flows, then we may initiate these provisions or elect to buy our partner's interest. If we decide to sell any of our joint venture interests, we expect to use the net proceeds to reduce outstanding indebtedness or to reinvest in development, redevelopment, or expansion opportunities.

Dispositions. We may continue to pursue the disposition of properties that no longer meet our strategic criteria or that are not a primary retail venue within their trade area.

During the first six months of 2018, we recorded net gains of \$144.9 million primarily related to disposition activity which included the foreclosure of a consolidated property in satisfaction of its \$200 million non-recourse mortgage. As discussed in Note 5, Klépierre also disposed of its interests in certain shopping centers resulting in a gain of which our share was \$13.4 million.

Joint Venture Formation and Other Investment Activity

On September 15, 2016, we and a group of co-investors acquired certain assets and liabilities of Aéropostale, a retailer of apparel and accessories, out of bankruptcy. The interests were acquired through two separate joint ventures, a licensing venture and an operating venture. In April 2018, we contributed our entire interest in the licensing venture in exchange for additional interests in ABG, a brand development, marketing, and entertainment company. As a result, we recognized a \$35.6 million non-cash gain representing the increase in value of our previously held interest in the licensing venture, which is included in other income in the accompanying consolidated statements of operations and comprehensive income. At June 30, 2018, our noncontrolling equity method interests in the operations venture of Aéropostale and in ABG were 44.95% and 5.78%, respectively.

Development Activity

We routinely incur costs related to construction for significant redevelopment and expansion projects at our properties. Redevelopment and expansion projects, including the addition of anchors, big box tenants, and restaurants, are underway at properties in the United States, Canada, Europe and Asia.

Our share of the costs of all new development, redevelopment and expansion projects currently under construction is approximately \$0.8 billion. We expect to fund these capital projects with cash flows from operations. We seek a stabilized return on invested capital in the range of 7-10% for all of our new development, expansion and redevelopment projects.

New Domestic Developments, Redevelopments and Expansions.

During 2018, construction continues on Denver Premium Outlets, a 328,000 square foot project in Thornton (Denver), Colorado, which is scheduled to open in September 2018. We own a 100% interest in this project. The estimated cost of this project is \$128.6 million.

International Development Activity. We typically reinvest net cash flow from our international joint ventures to fund future international development activity. We believe this strategy mitigates some of the risk of our initial investment and our exposure to changes in foreign currencies. We have also funded most of our foreign investments with local currency denominated borrowings that act as a natural hedge against fluctuations in exchange rates. Our consolidated net income exposure to changes in the volatility of the Euro, Yen, Peso, Won, and other foreign currencies is not material. We expect our share of international development costs for 2018 will be approximately \$219 million, primarily funded through reinvested joint venture cash flow and construction loans.

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The following table describes these new development and expansion projects as well as our share of the estimated total cost as of June 30, 2018 (in millions):

Property	Location	Gross Leasable Area (sqft)	Our Ownership Percentage	Our Share of Projected Net Cost (in Local Currency)	Our Share of Projected Projected Net Cost (in USD)	Opening Date
New Development Projects:						
Premium Outlet Collection - Edmonton International Airport	Edmonton (Alberta), Canada	424,000	50%	CAD	108.2	\$ 82.3
						Opened May - 2018
Querétaro Premium Outlets	Querétaro, Mexico	294,000	50%	MXN	441.7	\$ 22.2
						Dec. - 2018
Málaga Designer Outlet	Málaga, Spain	191,000	46%	EUR	41.4	\$ 48.4
						Mar. - 2019
Cannock Designer Outlet	Cannock (West Midlands), U.K.	197,000	20%	GBP	26.5	\$ 35.0
						May - 2020
Expansions:						
Shisui Premium Outlets Phase 3	Shisui (Chiba), Japan	68,000	40%	JPY	1,541	\$ 13.9
						Oct. - 2018
Toronto Premium Outlets Phase 2	Toronto (Ontario), Canada	145,000	50%	CAD	66.4	\$ 50.6
						Nov. - 2018
Johor Premium Outlets Phase 3	Kulai, Malaysia	45,000	50%	MYR	14.4	\$ 3.6
						Dec. - 2018
Vancouver Designer Outlet Phase 2	Richmond (British Columbia), Canada	84,000	46%	CAD	26.9	\$ 20.5
						May - 2019
Ashford Designer Outlet Phase 2	Ashford, U.K.	98,000	46%	GBP	43.0	\$ 56.8
						Oct. - 2019

Dividends, Distributions and Stock Repurchase Program

Simon paid a common stock dividend of \$1.95 per share in the second quarter of 2018 and \$3.90 per share for the six months ended June 30, 2018. The Operating Partnership paid distributions per unit for the same amounts. Simon paid dividends of \$1.75 and \$3.50 per share for the three and six months ended June 30, 2017, respectively. The Operating Partnership paid distributions per unit for the same amounts. Simon's Board of Directors declared a quarterly cash dividend for the third quarter of 2018 of \$2.00 per share of common stock payable on August 31, 2018 to stockholders of record on August 17, 2018. The distribution rate on units is equal to the dividend rate on common stock. In order to maintain its status as a REIT, Simon must pay a minimum amount of dividends. Simon's future dividends and the Operating Partnership's future distributions will be determined by Simon's Board of Directors, in its sole discretion, based on actual and projected financial condition, liquidity and results of operations, cash available for dividends and limited partner distributions, cash reserves as deemed necessary for capital and operating expenditures, financing covenants, if any, and the amount required to maintain Simon's status as a REIT.

On February 13, 2017, Simon's Board of Directors authorized a two-year extension of the previously authorized \$2.0 billion common stock repurchase plan through March 31, 2019. Simon may repurchase the shares in the open market or in privately negotiated transactions as market conditions warrant. During the six months ended June 30, 2018, Simon repurchased 1,988,247 shares at an average price of \$154.56 per share of its common stock as part of this program. As Simon repurchases shares under this program, the Operating Partnership repurchases an equal number of units from Simon.

Forward Looking Statements

Certain statements made in this section or elsewhere in this Quarterly Report on Form 10-Q may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained, and it is possible that our 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: changes in economic and market conditions that may adversely affect the general retail environment; the potential loss of anchor stores or major tenants; the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise; decreases in market rental rates; the intensely competitive market environment in the retail industry; the inability to lease newly developed properties and renew leases and relet space at existing properties on favorable terms; risks related to international activities, including, without limitation, the impact of the United Kingdom's

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vote to leave the European Union; changes to applicable laws or regulations or the interpretation thereof; risks associated with the acquisition, development, redevelopment, expansion, leasing and management of properties; general risks related to real estate investments, including the illiquidity of real estate investments; the impact of our substantial indebtedness on our future operations; any disruption in the financial markets that may adversely affect our ability to access capital for growth and satisfy our ongoing debt service requirements; any change in our credit rating; changes in market rates of interest and foreign exchange rates for foreign currencies; changes in the value of our investments in foreign entities; our ability to hedge interest rate and currency risk; our continued ability to maintain our status as a REIT; changes in tax laws or regulations that result in adverse tax consequences; risks relating to our joint venture properties; environmental liabilities; changes in insurance costs, the availability of comprehensive insurance coverage; security breaches that could compromise our information technology or infrastructure; natural disasters; the potential for terrorist activities; and the loss of key management personnel. We discussed these and other risks and uncertainties under the heading "Risk Factors" in the combined 2017 Annual Report on Form 10-K of Simon and the Operating Partnership. We may update that discussion in subsequent other periodic reports, but, except as required by law, we undertake no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

Non GAAP Financial Measures

Industry practice is to evaluate real estate properties in part based on performance measures such as FFO, diluted FFO per share, NOI, portfolio NOI and comparable property NOI. We believe that these non GAAP measures are helpful to investors because they are widely recognized measures of the performance of REITs and provide a relevant basis for comparison among REITs. We also use these measures internally to measure the operating performance of our portfolio.

We determine FFO based on the definition set forth by the National Association of Real Estate Investment Trusts, or NAREIT, as consolidated net income computed in accordance with GAAP:

- excluding real estate related depreciation and amortization,
 - excluding gains and losses from extraordinary items and cumulative effects of accounting changes,
- excluding gains and losses from the sale, disposal or property insurance recoveries of previously depreciated retail operating properties,
- excluding impairment charges of depreciable real estate,
- plus the allocable portion of FFO of unconsolidated entities accounted for under the equity method of accounting 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 us 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, disposal or property insurance recoveries of, or any impairment related to, previously depreciated retail operating properties.

We include in FFO gains and losses realized from the sale of land, outlot buildings, equity instruments, and investment holdings of non retail real estate. We also include in FFO the impact of foreign currency exchange gains and losses, legal expenses, transaction expenses and other items required by GAAP.

You should understand that our computations of these non GAAP measures might not be comparable to similar measures reported by other REITs and that these non GAAP measures:

- do not represent cash flow from operations as defined by GAAP,

- should not be considered as alternatives to consolidated net income determined in accordance with GAAP as a measure of operating performance, and
- are not alternatives to cash flows as a measure of liquidity.

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The following schedule reconciles total FFO to consolidated net income and, for Simon, diluted net income per share to diluted FFO per share.

	For the Three Months Ended June 30, 2018		2017		For the Six Months Ended June 30, 2018		2017	
	(in thousands)							
Funds from Operations (A)	\$	1,060,564	\$	884,743	\$	2,086,902	\$	1,869,755
Change in FFO from prior period	19.9	%	(7.1)	%	11.6	%	(1.8)	%
Consolidated Net Income	\$	631,414	\$	441,373	\$	1,346,938	\$	992,448
Adjustments to Arrive at FFO:								
Depreciation and amortization from consolidated properties	317,364		318,585		631,370		626,273	
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	137,279		135,476		272,204		266,694	
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(9,672)		(4,989)		(144,949)		(4,989)	
Unrealized change in fair value of equity instruments	(9,692)		—		(6,664)		—	
Net (income) loss attributable to noncontrolling interest holders in properties	(279)		(74)		(186)		170	
Noncontrolling interests portion of depreciation and amortization	(4,537)		(4,315)		(9,185)		(8,215)	
Preferred distributions and dividends	(1,313)		(1,313)		(2,626)		(2,626)	
FFO of the Operating Partnership (A)	\$	1,060,564	\$	884,743	\$	2,086,902	\$	1,869,755
FFO allocable to limited partners	139,426		116,599		273,985		246,028	
Dilutive FFO allocable to common stockholders (A)	\$	921,138	\$	768,144	\$	1,812,917	\$	1,623,727
Diluted net income per share to diluted FFO per share reconciliation:								
Diluted net income per share	\$	1.77	\$	1.23	\$	3.77	\$	2.75
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	1.27		1.25		2.51		2.46	
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(0.03)		(0.01)		(0.41)		(0.01)	
Unrealized change in fair value of equity instruments	(0.03)		—		(0.02)		—	
Diluted FFO per share (A)	\$	2.98	\$	2.47	\$	5.85	\$	5.20
	309,355		311,579		309,966		312,191	

Basic and Diluted weighted average shares
outstanding

Weighted average limited partnership units
outstanding

Basic and Diluted weighted average shares
and units outstanding

46,827	47,287	46,845	47,304
356,182	358,866	356,811	359,495

(A) Includes a loss on extinguishment of debt of \$128.6 million for the three and six months ended June 30, 2017. Includes Diluted FFO per share/unit related to a loss on extinguishment of debt of \$0.36 for the three and six months ended June 30, 2017. Includes Diluted FFO allocable to common stockholders of \$111.7 million for the three and six months ended June 30, 2017.

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The following schedule reconciles consolidated net income to NOI and sets forth the computations of portfolio NOI and comparable property NOI.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Reconciliation of NOI of consolidated entities:				
Consolidated Net Income	\$ 631,414	\$ 441,373	\$ 1,346,938	\$ 992,448
Income and other tax expense	10,137	5,990	16,357	2,470
Interest expense	206,624	207,174	412,115	405,373
Income from unconsolidated entities	(100,828)	(92,017)	(190,854)	(161,101)
Loss on extinguishment of debt	—	128,618	—	128,618
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(9,672)	(4,989)	(144,949)	(4,989)
Operating Income	737,675	686,149	1,439,607	1,362,819
Depreciation and amortization	320,198	322,396	637,134	633,228
NOI of consolidated entities	\$ 1,057,873	\$ 1,008,545	\$ 2,076,741	\$ 1,996,047
Reconciliation of NOI of unconsolidated entities:				
Net Income	\$ 197,378	\$ 204,051	\$ 408,612	\$ 401,794
Interest expense	190,751	146,440	341,684	288,647
Gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities	(25,792)	—	(25,792)	—
Operating Income	362,337	350,491	724,504	690,441
Depreciation and amortization	166,299	159,748	326,134	313,202
NOI of unconsolidated entities	\$ 528,636	\$ 510,239	\$ 1,050,638	\$ 1,003,643
Add: Our share of NOI from Klépierre, HBS, and other corporate investments	78,962	67,201	139,019	108,947
Total NOI	\$ 1,665,471	\$ 1,585,985	\$ 3,266,398	\$ 3,108,637
Less: Corporate and Other NOI Sources (1)	80,815	54,667	122,658	99,570
Portfolio NOI	\$ 1,584,656	\$ 1,531,318	\$ 3,143,740	\$ 3,009,067
Portfolio NOI Growth	3.5	%	4.5	%
Less: Our share of NOI from Klépierre, HBS, and other corporate investments	78,962	67,201	139,019	108,947
Less: International Properties (2)	113,923	101,021	245,673	197,580
Less: NOI from New Development, Redevelopment, Expansion and Acquisitions (3)	18,387	19,972	36,716	40,479
Comparable Property NOI (4)	\$ 1,373,384	\$ 1,343,124	\$ 2,722,332	\$ 2,662,061
Comparable Property NOI Growth	2.3	%	2.3	%

(1) Includes income components excluded from portfolio NOI and comparable property NOI (domestic lease termination income, interest income, land sale gains, straight line rent, above/below market lease adjustments), gains on sale of equity instruments, unrealized gains and losses on equity instruments, Simon management company operations, and other assets.

(2)

Includes International Premium Outlets (except for Canadian International Premium Outlets included in comparable property NOI), International Designer Outlets and distributions from other international investments.

- (3) Includes total property NOI for properties undergoing redevelopment as well as incremental NOI for expansion properties not yet included in comparable properties.
- (4) Includes Malls, Premium Outlets, The Mills and Lifestyle Centers opened and operating as comparable for the period.

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Item 3. Qualitative and Quantitative Disclosures About Market Risk

Sensitivity Analysis. We disclosed a qualitative and quantitative analysis regarding market risk in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the combined 2017 Annual Report on Form 10 K of Simon and the Operating Partnership. There have been no material changes in the assumptions used or results obtained regarding market risk since December 31, 2017.

Item 4. Controls and Procedures

Simon

Evaluation of Disclosure Controls and Procedures. Simon maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that Simon files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's, or the SEC's, rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of Simon's disclosure controls and procedures as of June 30, 2018. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, Simon's disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting. There have not been any changes in Simon's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, Simon's internal control over financial reporting.

The Operating Partnership

Evaluation of Disclosure Controls and Procedures. The Operating Partnership maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in the reports that the Operating Partnership files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Operating Partnership's disclosure controls and procedures as of June 30, 2018. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, the Operating Partnership's disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting. There have not been any changes in the Operating Partnership's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that

occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

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Part II — Other Information

Item 1. Legal Proceedings

We are involved from time-to-time in various legal and regulatory proceedings that arise in the ordinary course of our business, including, but not limited to, commercial disputes, environmental matters, and litigation in connection with transactions such as acquisitions and divestitures. We believe that our current proceedings will not have a material adverse effect on our financial condition, liquidity or results of operations. We record a liability when a loss is considered probable, and the amount can be reasonably estimated.

Item 1A. Risk Factors

Through the period covered by this report, there were no material changes to the Risk Factors disclosed under Item 1A. Risk Factors in Part I of the combined 2017 Annual Report on Form 10 K of Simon and the Operating Partnership.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Simon

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities made by Simon during the quarter ended June 30, 2018.

Issuer Purchases of Equity Securities

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Approximate value of shares that may yet be purchased under programs (2)
April 1, 2018 - April 30, 2018	286,609	(1) \$ 154.13	269,537	\$ 725,280,466
May 1, 2018 - May 31, 2018	245,122	\$ 154.42	245,122	\$ 687,428,312
June 1, 2018 - June 30, 2018	—	\$ —	—	\$ 687,428,312
	531,731	\$ 154.26	514,659	

(1)Includes 17,072 shares withheld by us and transferred to treasury shares in connection with employee payroll tax withholding upon the vesting of certain restricted stock awards.

(2)On February 13, 2017, Simon's Board of Directors authorized a two-year extension of the previously authorized \$2.0 billion common stock repurchase plan through March 31, 2019. Simon may repurchase the shares in the open market or in privately negotiated transactions as market conditions warrant.

The Operating Partnership

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities made by the Operating Partnership during the quarter ended June 30, 2018.

Issuer Purchases of Equity Securities

There were no purchases of equity securities made by the Operating Partnership during the quarter ended June 30, 2018.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Other Information

During the quarter covered by this report, the Audit Committee of Simon's Board of Directors approved certain audit, audit related, and non audit tax compliance and tax consulting services to be provided by Ernst & Young LLP, our independent registered public accounting firm. This disclosure is made pursuant to Section 10A(i)(2) of the Exchange Act as added by Section 202 of the Sarbanes Oxley Act of 2002.

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Item 6. Exhibits

Exhibit

Number	Exhibit Descriptions
<u>31.1</u>	<u>Simon Property Group, Inc. — Certification by the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Simon Property Group, Inc. — Certification by the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.3</u>	<u>Simon Property Group, L.P. — Certification by the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.4</u>	<u>Simon Property Group, L.P. — Certification by the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Simon Property Group, Inc. — Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u>	<u>Simon Property Group, L.P. — Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIMON PROPERTY GROUP, INC.

/s/ Andrew Juster
Andrew Juster
Executive Vice President and
Chief Financial Officer
Date: August 2, 2018

SIMON PROPERTY GROUP, L.P.

/s/ Andrew Juster
Andrew Juster
Executive Vice President and Chief Financial Officer of
Simon Property Group, Inc., General Partner
Date: August 2, 2018