

SIMON PROPERTY GROUP INC /DE/
Form 10-Q
November 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 September 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 or organization)	(Commission File No.)	(I.R.S. Employer 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 every Interactive Data File required to be submitted 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 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 Smaller reporting company

Emerging growth company

Simon Property Group, L.P.:

Large accelerated filer Accelerated filer Non-accelerated filer 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

As of September 30, 2018, Simon Property Group, Inc. had 309,296,415 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 September 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 September 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;
- 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;

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- 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)

	September 30, 2018	December 31, 2017
ASSETS:		
Investment properties, at cost	\$ 36,943,299	\$ 36,393,464
Less - accumulated depreciation	12,638,409	11,935,949
	24,304,890	24,457,515
Cash and cash equivalents	695,718	1,482,309
Tenant receivables and accrued revenue, net	722,730	742,672
Investment in unconsolidated entities, at equity	2,281,688	2,266,483
Investment in Klépierre, at equity	1,776,655	1,934,676
Deferred costs and other assets	1,298,012	1,373,983
Total assets	\$ 31,079,693	\$ 32,257,638
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,678,264	\$ 24,632,463
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,268,099	1,269,190
Cash distributions and losses in unconsolidated entities, at equity	1,534,550	1,406,378
Other liabilities	503,342	520,363
Total liabilities	26,984,255	27,828,394
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	197,937	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	42,830	43,077
Common stock, \$0.0001 par value, 511,990,000 shares authorized, 320,411,571 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	9,736,720	9,614,748
Accumulated deficit	(4,896,754)	(4,782,173)
Accumulated other comprehensive loss	(118,593)	(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	3,383,616	3,686,168
Noncontrolling interests	513,885	552,596
Total equity	3,897,501	4,238,764
Total liabilities and equity	\$ 31,079,693	\$ 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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUE:				
Minimum rent	\$ 864,514	\$ 861,184	\$ 2,581,792	\$ 2,559,535
Overage rent	39,601	36,634	104,533	94,601
Tenant reimbursements	385,543	386,713	1,138,855	1,146,156
Management fees and other revenues	28,784	28,946	85,506	90,860
Other income	90,563	90,161	286,491	219,796
Total revenue	1,409,005	1,403,638	4,197,177	4,110,948
EXPENSES:				
Property operating	119,021	118,807	335,420	330,226
Depreciation and amortization	316,175	317,037	953,309	950,265
Real estate taxes	119,315	111,953	344,950	332,027
Repairs and maintenance	23,632	25,352	73,507	72,654
Advertising and promotion	36,688	36,006	107,979	108,450
Provision for credit losses	4,984	2,895	13,915	10,765
Home and regional office costs	32,714	31,451	106,093	110,906
General and administrative	12,172	13,014	35,713	40,089
Other	26,913	57,055	69,293	102,678
Total operating expenses	691,614	713,570	2,040,179	2,058,060
OPERATING INCOME	717,391	690,068	2,156,998	2,052,888
Interest expense	(199,469)	(199,032)	(611,585)	(604,408)
Loss on extinguishment of debt	—	—	—	(128,618)
Income and other taxes	(10,118)	(14,511)	(26,475)	(16,981)
Income from unconsolidated entities	134,408	116,110	325,263	277,212
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
CONSOLIDATED NET INCOME	642,212	592,635	1,989,150	1,585,082
Net income attributable to noncontrolling interests	85,111	78,018	262,722	209,070
Preferred dividends	834	834	2,503	2,503
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 556,267	\$ 513,783	\$ 1,723,925	\$ 1,373,509
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	\$ 1.80	\$ 1.65	\$ 5.57	\$ 4.41
Consolidated Net Income	\$ 642,212	\$ 592,635	\$ 1,989,150	\$ 1,585,082
	5,241	(8,598)	20,355	(31,396)

Unrealized gain (loss) on derivative hedge agreements				
Net loss (gain) reclassified from accumulated other comprehensive loss into earnings	1,591	(19,362)	5,929	(14,303)
Currency translation adjustments	(10,763)	12,922	(35,797)	42,815
Changes in available-for-sale securities and other	(22)	6,787	(88)	6,324
Comprehensive income	638,259	584,384	1,979,549	1,588,522
Comprehensive income attributable to noncontrolling interests	84,466	76,935	261,260	209,424
Comprehensive income attributable to common stockholders	\$ 553,793	\$ 507,449	\$ 1,718,289	\$ 1,379,098

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 Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated Net Income	\$ 1,989,150	\$ 1,585,082
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	1,009,671	1,012,335
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)
Gains on sales of marketable securities	—	(21,541)
Unrealized change in fair value of equity instruments	(1,212)	—
Gain on interest in unconsolidated entity (Note 5)	(35,621)	—
Straight-line rent	(14,923)	(21,433)
Equity in income of unconsolidated entities	(325,263)	(277,212)
Distributions of income from unconsolidated entities	289,411	270,938
Changes in assets and liabilities		
Tenant receivables and accrued revenue, net	27,668	19,925
Deferred costs and other assets	(74,922)	(75,688)
Accounts payable, accrued expenses, intangibles, deferred revenues and other liabilities	32,156	103,418
Net cash provided by operating activities	2,751,166	2,719,453
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions	—	(87,741)
Funding of loans to related parties	(4,641)	(68,206)
Capital expenditures, net	(585,957)	(487,321)
Cash impact from the consolidation of properties	11,276	7,536
Investments in unconsolidated entities	(51,883)	(111,225)
Purchase of marketable and non-marketable securities	(23,273)	(5,503)
Proceeds from sales of marketable and non-marketable securities	—	53,923
Insurance proceeds for property restoration	16,160	—
Distributions of capital from unconsolidated entities and other	428,862	331,693
Net cash used in investing activities	(209,456)	(366,844)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sales of common stock and other, net of transaction costs	(247)	(246)
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	(11,524)	(8,936)
Contributions from noncontrolling interest holders in properties	161	289
Preferred distributions of the Operating Partnership	(1,436)	(1,436)

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Distributions to stockholders and preferred dividends	(1,829,610)	(1,655,307)
Distributions to limited partners	(276,530)	(251,066)
Loss on debt extinguishment	—	(128,618)
Proceeds from issuance of debt, net of transaction costs	5,895,653	8,071,035
Repayments of debt	(6,786,942)	(8,031,020)
Net cash used in financing activities	(3,328,301)	(2,404,263)
DECREASE IN CASH AND CASH EQUIVALENTS	(786,591)	(51,654)
CASH AND CASH EQUIVALENTS, beginning of period	1,482,309	560,059
CASH AND CASH EQUIVALENTS, end of period	\$ 695,718	\$ 508,405

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)

	September 30, 2018	December 31, 2017
ASSETS:		
Investment properties, at cost	\$ 36,943,299	\$ 36,393,464
Less — accumulated depreciation	12,638,409	11,935,949
	24,304,890	24,457,515
Cash and cash equivalents	695,718	1,482,309
Tenant receivables and accrued revenue, net	722,730	742,672
Investment in unconsolidated entities, at equity	2,281,688	2,266,483
Investment in Klépierre, at equity	1,776,655	1,934,676
Deferred costs and other assets	1,298,012	1,373,983
Total assets	\$ 31,079,693	\$ 32,257,638
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,678,264	\$ 24,632,463
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,268,099	1,269,190
Cash distributions and losses in unconsolidated entities, at equity	1,534,550	1,406,378
Other liabilities	503,342	520,363
Total liabilities	26,984,255	27,828,394
Commitments and contingencies		
Preferred units, various series, at liquidation value, and noncontrolling redeemable interests in properties	197,937	190,480
EQUITY:		
Partners' Equity		
Preferred units, 796,948 units outstanding. Liquidation value of \$39,847	42,830	43,077
General Partner, 309,304,415 and 311,166,854 units outstanding, respectively	3,340,786	3,643,091
Limited Partners, 47,212,857 and 46,879,625 units outstanding, respectively	509,943	548,858
Total partners' equity	3,893,559	4,235,026
Nonredeemable noncontrolling interests in properties, net	3,942	3,738
Total equity	3,897,501	4,238,764
Total liabilities and equity	\$ 31,079,693	\$ 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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUE:				
Minimum rent	\$ 864,514	\$ 861,184	\$ 2,581,792	\$ 2,559,535
Overage rent	39,601	36,634	104,533	94,601
Tenant reimbursements	385,543	386,713	1,138,855	1,146,156
Management fees and other revenues	28,784	28,946	85,506	90,860
Other income	90,563	90,161	286,491	219,796
Total revenue	1,409,005	1,403,638	4,197,177	4,110,948
EXPENSES:				
Property operating	119,021	118,807	335,420	330,226
Depreciation and amortization	316,175	317,037	953,309	950,265
Real estate taxes	119,315	111,953	344,950	332,027
Repairs and maintenance	23,632	25,352	73,507	72,654
Advertising and promotion	36,688	36,006	107,979	108,450
Provision for credit losses	4,984	2,895	13,915	10,765
Home and regional office costs	32,714	31,451	106,093	110,906
General and administrative	12,172	13,014	35,713	40,089
Other	26,913	57,055	69,293	102,678
Total operating expenses	691,614	713,570	2,040,179	2,058,060
OPERATING INCOME	717,391	690,068	2,156,998	2,052,888
Interest expense	(199,469)	(199,032)	(611,585)	(604,408)
Loss on extinguishment of debt	—	—	—	(128,618)
Income and other taxes	(10,118)	(14,511)	(26,475)	(16,981)
Income from unconsolidated entities	134,408	116,110	325,263	277,212
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
CONSOLIDATED NET INCOME	642,212	592,635	1,989,150	1,585,082
Net income (loss) attributable to noncontrolling interests	497	(550)	684	(721)
Preferred unit requirements	1,313	1,313	3,939	3,939
NET INCOME ATTRIBUTABLE TO UNITHOLDERS	\$ 640,402	\$ 591,872	\$ 1,984,527	\$ 1,581,864
NET INCOME ATTRIBUTABLE TO UNITHOLDERS ATTRIBUTABLE TO:				
General Partner	\$ 556,267	513,783	\$ 1,723,925	\$ 1,373,509
Limited Partners	84,135	78,089	260,602	208,355
Net income attributable to unitholders	\$ 640,402	\$ 591,872	\$ 1,984,527	\$ 1,581,864

BASIC AND DILUTED EARNINGS PER
UNIT:

Net income attributable to unitholders	\$ 1.80	\$ 1.65	\$ 5.57	\$ 4.41
Consolidated net income	\$ 642,212	\$ 592,635	\$ 1,989,150	\$ 1,585,082
Unrealized gain (loss) on derivative hedge agreements	5,241	(8,598)	20,355	(31,396)
Net loss (gain) reclassified from accumulated other comprehensive loss into earnings	1,591	(19,362)	5,929	(14,303)
Currency translation adjustments	(10,763)	12,922	(35,797)	42,815
Changes in available-for-sale securities and other	(22)	6,787	(88)	6,324
Comprehensive income	638,259	584,384	1,979,549	1,588,522
Comprehensive income attributable to noncontrolling interests	318	316	1,063	1,388
Comprehensive income attributable to unitholders	\$ 637,941	\$ 584,068	\$ 1,978,486	\$ 1,587,134

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 Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated Net Income	\$ 1,989,150	\$ 1,585,082
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	1,009,671	1,012,335
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)
Gains on sales of marketable securities	—	(21,541)
Unrealized change in fair value of equity instruments	(1,212)	—
Gain on interest in unconsolidated entity (Note 5)	(35,621)	—
Straight-line rent	(14,923)	(21,433)
Equity in income of unconsolidated entities	(325,263)	(277,212)
Distributions of income from unconsolidated entities	289,411	270,938
Changes in assets and liabilities		
Tenant receivables and accrued revenue, net	27,668	19,925
Deferred costs and other assets	(74,922)	(75,688)
Accounts payable, accrued expenses, intangibles, deferred revenues and other liabilities	32,156	103,418
Net cash provided by operating activities	2,751,166	2,719,453
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions	—	(87,741)
Funding of loans to related parties	(4,641)	(68,206)
Capital expenditures, net	(585,957)	(487,321)
Cash impact from the consolidation of properties	11,276	7,536
Investments in unconsolidated entities	(51,883)	(111,225)
Purchase of marketable and non-marketable securities	(23,273)	(5,503)
Proceeds from sales of marketable and non-marketable securities	—	53,923
Insurance proceeds for property restoration	16,160	—
Distributions of capital from unconsolidated entities and other	428,862	331,693
Net cash used in investing activities	(209,456)	(366,844)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of units and other	(247)	(246)
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	(11,524)	(8,936)
Contributions from noncontrolling interest holders in properties	161	289
Partnership distributions	(2,107,576)	(1,907,809)

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Loss on debt extinguishment	—	(128,618)
Mortgage and unsecured indebtedness proceeds, net of transaction costs	5,895,653	8,071,035
Mortgage and unsecured indebtedness principal payments	(6,786,942)	(8,031,020)
Net cash used in financing activities	(3,328,301)	(2,404,263)
DECREASE IN CASH AND CASH EQUIVALENTS	(786,591)	(51,654)
CASH AND CASH EQUIVALENTS, beginning of period	1,482,309	560,059
CASH AND CASH EQUIVALENTS, end of period	\$ 695,718	\$ 508,405

The accompanying notes are an integral part of these statements.

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(Dollars in thousands, except share, per share, unit and per unit amounts
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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 September 30, 2018, we owned or held an interest in 207 income producing properties in the United States, which consisted of 107 malls, 69 Premium Outlets, 14 Mills, four lifestyle centers, and 13 other retail properties in 37 states and Puerto Rico. Internationally, as of September 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 September 30, 2018, we also owned a 21.2% 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 September 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 September 30, 2018, we consolidated 135 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 81 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 57 of the 81 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 limited partners and to Simon based on the partners' respective weighted average ownership interests in the Operating Partnership. Net operating results of the

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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 nine months ended September 30, 2018 and 2017, respectively. As of September 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 September 30, 2018 and December 31, 2017, we had equity instruments with readily determinable fair values of \$97.2 million and \$88.3 million, respectively. Effective January 1, 2018, changes in fair value of these equity instruments are recorded in earnings. At September 30, 2018 and December 31, 2017, we had equity instruments without readily determinable fair values of \$176.4 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 nine months ended September 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.

On July 26, 2017, we sold our investment in certain equity instruments. The aggregate proceeds received from the sale were \$53.9 million, and we recognized a gain on the sale of \$21.5 million, which is included in other income in the accompanying consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2017.

At September 30, 2018 and December 31, 2017, we held debt securities of \$66.8 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 are typically 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 determinable fair values we held at September 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 \$12.9 million at September 30, 2018 and a gross liability balance of \$8.6 million and \$18.1 million at September 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 September 30, 2018	As of December 31, 2017
Limited partners' interests in the Operating Partnership	\$ 509,943	\$ 548,858
Nonredeemable noncontrolling interests in properties, net	3,942	3,738
Total noncontrolling interests reflected in equity	\$ 513,885	\$ 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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Noncontrolling interests, beginning of period	\$ 507,604	564,444	\$ 552,596	\$ 649,464
Net income attributable to noncontrolling interests after preferred distributions and income attributable to redeemable noncontrolling interests in consolidated properties	84,452	78,405	261,665	209,743
Distributions to noncontrolling interest holders	(93,637)	(86,125)	(277,550)	(254,026)
Other comprehensive (loss) income allocable to noncontrolling interests:				
Unrealized gain (loss) on derivative hedge agreements	717	(1,135)	2,710	(4,116)
Net loss (gain) reclassified from accumulated other comprehensive loss into earnings	214	(2,555)	785	(1,887)
Currency translation adjustments	(1,573)	1,712	(4,944)	5,511
Changes in available-for-sale securities and other	(3)	895	(12)	846
	(645)	(1,083)	(1,461)	354
Adjustment to limited partners' interest from change in ownership in the Operating Partnership	(74,990)	(7,350)	(127,707)	(75,685)
Units issued to limited partners	84,103	—	84,103	—
Units exchanged for common shares	(934)	(252)	(1,004)	(1,605)
Units redeemed	—	—	(572)	—
Long-term incentive performance units	7,885	9,374	23,654	28,932
Contributions by noncontrolling interests, net, and other	47	51	161	287
Noncontrolling interests, end of period	\$ 513,885	\$ 557,464	\$ 513,885	\$ 557,464

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.

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

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A rollforward of noncontrolling interests is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Noncontrolling nonredeemable interests in properties, net — beginning of period	\$ 3,632	4,264	\$ 3,738	\$ 5,116
Net income attributable to noncontrolling nonredeemable interests	318	316	1,063	1,388
Distributions to noncontrolling nonredeemable interestholders	(56)	(800)	(1,020)	(2,960)
Contributions by noncontrolling nonredeemable interests, net, and other	48	51	161	287
Noncontrolling nonredeemable interests in properties, net — end of period	\$ 3,942	\$ 3,831	\$ 3,942	\$ 3,831

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 September 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	(30,853)	17,645	(76)	(13,284)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5,144	—	5,144
Net current-period other comprehensive (loss) income	(30,853)	22,789	(76)	(8,140)
Ending balance	\$ (148,991)	\$ 30,844	\$ (446)	\$ (118,593)

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The reclassifications out of accumulated other comprehensive income (loss) consisted of the following during the nine months ended September 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	\$ (5,929)	\$ (7,238)	Interest expense
	785	955	Net income attributable to noncontrolling interests
	\$ (5,144)	\$ (6,283)	
Realized gain on sale of marketable securities	\$ —	\$ 21,541	Other income
	—	(2,843)	Net income attributable to noncontrolling interests
	\$ —	\$ 18,698	

The Operating Partnership

The changes in accumulated other comprehensive income (loss) by component consisted of the following as of September 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	(35,797)	20,355	(88)	(15,530)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5,929	—	5,929
Net current-period other comprehensive (loss) income	(35,797)	26,284	(88)	(9,601)
Ending balance	\$ (171,737)	\$ 35,547	\$ (513)	\$ (136,703)

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

	2018	2017	
	Amount reclassified from accumulated other comprehensive income (loss)	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	\$ (5,929)	\$ (7,238)	Interest expense
Realized gain on sale of marketable securities	\$ —	\$ 21,541	Other income

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 September 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 September 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.

We had the following Euro:USD forward contracts designated as net investment hedges at September 30, 2018 and December 31, 2017 (in millions):

Notional Value	Maturity Date	Asset (Liability) Value as of	
		September 30, 2018	December 31, 2017
€ 50.0	May 15, 2019	0.4	(2.4)
€ 50.0	May 15, 2019	(2.1)	(4.9)
€ 50.0	May 15, 2020	(2.9)	(5.2)
€ 50.0	May 14, 2021	(3.6)	(5.5)

Asset balances in the above table are included in deferred costs and other assets. Liability balances in the above table are included in other liabilities.

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In the first quarter of 2018, we entered into a Euro-denominated 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 fair value of our cross-currency swap agreement at September 30, 2018 is \$8.0 million and is included in deferred costs and other assets. In the third quarter of 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 \$201.3 million (U.S. dollar equivalent) on the Operating Partnership's \$4.0 billion unsecured revolving credit facility, or Credit Facility. The cross-currency swap matures on December 1, 2020. The fair value of our cross-currency swap agreement at September 30, 2018 is \$4.0 million and is included in deferred costs and other assets.

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 \$35.6 million and \$9.3 million as of September 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 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.

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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 July 30, 2018, the FASB issued ASU 2018-11, which created a practical expedient that provides 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 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.

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 beginning with the date of adoption 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 \$782.8 million as of September 30, 2018. 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 ASU 2018-11, 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 related ASUs 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. On August 20, 2018, the FASB issued a proposal that would clarify that operating lease receivables would be outside the scope of the new standard. 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 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

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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 Nine Months Ended	
	September 30, 2018	2017	September 30, 2018	2017
Net Income attributable to Common Stockholders — Basic and Diluted	\$ 556,267	\$ 513,783	\$ 1,723,925	\$ 1,373,509
Weighted Average Shares Outstanding — Basic and Diluted	309,294,045	310,853,299	309,739,557	311,740,360

For the three and nine months ended September 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 nine months ended September 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.

The Operating Partnership

	For the Three Months Ended September 30,	For the Nine Months Ended September 30,
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	2018	2017	2018	2017
Net Income attributable to Unitholders — Basic and Diluted	\$ 640,402	\$ 591,872	\$ 1,984,527	