Sarepta Therapeutics, Inc.
Form 10-K
March 03, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

Or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 Or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-14895

Sarepta Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**93-0797222**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

215 First Street

Suite 415

Cambridge, MA **02142**
(Address of principal executive offices) **(Zip Code)**
Registrant s telephone number, including area code: (857) 242-3700

Securities registered pursuant to Section 12(b) of the Act:

Tile of Each Class	**Name of Exchange on Which Registered**
Common Stock, $0.0001 par value	**The NASDAQ Stock Market LLC**

(The NASDAQ Global Select Market)
Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2013 was approximately $1,225,412,000.

The number of outstanding shares of the registrant s common stock as of the close of business on February 24, 2014 was 37,775,169.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this Annual Report on Form 10-K, portions of its definitive Proxy Statement for its 2014 annual meeting to be filed with the Commission no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Table of Contents

Sarepta Therapeutics, Inc.

FORM 10-K INDEX

Table of Contents

Forward-Looking Information

This Annual Report on Form 10-K, including the Management s Discussion and Analysis of Financial Condition and Results of Operations section in Item 7, and other materials accompanying this Annual Report on Form 10-K contain forward-looking statements or incorporate by reference forward-looking statements. The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are identified by words such as believe, anticipate, expect, intend, plan, will, may, seek and other similar expressions. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other forward-looking information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements include, but are not limited to:

our expectations regarding the development and clinical benefits of our product candidates;

the results of our research and development efforts and the efficacy of our PMO-based chemistries and other RNA-based technology;

our expectations regarding our ability to become a leading developer and marketer of RNA-based therapeutics;

the efficacy, potency and utility of our product candidates in the treatment of rare and infectious diseases, and their potential to treat a broad number of human diseases;

our expectations regarding the results of preclinical and clinical testing of our product candidates;

our expectations regarding the timing for initiating a pivotal clinical study, the design of a pivotal study and for filing a new drug application (NDA) for eteplirsen with the approval of the U.S. Food and Drug Administration (FDA);

our expectations regarding the timing, completion and receipt of results from our ongoing development programs;

the timing of and requirements the Company must comply with to receive any required approvals from the FDA or other regulatory approvals for our products outside of the United States;

the impact of regulations as well as regulatory decisions by the FDA and other regulatory agencies on the Company, the development of our product candidates and the Company s financial and contractual obligations;

our expectations regarding the markets for our products;

acceptance of our products, if introduced, in the marketplace;

the possible impact of competitive products, product development, manufacturing, commercialization and technological difficulties;

our expectations regarding partnering opportunities and other strategic transactions;

the extent of protection that our patents provide and our pending patent applications may provide, if patents issue from such applications, to our technologies and programs;

our plans to file additional patent applications to enhance and protect our existing intellectual property portfolio;

our ability to invalidate some or all of the claims covered by patents issued to competitors;

our estimates regarding our future revenues, research and development expenses, other expenses, payments to third parties and changes in staffing levels;

Table of Contents

our estimates regarding how long our currently available cash and cash equivalents will be sufficient to finance our operations and statements about our future capital needs;

our ability to increase the scale of our manufacturing to provide our product to patients in larger scale clinical trials or in potential commercial quantities and meet regulatory and company quality control requirements;

our ability to operate our business without infringing the intellectual property rights of others;

our expectations about funding from government and other sources; and

other factors set forth below under the heading Risk Factors .

All forward-looking statements are based on information available to us on the date of this Annual Report on Form 10-K and we will not update any of the forward-looking statements after the date of this Annual Report on Form 10-K, except as required by law. Our actual results could differ materially from those discussed in this Annual Report on Form 10-K. The forward-looking statements contained in this Annual Report on Form 10-K, and other written and oral forward-looking statements made by us from time to time, are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part I, Item 1 Business and Item 1A Risk Factors of this Annual Report on Form 10-K.

Table of Contents

PART I

Item 1. Business.

Overview

We are a biopharmaceutical company focused on the discovery and development of unique RNA-based therapeutics for the treatment of rare and infectious diseases. Applying our proprietary, highly-differentiated and innovative platform technologies, we are able to target a broad range of diseases and disorders through distinct RNA-based mechanisms of action. We are primarily focused on rapidly advancing the development of our potentially disease-modifying Duchenne muscular dystrophy (DMD) drug candidates, including our lead product candidate, eteplirsen. We are also focused on developing therapeutics for the treatment of infectious diseases, including our lead infectious disease program aimed at the development of a drug candidate for the Marburg hemorrhagic fever virus. By building our infectious disease programs which are primarily funded and supported by the U.S. Department of Defense (DoD), and leveraging our highly-differentiated, proprietary technology platforms, we are seeking to further develop our research and development competencies and identify additional product candidates.

Our highly-differentiated RNA-based technologies work at the most fundamental level of biology and potentially could have a meaningful impact across a broad range of human diseases and disorders. Our lead program focuses on the development of disease-modifying therapeutic candidates for DMD, a rare genetic muscle-wasting disease caused by the absence of dystrophin, a protein necessary for muscle function. Currently, there are no approved disease-modifying therapies for DMD. Eteplirsen is our lead therapeutic candidate for DMD. If we are successful in our development efforts, eteplirsen will address a severe unmet medical need. Last year, we completed a U.S.-based Phase IIb clinical trial for eteplirsen that was initiated in August 2011. Following completion of this study in early 2012, we initiated an open label extension study with the same participants from the original Phase IIb placebo-controlled trial. We are working with the FDA to initiate a pivotal clinical study in 2014 and to determine the possibilities under expedited regulatory programs for eteplirsen.

We are also leveraging the capabilities of our RNA-based technology platforms to develop therapeutics for the treatment of infectious diseases. The DoD has provided significant financial support in the past for the development of therapeutics against Ebola, Marburg, Dengue and influenza viruses. We have attracted DoD s support based in part on our ability to rapidly respond to pathogenic threats by quickly identifying, manufacturing and evaluating novel therapeutic candidates.

The basis for our novel RNA-based therapeutics is our phosphorodiamidate-linked morpholino oligomer, or PMO, chemistries. Unlike other RNA-based therapeutics, which are often used to down-regulate gene expression, our technologies can be used to selectively up-regulate or down-regulate the production of a target protein, or direct the expression of novel proteins involved in human diseases and disorders. Further, we believe the charge-neutral nature of our PMO-based molecules may have the potential to reduce off-target effects, such as immune stimulatory effects often seen in alternative RNA-based technologies. We believe that our highly-differentiated, novel, proprietary and innovative RNA-based technology platforms, based on charge neutral morpholino oligomers, may represent a significant improvement over traditional RNA-based technologies.

On July 12, 2012, our common stock began trading on The NASDAQ Global Market on a split-adjusted basis following a one-for-six reverse stock split that was effective on July 11, 2012. As of January 2, 2014, our Common Stock is quoted on The NASDAQ Global Select Market. Unless otherwise noted, all share amounts, share prices and exercise prices included throughout this report give effect to the July 2012 one-for-six reverse stock split.

Since our inception in 1980, we have incurred losses of $543.2 million, substantially all of which resulted from expenditures related to research and development, general and administrative charges and losses on changes in warrant valuation partially offset by revenue generated from research contracts with and grants primarily from

Table of Contents

the DoD. As of December 31, 2013, we have completed all of our contracts with the DoD except for the July 2010 contract for the development of therapeutics against the Marburg virus. The period of performance for our August 2012 contract with the DoD concluded in the third quarter of 2013. In November 2012 we also entered into a consortium agreement with various parties that received an E.U. Health Innovation-1 2012 Collaborative research grant to support development of an exon 53-skipping therapeutic, based on our PMO chemistry, for which minimal revenues have been earned to date. We have not generated any material revenue from product sales to date, and there can be no assurance that revenues from product sales will be achieved. Moreover, even if we do achieve revenue from product sales, we are likely to continue to incur operating losses in the near term.

As of December 31, 2013, we had $264.9 million of cash, cash equivalents and invested cash, comprised of $257.0 million of cash and cash equivalents and $7.9 million of restricted investments, which we believe, taking into consideration our outstanding warrants, is sufficient to fund our current operational plan for the next twelve months. Should our funding from the DoD cease or be delayed, we would likely curtail certain infectious disease research and development efforts unless additional funding was obtained. We are also likely to pursue additional cash resources through public or private financings, seeking additional government contracts, and by establishing collaborations or licensing our technologies to other companies.

We were originally incorporated in the State of Oregon on July 22, 1980 and on June 6, 2013, we reincorporated in the State of Delaware. Our principal executive offices are located at 215 First Street, Suite 415, Cambridge, MA 02142 and our telephone number is (857) 242-3700. Our common stock trades on The NASDAQ Global Select Market under the symbol SRPT.

Where You Can Find Additional Information

We make available free of charge through our corporate website, www.sarepta.com, our annual reports, quarterly reports, current reports, proxy statements and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the SEC. These reports may also be obtained without charge by submitting a written request via mail to Investor Relations, Sarepta Therapeutics, Inc., 215 First Street, Suite 415, Cambridge, MA 02142 or by e-mail to investorrelations@sarepta.com. Our Internet website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K. In addition, the public may read and copy any materials we file or furnish with the Securities and Exchange Commission, or the SEC, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Moreover, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding reports that we file or furnish electronically with the SEC at www.sec.gov.

Objectives and Business Strategy

We believe that our highly-differentiated, proprietary RNA-based technology platforms can be used to develop novel pharmaceutical products to treat a broad range of diseases and address key unmet medical needs. We intend to leverage our RNA-based technology platforms, organizational capabilities and resources to become a leading developer and marketer of RNA-based therapeutics, including for the treatment of rare and infectious diseases, with a diversified portfolio of product candidates and approved products. In pursuit of this objective, we intend to engage in the following activities:

- advancing the development of eteplirsen and our other drug candidates for the treatment of DMD to realize the product opportunities of such candidates and provide significant clinical benefits;

- successfully executing our government funded infectious disease therapeutic programs and building on and leveraging our experience with such programs to further develop our research and development capabilities and garner additional external funding; and

Table of Contents

leveraging our highly-differentiated, proprietary RNA-based technology platforms to identify product candidates in additional therapeutic areas and explore various strategic opportunities, including potential partnering, licensing or collaboration arrangements with industry partners.

Development Programs

Our currently active RNA-based drug programs are being clinically evaluated for the treatment of DMD and have also demonstrated promising antiviral activity in infectious diseases such as Marburg and H1N1 influenza in certain animal models. Our active lead product candidates are at various stages of development summarized below.

Program	Indication	Mechanism	Chemistry	Development Stage	Developer / Collaborator
Eteplirsen	DMD (exon 51)	Exon Skipping	PMO	Phase IIb*	Proprietary
AVI-7288	Marburg virus	Translation Suppression	PMO*plus*®	Phase I	Proprietary/U.S. Government
AVI-7100	H1N1 influenza virus	Translation Suppression	PMO*plus*®	Phase I	Proprietary/U.S. Government

* We announced results from our Phase IIb clinical study in eteplirsen in April 2012 and are currently conducting a long-term open label extension phase to this clinical trial.

For purposes of the table above, Development Stage indicates the most advanced stage of development that has been completed or is ongoing. In the table above, under the heading Development Stage, Phase IIb indicates clinical safety and efficacy testing in a small patient population, and Phase I indicates initial clinical safety testing in healthy volunteers or a limited patient population, or trials directed toward understanding the mechanisms or metabolism of the drug.

Duchenne Muscular Dystrophy Program

Duchenne muscular dystrophy, or DMD, is one of the most common fatal genetic disorders affecting children (primarily boys) around the world. DMD is a devastating and incurable muscle-wasting disease associated with specific mutations in the gene that codes for dystrophin, a protein that plays a key structural role in muscle fiber function. The absence of dystrophin in muscle cells leads to significant cell damage and ultimately causes muscle cell death and fibrotic replacement. The disease occurs in approximately one in every 3,500 male births worldwide. Females are rarely affected by the disorder. Initial symptoms, which usually appear between the ages of three and five, include progressive muscle weakness of the legs and pelvis, manifested as difficulty walking, running or climbing stairs, which eventually spreads to the arms, neck, and other areas. By age ten, braces may be required for walking, and many individuals require full-time use of a wheelchair before age 12. Eventually muscular degeneration progresses to the point of complete paralysis. Disease progression is also typically associated with respiratory muscle dysfunction and a corresponding difficulty in breathing, which may require ventilatory support, and cardiac muscle dysfunction which may lead to heart failure. DMD is ultimately fatal and death usually occurs before the age of 30. There is currently no approved disease modifying treatment or cure for DMD.

The yearly cost of care for individuals with DMD is high and increases with disease progression. Although DMD is a rare disease, we believe it represents a substantial product opportunity due to the severity and inexorable progression of the symptoms.

Our lead program is designed to address specific gene mutations that result in DMD by forcing the genetic machinery to skip over an adjacent contiguous piece (*i.e*, one or more exons) of RNA and, thus, restore the ability of the cell to express a new, truncated but functional, dystrophin protein. We believe that the expression of

Table of Contents

this truncated dystrophin protein may restore, prevent or slow deterioration of muscle function, as exemplified by the less severe muscular dystrophy phenotype, called Becker muscular dystrophy.

Eteplirsen. Eteplirsen is an antisense PMO-based therapeutic in clinical development for the treatment of individuals with DMD who have an error in the gene coding for dystrophin that can be treated by skipping exon 51. Eteplirsen targets the most frequent series of mutations that cause DMD. Eteplirsen has been granted orphan drug designation in the United States and European Union. In 2007, the FDA granted eteplirsen fast track status and we are continuing to discuss with FDA the possibility of expedited regulatory programs for eteplirsen based on the Phase IIb data. See Government Regulation for additional information.

In October 2010, we announced results from a clinical trial of eteplirsen, AVI Study 28. Data from this study were published in *The Lancet* in July 2011. AVI Study 28 was a Phase Ib/IIa open label, dose-ranging, clinical trial assessing the safety, tolerability, pharmacokinetics and exploratory efficacy of eteplirsen in ambulatory individuals with DMD. Participants in AVI Study 28 were between the ages of five and 15 with errors in the gene coding for dystrophin, which were amenable to treatment by skipping exon 51. Participants were dosed once per week for 12 weeks. A total of 19 participants were enrolled and these individuals were assigned to one of six dose cohorts of 0.5, 1.0, 2.0, 4.0, 10.0 or 20.0 mg/kg. Of the 19 participants enrolled, 18 received at least ten of the 12 doses planned in this trial. After completion of dosing, participants were followed for an additional 14 weeks. Muscle biopsies were taken before treatment and 17 participants had a second biopsy at week 14, two weeks after administration of the final dose. The primary objective of the trial was to assess the safety of eteplirsen at these doses over the 26-week duration of the trial. Secondary trial objectives included assessment of plasma pharmacokinetics, urinary elimination and exploratory endpoints evaluating biological activity and clinical performance. This trial was conducted by investigators in the United Kingdom at the University College London Institute of Child Health / Great Ormond Street Hospital in London and at the Royal Victoria Infirmary in Newcastle-Upon-Tyne. In AVI Study 28, (i) eteplirsen induced exon 51 skipping in all cohorts and new dystrophin protein expression in cohort 3; (ii) eteplirsen was well-tolerated in all participants with no drug-related serious adverse events or severe adverse events, except that one participant exhibited deteriorating cardiac function, which was considered probably disease related; (iii) adverse events were mostly mild or moderate in intensity, not dose-related, and none were considered probably or definitely related to eteplirsen; and (iv) there was no detectable immune response to newly made dystrophin.

Based on the AVI 28 study results, we initiated a Phase IIb trial for eteplirsen in August 2011, AVI 4658-us-201, or Study 201, at Nationwide Children s Hospital in Columbus, Ohio and we announced the results from this study in April 2012. This was a randomized, double-blind, placebo-controlled study to assess the efficacy, safety, tolerability and pharmacokinetics of eteplirsen administered intravenously in two different doses over 24 weeks for the treatment of ambulant boys with DMD. Exploratory clinical measures of ambulation, muscle function and strength were also captured and evaluated during the course of the trial. Study 201 included 12 participants and muscle biopsies of all participants were performed prior to initiation of treatment. The 12 participants with a genotypically-confirmed appropriate genetic mutation were randomized into one of three treatment groups with four participants in each group. The first treatment group received a weekly intravenous administration of eteplirsen at a dose of 50.0 mg/kg. The second treatment group received a weekly intravenous administration of eteplirsen at a dose of 30.0 mg/kg. The third and final treatment group received a weekly administration of placebo. Participants receiving the 50.0 mg/kg dose received a second biopsy at 12 weeks after initiation of treatment, and participants receiving the 30.0 mg/kg dose received a second biopsy at 24 weeks after initiation of treatment. The results from Study 201 determined that treatment with eteplirsen met the primary efficacy endpoint in the study. Eteplirsen administered once weekly at 30mg/kg over 24 weeks resulted in a statistically significant ($p \leq 0.002$) increase in novel dystrophin (22.5% dystrophin-positive fibers as a percentage of normal) compared to no increase in the placebo group. In the study, a shorter duration of eteplirsen treatment, 12 weeks, did not show a significant increase in novel dystrophin (0.79% dystrophin-positive fibers as a percentage of normal; p-value NS), despite administration of the drug at a higher dose (50mg/kg once weekly). No significant improvements in clinical outcomes in the treated groups were observed compared to placebo.

Table of Contents

All participants in Study 201 were enrolled in an open-label extension study 4658-us-202, or Study 202, following the completion of Study 201 and all participants, including those from the placebo group in Study 201, are receiving either 30.0 mg/kg or 50.0 mg/kg for the duration of Study 202. The purpose of Study 202 is to evaluate the ongoing safety, efficacy and tolerability of eteplirsen. The primary efficacy endpoint was the change from baseline at week 48 in the percentage of dystrophin-positive fibers in muscle biopsy tissue as measured by immunohistochemistry. The primary clinical outcome measure was the change from baseline to week 48 on the six minute walk test, or the 6MWT. Study 202 is now in a long-term extension phase in which patients continue to be followed for safety and clinical outcomes approximately every 12 weeks through week 108 (which includes the original 28 weeks of Study 201).

On July 24, 2012, we announced interim results from Study 202 which indicated that treatment with eteplirsen over 36 weeks achieved a significant clinical benefit on the primary clinical outcome measure, the 6MWT, over a placebo/delayed treatment cohort. Eteplirsen administered once weekly at 50mg/kg over 36 weeks resulted in a 69.4 meter benefit compared to patients who received placebo for 24 weeks followed by 12 weeks of treatment with eteplirsen. In the predefined prospective analysis of the study s intent-to-treat population on the primary clinical outcome measure, the change in 6MWT distance from baseline, eteplirsen-treated patients who received 50mg/kg of the drug weekly demonstrated a decline of 8.7 meters in distance walked from baseline (mean=396.0 meters), while patients who received placebo/delayed-eteplirsen treatment for 36 weeks showed a decline of 78.0 meters from baseline (mean=394.5 meters), for a statistically significant treatment benefit of 69.4 meters over 36 weeks ($p \leq 0.019$). There was no statistically significant difference in the 6MWT between the cohort of patients who received 30mg/kg weekly of eteplirsen and the placebo/delayed treatment cohort. The safety profile of eteplirsen was evaluated across all subjects through the 36 weeks eteplirsen was administered and there were no treatment-related adverse events, no serious adverse events and no discontinuations. Furthermore, no treatment-related changes were detected on any safety laboratory parameters, including several biomarkers for renal function.

On October 3, 2012, we announced 48-week results from Study 202 which indicated that treatment with eteplirsen met the predefined primary efficacy endpoint, increase in novel dystrophin, and achieved a significant clinical benefit on the predefined primary clinical outcome measure, the 6MWT, over the placebo/delayed treatment cohort. Eteplirsen administered once weekly at either 30 mg/kg or 50 mg/kg for 48 weeks (n=8) resulted in a statistically significant increase ($p<0.001$) in dystrophin-positive fibers to 47.0% of normal. The placebo/delayed treatment cohort, which had received 24 weeks of eteplirsen at either 30 mg/kg or 50 mg/kg following 24 weeks of placebo (n=4), also showed a statistically significant increase in dystrophin-positive fibers to 38.3% of normal ($p<0.009$).

In the predefined analysis of the study s intent-to-treat population on the primary clinical outcome measure, the change in 6MWT distance from baseline at week 48, eteplirsen-treated patients who received 50 mg/kg of the drug weekly (n=4) demonstrated an increase of 21.0 meters in distance walked from baseline (mean=396.0 meters), while patients who received placebo/delayed-eteplirsen treatment (n=4) showed a decline of 68.4 meters from baseline (mean=394.5 meters), for a statistically significant treatment benefit of 89.4 meters over 48 weeks ($p=0.016$, using analysis of covariance for ranked data using mixed model repeated measures). There was no statistically significant difference between the cohort of patients who received 30 mg/kg weekly of eteplirsen and the placebo/delayed treatment cohort. The safety profile of eteplirsen was evaluated across all subjects through 48 weeks and there were no treatment-related adverse events, no serious adverse events, and no discontinuations. Furthermore, no clinically significant treatment-related changes were detected on any safety laboratory parameters, including several biomarkers for renal function.

On December 7, 2012, we announced updated data from Study 202 which showed patients treated with eteplirsen and evaluable on ambulatory measures (modified Intent to Treat population, or the mITT population) for 62 weeks maintained a statistically significant clinical benefit on the primary clinical outcome measure, the 6MWT, compared to patients who received placebo for 24 weeks followed by 38 weeks of eteplirsen treatment. In the mITT population, which includes evaluable patients from both the 30mg/kg and 50mg/kg dose cohorts,

Table of Contents

patients treated with eteplirsen for 62 weeks demonstrated a statistically significant benefit ($p \leq 0.007$) of 62 meters over the placebo/delayed-treatment cohort using a mixed-model repeated measure statistical test. The mITT population utilized for the 62 week analysis consisted of 10 of the enrolled 12 patients (4 eteplirsen-treated patients receiving 50 mg/kg weekly, 2 eteplirsen-treated patients receiving 30 mg/kg weekly, and 4 placebo/delayed-treatment patients), and excluded two patients who showed signs of rapid disease progression and lost ambulation by week 24. The eteplirsen treatment cohort (n=6) continued to show disease stabilization with less than a 5% decline in walking distance on the 6MWT from baseline. The placebo/delayed-treatment cohort (n=4) also demonstrated stability in walking distance from week 36 through week 62 with a less than 10 meter change over this timeframe, the period in which dystrophin was likely produced, with confirmation of significant dystrophin levels at week 48 through analysis of muscle biopsies in these patients.

The safety profile of eteplirsen was evaluated across all patients through week 62 and there were no clinically significant treatment-related adverse events, no serious adverse events, and no discontinuations. One patient had a laboratory treatment-related adverse event, a transient elevation of urine protein on a urine dipstick test, however this elevation was not observed on a 24-hour urine protein measurement and resulted in no clinical symptoms or interruption of treatment. This patient did not show elevations of the specific renal markers of cystatin C or KIM-1. Across both the treatment and placebo/delayed treatment cohorts there is evidence of continued stabilization on pulmonary function tests, echocardiogram, muscle strength and clinical laboratory tests over the 62 weeks.

Results from the mITT population, which combines the evaluable eteplirsen-treated patients across the 30mg/kg and 50mg/kg cohorts, have been previously reported and will be used as the primary assessment of ambulatory clinical measures for the remainder of Study 202. Given there was no significant difference between the 30 mg/kg and 50 mg/kg arms on the production of dystrophin through 48 weeks, we believe this mITT population is the most appropriate to assess dystrophin production and its potential predictive benefits on ambulatory clinical outcomes, such as the 6MWT.

On April 5, 2013, we announced that, after 74 weeks, patients in the 30 mg/kg and 50 mg/kg dose cohorts in the mITT population (n=6) showed a statistically significant treatment benefit of 65.2 meters ($p \leq 0.004$) when compared to the placebo/delayed-treatment cohort (n=4). The eteplirsen-treated patients in the mITT population demonstrated less than a 5 percent decline (13.4 meters) from baseline in walking ability. After experiencing a substantial decline earlier in the study, the placebo/delayed-treatment cohort also demonstrated stabilization in walking ability from week 36 through 74, the period in which meaningful levels of dystrophin were likely produced, with a less than 10 meter decline over this timeframe. Through 74 weeks, eteplirsen was well tolerated and there were no clinically significant treatment-related adverse events, serious adverse events, hospitalizations or discontinuations. As previously reported at 62 weeks, one patient had a transient elevation of urine protein on a laboratory urine dipstick test, which resolved and resulted in no clinical symptoms. The patient continued treatment without interruption and remained free of proteinuria through week 74. Across both the eteplirsen (mITT) and placebo/delayed-treatment cohorts, there was evidence of continued stabilization on clinical laboratory tests, echocardiogram, pulmonary function tests and muscle strength through 74 weeks of participating in Study 202.

On June 19, 2013, we announced that after 84 weeks, patients in the 30 mg/kg and 50 mg/kg dose cohorts in the mITT population (n=6) showed a statistically significant treatment benefit of 46.4 meters ($p \leq 0.045$) when compared to the placebo/delayed-treatment cohort (n=4). The eteplirsen-treated patients in the mITT population demonstrated less than a 6 percent decline (20.5 meters) from baseline in walking ability. The placebo/delayed-treatment cohort also demonstrated stabilization in walking ability from Week 36 through 84, the period from which meaningful levels of dystrophin were likely produced, with an increase of 3.3 meters over this timeframe. These analyses were based on the maximum 6MWT score when the test was performed on two consecutive days. Through 84 weeks, eteplirsen was well tolerated and there were no clinically significant treatment-related adverse events, no serious adverse events, hospitalizations or discontinuations. One boy in the placebo/delayed-treatment cohort was not able to perform the 6MWT at the Week 84 clinic visit due to a physical injury unrelated

Table of Contents

to treatment, and therefore had no 6MWT data captured at the Week 84 time point. The boy has recovered from the injury, continues to be ambulatory and is expected to be evaluated on the 6MWT at future clinic visits. Across all patients in the eteplirsen and placebo/delayed-treatment cohorts, there was evidence of continued stabilization on clinical laboratory tests, echocardiograms, pulmonary function tests and measures of muscle strength through 84 weeks of participating in Study 202.

On September 26, 2013, we announced that after 96 weeks, patients in the 30 mg/kg and 50 mg/kg eteplirsen cohorts in the mITT population (n=6) experienced less than a 5 percent decline (17.5 meters) from baseline in walking ability. A statistically significant treatment benefit of 70.8 meters ($p \leq 0.001$) was observed for the mITT population compared with the placebo/delayed-treatment cohort (n=4). The placebo/delayed-treatment cohort also demonstrated stabilization in walking ability from Week 36 through 96, the period from which meaningful levels of dystrophin were likely produced, with a decline of 18.5 meters over this timeframe. These analyses were based on the maximum 6MWT score when the test was performed on two consecutive days. As previously reported, a boy in the placebo/delayed-treatment cohort was not able to perform the 6MWT at the Week 84 clinic visit due to a broken ankle assessed by the investigator as a treatment-unrelated adverse event. Although this boy received rehabilitation and was able to perform the 6MWT, his walking ability at the time of the test had not returned to the level observed prior to the injury, and this lower 6MWT distance contributed to the overall decline in the placebo/delayed-treatment cohort. The decline in walking distance observed in this cohort from Week 36 improves from a decline of 18.5 meters to a decline of 4.7 meters when this patient s 96-week test score is excluded from the analysis. Through 96 weeks, eteplirsen was well tolerated and there were no reported clinically significant treatment-related adverse events, no treatment-related serious adverse events, hospitalizations or discontinuations. Across patients in the eteplirsen and placebo/delayed-treatment cohorts, there is evidence of continued stabilization on clinical laboratory tests, echocardiograms, pulmonary function tests and measures of muscle strength through 84 weeks of participating in Study 202.

On January 15, 2014, we announced that at 120 weeks, patients in the 30 mg/kg and 50 mg/kg eteplirsen cohorts who were able to perform the 6MWT (modified Intent-to-Treat or mITT population; n=6) experienced a decline of 13.9 meters, or less than 5 percent, from baseline in walking ability. A statistically significant treatment benefit of 64.9 meters ($p \leq 0.006$) was observed for the mITT population compared with the placebo/delayed-treatment cohort (n=4). The placebo/delayed-treatment cohort also demonstrated stabilization in walking ability for more than 1.5 years, from Week 36 through 120, the period from which meaningful levels of dystrophin were likely produced, with a decline of 9.5 meters over this timeframe. These analyses were based on the maximum 6MWT score when the test was performed on two consecutive days. In addition, on February 5, 2014, we announced that results through more than two years of treatment showed stable pulmonary function in the Intent-to-Treat (ITT) study population (N=12). Through 120 weeks, eteplirsen was well tolerated and there were no reported clinically significant treatment-related adverse events and no treatment-related serious adverse events. In addition, there were no treatment-related hospitalizations or discontinuations.

We will continue to have discussions with the FDA during the first quarter of 2014 regarding the design of the pivotal study, the clinical results from our Phase IIb study of eteplirsen and the possibility of expedited regulatory programs for eteplirsen based on the Phase IIb data. Based on feedback from these meetings, we will make a determination regarding the most appropriate regulatory path for pursuing regulatory approval of eteplirsen. Any such determination will be further informed by subsequent meetings with the FDA. Regardless of the approval process and path ultimately pursued, we anticipate initiating a pivotal clinical study for eteplirsen and commencing dosing during the second or third quarter of 2014.

Pan-Exon Strategy. In addition to our lead product candidate, eteplirsen, we are pursuing development of additional exon-skipping drugs, to support our broad-based development program for the treatment of DMD. For example, as of December 31, 2013, we have pre-clinical studies under way for exon 45-skipping and exon 53-skipping therapeutics, a lead sequence identified for an exon-50 skipping therapeutic and lead sequence selection under way for exon 44, exon 52, exon 55 and exon 8-skipping therapeutics.

Table of Contents

To support certain activities to enable an Investigational New Drug, or IND, for an exon 45-skipping therapeutic, we are collaborating with Children s National Medical Center in Washington, D.C. and the Carolinas Medical Center (in Charlotte, N.C.). This collaboration is funded primarily through two grants, one from DoD s Congressionally Directed Medical Research Program to Children s National Medical Center and the other from the National Institute of Neurological Disorders and Stroke to the Carolinas Medical Center. This funding is intended to pursue the most promising treatments for DMD. The collaboration will support a series of Good Laboratory Practice, or GLP, toxicology studies for an exon 45-skipping drug candidate based on our PMO chemistry.

To support certain clinical proof of concept studies and IND-enabling activities for an exon 53-skipping therapeutic, we announced in November 2012 that we are collaborating with University College London s scientist, Professor Francesco Muntoni, M.D., the Dubowitz Neuromuscular Centre, the Institute of Child Health and other scientists from the European Union and the United States. In connection with this collaboration, the consortium received an E.U. Health Innovation-1 2012 Collaborative research grant to support development of an exon 53-skipping therapeutic, based on our PMO chemistry. Targeting exon 53 with this technology will potentially address one of the most prevalent sets of mutations in DMD that are amenable to exon-skipping (deletion of exons 42-52, 45-52, 47-52, 48-52, 49-52, 50-52, or 52) by potentially restoring the cellular machinery s ability to produce a functional dystrophin protein.

To support certain IND-enabling activities for an exon 50-skipping therapeutic, we entered into a Cooperative Research and Development Agreement, or CRADA, in August 2012 with the National Institutes of Health, or NIH, which was anticipated to be supported through in-kind research conducted either by the Therapeutics for Rare and Neglected Diseases program or by contract research organizations. We and NIH mutually agreed to terminate the CRADA in February 2013 and we are now developing exon 50 utilizing our own research and development capabilities. We do not anticipate any significant changes in IND filing timelines due to the termination.

These collaborations and our DMD program, which includes eteplirsen, are part of our larger pan-exon strategy for the development of drug candidates to address the most prevalent exon deletions in the DMD population. Because the majority of DMD patients have exon deletions that cluster together, a small number of exon-skipping therapies will potentially be disease-modifying for a relatively large percentage of DMD patients. Approximately 75-80% of the total DMD population is potentially treatable with exon-skipping therapeutics. According to an article by Aartsma-Rus et. al published in 2009 in the Human Genome Variation Society Journal, of the exon skipping amenable population, exon 51 skipping is applicable to the largest sub-group, equal to approximately 13%. Skipping of exons 50, 45, 44, 52, 55 and 8 is applicable to approximately 4%, 8%, 6%, 4%, 2% and 2%, respectively.

Infectious Disease Programs

With the financial support of the U.S. government, we are currently implementing our RNA-based technology platforms in our infectious disease programs for the development of therapeutics to treat infectious diseases, such as Marburg and influenza. In the past, DoD has provided significant financial support for our development of therapeutics designed to treat Ebola, Marburg and influenza viruses. We have also entered into an agreement with the National Institute of Allergy and Infectious Diseases, or NIAID, part of NIH, under which NIAID is providing clinical support for the development of our therapeutic candidate for the treatment of influenza.

Our current arrangement with DoD supports development of our Marburg drug candidate, AVI-7288, including activities necessary to obtain approval of an NDA by the FDA, if DoD exercises all of its options under the arrangement. On August 29, 2012, we entered into an additional agreement with DoD related to the Marburg virus to evaluate the feasibility of an intramuscular route of administration using AVI-7288 and completed the performance of our obligations under this agreement in the third quarter of 2013. Under a separate arrangement,

Table of Contents

DoD similarly provided funding to advance the development of our H1N1 influenza drug candidate, AVI-7100, through an IND application with the FDA and to preclinically evaluate its therapeutic potential against H5N1 (avian flu), Tamiflu® resistant H1N1 (pandemic flu) and H3N2 (seasonal flu) which concluded in 2011. In December 2012, we entered into an agreement with NIAID to support further development of AVI-7100. Under the agreement, NIAID researchers are allowed to proceed with a Phase I, study to assess the safety, tolerability and pharmacokinetics of single and multiple doses of AVI-7100 in healthy volunteers. Per the terms of the agreement, we provided AVI-7100 to NIAID and in return, we will have the right to use the data from this clinical study to support future development of AVI-7100.

Without continued government support of these programs we would likely significantly curtail our development efforts with respect to these programs. Future funding and support is subject to availability of budgeted funds from DoD and the Department of Health and Human Services, or DHHS, as government support for some of our infectious disease programs has previously been discontinued or not renewed due to government budget constraints. For example, our current arrangement with DoD initially provided for support of the development of our Ebola virus drug candidate; however, on October 2, 2012, the Company received notice from DoD that the Ebola portion of the arrangement was terminated for the convenience of the government due to funding constraints. The Company previously received a stop-work order for the Ebola portion of the arrangement with DoD which was in effect from August 2, 2012 through the termination on October 2, 2012. The termination only applies to the Ebola portion of the arrangement with DoD and the Marburg portion remains actively in development under the DoD arrangement. Additionally, the period of performance for our June 2010 H1N1 influenza contract with DoD expired in June 2011. Additional research for this antiviral program is being conducted by NIAID as described elsewhere in this report.

In the periods presented in this report, substantially all of our revenues were derived from research and development contracts with and grants from the U.S. government. As of December 31, 2013, we had completed all of our contracts with the U.S. government except for the Marburg portion of the July 2010 agreement for the development of therapeutics against Marburg and Ebola viruses. For a more detailed description of our contracts with the U.S. government, see Management s Discussion and Analysis of Financial Condition and Results of Operations U.S. Government Contracts and Note 6 Government Contracts of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Hemorrhagic Fever Virus Programs. Our infectious disease therapeutic programs use our translation suppression technology and apply our proprietary PMO-*plus*® chemistry backbone, an advanced generation of our base PMO chemistry backbone that selectively introduces positive backbone charges to improve selective interaction between the drug and its target. Our translation suppressing technology is based on Translation Suppressing Oligomers which are PMO-based compounds that stop or suppress the translation of a specific protein by binding to their specific target sequence in mRNA. We are pursuing development and regulatory approval of our Marburg hemorrhagic fever virus product candidate under the FDA s Animal Rule. The Animal Rule provides that under certain circumstances, where it is unethical or not feasible to conduct human efficacy studies, the FDA may grant marketing approval based on adequate and well-controlled animal studies when the results of those studies establish that the drug or biological product is reasonably likely to produce clinical benefit in humans. Demonstration of the product s safety in humans is still required. See Government Regulation Animal Rule for additional information.

Marburg virus. AVI-7288 is designed for post-exposure prophylaxis after documented or suspected exposure to Marburg virus. Marburg hemorrhagic fever is a severe and often fatal disease in humans that was first recognized in 1967. It is caused by an RNA virus of the Filoviridae family and is understood to be endemic to Africa. The Marburg virus is classified as a Category A bioterrorism agent by the Centers for Disease Control and Prevention, or CDC, and was determined to be a material threat to national security by the Secretary of Homeland Security in 2006. Onset of the disease is often sudden and the symptoms include fever, chills, nausea, vomiting, chest pain and diarrhea. Increasingly severe symptoms may also include massive hemorrhaging and multiple organ dysfunction. There are currently no treatments for Marburg virus infection beyond supportive care

Table of Contents

and the mortality rate is very high. For Marburg virus infection, our lead product candidate is currently AVI-7288. Previously, our lead product candidate for Marburg virus infection was AVI-6003 which is a combination of AVI-7287 and AVI-7288; however, in February 2012, we announced that we received agreement from the FDA to remove AVI-7287 and we are now proceeding with a single oligomer approach, AVI-7288, given that efficacy in non-human primates has been demonstrated to be attributable to this single oligomer. During the 2012 fiscal year, we completed Phase I single ascending-dose studies in healthy volunteers with our candidates for the treatment of Ebola virus and Marburg virus and in July 2012, we announced results from a non-human primate study of the efficacy of AVI-7288. In September 2012, we announced that the FDA has granted fast track status for the development of AVI-7288 and our product candidate against Ebola, AVI-7537. In March 2013, with the support of DoD s Joint Project Manager Medical Countermeasure Systems, in non-human primate study, we completed an evaluation of the feasibility of in intramuscular route of administration using AVI-7288, including an evaluation of the tolerability, pharmacokinetics, and efficacy of intramuscular AVI-7288. The data showed that intramuscular administration of AVI-7288 resulted in survival rates up to 100 percent in treated subjects, similar to efficacy observed in previous studies that evaluated the drug when administered by intravenous injection. In May 2013, we initiated dosing of AVI-7288 in a Phase I multiple ascending dose study which we expect to complete in the first quarter of 2014. In February 2014, we announced positive safety results from a Phase I multiple ascending dose study of AVI-7288 in healthy volunteers.

Ebola virus. AVI-7537 is a single agent designed for post-exposure prophylaxis after documented or suspected exposure to the Ebola virus. The hemorrhagic fever caused by the Ebola virus is severe and often fatal in humans and there are currently no treatments for Ebola beyond supportive care. AVI-6002, a combination of AVI-7537 and AVI-7539, was previously our product candidate for the Ebola virus. However, based on our evaluation of the efficacy of AVI-7537 as a single agent versus a combination with AVI-7539 which demonstrated that efficacy could be attributed to the single oligomer AVI-7537, we transitioned our focus to this product candidate in 2012. Although we believe AVI-7537 has the potential to be a therapeutic option for the Ebola virus, we suspended our development efforts with respect to our Ebola program after the August 2012 stop-work order and subsequent termination for convenience by DoD of support for this program in 2012. The termination only applies to the Ebola portion of our arrangement with DoD and the Marburg portion remains in effect.

Development Status of Hemorrhagic Fever Virus Programs. Non-human primates infected with Marburg virus and treated with our precursor product candidate, AVI-6003, achieved 100% survival and primates infected with Ebola virus and treated with, AVI-6002, achieved 80% survival, in each case compared to universal lethality in both control groups. In addition to survival, primates treated with AVI-6002 and AVI-6003 have demonstrated decreases in levels of viremia, in harmful inflammatory indicators and in virus induced liver damage. Additional data have also demonstrated that the surviving animals were resistant to viral infection after subsequent injection with the virus.

During the 2012 fiscal year, we completed Phase I single ascending-dose studies in healthy adult volunteers with its drug candidates for the treatment of Ebola virus and Marburg virus demonstrating positive safety data for each therapeutic candidate. In February 2012, we announced positive safety results from all six cohorts of our Phase I single ascending dose trials of AVI-6002 and AVI-6003. For each group, safety, clinical laboratory and renal biomarker results through five days after treatment were reviewed by an independent Data and Safety Monitoring Board, or DSMB, which issued recommendations for both studies to progress as planned to multiple ascending dose studies after no safety concerns were identified. The Phase I single ascending dose trials were designed to characterize the safety, tolerability and pharmacokinetics of each therapeutic candidate in healthy adult volunteers. In the two studies, a total of 60 healthy human subjects (five per group) were enrolled into six sequential dose groups (0.01, 0.1, 1.0, 3.0, 6.0 or 9.0 mg/kg). Within each group, four subjects received the indicated dose of the therapeutic and one subject received placebo. Final, unblinded safety and pharmacokinetic results for all subjects were completed in 2012.

In July 2012, we announced that AVI-7288 demonstrated up to 100% survival in a non-human primate study exploring the drug s effect when the initiation of treatment is delayed to various time points post-infection.

Table of Contents

This study showed a high degree of survival between 83% and 100% in each of four post-exposure cohorts that received daily treatments with AVI-7288 beginning one-, 24-, 48-, or 96-hours after infection, compared to 0% survival in the placebo-treated control group.

In March 2013, we announced positive results from a non-human primate study of AVI-7288. The data showed that intramuscular administration of AVI-7288 resulted in survival rates up to 100 percent in treated subjects, similar to efficacy observed in previous studies that evaluated the drug when administered by intravenous injection.

We initiated a Phase I multiple ascending dose study in May 2013, designed to characterize the safety, tolerability and pharmacokinetics of multiple doses of AVI-7288 in healthy adult volunteers. The randomized, double-blind placebo-controlled study has been overseen by an independent DSMB, which reviewed the safety and clinical laboratory data after each dose cohort prior to enrolling the next higher dose cohort. The final cohort completed dosing in the first quarter of 2014. In February 2014, we announced positive safety results from a Phase I multiple ascending dose study of AVI-7288 in healthy volunteers. An independent DSMB reviewed the safety profile and recommended proceeding with further development of AVI-7288 at doses up to 16 mg/kg. Subject to approval under the existing contract with the Joint Project Manager Transformational Medical Technologies program (renamed Medical Countermeasure Systems in 2013) of the DoD (the JMP-MCS), further development of AVI-7288 is planned pursuant to FDA s Animal Efficacy Rule.

Influenza Program. Our infectious disease therapeutic programs are also focused on the development of our product candidates designed to treat pandemic influenza viruses. AVI-7100 is our lead product candidate for the treatment of influenza and employs our PMO-*plus*® technology. In December 2012, we entered into an agreement with NIAID which permits NIAID to conduct a Phase I single and multiple ascending dose study with AVI-7100. In June 2010, we were awarded a contract under DoD s Transformational Medical Technologies, or TMT, program (renamed Medical Technologies Systems in 2013), which funded our activities to develop AVI-7100 as a medical countermeasure against the pandemic H1N1 influenza virus. The period of performance for this contract ended in June 2011. See Management s Discussion and Analysis of Financial Condition and Results of Operations U.S. Government Contracts and Note 6 Government Contracts of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

Symptoms of H1N1 influenza include fever, cough, runny nose, headache, chills and fatigue. Many people infected with H1N1 also have respiratory symptoms without a fever. Severe illness and deaths have also occurred. The CDC estimated that between April 2009 and April 2010 there were up to 89 million cases of H1N1 infection in the United States. The CDC also estimated that there were up to 403,000 H1N1-related hospitalizations in the United States during the same time period.

The TMT program established a contract with us to conduct a rapid response exercise against a real-world emerging threat like the pandemic H1N1 virus. The intent of the exercise was to demonstrate our capability to efficiently respond to a real-world emerging viral threat by rapidly designing and producing multiple therapeutic candidates and evaluating preclinical efficacy. Initially the exercise involved identifying target sequences against H1N1, designing several drug candidates utilizing proprietary derivatives of our PMO chemistry, and then manufacturing the candidates in sufficient quantity for limited preclinical testing. We successfully accomplished these steps in approximately one week, demonstrating our ability to rapidly respond to a real-world viral threat utilizing our RNA-based technology platforms.

Subsequently, we evaluated the preclinical activity of AVI-7100 and found that it showed a favorable safety profile in ferrets, rats and monkeys. In separate ferret studies, AVI-7100 demonstrated activity as a potentiator of Tamiflu® and activity towards preventing transmission of Tamiflu®-resistant H1N1.

In June 2011, we initiated dosing of AVI-7100 via intravenous infusion in single-ascending doses in up to 48 healthy adult volunteers. The first dose cohort in this Phase I, randomized, double-blind, placebo-controlled

Table of Contents

study was completed and received a favorable review from the DSMB to proceed to the next dose escalation. The period of performance under this DoD contract subsequently ended and, as a result, continued development was suspended until we entered into the clinical trial agreement with NIAID.

Under the December 2012 agreement with NIAID, NIAID researchers are allowed to proceed with a Phase I, double-blind, placebo-controlled, dose-escalating study to assess the safety, tolerability and pharmacokinetics of single and multiple doses of an intravenous formulation of AVI-7100 in healthy volunteers. Per the terms of the agreement, we provided AVI-7100 to NIAID and in return, we will have the right to use the data from this clinical study to support future development of AVI-7100.

Discovery Stage Program Overview

Our PMO-chemistries are highly-differentiated from other RNA technologies, including antisense, siRNA and RNAi. Unlike these technologies, which are often used for down-regulation of gene expression, ours can be used to selectively up-regulate or down-regulate the expression of proteins involved in human diseases and disorders, or direct the production of novel proteins with clinically relevant properties.

In addition to our pan-exon strategy for DMD, our preclinical research efforts are focused on the creation of product candidates for the treatment of other neuromuscular, infectious and rare diseases.

Chemistry Technology

Our core chemistry is based on phosphorodiamidate-linked morpholino oligomers, or PMOs, and this core chemistry has been safely dosed in over 400 patients. PMOs are synthetic molecules based on a fundamental redesign of the natural nucleic acid structure of DNA and RNA. PMOs bind to complementary sequences of RNA by standard Watson-Crick nucleic acid base-pairing and control gene expression by steric blockade of targeted RNA. Structurally, the key difference between PMOs and naturally occurring DNA and RNA is that while PMOs, like DNA and RNA, have nucleic acid bases, those bases are bound to synthetic morpholine rings instead of deoxyribose (in DNA) or ribose (in RNA) rings, and they are linked through phosphorodiamidate groups instead of phosphate groups. Replacement of anionic phosphates with the charge-neutral phosphorodiamidate groups eliminates ionization in the usual physiological pH range, thus PMOs in organisms or cells are uncharged molecules. Because of these modifications, PMOs are especially resistant to degradation by plasma and intracellular enzymes. Unlike some other RNA-based technologies, including siRNAs and other types of antisense, PMOs rely on steric blocking rather than cellular enzymatic activity for their biological effects. In this way, PMOs operate fundamentally differently from other well-known RNA-based technologies.

We have developed three new PMO-based chemistry platforms in addition to our original PMO-based technology. We believe that the novel, favorable characteristics intrinsic in these new platforms will allow for the development of drug candidates with superior delivery, specificity, therapeutic windows and drug-like properties.

PPMO. The first of these novel chemistries is based on peptide conjugated PMOs, or PPMOs, in which cellular uptake of the PMO component, as well as its potency and specificity of tissue targeting, may be significantly enhanced.

PMO-plus®. The second of these chemistries, PMO*plus*®, includes the addition of selectively introduced positive charges to the PMO backbone. We believe that while PMO-*plus*® has potentially broad therapeutic applications, it has thus far shown to be particularly effective in increasing the potency of PMO-based oligomers.

PMO-X . The third of these chemistries, PMO-X , involves novel, selective, and proprietary backbone chemistry modifications. We believe PMO-X may provide enhanced in vivo potency for our drug candidates, as well as greater flexibility in modulation of their tissue targeting, cellular delivery and uptake.

Table of Contents

We intend to continue to support our internal research and development efforts in order to advance our proprietary chemistries and to develop new analogues that may provide additional benefits in key characteristics of drug performance.

Mechanisms of Action

Humans have far fewer genes than the number of unique proteins expressed in the human proteome. The genetic information stored in human DNA is not contiguous. Short DNA stretches, called exons that code for fragments of the protein are separated by long non-coding pieces of DNA called introns. During processing of precursor or pre-mRNA, which is copied from the DNA template, introns are removed and exons spliced together to create the mature mRNA, from which a functional protein can be made. Pre-mRNA copied from a gene can be spliced through alternative paths, such that different exons are combined, creating multiple mRNAs and, hence, generate multiple proteins from a single gene.

Our PMO-based molecules are designed to sterically block the access of cellular machinery to pre-mRNA and mRNA without degrading the RNA. Through this selective targeting, two distinct biologic mechanisms of action can be initiated: (1) modulation of pre-mRNA splicing (also commonly described as splice switching, exon skipping or directed alternative splicing) and (2) inhibition of mRNA translation (also commonly described as translation suppression). Through these mechanisms, steric-blocking oligonucleotides can repair defective RNA, up or down-regulate the production of selected proteins, or produce novel or remodeled proteins.

Material Agreements

We believe that our RNA-based technology could be broadly applicable for the potential development of pharmaceutical products in many therapeutic areas. To further exploit our core technology, we have and may continue to enter into research, development or commercialization alliances with universities, hospitals, independent research centers, non-profit organizanon-marketable securities 6,866

Repayments of loans held for investment

163,908

Distributions of capital from unconsolidated entities and other

151,855 221,762

Net cash used in investing activities

(3,744,029) (1,122,520)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from sales of common stock and other, net of transaction costs

1,213,715 2,155

Redemption of limited partner units

(248,000)

Distributions to noncontrolling interest holders in properties

(9,534) (25,521)

Contributions from noncontrolling interest holders in properties

2,107	52
Preferred distributions of the Operating Partnership	
(1,436)	(1,436)
Preferred dividends and distributions to stockholders	
(903,426)	(706,677)
Distributions to limited partners	
(181,084)	(144,473)
Proceeds from issuance of debt, net of transaction costs	
5,127,045	1,412,026
Repayments of debt	
(3,428,441)	(1,133,648)
Net cash provided by (used in) financing activities	
1,570,946	(597,522)
DECREASE IN CASH AND CASH EQUIVALENTS	
(345,938)	(220,901)
CASH AND CASH EQUIVALENTS, beginning of period	
798,650	796,718
CASH AND CASH EQUIVALENTS, end of period	
$ 452,712	$ 575,817

The accompanying notes are an integral part of these statements.

Table of Contents

Simon Property Group, Inc. and Subsidiaries

Condensed Notes to Consolidated Financial Statements

(Unaudited)

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

1. Organization

Simon Property Group, Inc., or Simon Property, is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code, as amended. REITs will generally not be liable for federal corporate income taxes as long as they continue to distribute in excess of 100% of their taxable income. Simon Property Group, L.P., or the Operating Partnership, is our majority-owned partnership subsidiary that owns all of our real estate properties and other assets. In these condensed notes to the unaudited consolidated financial statements, the terms "we", "us" and "our" refer to Simon Property, the Operating Partnership, and its subsidiaries.

We own, develop and manage retail real estate properties, which consist primarily of malls, Premium Outlets®, The Mills®, and community/lifestyle centers. As of September 30, 2012, we owned or held an interest in 320 income-producing properties in the United States, which consisted of 160 malls, 60 Premium Outlets, 68 community/lifestyle centers, 13 Mills and 19 other shopping centers or outlet centers in 41 states and Puerto Rico. Internationally, as of September 30, 2012, we had ownership interests in eight Premium Outlets in Japan, two Premium Outlets in South Korea, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia. Additionally, as of September 30, 2012, we owned a 28.9% equity stake in Klépierre SA, or Klépierre, a publicly traded, Paris-based real estate company, which owns, or has an interest in, more than 260 shopping centers located in 13 countries in Europe.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant intercompany amounts have been eliminated. Due to the seasonal nature of certain operational activities, the results for the interim period ended September 30, 2012, 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 our 2011 Annual Report on Form 10-K.

As of September 30, 2012, we consolidated 226 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 87 properties, or the joint venture properties, as well as our investment in Klépierre, 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 72 of the 87 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, Malaysia, and Mexico comprise 12 of the remaining 15 joint venture properties. The international properties are managed locally by joint ventures in which we share oversight responsibility with our partner.

We allocate net operating results of the Operating Partnership after preferred distributions to third parties and to us based on the partners' respective weighted average ownership interests in the Operating Partnership. Net operating results of the Operating Partnership attributed to third parties are reflected in net income attributable to noncontrolling interests. Our weighted average ownership interest in the Operating Partnership was 83.3% and 82.9% for the nine months ended September 30, 2012 and 2011, respectively. As of September 30, 2012 and December 31, 2011, our ownership interest in the Operating Partnership was 85.5% and 82.8%, respectively. We adjust the noncontrolling limited partners' interests at the end of each period to reflect their interest in the Operating Partnership.

Table of Contents

Preferred distributions of the Operating Partnership are accrued at declaration and represent distributions on outstanding preferred units of partnership interests held by limited partners, or preferred units, and are included in net income attributable to noncontrolling interests.

Reclassifications

We made certain reclassifications of prior period amounts in the consolidated financial statements to conform to the 2012 presentation. These reclassifications had no impact on previously reported net income attributable to common stockholders or earnings per share.

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 with high credit quality. However, at certain times, such cash and cash equivalents are in excess of FDIC and SIPC insurance limits.

Marketable and Non-Marketable Securities

Marketable securities consist primarily of the investments of our captive insurance subsidiaries, available-for-sale securities, our deferred compensation plan investments, and certain investments held to fund the debt service requirements of debt previously secured by investment properties that have been sold or refinanced.

The types of securities included in the investment portfolio of our captive insurance subsidiaries typically include U.S. Treasury or other U.S. government securities as well as corporate debt securities with maturities ranging from less than 1 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 subsidiaries 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 charge is recorded and a new cost basis is established. Subsequent changes are then recognized through other comprehensive income (loss) unless another other-than-temporary impairment is deemed to have occurred. Net unrealized gains recorded in other comprehensive income (loss) as of September 30, 2012 and December 31, 2011 were approximately $82.3 million and $41.9 million, respectively, and represent the valuation and related currency adjustments for our marketable securities.

Our investments in Capital Shopping Centres Group PLC, or CSCG, and Capital & Counties Properties PLC, or CAPC, are accounted for as available-for-sale securities. These investments are adjusted to their quoted market price, including a related foreign exchange component, with corresponding adjustment in other comprehensive income (loss). At September 30, 2012, we owned 35.4 million shares of CSCG and 38.9 million shares of CAPC. At September 30, 2012, the market value of our investments in CSCG and CAPC was $186.9 million and $136.9 million, respectively, with an aggregate net unrealized gain on these investments of approximately $79.4 million. The market value of our investments in CSCG and CAPC at December 31, 2011 was $170.7 million and $100.9 million, respectively, with an aggregate unrealized gain of $39.7 million. On October 23, 2012, we completed the sale of all of our investments in CSCG and CAPC for approximately $327.0 million.

Our insurance subsidiaries are 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. Our deferred compensation plan investments are classified as trading securities and 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.

Table of Contents

As of September 30, 2012 and December 31, 2011, we also had investments in various securities totaling $113.9 million and $24.9 million, respectively, which must be used to fund the debt service requirements of mortgage debt related to investment properties sold or refinanced. These investments, which serve as collateral for the associated debt, are classified as held-to-maturity and are recorded at amortized cost as we have the ability and intent to hold these investments to maturity.

At September 30, 2012 and December 31, 2011, we had investments of $169.9 million and $105.1 million, respectively, in non-marketable securities that we account for under the cost method.

We regularly evaluate our marketable and non-marketable securities for any other-than-temporary impairment using their estimated fair values. As of September 30, 2012, we do not consider any of the declines in value of our marketable and non-marketable securities to be an other-than-temporary impairment, as these market value declines, if any, have existed for a short period of time, and, in the case of debt securities, we have the ability and intent to hold these securities to maturity.

Loans Held for Investment

From time to time, we may make investments in mortgage loans or mezzanine loans of third parties that own and operate commercial real estate assets located in the United States. Mortgage loans are secured, in part, by mortgages recorded against the underlying properties which are not owned by us. Mezzanine loans are secured, in part, by pledges of ownership interests of the entities that own the underlying real estate. Loans held for investment are carried at cost, net of any premiums or discounts which are accreted or amortized over the life of the related loan receivable utilizing the effective interest method. We evaluate the collectability of both interest and principal of each of these loans quarterly to determine whether the value has been impaired. A loan is deemed to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the loan held for investment to its estimated realizable value.

At December 31, 2011, we had investments in three mortgage and mezzanine loans with an aggregate carrying value of $162.8 million. In the second and third quarters of 2012, these loans were repaid in their entirety. During the nine months ended September 30, 2012 and September 30, 2011, we recorded $6.8 million and $21.0 million, respectively, in interest income earned from these loans.

On December 9, 2011, we paid consideration of $88.8 million to acquire a 50% equity interest in two real estate developments for which we are also the construction lender. The loans primarily bear interest at 7.0% and mature in May and July 2013. At September 30, 2012 and December 31, 2011, the aggregate amount drawn on the loans was $144.8 million and $50.7 million, respectively. We consolidated these assets as of the date we acquired our equity interest and, accordingly, amounts drawn on the loans are eliminated in consolidation.

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.

We hold marketable securities that totaled $487.7 million and $417.0 million at September 30, 2012 and December 31, 2011, respectively, and are considered to have Level 1 fair value inputs. In addition, we have derivative instruments which are classified as having Level 2 inputs which consist primarily of interest rate swap agreements and foreign currency forward contracts with a gross liability balance of $5.1 million and $12.2 million at September 30, 2012 and December 31, 2011, respectively, and a gross asset value of $3.6 million and $14.9 million at September 30, 2012 and December 31, 2011, respectively. We also have interest rate cap agreements with nominal values.

Note 6 includes a discussion of the fair value of debt measured using Level 1 and Level 2 inputs. Note 5 includes a discussion of the fair values recorded in purchase accounting and impairment, using Level 2 and Level 3 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.

Table of Contents

Noncontrolling Interests and Temporary Equity

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

	As of September 30, 2012	*As of December 31, 2011*
Limited partners' interests in the Operating Partnership	**$ 980,084**	$ 953,622
Nonredeemable noncontrolling deficit interests in properties, net	**(720)**	(59,000)
Total noncontrolling interests reflected in equity	**$ 979,364**	$ 894,622

The remaining interest in a property or portfolio of properties which are redeemable at the option of the holder or in circumstances that may be outside our control, are accounted for as temporary equity within limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties in the accompanying consolidated balance sheets. 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 are no noncontrolling interests redeemable at amounts in excess of fair value.

Net income attributable to noncontrolling interests (which includes nonredeemable noncontrolling interests in consolidated properties, limited partners' interests in the Operating Partnership, redeemable noncontrolling interests in consolidated properties and preferred distributions payable by the Operating Partnership) 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.

A rollforward of noncontrolling interests reflected in equity is as follows:

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2012	*2011*	*2012*	*2011*
Noncontrolling interests, beginning of period	**$ 1,185,418**	$ 773,894	**$ 894,622**	$ 802,972
Net Income attributable to noncontrolling interests after preferred distributions and income attributable to redeemable noncontrolling interests in consolidated properties	**47,668**	52,131	**222,986**	135,160
Distributions to noncontrolling interest holders	**(62,149)**	(25,080)	**(181,354)**	(145,466)
Other comprehensive income (loss) allocable to noncontrolling interests:				
Unrealized gain (loss) on derivative hedge agreements	**1,327**	(16,096)	**2,333**	(19,290)
Net loss on derivative instruments reclassified from accumulated comprehensive loss into interest expense	**517**	704	**2,233**	2,022
Currency translation adjustments	**2,716**	(4,344)	**(717)**	884
Changes in available-for-sale securities and other	**902**	(10,746)	**4,721**	(6,069)
	5,462	(30,482)	**8,570**	(22,453)
Adjustment to limited partners' interest from (decreased) increased ownership in the Operating Partnership	**(38,715)**	(4,117)	**117,584**	(10,702)
Units issued to limited partners				202
Units exchanged for common shares	**(129,783)**	(3,236)	**(133,801)**	(9,159)
Units redeemed	**(38,904)**		**(38,904)**	
Purchase of noncontrolling interest and other	**10,367**	107,576	**89,661**	120,132
Noncontrolling interests, end of period	**$ 979,364**	$ 870,686	**$ 979,364**	$ 870,686

Table of Contents

Derivative Financial Instruments

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We 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 our 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. As a result, there was no significant ineffectiveness from any of our derivative activities during the period. We formally designate any instrument that meets these hedging criteria, including borrowings in a foreign currency, as a hedge at the inception of the derivative contract. We have no credit-risk-related hedging or derivative activities.

As of September 30, 2012, we had the following outstanding interest rate derivatives related to interest rate risk:

Interest Rate Derivative	*Number of Instruments*	*Notional Amount*
Interest Rate Swaps	5	$984.2 million
Interest Rate Caps	6	$443.4 million

The carrying value of our interest rate swap agreements, at fair value as of September 30, 2012, is a net liability balance of $0.3 million, of which $3.9 million is included in other liabilities and $3.6 million is included in deferred costs and other assets. The December 31, 2011 carrying value was a liability balance of $10.0 million and is included in other liabilities. The interest rate cap agreements were of nominal value at September 30, 2012 and December 31, 2011 and we generally do not apply hedge accounting to these arrangements.

We are also exposed to fluctuations in foreign exchange rates on financial instruments which are denominated in foreign currencies, primarily in Japan and Europe. We use currency forward 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 US dollars for their fair value at or close to their settlement date. Approximately ¥3.3 billion remains as of September 30, 2012 for all forward contracts that we expect to receive through January 5, 2015. The September 30, 2012 liability balance related to these forward contracts was $1.2 million and is included in other liabilities. We have reported the changes in fair value for these forward contracts in earnings. The underlying currency adjustments on the foreign currency denominated receivables are also reported in income and generally offset the amounts in earnings for these forward contracts.

In 2011, we entered into a Euro:USD forward contract with a €141.3 million notional value which was designated as a net investment hedge. The December 31, 2011 asset balance related to this forward was $14.9 million and is included in deferred costs and other assets. We applied hedge accounting and the change in fair value for this Euro forward contract were reflected in other comprehensive income. Changes in the value of this hedge were offset by changes in the underlying hedged Euro-denominated joint venture investment. In connection with the sale of our interest in Gallerie Commerciali Italia, S.p.A., or GCI, as further discussed in Note 5, this hedge was terminated in January 2012.

The total gross accumulated other comprehensive loss related to our derivative activities, including our share of the other comprehensive loss from joint venture properties, approximated $105.8 million and $115.8 million as of September 30, 2012 and December 31, 2011, respectively.

4. Per Share Data

We determine basic earnings per share based on the weighted average number of shares of common stock outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine diluted earnings per share based on the weighted average number of shares of common stock outstanding combined with the incremental weighted average shares that would have been outstanding assuming all

Table of Contents

potentially dilutive common shares were converted into shares at the earliest date possible. The following table sets forth the computation of our basic and diluted earnings per share.

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2012	2011	2012	2011
Net Income available to Common Stockholders	**Basic**	**$ 254,921**	$ 274,000	**$ 1,115,776**	$ 658,532
Effect of dilutive securities:					
Impact to General Partner's interest in Operating Partnership from all dilutive securities and options			3		34
Net Income available to Common Stockholders	**Diluted**	**$ 254,921**	$ 274,003	**$ 1,115,776**	$ 658,566
Weighted Average Shares Outstanding	**Basic**	**304,107,489**	293,735,663	**301,029,029**	293,396,947
Effect of stock options		**1,070**	22,472	**1,077**	88,408
Weighted Average Shares Outstanding	**Diluted**	**304,108,559**	293,758,135	**301,030,106**	293,485,355

For the nine months ended September 30, 2012, potentially dilutive securities include stock options, units that are exchangeable for common stock and long-term incentive performance, or LTIP, units granted under our long-term incentive performance programs that are convertible into units and exchangeable for common stock. The only securities that had a dilutive effect for the nine months ended September 30, 2012 and 2011 were stock options. We accrue dividends 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. We held joint venture ownership interests in 75 properties in the United States as of September 30, 2012 and 87 properties as of December 31, 2011. At September 30, 2012, we also held interests in eight joint venture properties in Japan, two joint venture properties in South Korea, one joint venture property in Mexico, and one joint venture property in Malaysia. We account for these joint venture properties using the equity method of accounting. As discussed below, on January 9, 2012, we sold our interest in GCI which at the time owned 45 properties located in Italy. Additionally, on March 14, 2012, we purchased a 28.7% equity stake in Klépierre. On May 21, 2012 Klépierre paid a dividend, which we elected to receive in additional shares, resulting in an increase in our ownership to approximately 28.9%.

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 our 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.

Unconsolidated Property Transactions

On January 6, 2012, SPG-FCM Ventures, LLC, or SPG-FCM, which holds our investment in The Mills Limited Partnership, or TMLP, distributed its interest in Del Amo Fashion Center to SPG-FCM's joint venture partners. We purchased our venture partner's 25% interest for $50.0 million of cash, which increased our ownership in the property to 50%. As a part of the transaction, we and our venture partner each contributed $50.0 million to SPG-FCM which was used to pay down TMLP's senior loan and the loan we made to SPG-FCM, as discussed below.

Table of Contents

On March 22, 2012, we acquired, through an acquisition of substantially all of the assets of TMLP, additional interests in 26 properties, or the Mills transaction, from our joint venture partner. The transaction resulted in 16 of the properties remaining unconsolidated, the consolidation of nine previously unconsolidated properties and the purchase of the remaining noncontrolling interest in a previously consolidated property. The transaction was valued at $1.5 billion, which included repayment of the remaining $562.1 million balance on TMLP's senior loan facility, and retirement of $100.0 million of TMLP's trust preferred securities. In connection with the transaction, our $558.4 million loan to SPG-FCM was extinguished on a non-cash basis. We consolidated $2.6 billion in additional property-level mortgage debt in connection with this transaction. This property-level mortgage debt was previously presented as debt of our unconsolidated entities. We and our joint venture partner had equal ownership in these properties prior to the transaction.

The consolidation of the previously unconsolidated properties resulted in a remeasurement of our previously held interest in each of these properties to fair value and recognition of a corresponding non-cash gain of $488.7 million. In addition, we recorded an other-than-temporary impairment charge of $22.4 million for the excess of carrying value of our remaining investment in SPG-FCM over its estimated fair value. The gain on the transaction and impairment charge are included in gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net in the accompanying consolidated statements of operations and comprehensive income. The assets and liabilities of the newly consolidated properties acquired in the Mills transaction have been reflected at their estimated fair value at the acquisition date, the majority of which, approximately $4.3 billion, was allocated to the investment property. This purchase price allocation is preliminary and is subject to revision within the measurement period, not to exceed one year from the date of acquisition.

On December 31, 2011, as discussed in Note 9, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner.

Loan to SPG-FCM

As discussed above, our loan to SPG-FCM was extinguished in the Mills transaction. During the nine month periods ended September 30, 2012 and 2011, we recorded $2.0 million and $7.4 million in interest income (net of inter-entity eliminations), related to this loan, respectively. The loan bore interest at a rate of LIBOR plus 275 basis points.

European Investments

At September 30, 2012, we owned 57,634,148 shares, or approximately 28.9%, of Klépierre, which had a quoted market price of $35.08 per share. At the date of purchase on March 14, 2012, our excess investment in Klépierre was approximately $1.2 billion which we have allocated, on a preliminary basis, to the underlying investment property, other assets and liabilities based on estimated fair value. Our share of net income, net of the amortization of our excess investment, was $4.7 million from the acquisition date through September 30, 2012. 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 $748.9 million, $292.2 million and $187.1 million, respectively, for the period of our ownership through September 30, 2012.

At December 31, 2011, we had a 49% ownership interest in GCI. On January 9, 2012, we sold our entire ownership interest in GCI to our venture partner, Auchan S.A. The aggregate cash we received related to the sale of our interest in GCI was $375.8 million, and we recognized a gain on the sale of $28.8 million. Our investment carrying value included $39.5 million of accumulated losses related to currency translation and net investment hedge accumulated balances, which had been recorded in accumulated other comprehensive income (loss).

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% ownership interest in this joint venture. The carrying amount of our investment in this joint venture was $341.1 million and $349.5 million as of September 30, 2012 and December 31, 2011, 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% ownership interest in this joint venture. The carrying amount of our investment in this joint venture was $60.0 million and $43.8 million as of September 30, 2012 and December 31, 2011, respectively, including all related components of accumulated other comprehensive income (loss).

Table of Contents

Summary Financial Information

A summary of our investments in joint ventures and share of income from our joint ventures, excluding Klépierre, follows. The statements of operations include amounts related to our investment in GCI, which was sold on January 9, 2012. In addition, we acquired additional controlling interests in The Plaza at King of Prussia and The Court at King of Prussia, or collectively, King of Prussia, on August 25, 2011, and nine properties in the Mills transaction on March 22, 2012. These previously unconsolidated properties became consolidated properties as of their respective acquisition dates. Additionally, on December 31, 2011, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner. Finally, during the third quarter of 2012, we disposed of our interests in one mall and three other retail properties. The results of operations of the properties for all of these transactions are classified as loss from operations of discontinued joint venture interests in the accompanying joint venture statements of operations. Balance sheet information for the joint ventures is as follows:

	September 30, 2012	*December 31, 2011*
BALANCE SHEETS		
Assets:		
Investment properties, at cost	**$ 14,128,861**	$ 20,481,657
Less accumulated depreciation	**4,680,199**	5,264,565
	9,448,662	15,217,092
Cash and cash equivalents	**554,116**	806,895
Tenant receivables and accrued revenue, net	**235,507**	359,208
Investment in unconsolidated entities, at equity	**39,539**	133,576
Deferred costs and other assets	**352,392**	526,101
Total assets	**$ 10,630,216**	$ 17,042,872
Liabilities and Partners' Deficit:		
Mortgages and other indebtedness	**$ 11,106,661**	$ 15,582,321
Accounts payable, accrued expenses, intangibles, and deferred revenue	**607,805**	775,733
Other liabilities	**326,564**	981,711
Total liabilities	**12,041,030**	17,339,765
Preferred units	**67,450**	67,450
Partners' deficit	**(1,478,264)**	(364,343)
Total liabilities and partners' deficit	**$ 10,630,216**	$ 17,042,872
Our Share of:		
Partners' deficit	**$ (675,359)**	$ (32,000)
Add: Excess Investment	**1,960,540**	714,515
Our net Investment in Unconsolidated Entities, at equity	**$ 1,285,181**	$ 682,515

"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 property, lease related intangibles, and debt premiums and discounts. We amortize excess investment over the life of the related depreciable components of investment property, 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.

Table of Contents

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2012	*2011*	*2012*	*2011*
STATEMENTS OF OPERATIONS				
Revenue:				
Minimum rent	**$ 370,183**	$ 356,155	**$ 1,091,701**	$ 1,046,992
Overage rent	**44,002**	36,923	**128,622**	94,114
Tenant reimbursements	**176,544**	169,911	**508,698**	490,276
Other income	**34,754**	36,041	**121,686**	107,449
Total revenue	**625,483**	599,030	**1,850,707**	1,738,831
Operating Expenses:				
Property operating	**125,162**	123,506	**351,963**	339,699
Depreciation and amortization	**125,512**	125,260	**374,333**	361,345
Real estate taxes	**45,068**	40,897	**132,618**	127,831
Repairs and maintenance	**15,418**	14,954	**45,269**	46,005
Advertising and promotion	**11,706**	12,632	**39,600**	37,123
(Recovery of) provision for credit losses	**(646)**	1,411	**(247)**	3,624
Other	**36,089**	37,100	**128,134**	109,765
Total operating expenses	**358,309**	355,760	**1,071,670**	1,025,392
Operating Income	**267,174**	243,270	**779,037**	713,439
Interest expense	**(148,891)**	(149,839)	**(451,581)**	(441,396)
Loss from unconsolidated entities	**(316)**	(596)	**(947)**	(1,054)
Income from Continuing Operations	**117,967**	92,835	**326,509**	270,989
Loss from operations of discontinued joint venture interests	**(1,978)**	(17,431)	**(20,769)**	(39,646)
(Loss) Gain on disposal of discontinued operations, net	**(4,904)**	78	**(4,904)**	15,583
Net Income	**$ 111,085**	$ 75,482	**$ 300,836**	$ 246,926
Third-Party Investors' Share of Net Income	**$ 66,308**	$ 45,271	**$ 163,108**	$ 151,741
Our Share of Net Income	**44,777**	30,211	**137,728**	95,185
Amortization of Excess Investment	**(21,726)**	(13,052)	**(55,059)**	(37,832)
Our Share of Loss (Gain) on Sale or Disposal of Assets and Interests in Unconsolidated Entities, net	**9,245**	(39)	**9,245**	(7,792)
Income from Unconsolidated Entities	**$ 32,296**	$ 17,120	**$ 91,914**	$ 49,561

Our share of the loss (gain) on sale or disposal of assets and interests in unconsolidated entities, net is reflected within (loss) gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net in the accompanying consolidated statements of operations and comprehensive income.

6. Debt

Unsecured Debt

At September 30, 2012, our unsecured debt consisted of $12.2 billion of senior unsecured notes of the Operating Partnership, $1.8 billion outstanding under our $4.0 billion unsecured revolving credit facility, or Credit Facility, and $455.0 million outstanding under our $2.0 billion supplemental unsecured revolving credit facility, or Supplemental Facility. The September 30, 2012 balance on the Credit Facility included $1.2 billion (U.S. dollar equivalent) of Euro-denominated borrowings and $285.0 million (U.S. dollar equivalent) of the balance on the Supplemental Facility on such date consisted of Yen-denominated borrowings, both of which are designated as net investment hedges of our international investments.

Table of Contents

On September 30, 2012, we had an aggregate available borrowing capacity of $3.7 billion under the two credit facilities. The maximum outstanding balance of the credit facilities during the nine months ended September 30, 2012 was $3.1 billion and the weighted average outstanding balance was $1.8 billion. Letters of credit of $42.0 million were outstanding under the Credit Facility as of September 30, 2012.

The Credit Facility's initial borrowing capacity of $4.0 billion can be increased at our option to $5.0 billion during its term. The Credit Facility will initially mature on October 30, 2015 and can be extended for an additional year at our sole option. The base interest rate on the Credit Facility is LIBOR plus 100 basis points with an additional facility fee of 15 basis points. In addition, the Credit Facility provides for a money market competitive bid option program that allows us to hold auctions to achieve lower pricing for short-term borrowings. The Credit Facility also includes a $2.0 billion multi-currency tranche.

On June 1, 2012, we entered into a Supplemental Facility with an initial borrowing capacity of $2.0 billion which can be increased at our option to $2.5 billion during its term. The Supplemental Facility will initially mature on June 30, 2016 and can be extended for an additional year at our sole option. The base interest rate on the Supplemental Facility is LIBOR plus 100 basis points with an additional facility fee of 15 basis points. Like the Credit Facility, the Supplemental Facility provides for a money market competitive bid option program and allows for multi-currency borrowings. During the second quarter of 2012, we moved $285.0 million (USD equivalent) of yen-denominated borrowings from the Credit Facility to the Supplemental Facility.

On March 13, 2012, the Operating Partnership issued $600.0 million of senior unsecured notes at a fixed interest rate of 2.15% with a maturity date of September 2017, $600.0 million of senior unsecured notes at a fixed interest rate of 3.375% with a maturity date of March 2022, and $550.0 million of senior unsecured notes at a fixed interest rate of 4.75% with a maturity date of March 2042. Proceeds from the unsecured notes offerings were used to fund a portion of the cost of the acquisition of our equity stake in Klépierre and the Mills transaction.

During the nine months ended September 30, 2012, we redeemed at par $231.0 million of senior unsecured notes with fixed rates ranging from 5.75% to 6.88%.

On November 1, 2011, we entered into a $900.0 million unsecured term loan. We drew $160.0 million on the term loan in the first quarter of 2012. In the second quarter of 2012, we repaid the outstanding balance in full and terminated the term loan.

Secured Debt

Total secured indebtedness was $8.0 billion and $6.8 billion at September 30, 2012 and December 31, 2011, respectively. During the nine months ended September 30, 2012, we repaid $505.3 million in mortgage loans with a weighted average interest rate of 3.64%, unencumbering ten properties, and repaid the outstanding balance of a $735.0 million secured term loan in full.

As a result of the acquisition of additional interests in properties in the Mills transaction in March 2012, as further discussed in Note 5, we consolidated nine properties encumbered by property-level mortgage debt totaling $2.6 billion. This property-level mortgage debt was previously presented as debt of our unconsolidated entities. We and our joint venture partner had equal ownership in these properties prior to the transaction.

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 September 30, 2012, we are in compliance with all covenants of our unsecured debt.

At September 30, 2012, we or our subsidiaries are the borrowers under 88 non-recourse mortgage notes secured by mortgages on 88 properties, including seven separate pools of cross-defaulted and cross-collateralized mortgages encumbering a total of 34 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 contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral. At September 30, 2012, the applicable borrowers under these non-recourse mortgage notes were in compliance with all covenants where non-compliance individually, or giving effect to applicable cross-default provisions in the aggregate, could have a material adverse effect on our financial condition, results of operations or cash flows.

Table of Contents

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 other indebtedness was $19.8 billion and $15.9 billion as of September 30, 2012 and December 31, 2011, respectively. The fair values of these financial instruments and the related discount rate assumptions as of September 30, 2012 and December 31, 2011 are summarized as follows:

	September 30, 2012	*December 31, 2011*
Fair value of fixed-rate mortgages and other indebtedness	**$ 22,231**	$17,905
Weighted average discount rates assumed in calculation of fair value for fixed-rate mortgages	**3.46%**	3.60%

7. Equity

During the nine months ended September 30, 2012, we issued 366,920 shares of common stock to 20 limited partners of the Operating Partnership in exchange for an equal number of units pursuant to the partnership agreement of the Operating Partnership.

In addition, we issued 5,873,620 shares of common stock to The Melvin Simon Family Enterprises Trust in exchange for 6,526,245 units on September 25, 2012.

On March 14, 2012, we issued 9,137,500 shares of common stock in a public offering at a price of $137.00 per share. Proceeds of $1.2 billion from the offering, net of issue costs, were used to fund a portion of the acquisition cost of our equity stake in Klépierre and the Mills transaction.

On July 20, 2012, the Operating Partnership redeemed 2,000,000 units from a limited partner for $124.00 per unit in cash.

Stock Based Compensation

The Compensation Committee of our Board of Directors, or the Compensation Committee, awarded 12,034 shares of restricted stock to employees on March 5, 2012 and March 14, 2012 under The Simon Property Group, L.P. 1998 Stock Incentive Plan, or the Plan, at a fair market value of $138.41 per share and $141.12 per share, respectively. On June 1, 2012, our non-employee Directors were awarded 4,094 shares of restricted stock under the Plan at a fair market value of $143.51 per share as a result of their re-election to our Board. The fair market value of the restricted stock awarded on March 5, 2012 and March 14, 2012 is being recognized as expense over the three-year vesting service period. The fair market value of the restricted stock awarded on June 1, 2012 to our non-employee Directors is being recognized as expense over the one-year vesting service period.

On March 16, 2010, the Compensation Committee of our Board approved three long-term incentive performance programs, or the 2010 LTIP programs, for certain senior executive officers. Awards under the 2010 LTIP programs take the form of LTIP units, a form of limited partnership interest issued by the Operating Partnership. During the performance period, participants are entitled to receive on the LTIP units awarded to them distributions 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. Awarded LTIP units will be considered earned, in whole or in part, depending upon the extent to which the applicable total shareholder return, or TSR, benchmarks, as defined, are achieved during the performance period and, once earned, will become the equivalent of units after a two year service-based vesting period, beginning after the end of the performance period. Awarded LTIP units not earned are forfeited.

The 2010 LTIP programs have one, two and three year performance periods, which end on December 31, 2010, 2011 and 2012, respectively. During July 2011, the Compensation Committee approved a three-year long-term incentive performance program, or the 2011-2013 LTIP program, and awarded LTIP units to certain senior executive officers. The 2011-2013 LTIP program has a three year performance period ending on December 31, 2013. During March 2012, the Compensation Committee approved a three-year long-term incentive performance program, or the 2012-2014 LTIP program, and awarded LTIP units to certain senior executive officers. The 2012-2014 LTIP program

Table of Contents

has a three year performance period ending December 31, 2014. After the end of each performance period, any earned LTIP units will then be subject to service-based vesting over a period of two years. 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, subject to the participant maintaining employment with us through those dates.

The 2010 LTIP program awards have an aggregate grant date fair value, adjusted for estimated forfeitures, of $7.2 million for the one-year program, $14.8 million for the two-year program and $23.0 million for the three-year program. The 2011-2013 LTIP program awards have an aggregate grant date fair value of $35.0 million, adjusted for estimated forfeitures. The 2012-2014 LTIP program awards have an aggregate grant date fair value of $35.0 million, adjusted for estimated forfeitures. Grant date fair values were estimated based upon the results of a Monte Carlo model, and the resulting expense will be recorded regardless of whether the TSR benchmarks are achieved. 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 any, become vested. In 2011, the Compensation Committee determined that 133,673 LTIP units were earned under the one-year 2010 LTIP program and, pursuant to the award agreements, will vest in two equal installments in 2012 and 2013. In the first quarter of 2012, the Compensation Committee determined that 337,006 LTIP units were earned under the two-year 2010 LTIP program and, pursuant to the award agreements, will vest in two equal installments in 2013 and 2014.

On July 6, 2011, in connection with the execution of an employment agreement, the Compensation Committee granted David Simon, our Chairman and CEO, a retention award in the form of 1,000,000 LTIP units. The award vests in one-third increments on July 5th of 2017, 2018 and 2019, subject to continued employment. The grant date fair value of the retention award was $120.3 million which is being recognized as expense over the eight-year term of his employment agreement on a straight-line basis.

Changes in Equity

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 Stock	*Common Stock*	*Accumulated Other Comprehensive Income (Loss)*	*Capital in Excess of Par Value*	*Accumulated Deficit*	*Common Stock Held in Treasury*	*Noncontrolling interests*	*Total Equity*
January 1, 2012	$ 45,047	$ 30	$ (94,263)	$ 8,103,133	$ (3,251,740)	$ (152,541)	$ 894,622	$ 5,544,288
Exchange of limited partner units for common shares				133,801			(133,801)	
Public offering of common stock		1		1,213,740				1,213,741
Issuance of limited partner units								
Redemption of limited partner units				(209,096)			(38,904)	(248,000)
Other	(246)			(6,038)	(20,441)	16,760	31,102	21,137
Purchase of noncontrolling interest				(63,226)			58,559	(4,667)
Adjustment to limited partners' interest from increased ownership in the Operating Partnership				(117,584)			117,584	
Distributions to common stockholders and limited partners, excluding Operating Partnership preferred interests					(903,426)		(181,084)	(1,084,510)
Distributions to other noncontrolling interest partners							(270)	(270)
Comprehensive income, excluding $1,436 attributable to preferred interests in the Operating Partnership and $6,435 attributable to noncontrolling redeemable interests in properties in temporary equity			29,487		1,118,279		231,556	1,379,322
September 30, 2012	$ 44,801	$ 31	$ (64,776)	$ 9,054,730	$ (3,057,328)	$ (135,781)	$ 979,364	$ 6,821,041

Table of Contents

8. Commitments and Contingencies

Litigation

We are involved from time-to-time in various legal 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 including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is known or considered probable and the amount can be reasonably estimated.

In May 2010, Opry Mills sustained significant flood damage. Insurance proceeds of $50 million have been funded by the insurers and remediation work has been completed. The property was re-opened March 29, 2012. The excess insurance carriers (those providing coverage above $50 million) have denied the claim under the policy for additional proceeds (of up to $150 million) to pay further amounts for restoration costs and business interruption losses. We and our lenders are continuing our efforts through pending litigation to recover our losses under the excess insurance policies for Opry Mills and we believe recovery is probable, but no assurances can be made that our efforts to recover these funds will be successful.

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 September 30, 2012 and December 31, 2011, the Operating Partnership guaranteed joint venture related mortgage or other indebtedness of $99.0 million and $30.2 million, respectively. Mortgages guaranteed by us are secured by the property of the joint venture and that property could be sold in order to satisfy the outstanding obligation.

Concentration of Credit Risk

Our malls, Premium Outlets, The Mills, and community/lifestyle centers 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 third quarter of 2012, we disposed of our interest in two consolidated retail properties and four unconsolidated retail properties. Our share of the net loss on these dispositions was $2.9 million.

On June 4, 2012, we acquired a 50% interest in a 465,000 square foot outlet center located in Destin, Florida for $70.5 million.

On May 3, 2012, we sold our investment in two residential apartment buildings located at The Domain in Austin, Texas. Our share of the gain from the sale is $12.1 million, which is included in other income in the consolidated statements of operations and comprehensive income.

On March 22, 2012, as part of the Mills transaction discussed in Note 5, we acquired additional interests in 26 of our joint venture properties in a transaction valued at approximately $1.5 billion.

On March 14, 2012, as discussed in Note 5, we acquired a 28.7% equity stake in Klépierre for approximately $2.0 billion, including the capitalization of acquisition costs.

On January 9, 2012, as discussed in Note 5, we sold our entire ownership interest in GCI to our venture partner, Auchan S.A.

On January 6, 2012, as discussed in Note 5, we purchased an additional 25% interest in Del Amo Fashion Center.

During the first quarter of 2012, we sold one of our other retail properties with a carrying value of $115.0 million for nominal consideration and the assumption of the related mortgage debt of $115.0 million by the acquirer.

Table of Contents

On December 31, 2011, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner. As a result, we have a 100% interest in and now consolidate the six properties we received in the distribution. The distribution resulted in a remeasurement of the distributed assets to estimated fair value and a corresponding non-cash gain of $168.3 million in the fourth quarter of 2011 representing the estimated fair value of the net assets received in excess of the carrying value of our interest in the joint venture portfolio. The asset and liability allocations were recorded based on preliminary portfolio fair value estimates at the date of distribution and were finalized during the third quarter of 2012 resulting in an allocation to investment property of $585.0 million, lease related intangibles of $59.1 million and debt discounts of $9.1 million. We amortize these amounts over the estimated life of the related depreciable components of investment property, typically no greater than 40 years, the terms of the applicable leases and the applicable debt maturity, respectively. The adjusted allocations did not have a material impact on the results of operations for the nine months ended, or on our financial position at, September 30, 2012.

On August 25, 2011, we acquired additional controlling interests of approximately 83.75% in King of Prussia thereby increasing our ownership interest to 96.1%. The property is subject to a $160.1 million mortgage. The consolidation of this previously unconsolidated property resulted in a remeasurement of our previously held interest to fair value and a corresponding non-cash gain of $82.9 million in the third quarter of 2011.

During the nine months ended September 30, 2011, we disposed of our interests in three retail properties for a net gain of $2.5 million. Additionally on June 28, 2011, we sold one of our other retail properties for $134.0 million, resulting in a net gain of $6.6 million. These gains are included in gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net in the accompanying consolidated statements of operations and comprehensive income.

We expense acquisition and potential acquisition costs related to business combinations and disposition related costs as they are incurred. We incurred a minimal amount of transaction expenses during the nine months ended September 30, 2012 and 2011.

Table of Contents

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

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

Overview

Simon Property Group, Inc., or Simon Property, is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code, as amended. REITs will generally not be liable for federal corporate income taxes as long as they continue to distribute in excess of 100% of their taxable income. Most states also follow this federal treatment and do not require REITs to pay state income tax. Simon Property Group, L.P., or the Operating Partnership, is a majority-owned partnership subsidiary that owns all of our real estate properties and other assets. In this discussion, the terms "we", "us" and "our" refer to Simon Property, the Operating Partnership, and its subsidiaries.

We own, develop and manage retail real estate properties, which consist primarily of malls, Premium Outlets®, The Mills®, and community/lifestyle centers. As of September 30, 2012, we owned or held an interest in 320 income-producing properties in the United States, which consisted of 160 malls, 60 Premium Outlets, 68 community/lifestyle centers, 13 Mills and 19 other shopping centers or outlet centers in 41 states and Puerto Rico. Internationally, as of September 30, 2012, we had ownership interests in eight Premium Outlets in Japan, two Premium Outlets in South Korea, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia. Additionally, as of September 30, 2012, we owned a 28.9% equity stake in Klépierre SA, or Klépierre, a publicly traded, Paris-based real estate company, which owns, or has an interest in, more than 260 shopping centers located in 13 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 volume, and
- recoveries of substantially all of our recoverable expenditures, which consist of 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 shopping center properties, commonly referred to as "outlots" or "outparcels," and

Table of Contents

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 renovate 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 metropolitan areas that exhibit strong population and economic growth.

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, and comparable property NOI (NOI for properties owned and operating 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 to evaluate the 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 common share increased $1.47 during the first nine months of 2012 to $3.71 from $2.24 for the same period last year. The increase in diluted earnings per share was primarily attributable to:

improved operating performance and core business fundamentals in 2012,

the impact of our acquisition and expansion activity,

a 2012 gain due to the acquisition of a controlling interest, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities of $491.9 million, or $1.36 per diluted share, primarily driven by a gain of $488.7 million resulting from the remeasurement of our previously held interest to fair value for those properties in which we now have a controlling interest,

partially offset by a 2011 gain due to the acquisition of a controlling interest, sale or disposal of assets and interests in unconsolidated entities, net of $78.3 million, or $0.22 per diluted share, primarily driven by an $82.9 million gain related to the acquisition of a controlling interest in a previously unconsolidated mall, and

increased interest expense in 2012 as discussed below.

Core business fundamentals during the first nine months of 2012 improved from the economic environment that existed during the first nine months of 2011 primarily driven by higher tenant sales, especially within the luxury segment. Our share of portfolio NOI grew by 16.7% and 14.1% for the three and nine month periods in 2012 over the prior year periods, respectively. Comparable property NOI also grew 4.7% for the current period and 5.3% for the year to date for our U.S. portfolio of malls and Premium Outlets. Total sales per square foot, or psf, increased 9.2% from September 30, 2011 to $562 psf at September 30, 2012 for our portfolio of U.S. malls and Premium Outlets. Average base minimum

rent increased 3.8% to $40.33 psf as of September 30, 2012, from $38.84 psf as of September 30, 2011. Releasing spreads remained positive in the U.S. malls and Premium Outlets as we were able to lease available square feet at higher rents than the expiring rental rates on the same space, resulting in a releasing spread (based on total tenant payments base minimum rent plus common area maintenance) of $4.86 psf ($51.75 openings compared to $46.89 closings) as of September 30, 2012, representing a 10.4% increase over expiring payments as of September 30, 2012. Ending occupancy for the U.S. malls and Premium Outlets was 94.6% as of September 30, 2012, as compared to 93.8% as of September 30, 2011, an increase of 80 basis points.

Our effective overall borrowing rate at September 30, 2012 decreased 22 basis points to 5.15% as compared to 5.37% at September 30, 2011. This decrease was primarily due to a decrease in the effective overall borrowing rate on fixed rate debt of 45 basis points (5.56% at September 30, 2012 as compared to 6.01% at September 30, 2011) and a

Table of Contents

decrease in the effective overall borrowing rate on variable rate debt of 50 basis points (1.54% at September 30, 2012 as compared to 2.04% at September 30, 2011), offset in part by a shift in our debt portfolio to fixed rate debt from variable rate debt (which currently has a lower rate). At September 30, 2012, the weighted average years to maturity of our consolidated indebtedness was 6.0 years as compared to 5.7 years at December 31, 2011. Our financing activities for the nine months ended September 30, 2012, included the repayment of $505.3 million in mortgage loans with a weighted average interest rate of 3.64% (thereby unencumbering ten properties), the redemption of $231.0 million of senior unsecured notes with fixed rates ranging from 5.75% to 6.88% and the repayment of a $735.0 million secured term loan. In addition, during the 2012 period, we issued $600.0 million of senior unsecured notes at a fixed interest rate of 2.15% with a maturity date of September 2017, $600.0 million of senior unsecured notes at a fixed interest rate of 3.375% with a maturity date of March 2022 and $550.0 million of senior unsecured notes at a fixed interest rate of 4.75% with a maturity date of March 2042. At September 30, 2012, we also had $1.2 billion (U.S. dollar equivalent) of Euro-denominated borrowings on our $4.0 billion unsecured revolving credit facility, or Credit Facility, and $170.0 million of borrowings on our $2.0 billion unsecured revolving credit facility, or Supplemental Facility.

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 properties sold in the year disposed. For comparative purposes, we separate the information related to community/lifestyle centers and The Mills from our other U.S. operations. We also do not include any properties located outside of 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.

	September 30, 2012	*September30, 2011(2)*	*%/basis point Change(1)*
U.S. Malls and Premium Outlets:			
Ending Occupancy			
Consolidated	**94.8%**	94.4%	+40 bps
Unconsolidated	**93.9%**	92.1%	+180 bps
Total Portfolio	**94.6%**	93.8%	+80 bps
Average Base Minimum Rent per Square Foot			
Consolidated	**$ 38.23**	$ 37.56	1.8%
Unconsolidated	**$ 48.70**	$ 42.75	13.9%
Total Portfolio	**$ 40.33**	$ 38.84	3.8%
Total Sales per Square Foot			
Consolidated	**$ 543**	$ 508	7.0%
Unconsolidated	**$ 648**	$ 539	20.2%
Total Portfolio	**$ 562**	$ 514	9.3%
The Mills:			
Ending Occupancy	**97.2%**	95.7%	+150 bps
Average Base Minimum Rent per Square Foot	**$ 22.20**	$ 21.60	2.8%
Total Sales per Square Foot	**$ 505**	$ 473	6.8%
Community/Lifestyle Centers:			
Ending Occupancy	**94.3%**	91.9%	+240 bps
Average Base Minimum Rent per Square Foot	**$ 13.97**	$ 13.60	2.7%

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

(2) Prior year data has been restated as a result of the acquisition of additional interests in certain properties as discussed in Note 5 to the condensed notes to consolidated financial statements.

Table of Contents

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 and mall majors 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 all reporting tenants at the Premium Outlets and The Mills. 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.

Current Leasing Activities

During the nine months ended September 30, 2012, we signed 912 new leases and 1,582 renewal leases (excluding new development, redevelopment, expansion, downsizing and relocation) across our U.S. malls and Premium Outlets portfolio, comprising nearly 8.0 million square feet of which 6.0 million square feet related to consolidated properties. During the comparable period in 2011, we signed 973 new leases and 1,508 renewal leases, comprising approximately 8.3 million square feet of which 6.3 million square feet related to consolidated properties. The average initial base minimum rent for these new leases was $39.03 psf in 2012 and $37.65 psf in 2011 with an average tenant allowance on new leases of $35.65 psf and $30.53 psf, respectively.

International Property 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.

		September 30, 2012		***September 30, 2011***	***%/basis point Change***
Ending Occupancy		**99.8%**		99.6%	+20 bps
Comparable Sales per Square Foot(1)	**¥**	**90,775**	¥	85,182	6.57%
Average Base Minimum Rent per Square Foot	**¥**	**4,927**	¥	4,818	2.26%

(1) Does not include Sendai-Izumi Premium Outlets in Japan as the property was closed for repair due to damages from the earthquake in Japan in March 2011. The center re-opened on June 17, 2011.

Results of Operations

In addition to the activity discussed above in the "Results Overview" section, the following acquisitions, openings, and dispositions of consolidated properties affected our consolidated results from continuing operations in the comparative periods:

During the first nine months of 2012, we disposed of two community centers and one of our other retail properties.

On August 16, 2012, a 415,000 square foot outlet center located in Texas opened.

On June 14, 2012, we opened Merrimack Premium Outlets, a 410,000 square foot outlet center located in Hillsborough County, serving the Greater Boston and Nashua markets.

On March 29, 2012, Opry Mills re-opened after completion of the restoration of the property following the significant flood damage which occurred in May 2010.

On March 22, 2012, we acquired additional interests in 26 joint venture properties previously owned by the Mills Limited Partnership, or TMLP, from our joint venture partner. Of these 26 properties acquired in the transaction, or the Mills

transaction, nine became consolidated properties at the acquisition date.

During 2011, we disposed of four of our other retail properties and one of our malls.

On December 31, 2011, as discussed in Note 9 of the condensed notes to consolidated financial statements, a 50% joint venture distributed a portfolio of properties to us and our joint venture partner. We now consolidate those properties we received in the distribution.

Table of Contents

On August 25, 2011, we acquired additional interests in The Plaza at King of Prussia and The Court at King of Prussia, or, collectively, King of Prussia, a 2.4 million square foot mall in the Philadelphia market, which had previously been accounted for under the equity method. We now have a controlling interest in this property and its results are consolidated as of the acquisition date.

On July 19, 2011, we acquired a 100% ownership interest in ABQ Uptown, a 222,000 square foot lifestyle center located in Albuquerque, New Mexico.

In addition to the activities discussed above and in "Results Overview," the following acquisitions, dispositions and openings of joint venture properties affected our income from unconsolidated entities in the comparative periods:

During the third quarter of 2012, we disposed of our interests in three other retail properties and one mall.

On June 4, 2012, we acquired a 50% interest in a 465,000 square foot outlet center located in Destin, Florida.

As discussed above, on March 22, 2012, we acquired additional interests in 26 joint venture properties in the Mills transaction. Of these 26 assets, 16 remain unconsolidated.

On March 14, 2012, we acquired a 28.7% equity stake in Klépierre. On May 21, 2012 Klépierre paid a dividend, which we elected to receive in additional shares, increasing our ownership to approximately 28.9%.

On January 9, 2012, we sold our entire ownership interest in Gallerie Commerciali Italia, S.p.A., or GCI, a joint venture which at the time owned 45 properties located in Italy to our venture partner, Auchan S.A.

On January 6, 2012, we acquired an additional 25% interest in Del Amo Fashion Center.

During 2011, we disposed of one of our malls.

On December 2, 2011, we and our partner, Genting Berhad, opened Johor Premium Outlets, a 173,000 square foot outlet center in Johor, Malaysia.

During the third quarter of 2011, we contributed a wholly-owned property to a joint venture which holds our interests in nine unconsolidated properties. The transaction effectively exchanged a portion of our interest in this previously wholly-owned property for increased ownership interests in the nine unconsolidated properties.

On March 17, 2011, we and our partner, Shinsegae International Co., opened Paju Premium Outlets, a 328,000 square foot outlet center in Paju, South Korea.

For the purposes of the following comparison between the three and nine months ended September 30, 2012 and 2011, 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 and operated in both of the periods under comparison.

Three Months Ended September 30, 2012 vs. Three Months Ended September 30, 2011

Minimum rents increased $94.3 million during the 2012 period, of which the property transactions accounted for $80.7 million of the increase. Comparable rents increased $13.6 million, or 2.1%. The increase in comparable rents was primarily attributable to a $16.8 million increase in base minimum rents, partially offset by a $2.8 million decrease in straight-line rents. Overage rents increased $14.5 million, or 39.6%, as a result of the property transactions and an increase in tenant sales for the period compared to the prior period at the comparable properties of $8.4 million.

Tenant reimbursements increased $48.1 million, due to a $41.0 million increase attributable to the property transactions and a $7.1 million, or 2.5%, increase in the comparable properties primarily due to annual increases related to common area maintenance and real estate tax reimbursements, offset partially by a decrease in utility recoveries due to lower electricity costs.

Total other income decreased $3.8 million, principally as a result of a decrease in interest income of $7.7 million related to the repayment of related party loans and loans held for investment and a $1.9 million decrease in net other activity, partially offset by a $5.8 million increase due to the timing of the semi-annual dividends from investments in certain marketable securities.

Property operating expense increased $9.9 million primarily related to a $16.0 million increase attributable to the property transactions partially offset by a $6.1 million decrease in comparable property activity due primarily to our continued cost savings efforts.

Depreciation and amortization expense increased $49.4 million primarily due to the additional depreciable assets related to the property transactions.

Table of Contents

Real estate tax expense increased $18.4 million primarily due to a $12.7 million increase related to the property transactions.

The (recovery of) provision for credit losses decreased $2.7 million due to strong collections of receivables which we had previously established reserves for due to uncertainty of payment.

Interest expense increased $44.5 million primarily related to a $35.1 million increase related to the property transactions. The remainder of the increase resulted from borrowings on the Euro tranche of the Credit Facility and USD tranche of the Supplemental Facility, and the issuance of unsecured notes in the fourth quarter of 2011 and the first quarter of 2012. These increases were partially offset by a lower effective overall borrowing rate, decreased interest expense related to our payoff of a $735.0 million secured term loan, and our payoff of $542.5 million of unsecured notes in 2011 and $231.0 million of unsecured notes in 2012.

Income from unconsolidated properties increased $20.0 million as result of the property transactions, primarily our increased ownership in the joint venture properties acquired as part of the Mills transaction and our acquisition of an interest in Klépierre as well as from favorable results of operations from the portfolio of joint venture properties.

During the quarter ended September 30, 2012, we disposed of our interest in four unconsolidated properties and sold two community centers resulting in an aggregate loss of $2.9 million. During the three months ended September 30, 2011, we disposed of our interest in a mall and acquired a controlling interest in a mall previously accounted for under the equity method for an aggregate net gain of $78.3 million.

Net income attributable to noncontrolling interests decreased $8.3 million primarily due to a decrease in the income of the Operating Partnership.

Nine Months Ended September 30, 2012 vs. Nine Months Ended September 30, 2011

Minimum rents increased $248.7 million during the 2012 period, of which the property transactions accounted for $197.3 million of the increase. Comparable rents increased $51.4 million, or 2.7%, primarily attributable to a $53.7 million increase in base minimum rents. Overage rents increased $34.5 million, or 45.5%, as a result of the property transactions and an increase in tenant sales for the period compared to the prior period at the comparable properties of $23.5 million.

Tenant reimbursements increased $117.9 million, due to a $99.2 million increase attributable to the property transactions and a $18.7 million, or 2.2%, increase in the comparable properties primarily due to annual increases related to common area maintenance and real estate tax reimbursements, offset partially by a decrease in utility recoveries due to lower electricity costs.

Total other income decreased $0.5 million, principally as a result of a decrease in interest income of $19.5 million related to the repayment of related party loans and loans held for investment and $1.0 million of net other activity, partially offset by a $12.1 million increase from a gain on the sale of our investments in two multi-family residential facilities, and a $7.5 million increase in financing and other fee revenue earned from joint ventures net of eliminations.

Property operating expense increased $22.1 million primarily related to a $35.4 million increase attributable to the property transactions partially offset by a $13.3 million decrease in comparable property activity due primarily to a mild winter and our continued cost savings efforts.

Depreciation and amortization expense increased $118.8 million primarily due to the additional depreciable assets related to the property transactions.

Real estate tax expense increased $37.2 million primarily due to a $31.8 million increase related to the property transactions.

General and administrative expense increased $11.2 million primarily as a result of increased long-term performance based incentive compensation costs including amortization of the CEO retention award.

Other expenses increased $5.3 million primarily related to a $10.5 million increase attributable to the property transactions, offset partially by a decrease in legal fees and net other activity.

Interest expense increased $98.5 million primarily related to an increase of $81.7 million related to the property transactions. The remainder of the increase resulted from borrowings on the Euro tranche of the Credit Facility and USD tranche of the Supplemental Facility, and the issuance of unsecured notes in the fourth quarter of 2011 and the first quarter of 2012. These increases were partially offset by a lower effective overall borrowing rate, decreased interest expense related to the repayment or refinancing of mortgages at fourteen properties, payoff of a $735.0 million

25

Table of Contents

secured term loan, and our payoff of $542.5 million of unsecured notes in 2011 and $231.0 million of unsecured notes in 2012.

Income from unconsolidated properties increased $47.1 million as result of the property transactions, primarily our increased ownership in the joint venture properties acquired as part of the Mills transaction and our acquisition of an interest in Klépierre as well as from favorable results of operations from the portfolio of joint venture properties.

During 2012, we disposed of our interest in GCI, four unconsolidated properties and two community centers for a net gain of $25.6 million and acquired a controlling interest in nine properties previously accounted for under the equity method in the Mills transaction which resulted in the recognition of a non-cash gain of $488.7 million. In addition, we recorded an other-than-temporary impairment charge of $22.4 million on our remaining investment in SPG-FCM Ventures, LLC, or SPG-FCM, which holds our investment in TMLP, representing the excess of carrying value over the estimated fair value. During the 2011 period, we disposed of our interest in an unconsolidated mall, one consolidated mall, an two other retail properties, and acquired a controlling interest in a mall previously accounted for under the equity method for an aggregate net gain of $92.1 million.

Net income attributable to noncontrolling interests increased $87.9 million primarily due to an increase in the income of the Operating Partnership.

Liquidity and Capital Resources

Because we generate revenues primarily from long-term leases, our financing strategy relies primarily on long-term fixed rate debt. We minimize the use of floating rate debt and enter into floating rate to fixed rate interest rate swaps. Floating rate debt currently comprises 10.3% of our total consolidated debt at September 30, 2012, as adjusted to reflect outstanding interest rate swaps. We also enter into interest rate protection agreements to manage our interest rate risk. We derive most of our liquidity from leases that generate positive net cash flow from operations and distributions of capital from unconsolidated entities that totaled $2.0 billion during the nine months ended September 30, 2012. In addition, the Credit Facility and Supplemental Facility provide alternative sources of liquidity as our cash needs vary from time to time.

Our balance of cash and cash equivalents decreased $345.9 million during the first nine months of 2012 to $452.7 million as of September 30, 2012 as further discussed under "Cash Flows" below.

On September 30, 2012, we had an aggregate available borrowing capacity of $3.7 billion under the Credit Facility and the Supplemental Facility, net of outstanding borrowings of $2.3 billion and letters of credit of $42.0 million. For the nine months ended September 30, 2012, the maximum amount outstanding under the Credit Facility and Supplemental Facility was $3.1 billion and the weighted average amount outstanding was $1.8 billion. The weighted average interest rate was 1.24% for the nine months ended September 30, 2012.

We and the Operating Partnership have historically had access to public equity and long term unsecured debt markets and access to private equity from institutional investors at the property level.

Our business model and status as a REIT requires us to regularly access the debt markets to raise funds for acquisition, development and redevelopment activity, and to refinance maturing debt. We 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 Facility and the Supplemental Facility to address our debt maturities and capital needs through 2012.

Loan to SPG-FCM

As discussed in Note 5 to the condensed notes to consolidated financial statements, the loan to SPG-FCM was extinguished in the Mills transaction. During the nine month periods ended September 30, 2012 and 2011, we recorded $2.0 million and $7.4 million in interest income (net of inter-entity eliminations), related to this loan, respectively.

Cash Flows

Our net cash flow from operating activities and distributions of capital from unconsolidated entities for the nine months ended September 30, 2012 totaled $2.0 billion. In addition, we received net proceeds from our debt financing and repayment activities of $1.7 billion in 2012. These activities are further discussed below under "Financing and Debt." During the first nine months of 2012, we or the Operating Partnership also:

issued 9,137,500 shares of common stock in a public offering for $1.2 billion, net of issue costs,

redeemed 2,000,000 limited partner units for $248.0 million,

Table of Contents

funded the acquisition of an additional interest in a property, the equity stake in Klépierre, additional interests in 26 joint venture properties in the Mills transaction and a 50% interest in an outlet center for $3.69 billion,

received proceeds of $375.8 million from the sale of our interest in GCI,

received repayments of loans held for investment and loans from related parties of $256.5 million,

paid stockholder dividends and unitholder distributions totaling $1.1 billion,

paid preferred stock dividends and preferred unit distributions totaling $3.9 million,

funded consolidated capital expenditures of $589.7 million (includes development and other costs of $149.2 million, renovation and expansion costs of $289.6 million, and tenant costs and other operational capital expenditures of $150.9 million),

funded investments in marketable securities held to defease mortgage debt and other investments in non-marketable securities of $179.9 million, and

funded investments in unconsolidated entities of $145.6 million.

In general, we anticipate that cash generated from operations will be sufficient to meet operating expenses, monthly debt service, recurring capital expenditures, and distributions to stockholders necessary to maintain our REIT qualification on a long-term basis. In addition, we expect to be able to obtain capital for nonrecurring capital expenditures, such as acquisitions, major building renovations 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 our credit facilities,

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 2012, 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 retail tenants, many of whom are still recovering from the recent economic downturn. A significant deterioration in projected cash flows from operations could cause us to increase our reliance on available funds from our credit facilities, curtail planned capital expenditures, or seek other additional sources of financing as discussed above.

Financing and Debt

Unsecured Debt

At September 30, 2012, our unsecured debt consisted of $12.2 billion of senior unsecured notes of the Operating Partnership, $1.8 billion outstanding under our $4.0 billion unsecured revolving credit facility, or Credit Facility, and $455.0 million outstanding under our $2.0 billion

Supplemental Facility. The September 30, 2012 balance on the Credit Facility included $1.2 billion (U.S. dollar equivalent) of Euro-denominated borrowings and $285.0 million (U.S. dollar equivalent) of the balance on the Supplemental Facility on such date consisted of Yen-denominated borrowings, both of which are designated as net investment hedges of our international investments.

On September 30, 2012, we had an aggregate available borrowing capacity of $3.7 billion under the two credit facilities. The maximum outstanding balance of the credit facilities during the nine months ended September 30, 2012 was $3.1 billion and the weighted average outstanding balance was $1.8 billion. Letters of credit of $42.0 million were outstanding under the Credit Facility as of September 30, 2012.

The Credit Facility's initial borrowing capacity of $4.0 billion can be increased at our option to $5.0 billion during its term. The Credit Facility will initially mature on October 30, 2015 and can be extended for an additional year at our sole option. The base interest rate on the Credit Facility is LIBOR plus 100 basis points with an additional facility fee of 15 basis points. In addition, the Credit Facility provides for a money market competitive bid option program that allows us to hold auctions to achieve lower pricing for short-term borrowings. The Credit Facility also includes a $2.0 billion multi-currency tranche.

The Supplemental Facility's initial $2.0 billion borrowing capacity can be increased at our option to $2.5 billion during its term. The Supplemental Facility will initially mature on June 30, 2016 and can be extended for an additional year at our sole option. The base interest rate on the Supplemental Facility is LIBOR plus 100 basis points with an

Table of Contents

additional facility fee of 15 basis points. Like the Credit Facility, the Supplemental Facility provides for a money market competitive bid option program and allows for multi-currency borrowings. During the second quarter of 2012, we moved $285.0 million (USD equivalent) of yen-denominated borrowings from the Credit Facility to the Supplemental Facility.

On March 13, 2012, the Operating Partnership issued $600.0 million of senior unsecured notes at a fixed interest rate of 2.15% with a maturity date of September 2017, $600.0 million of senior unsecured notes at a fixed interest rate of 3.375% with a maturity date of March 2022, and $550.0 million of senior unsecured notes at a fixed interest rate of 4.75% with a maturity date of March 2042. Proceeds from the unsecured notes offerings were used to fund a portion of the cost of the acquisition of our equity stake in Klépierre and the Mills transaction.

During the nine months ended September 30, 2012, we redeemed at par $231.0 million of senior unsecured notes with fixed rates ranging from 5.75% to 6.88%.

On November 1, 2011, we entered into a $900.0 million unsecured term loan. We drew $160.0 million on the term loan in the first quarter of 2012. In the second quarter of 2012, we repaid the outstanding balance in full and terminated the term loan.

Secured Debt

Total secured indebtedness was $8.0 billion and $6.8 billion at September 30, 2012 and December 31, 2011, respectively. During the nine months ended September 30, 2012, we repaid $505.3 million in mortgage loans with a weighted average interest rate of 3.64%, unencumbering ten properties, and repaid the outstanding balance of a $735.0 million secured term loan in full.

As a result of the acquisition of additional interests in properties in the Mills transaction in March 2012, as further discussed in Note 5 to the condensed notes to our consolidated financial statements, we consolidated nine properties encumbered by property-level mortgage debt totaling $2.6 billion. This property-level mortgage debt was previously presented as debt of our unconsolidated entities. We and our joint venture partner had equal ownership in these properties prior to the transaction.

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 September 30, 2012, we are in compliance with all covenants of our unsecured debt.

At September 30, 2012, we or our subsidiaries are the borrowers under 88 non-recourse mortgage notes secured by mortgages on 88 properties, including seven separate pools of cross-defaulted and cross-collateralized mortgages encumbering a total of 34 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 contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral. At September 30, 2012, the applicable borrowers under these non-recourse mortgage notes were in compliance with all covenants where non-compliance individually, or giving effect to applicable cross-default provisions in the aggregate, could have a material adverse effect on our financial condition, results of operations or cash flows.

Table of Contents

Summary of Financing

Our consolidated debt, adjusted to reflect outstanding derivative instruments, and the effective weighted average interest rates as of September 30, 2012 and December 31, 2011, consisted of the following (dollars in thousands):

Debt Subject to	*Adjusted Balance as of September 30, 2012*	*Effective Weighted Average Interest Rate*	*Adjusted Balance as of December 31, 2011*	*Effective Weighted Average Interest Rate*
Fixed Rate	**$ 20,240,131**	**5.56%**	$ 16,407,374	5.83%
Variable Rate	**2,329,503**	**1.54%**	2,039,066	1.45%
	$ 22,569,634	**5.15%**	$ 18,446,440	5.35%

As of September 30, 2012, we had $484.2 million of notional amount fixed rate swap agreements that have a weighted average fixed pay rate of 2.52% and a weighted average variable receive rate of 0.59% which effectively convert variable rate debt to fixed rate debt.

Contractual Obligations and Off-Balance Sheet Arrangements

There have been no material changes to our outstanding capital expenditure and lease commitments previously disclosed in our 2011 Annual Report on Form 10-K.

In regards to long-term debt arrangements, the following table summarizes the material aspects of these future obligations on our consolidated indebtedness as of September 30, 2012, for the remainder of 2012 and subsequent years thereafter (dollars in thousands) assuming the obligations remain outstanding through initial maturities:

	2012	*2013-2014*	*2015-2017*	*After 2017*	*Total*
Long-Term Debt(1)	$ 19,046	$ 3,318,834	$ 11,702,362	$ 7,452,098	$ 22,492,340
Interest Payments(2)	$ 286,839	$ 2,097,937	$ 2,063,847	$ 2,347,291	$ 6,795,914

(1) Represents principal maturities only and therefore, excludes net premiums of $77,294.

(2) Variable rate interest payments are estimated based on the LIBOR rate at September 30, 2012.

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 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 September 30, 2012, the Operating Partnership had guaranteed $99.0 million of joint venture related mortgage or other indebtedness. 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 funding is not required contractually or otherwise.

Acquisitions and Dispositions

Buy-sell provisions 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. 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.

Acquisitions. On June 4, 2012, we acquired a 50% interest in a 465,000 square foot outlet center located in Destin, Florida for $70.5 million.

29

Table of Contents

On March 22, 2012, we acquired, through an acquisition of substantially all of the assets of TMLP, additional interests in 26 properties, from our joint venture partner. The transaction resulted in 16 of the properties remaining unconsolidated, the consolidation of nine previously unconsolidated properties and the purchase of the remaining noncontrolling interest in a previously consolidated property. The transaction was valued at $1.5 billion, which included repayment of the remaining $562.1 million balance on TMLP's senior loan facility and retirement of $100.0 million of TMLP's trust preferred securities. In connection with the transaction, our $558.4 million loan to SPG-FCM was extinguished on a non-cash basis. We consolidated $2.6 billion in additional property-level mortgage debt in connection with this transaction. The transaction resulted in a remeasurement of our previously held interest in each of these properties to fair value and the recognition of a corresponding non-cash gain of approximately $488.7 million.

On March 14, 2012, we acquired a 28.7% equity stake in Klépierre for approximately $2.0 billion. On May 21, 2012 Klépierre paid a dividend, which we elected to receive in additional shares, increasing our ownership to approximately 28.9%.

On January 6, 2012, SPG-FCM, which holds our investment in TMLP, distributed its interest in Del Amo Fashion Center to SPG-FCM's joint venture partners. We purchased our venture partner's 25% interest for $50.0 million of cash, which increased our ownership in the property to 50%. As a part of the transaction, we and our venture partner each contributed $50.0 million to SPG-FCM which was used to pay down TMLP's senior loan and the loan we made to SPG-FCM, as discussed above.

On December 31, 2011, we and our joint venture partner dissolved a venture in which we had a 50% interest and distributed a portfolio of properties previously held within the venture to us and our joint venture partner. As a result, we have a 100% interest and now consolidate the six properties we received in the distribution. The distribution resulted in a remeasurement of the distributed assets to estimated fair value and a corresponding non-cash gain of $168.3 million in the fourth quarter of 2011 representing the estimated fair value of the assets received in excess of the carrying value of our interest in the joint venture portfolio.

On August 25, 2011, we acquired additional controlling interests of approximately 83.75% in King of Prussia, thereby increasing our ownership interest to 96.1%. The property is subject to a $160.1 million mortgage. The consolidation of this previously unconsolidated property resulted in a remeasurement of our previously held interest to fair value and a corresponding non-cash gain of $82.9 million in the third quarter of 2011.

Dispositions. We 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 third quarter of 2012, we disposed of our interest in two consolidated retail properties and four unconsolidated retail properties. Our share of the net loss on these disposals was $2.9 million.

On May 3, 2012, we sold our investment in two residential apartment buildings located at The Domain in Austin, Texas. Our share of the gain from the sale was $12.1 million, which is included in other income in the consolidated statements of operations and comprehensive income.

During the first quarter of 2012, we sold one of our other retail properties with a carrying value of $115.0 million for nominal consideration and the assumption of the related mortgage debt of $115.0 million by the acquirer.

On January 9, 2012, we sold our entire ownership interest in GCI to our venture partner, Auchan S.A. The aggregate cash we received was $375.8 million and we recognized a gain on the sale of $28.8 million.

Development Activity

New Domestic Development. On June 14, 2012, we opened Merrimack Premium Outlets, a 410,000 square foot upscale outlet shopping center located on a 170-acre site in Merrimack, New Hampshire, that serves the Greater Boston and Nashua markets. The total cost of this project was approximately $142.7 million, which was funded with available cash from operations.

On August 16, 2012, a 415,000 square foot outlet center located in Texas opened. We have a 50% interest in this other retail property.

Table of Contents

On October 19, 2012, Tanger Outlets in Texas City, a 350,000 square foot upscale outlet center, opened. This new center, in which we have a 50% interest, is a joint venture with Tanger Factory Outlets Centers, Inc. Our estimated share of the cost of this project is $33.0 million.

On July 11, 2012, we began construction on St. Louis Premium Outlets, a 350,000 square foot project located in Chesterfield, Missouri. We own a 60% interest in this project, which is a joint venture with Woodmont Outlets. This new center is expected to open in the fall of 2013. Our estimated share of the cost of this project is $50.2 million.

In March 2012, we began construction on Phoenix Premium Outlets located in Phoenix, Arizona. This 360,000 square foot center, which is wholly owned by us, is expected to open in April 2013. The estimated cost of this project is $70.7 million.

Domestic Expansions and Renovations. We routinely incur costs related to construction for significant renovation and expansion projects at our properties. We also have reinstituted our redevelopment and expansion initiatives which we had previously reduced given the downturn in the economy. Renovation and expansion projects are currently underway at 24 properties in the U.S. with 34 new anchor and big box tenants having opened in 2012 and an additional 40 scheduled to open in the fourth quarter of 2012 and in 2013. We expect our share of development costs for 2012 related to renovation or expansion initiatives to be approximately $700.0 million compared to $265.0 million in 2011.

We expect to fund these capital projects with cash flows from operations. Our estimated stabilized return on invested capital ranges between 8-12% for all of our new development, expansion and renovation projects.

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. Currently, our consolidated net income exposure to changes in the volatility of the Euro, Yen, Won, and other foreign currencies is not material. We expect our share of international development costs for 2012 will be approximately $135 million at the applicable exchange rates, primarily funded through reinvested joint venture cash flow and construction loans.

Rinku Premium Outlets Phase IV, a 103,000 square foot expansion to the Rinku Premium Outlets located in Osaka, Japan, was completed and opened in July 2012. Kobe-Sanda Premium Outlets Phase III, a 78,000 square foot expansion to the Kobe-Sanda Premium Outlets in Osaka, Japan, is under construction and is expected to open in December 2012. The net cost of these projects is expected to be JPY 5.7 billion, of which our share is approximately JPY 2.3 billion, or $29.4 million based on applicable YEN:USD exchange rates.

In April 2012, construction began on Shisui Premium Outlets, a 230,000 square foot new development in Chiba, Japan, in which we have a 40% interest and which is expected to open in April 2013. The net cost of this project is expected to be JPY 9.1 billion, of which our share is approximately JPY 3.6 billion, or $46.6 million based on applicable YEN:USD exchange rates.

In April 2012, construction began on Toronto Premium Outlets, a 360,000 square foot new development in Ontario, Canada, in which we have a 50% interest and which is expected to open in August 2013. The net cost of this project is expected to be CAD 159.6 million, of which our share is approximately CAD 79.8 million, or $81.1 million based on applicable CAD:USD exchange rates.

In 2012, construction began on Busan Premium Outlets, a 340,000 square foot new development in Busan, South Korea, in which we have a 50% interest and which is expected to open in September 2013. The net cost of this project is expected to be KRW 167.8 billion, of which our share is approximately KRW 83.9 billion, or $75.5 million based on applicable KRW:USD exchange rates.

On March 1, 2012, we and our partner, Bailian Group, the largest retail conglomerate in China, announced the signing of a Memorandum of Understanding, or MOU, to jointly develop a Premium Outlet center in Pudong, Shanghai, China. The MOU also provides the joint venture the opportunity to develop additional Premium Outlet centers in mainland China.

On April 9, 2012, we and our partner, BR Malls Participacoes S.A., signed a Joint Venture Agreement to develop and own Premium Outlet centers in Brazil in which we would have a 50% interest. The first Premium Outlet is expected to be opened in the State of Sao Paulo in November of 2013.

Table of Contents

On May 21, 2012, we and our partner, Calloway Real Estate Investment Trust, announced plans to develop a second Premium Outlet in Canada, which will be located in Montreal.

Dividends

We paid a common stock dividend of $1.05 per share in the third quarter of 2012. On October 25, 2012, we announced a common stock dividend of $1.10 per share payable on November 30, 2012 to stockholders of record on November 16, 2012. We must pay a minimum amount of dividends to maintain our status as a REIT. Our dividends typically exceed our net income generated in any given year primarily because of depreciation, which is a non-cash expense. Our future dividends and future distributions of the Operating Partnership will be determined by the Board of Directors based on actual results of operations, cash available for dividends and limited partner distributions, cash reserves as deemed necessary for capital and operating expenditures, and the amount required to maintain our status as a REIT.

Forward-Looking Statements

Certain statements made in this section or elsewhere in this report 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 and uncertainties. Such factors include, but are not limited to: our ability to meet debt service requirements, the availability of financing, changes in our credit rating, changes in market rates of interest and foreign exchange rates for foreign currencies, the ability to hedge interest rate risk, risks associated with the acquisition, development and expansion of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic climates, changes in market rental rates, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, intensely competitive market environment in the retail industry, costs of common area maintenance, competitive market forces, risks related to our international investments and activities, insurance costs and coverage, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. We discussed these and other risks and uncertainties under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. We may update that discussion in our Quarterly Reports on Form 10-Q, but otherwise 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 FFO, diluted FFO per share, 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 sales 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 of, or any impairment charges related to, previously depreciated operating properties.

Table of Contents

We include in FFO gains and losses realized from the sale of land, outlot buildings, marketable and non-marketable securities, and investment holdings of non-retail real estate.

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.

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

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2012	*2011*	*2012*	*2011*
(in thousands)				
Funds from Operations	**$ 720,052**	$ 606,235	**$ 2,057,474**	$ 1,759,846
Increase in FFO from prior period	**18.8%**	90.3%	**16.9%**	55.5%
Consolidated Net Income	**$ 306,371**	$ 333,781	**$ 1,349,136**	$ 803,969
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties	**306,612**	257,172	**896,147**	777,489
Our share of depreciation and amortization from unconsolidated entities, including Klépierre	**110,188**	98,601	**321,318**	286,358
Loss (gain) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**2,911**	(78,307)	**(491,926)**	(92,072)
Net income attributable to noncontrolling interest holders in properties	**(2,464)**	(1,829)	**(6,427)**	(5,879)
Noncontrolling interests portion of depreciation and amortization	**(2,253)**	(1,870)	**(6,835)**	(6,080)
Preferred distributions and dividends	**(1,313)**	(1,313)	**(3,939)**	(3,939)
Funds from Operations	**$ 720,052**	$ 606,235	**$ 2,057,474**	$ 1,759,846
FFO Allocable to Simon Property	**$ 603,845**	$ 502,264	**$ 1,714,770**	$ 1,459,388
Diluted net income per share to diluted FFO per share reconciliation:				
Diluted net income per share	**$ 0.84**	$ 0.93	**$ 3.71**	$ 2.24
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre, net of noncontrolling interests portion of depreciation and amortization	**1.14**	1.00	**3.35**	2.99
Loss (gain) upon acquisition of controlling interest, sale or disposal as assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**0.01**	(0.22)	**(1.36)**	(0.26)
Diluted FFO per share	**$ 1.99**	$ 1.71	**$ 5.70**	$ 4.97

Table of Contents

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

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2012	*2011*	*2012*	*2011*
(in thousands)				
Reconciliation of NOI of consolidated properties:				
Consolidated Net Income	**$ 306,371**	$ 333,781	**$ 1,349,136**	$ 803,969
Income tax (benefit) expense of taxable REIT subsidiaries	**(97)**	860	**1,786**	2,706
Interest expense	**288,896**	244,384	**835,532**	737,018
Income from unconsolidated entities	**(37,129)**	(17,120)	**(96,613)**	(49,561)
Loss (gain) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**2,911**	(78,307)	**(491,926)**	(92,072)
Operating Income	**560,952**	483,598	**1,597,915**	1,402,060
Depreciation and amortization	**310,244**	260,802	**907,217**	788,410
NOI of consolidated Properties	**$ 871,196**	$ 744,400	**$ 2,505,132**	$ 2,190,470
Reconciliation of NOI of unconsolidated entities:				
Net Income	**$ 111,085**	$ 75,482	**$ 300,836**	$ 246,926
Interest expense	**148,891**	149,839	**451,581**	441,396
Loss from unconsolidated entities	**316**	596	**947**	1,054
Loss from operations of discontinued joint venture interests	**1,978**	17,431	**20,769**	39,646
Loss (gain) on disposal of discontinued operations, net	**4,904**	(78)	**4,904**	(15,583)
Operating Income	**267,174**	243,270	**779,037**	713,439
Depreciation and amortization	**125,512**	125,260	**374,333**	361,345
NOI of unconsolidated entities	**$ 392,686**	$ 368,530	**$ 1,153,370**	$ 1,074,784
Total consolidated and unconsolidated NOI from continuing operations	**$ 1,263,882**	$ 1,112,930	**$ 3,658,502**	$ 3,265,254
Adjustments to NOI:				
NOI of discontinued unconsolidated properties	**5,711**	124,222	**63,801**	383,697
Total NOI of the Simon Property Portfolio	**$ 1,269,593**	$ 1,237,152	**$ 3,722,303**	$ 3,648,951
Change in NOI from prior period	**2.6%**	6.9%	**2.0%**	6.4%
Add: Our share of NOI from Klépierre	**49,784**		**114,340**	
Less: Joint venture partner's share of NOI	**221,930**	296,942	**685,114**	887,573
Simon Property Share of NOI	**$ 1,097,447**	$ 940,210	**$ 3,151,529**	$ 2,761,378
Increase in Simon Property Share of NOI from prior period	**16.7%**	11.8%	**14.1%**	9.6%
Total NOI of the Simon Property Portfolio	**$ 1,269,593**	$ 1,237,152	**$ 3,722,303**	$ 3,648,951
NOI from non comparable properties(1)	**262,594**	275,545	**768,259**	843,300
Total NOI of comparable properties(2)	**$ 1,006,999**	$ 961,607	**$ 2,954,044**	$ 2,805,651
	4.7%		**5.3%**	

Increase in NOI of U.S. malls and Premium Outlets that are Comparable Properties

---

(1) NOI excluded from Comparable Property NOI relates to community/lifestyle centers, The Mills, other properties, international properties, any of our non-retail holdings and results of our corporate and management company operations and NOI of U.S. malls and Premium Outlets not owned and operated in both periods under comparison.

(2) Comparable properties are U.S. malls and Premium Outlets that were owned in both of the periods under comparison. Excludes lease termination income, interest income, land sale gains and the impact of significant redevelopment activities.

Table of Contents

Item 3. Qualitative and Quantitative Disclosures About Market Risk

Sensitivity Analysis. We disclosed a comprehensive qualitative and quantitative analysis regarding market risk in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2011 Annual Report on Form 10-K. There have been no material changes in the assumptions used or results obtained regarding market risk since December 31, 2011.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures (as defined in Rules 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 we file or submit 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 our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting. There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Part II Other Information

Item 1. Legal Proceedings

We are involved from time-to-time in various legal 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 including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is known or considered probable and the amount can be reasonably estimated.

Item 1A. Risk Factors

Through the period covered by this report, there were no significant changes to the Risk Factors disclosed in "Part 1: Business" of our 2011 Annual Report on Form 10-K.

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

During the quarter ended September 30, 2012, we issued an aggregate of 145,811 shares of common stock to limited partners of the Operating Partnership in exchange for an equal number of units pursuant to the partnership agreement of the Operating Partnership, as follows:

142,611 shares on September 25, 2012,

1,000 shares on August 29, 2012,

200 shares on July 26, 2012, and

2,000 shares on July 11, 2012.

In addition, we issued 5,873,620 shares of common stock to The Melvin Simon Family Enterprises Trust in exchange for 6,526,245 units on September 25, 2012.

In each case, the issuance of the shares of common stock was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

There were no reportable purchases of equity securities during the quarter ended September 30, 2012.

Item 5. Other Information

During the quarter covered by this report, the Audit Committee of Simon Property Group, Inc.'s Board of Directors approved certain audit-related, tax compliance and tax consulting 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 Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002.

Table of Contents

Item 6. Exhibits

Exhibit Number	*Exhibit Descriptions*
10.1	Underwriting Agreement, dated as of September 19, 2012, among Simon Property Group, Inc., Simon Property Group, L.P., Merrill Lynch, Pierce, Fenner & Smith Incorporated and The Melvin Simon Family Enterprises Trust (incorporated by reference to Exhibit 1.1 to Current Report on Form 8-K filed by Simon Property Group, Inc. on September 21, 2012.)
31.1	Certification by the Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	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.
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

Table of Contents

SIGNATURES

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

SIMON PROPERTY GROUP, INC.

/s/ STEPHEN E. STERRETT

Stephen E. Sterrett
Senior Executive Vice President and
Chief Financial Officer

Date: November 7, 2012