

GROWTH STRATEGY

- Enhance Profitability of the Core Portfolio
- Generate Supplemental Revenues
- Develop High Quality Retail Real Estate
- Acquire High Quality Retail Real Estate
- Selectively Expand Our International Presence

We had a very busy and productive year in 2003. We completed three significant acquisitions; partnered with the leading Italian retail real estate developer; launched four new development projects; and continued to increase real estate cash flow and asset value through our redevelopment and expansion program. We also sold 13 non-core assets, realizing net proceeds of \$275 million. We continued to finance the Company in a prudent manner and completed a \$500 million bond issuance at industry-leading interest rates. We once again posted solid operational and financial results.

CASH DIVIDEND INCREASE

Due to our excellent performance in 2003 and our positive outlook for the future, we raised the common stock dividend by 8.3% in February of 2004 to an annual rate of \$2.60 per share. Our annual dividend has increased by 19% over the last two years, from \$2.18 per share in 2002 to \$2.60 per share in 2004.

SHAREHOLDER RETURNS

We delivered a strong total return of 43% for our shareholders in 2003 comprised of a 36% increase in the price of our common stock plus cash dividends of \$2.40 per share. We significantly outperformed the S&P 500 which delivered a total return of 29% in 2003. Since our IPO in 1993, our investors have enjoyed a total return, including the reinvestment of dividends of 318%.

FINANCIAL RESULTS

Revenues increased in 2003 by 8.9% to \$2.3 billion. Operating income rose 6.2% to \$975 million. Diluted funds from operations (FFO) gained 7.4% to \$4.04 per common share from \$3.76 per common share in 2002. FFO is a widely recognized measure of the performance of real estate investment trusts.

Net income available to common shareholders decreased 12.3% to \$314 million, or \$1.65 per diluted common share, from \$358 million, or \$1.99 per diluted common share, due primarily to the sale of certain joint venture interests in real estate in 2002. In 2003, we recorded a net gain of \$22 million, or \$0.09 per share, as a result of the disposition of real estate or interests in real estate, as compared to a net gain of \$162 million, or \$0.66 per share, in 2002.

SIMON GROWTH STRATEGY

Our growth strategy has five major components:

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