

TAUBMAN CENTERS INC

FORM 8-K (Current report filing)

Filed 07/23/09 for the Period Ending 07/23/09

Address 200 E LONG LAKE RD
 SUITE 300 P O BOX 200
 BLOOMFIELD HILLS, MI 48303-0200
Telephone 2482586800
CIK 0000890319
Symbol TCO
SIC Code 6798 - Real Estate Investment Trusts
Industry Real Estate Operations
Sector Services
Fiscal Year 12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

Date of report (date of earliest event reported):

July 23, 2009

TAUBMAN CENTERS, INC.

(Exact Name of Registrant as Specified in its Charter)

Michigan

(State or Other Jurisdiction of Incorporation)

1-11530

(Commission File Number)

38-2033632

(I.R.S. Employer Identification No.)

200 East Long Lake Road, Suite 300,

Bloomfield Hills, Michigan

(Address of Principal Executive Office)

48304-2324

(Zip Code)

Registrant's Telephone Number, Including Area Code: **(248) 258-6800**

None

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

The information under this caption is furnished by Taubman Centers, Inc. (the "Company") in accordance with Securities and Exchange Commission Release No. 33-8216. This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On July 23, 2009, the Company issued a press release announcing its results of operations for the quarter ended June 30, 2009. A copy of the press release is attached as Exhibit 99 to this report.

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

Exhibit Description

99 Press Release, dated July 23, 2009, entitled "Taubman Centers Announces Second Quarter Results."

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 hereunto duly authorized.

Date: July 23, 2009

TAUBMAN CENTERS, INC.

By: /s/ Lisa A. Payne

Lisa A. Payne
Vice Chairman and Chief Financial Officer

EXHIBIT INDEX

Exhibit Description

99 Press Release, dated July 23, 2009, entitled "Taubman Centers Announces Second Quarter Results."



Taubman Centers, Inc.
200 E. Long Lake Road
Suite 300
Bloomfield Hills, Michigan
48304-2324

T. 248.258.6800
www.taubman.com

CONTACT:

Barbara Baker
Taubman, Vice President, Investor Relations
248-258-7367
bbaker@taubman.com

FOR IMMEDIATE RELEASE

TAUBMAN CENTERS ANNOUNCES SECOND QUARTER RESULTS

- *Managing through Challenging Retail Environment*
- *Results Consistent with Prior Guidance*
- *Cost Saving Initiatives Contribute to Results*
- *Strong Balance Sheet*

BLOOMFIELD HILLS, Mich., July 23, 2009 -- Taubman Centers, Inc. (NYSE: TCO) today announced its financial results for the second quarter of 2009.

Net income allocable to common shareholders per diluted share (EPS) was \$0.17 for the quarter ended June 30, 2009, up from \$0.01 for the quarter ended June 30, 2008. EPS for the six months ended June 30, 2009 was \$0.38, up from \$0.09 for the first six months of 2008.

Taubman Centers' Funds from Operations (FFO) per diluted share was \$0.65 for the quarter ended June 30, 2009 versus \$0.66 for the quarter ended June 30, 2008.

For the six months ended June 30, 2009, Taubman Centers' FFO per diluted share was \$1.35 versus \$1.34 for the first six months of 2008. Excluding the restructuring charge incurred in 2009, the company's Adjusted FFO per diluted share for the six months ended June 30, 2009 was \$1.38, an increase of 3.0 percent from the first six months of 2008.

"The environment for retail real estate continues to be challenging," said Robert S. Taubman, chairman, president and chief executive officer of Taubman Centers. "Lease cancellation income from our tenants offset a decline in rents. In addition, we are very focused on costs throughout our organization, which contributed to our results during the quarter." The company reported a four cent favorable variance in expenses for the quarter.

Operating Statistics

Ending occupancy for Taubman's portfolio was 88.6 percent on June 30, 2009 versus 90.1 percent on June 30, 2008, a decline primarily due to the closing in late 2008 of three big box store locations at the company's value centers, which were part of national bankruptcies. Average rent per square foot in the company's 16 consolidated properties for the second quarter of 2009 was \$43.00, versus \$44.40 for the second quarter of 2008. For the six months ended June 30, 2009, average rent per square foot in the consolidated properties was \$44.02 versus \$44.06 in the six months ended June 30, 2008.

(more)

Mall tenant sales per square foot declined 11.2 percent from the second quarter of 2008. For the twelve months ended June 30, 2009, mall tenant sales per square foot were down 9.8 percent to \$508 per square foot.

"Weakness in the U.S. economy continues to impact retailers," said Mr. Taubman. "As expected, this was reflected in our operating results. Nonetheless, leasing continues to be active with retailers planning openings in 2010 and 2011, when they expect conditions to improve."

Strong Balance Sheet

"Our strong balance sheet is providing the operating flexibility to weather these tough conditions," said Lisa A. Payne, vice chairman and chief financial officer of Taubman Centers. "We have no debt maturities until the fall of 2010 and collectively through 2011, only about 13 percent of our share of total debt matures." The company's secured credit lines total \$590 million and mature in 2011 with a one year extension option to 2012 on \$550 million of the lines. As of June 30, \$382 million was available for use .

Guidance

The company is modestly narrowing its guidance on 2009 FFO per diluted share from the previously announced \$2.69 to \$2.94 to \$2.70 to \$2.90. Excluding the restructuring charge that was recognized in 2009, the company expects 2009 Adjusted FFO per diluted share to be in the range of \$2.73 to \$2.93. The company also is modestly narrowing its guidance for 2009 EPS to \$0.71 to \$0.96.

Supplemental Investor Information Available

The company provides supplemental investor information along with its earnings announcements, available online at www.taubman.com under "Investor Relations." This includes the following:

- Income Statement
 - Earnings Reconciliations
 - Changes in Funds from Operations and Earnings Per Share
 - Components of Other Income, Other Operating Expense, and Gains on Land Sales and Other Nonoperating Income
 - Recoveries Ratio Analysis
 - Balance Sheets
 - Debt Summary
 - Other Debt, Equity and Certain Balance Sheet Information
 - Construction
 - Capital Spending
 - Operational Statistics
 - Owned Centers
 - Major Tenants in Owned Portfolio
 - Anchors in Owned Portfolio
-

Investor Conference Call

The company will host a conference call at 11:00 a.m. (EDT) on July 24 to discuss these results, business conditions and the company's outlook for the remainder of 2009. The conference call will be simulcast at www.taubman.com under "Investor Relations" as well as www.earnings.com and www.streetevents.com. An online replay will follow shortly after the call and continue for 90 days.

Taubman Centers is a real estate investment trust engaged in the development and management of regional and super regional shopping centers. Taubman's 24 U.S. owned and/or managed properties, the most productive in the industry, serve major markets from coast to coast. The company's Taubman Asia subsidiary is working on retail projects in Macao, China and Incheon, South Korea. Taubman Centers is headquartered in Bloomfield Hills, Michigan. For more information about Taubman, visit www.taubman.com.

For ease of use, references in this press release to "Taubman Centers," "Taubman," or the "company" mean Taubman Centers, Inc. or one or more of a number of separate, affiliated entities. Business is actually conducted by an affiliated entity rather than Taubman Centers, Inc. itself.

This press release may contain 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. These statements reflect management's current views with respect to future events and financial performance. Actual results may differ materially from those expected because of various risks and uncertainties, including, but not limited to the ongoing U.S. recession, the existing global credit and financial crisis and other changes in general economic and real estate conditions, changes in the interest rate environment and the availability of financing, and adverse changes in the retail industry. Other risks and uncertainties are discussed in the company's filings with the Securities and Exchange Commission including its most recent Annual Report on Form 10-K.

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TAUBMAN CENTERS, INC.**Table 1 - Summary of Results****For the Periods Ended June 30, 2009 and 2008**

(in thousands of dollars, except as indicated)

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|-----------------|-------------------------|-----------------|
| | 2009 | 2008 (1) | 2009 | 2008 (1) |
| Net income (1), (2) | 20,866 | 21,414 | 45,392 | 44,930 |
| Noncontrolling share of income of consolidated joint ventures (1) | (2,033) | (1,130) | (3,726) | (2,306) |
| Distributions in excess of noncontrolling share of income of consolidated joint ventures (1) | | (4,258) | | (6,395) |
| Noncontrolling share of income of TRG (1) | (5,290) | (4,505) | (11,876) | (10,421) |
| Distributions in excess of noncontrolling share of income of TRG (1) | | (6,513) | | (11,617) |
| TRG preferred distributions | (615) | (615) | (1,230) | (1,230) |
| Preferred stock dividends | (3,659) | (3,659) | (7,317) | (7,317) |
| Distributions to participating securities of TRG | (361) | (361) | (836) | (724) |
| Net income attributable to Taubman Centers, Inc. common shareowners (1) | 8,908 | 373 | 20,407 | 4,920 |
| Net income per common share - basic and diluted (1) | 0.17 | 0.01 | 0.38 | 0.09 |
| Beneficial interest in EBITDA - Consolidated Businesses (2), (3) | 75,087 | 75,360 | 152,776 | 152,577 |
| Beneficial interest in EBITDA - Unconsolidated Joint Ventures (3) | 22,536 | 22,644 | 46,484 | 45,758 |
| Funds from Operations (2), (3) | 52,390 | 53,213 | 108,960 | 107,969 |
| Funds from Operations attributable to TCO (2), (3) | 34,968 | 35,421 | 72,726 | 71,824 |
| Funds from Operations per common share - basic (2), (3) | 0.66 | 0.67 | 1.37 | 1.36 |
| Funds from Operations per common share - diluted (2), (3) | 0.65 | 0.66 | 1.35 | 1.34 |
| Weighted average number of common shares outstanding - basic | 53,120,769 | 52,859,653 | 53,093,988 | 52,767,430 |
| Weighted average number of common shares outstanding - diluted | 53,666,868 | 53,431,974 | 53,466,563 | 53,348,232 |
| Common shares outstanding at end of period | 53,120,769 | 52,892,604 | | |
| Weighted average units - Operating Partnership - basic | 79,558,454 | 79,411,822 | 79,532,928 | 79,322,237 |
| Weighted average units - Operating Partnership - diluted | 80,975,814 | 80,855,405 | 80,776,764 | 80,774,301 |
| Units outstanding at end of period - Operating Partnership | 79,558,454 | 79,440,048 | | |
| Ownership percentage of the Operating Partnership at end of period | 66.8% | 66.6% | | |
| Number of owned shopping centers at end of period | 23 | 23 | 23 | 23 |
| Operating Statistics: | | | | |
| Mall tenant sales (4) | 994,811 | 1,116,027 | 1,936,280 | 2,199,635 |
| Ending occupancy | 88.6% | 90.1% | 88.6% | 90.1% |
| Average occupancy | 88.7% | 90.0% | 88.8% | 90.0% |
| Leased space at end of period | 91.1% | 92.7% | 91.1% | 92.7% |
| Mall tenant occupancy costs as a percentage of tenant sales - Consolidated Businesses (4) | 16.7% | 15.4% | 17.5% | 15.6% |
| Mall tenant occupancy costs as a percentage of tenant sales - Unconsolidated Joint Ventures (4) | 15.7% | 13.7% | 15.9% | 13.8% |
| Rent per square foot - Consolidated Businesses | 43.00 | 44.40 | 44.02 | 44.06 |
| Rent per square foot - Unconsolidated Joint Ventures | 44.24 | 45.40 | 44.56 | 44.84 |

- (1) In January of 2009, the Company adopted Statement No. 160 "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51" (SFAS 160). Consequently, noncontrolling interests in consolidated subsidiaries with equity balances of less than zero are now allocated income equal to their ownership interests in the subsidiaries. Under previous accounting, because the net equity balances of the Operating Partnership and the outside partners in certain consolidated joint ventures were less than zero, the income attributable to the noncontrolling partners was equal to their share of distributions. The net equity of these noncontrolling partners is less than zero due to accumulated distributions in excess of net income and not as a result of operating losses. Net income attributable to Taubman Centers, Inc. common shareowners for the three and six months ended June 30, 2009 would have been \$1.6 and \$6.1 million, respectively or \$0.03 and \$0.11 per common share, respectively if accounted for under the previous method of accounting for noncontrolling interests prior to SFAS 160. Certain 2008 amounts within tables 1 to 6 of this press release have been reclassified to conform with 2009 classifications.
- (2) Includes \$0.2 million and \$2.6 million of restructuring charges for the three and six months ended June 30, 2009, respectively. No similar charges were incurred in 2008.
- (3) Beneficial Interest in EBITDA represents the Operating Partnership's share of the earnings before interest, income taxes, and depreciation and amortization of its consolidated and unconsolidated businesses. The Company believes Beneficial Interest in EBITDA provides a useful indicator of operating performance, as it is customary in the real estate and shopping center business to evaluate the performance of properties on a basis unaffected by capital structure.

The National Association of Real Estate Investment Trusts (NAREIT) defines Funds from Operations (FFO) as net income (computed in accordance with Generally Accepted Accounting Principles (GAAP)), excluding gains from extraordinary items and sales of properties, plus real estate related depreciation and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that FFO is a useful supplemental measure of operating performance for REITs. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, the Company and most industry investors and analysts have considered presentations of operating results that exclude historical cost depreciation to be useful in evaluating the operating performance of REITs. FFO is primarily used by the Company in measuring performance and in formulating corporate goals and compensation.

These non-GAAP measures as presented by the Company are not necessarily comparable to similarly titled measures used by other REITs due to the fact that not all REITs use common definitions. None of these non-GAAP measures should be considered alternatives to net income as an indicator of the Company's operating performance, and they do not represent cash flows from operating, investing, or financing activities as defined by GAAP.

- (4) Based on reports of sales furnished by mall tenants.
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TAUBMAN CENTERS, INC.**Table 2 - Income Statement****For the Three Months Ended June 30, 2009 and
2008**

(in thousands of dollars)

| | 2009 | | | 2008 (1) | |
|--|--------------------------------|--|----------|--------------------------------|--|
| | CONSOLIDATED BUSINESSES | UNCONSOLIDATED JOINT VENTURES (2) | | CONSOLIDATED BUSINESSES | UNCONSOLIDATED JOINT VENTURES (2) |
| REVENUES: | | | | | |
| Minimum rents | 84,016 | 38,553 | 87,583 | 38,797 | |
| Percentage rents | 561 | 95 | 1,325 | 458 | |
| Expense recoveries | 58,525 | 23,819 | 60,384 | 21,664 | |
| Management, leasing, and development services | 3,189 | | 3,891 | | |
| Other | 12,648 | 1,187 | 7,229 | 2,578 | |
| Total revenues | 158,939 | 63,654 | 160,412 | 63,497 | |
| EXPENSES: | | | | | |
| Maintenance, taxes, and utilities | 46,946 | 16,296 | 46,485 | 16,080 | |
| Other operating | 16,352 | 5,965 | 19,695 | 5,587 | |
| Restructuring charge (3) | 169 | | | | |
| Management, leasing, and development services | 1,930 | | 2,421 | | |
| General and administrative | 6,847 | | 7,943 | | |
| Interest expense | 36,473 | 16,120 | 35,972 | 16,278 | |
| Depreciation and amortization | 36,058 | 9,911 | 36,179 | 9,839 | |
| Total expenses | 144,775 | 48,292 | 148,695 | 47,784 | |
| Gains on land sales and other nonoperating income | 198 | 3 | 1,456 | 160 | |
| Impairment loss on marketable securities (4) | (1,666) | | | | |
| | 12,696 | 15,365 | 13,173 | 15,873 | |
| Income tax expense | (198) | | (250) | | |
| Equity in income of Unconsolidated Joint Ventures | 8,368 | | 8,491 | | |
| Net income | 20,866 | | 21,414 | | |
| Net income attributable to noncontrolling interests: | | | | | |
| Noncontrolling share of income of consolidated joint ventures | (2,033) | | (1,130) | | |
| Distributions in excess of noncontrolling share of income of consolidated joint ventures | | | (4,258) | | |
| TRG series F preferred distributions | (615) | | (615) | | |
| Noncontrolling share of income of TRG | (5,290) | | (4,505) | | |
| Distributions in excess of noncontrolling share of income of TRG | | | (6,513) | | |
| Distributions to participating securities of TRG | (361) | | (361) | | |
| Preferred stock dividends | (3,659) | | (3,659) | | |
| Net income attributable to Taubman Centers, Inc. common shareowners | 8,908 | | 373 | | |
| SUPPLEMENTAL INFORMATION: | | | | | |
| EBITDA - 100% (3) | 85,227 | 41,396 | 85,324 | 41,990 | |
| EBITDA - outside partners' share (3) | (10,140) | (18,860) | (9,964) | (19,346) | |
| Beneficial interest in EBITDA (3) | 75,087 | 22,536 | 75,360 | 22,644 | |
| Beneficial interest expense | (31,538) | (8,369) | (31,065) | (8,457) | |
| Beneficial income tax expense | (198) | | (250) | | |
| Non-real estate depreciation | (854) | | (745) | | |
| Preferred dividends and distributions | (4,274) | | (4,274) | | |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Funds from Operations contribution (3) | <u>38,223</u> | <u>14,167</u> | <u>39,026</u> | <u>14,187</u> |
| Net straightline adjustments to rental revenue, recoveries, and ground rent expense at TRG % | <u>80</u> | <u>104</u> | <u>475</u> | <u>52</u> |

(1) Certain amounts have been reclassified to conform to 2009 classifications.

(2) With the exception of the Supplemental Information, amounts include 100% of the Unconsolidated Joint Ventures. Amounts are net of intercompany transactions. The Unconsolidated Joint Ventures are presented at 100% in order to allow for measurement of their performance as a whole, without regard to the Company's ownership interest. The Company accounts for its investments in the Unconsolidated Joint Ventures under the equity method.

(3) In 2009, the Company recognized a restructuring charge which primarily represents the costs of termination of personnel.

(4) The marketable securities represent shares in a Vanguard REIT fund that were purchased to facilitate a tax efficient structure for the 2005 disposition of Woodland mall. Until now, the Company marked to market this investment through other comprehensive income on the balance sheet. The Company concluded this quarter that the impairment is no longer temporary, and therefore recognized a loss through its income statement. The balance of the securities was \$1.2 million as of June 30, 2009, and is included in Deferred Charges and Other Assets. To preserve the original tax planning it continues to be necessary to carry this investment. There are no other assets of this type on the Company's balance sheet.

TAUBMAN CENTERS, INC.**Table 3 - Income Statement****For the Six Months Ended June 30, 2009 and****2008**

(in thousands of dollars)

| | 2009 | | | 2008 (1) | |
|--|------------------------------------|--|-----------------|------------------------------------|--|
| | CONSOLIDATED BUSINESSES | UNCONSOLIDATED JOINT VENTURES (2) | | CONSOLIDATED BUSINESSES | UNCONSOLIDATED JOINT VENTURES (2) |
| REVENUES: | | | | | |
| Minimum rents | 171,452 | 77,520 | 174,153 | | 77,208 |
| Percentage rents | 2,721 | 1,203 | 3,900 | | 1,919 |
| Expense recoveries | 115,283 | 47,645 | 117,848 | | 44,078 |
| Management, leasing, and development services | 6,745 | | 7,585 | | |
| Other | 20,428 | 3,376 | 14,343 | | 4,366 |
| Total revenues | <u>316,629</u> | <u>129,744</u> | <u>317,829</u> | | <u>127,571</u> |
| EXPENSES: | | | | | |
| Maintenance, taxes, and utilities | 91,487 | 32,333 | 90,025 | | 31,428 |
| Other operating | 31,317 | 12,353 | 37,996 | | 12,134 |
| Restructuring charge (3) | 2,630 | | | | |
| Management, leasing, and development services | 3,836 | | 4,678 | | |
| General and administrative | 13,735 | | 16,276 | | |
| Interest expense | 72,706 | 32,070 | 72,954 | | 32,153 |
| Depreciation and amortization | <u>72,351</u> | <u>19,348</u> | <u>71,514</u> | | <u>19,462</u> |
| Total expenses | <u>288,062</u> | <u>96,104</u> | <u>293,443</u> | | <u>95,177</u> |
| Gains on land sales and other nonoperating income | 433 | 57 | 3,259 | | 479 |
| Impairment loss on marketable securities (4) | <u>(1,666)</u> | | | | |
| | <u>27,334</u> | <u>33,697</u> | <u>27,645</u> | | <u>32,873</u> |
| Income tax expense | (468) | | (440) | | |
| Equity in income of Unconsolidated Joint Ventures | <u>18,526</u> | | <u>17,725</u> | | |
| Net income | <u>45,392</u> | | <u>44,930</u> | | |
| Net income attributable to noncontrolling interests: | | | | | |
| Noncontrolling share of income of consolidated joint ventures | (3,726) | | (2,306) | | |
| Distributions in excess of noncontrolling share of income of consolidated joint ventures | | | (6,395) | | |
| TRG series F preferred distributions | (1,230) | | (1,230) | | |
| Noncontrolling share of income of TRG | (11,876) | | (10,421) | | |
| Distributions in excess of noncontrolling share of income of TRG | | | (11,617) | | |
| Distributions to participating securities of TRG | (836) | | (724) | | |
| Preferred stock dividends | <u>(7,317)</u> | | <u>(7,317)</u> | | |
| Net income attributable to Taubman Centers, Inc. common shareowners | <u>20,407</u> | | <u>4,920</u> | | |
| SUPPLEMENTAL INFORMATION: | | | | | |
| EBITDA - 100% (3) | 172,391 | 85,115 | 172,113 | | 84,488 |
| EBITDA - outside partners' share (3) | <u>(19,615)</u> | <u>(38,631)</u> | <u>(19,536)</u> | | <u>(38,730)</u> |
| Beneficial interest in EBITDA (3) | 152,776 | 46,484 | 152,577 | | 45,758 |
| Beneficial interest expense | (62,898) | (16,653) | (63,219) | | (16,719) |
| Beneficial income tax expense | (468) | | (440) | | |
| Non-real estate depreciation | (1,734) | | (1,441) | | |
| Preferred dividends and distributions | <u>(8,547)</u> | | <u>(8,547)</u> | | |
| Funds from Operations contribution (3) | <u>79,129</u> | <u>29,831</u> | <u>78,930</u> | | <u>29,039</u> |
| Net straightline adjustments to rental revenue, recoveries, and ground rent expense at TRG % | <u>159</u> | <u>159</u> | <u>1,068</u> | | <u>113</u> |

- (1) Certain amounts have been reclassified to conform to 2009 classifications.
- (2) With the exception of the Supplemental Information, amounts include 100% of the Unconsolidated Joint Ventures. Amounts are net of intercompany transactions. The Unconsolidated Joint Ventures are presented at 100% in order to allow for measurement of their performance as a whole, without regard to the Company's ownership interest. In its consolidated financial statements, the Company accounts for its investments in the Unconsolidated Joint Ventures under the equity method.
- (3) In 2009, the Company recognized restructuring charges, which primarily represent the costs of termination of personnel.
- (4) The marketable securities represent shares in a Vanguard REIT fund that were purchased to facilitate a tax efficient structure for the 2005 disposition of Woodland mall. Until now, the Company marked to market this investment through other comprehensive income on the balance sheet. The Company concluded this quarter that the impairment is no longer temporary, and therefore recognized a loss through its income statement. The balance of the securities was \$1.2 million as of June 30, 2009, and is included in Deferred Charges and Other Assets. To preserve the original tax planning it continues to be necessary to carry this investment. There are no other assets of this type on the Company's balance sheet.
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TAUBMAN CENTERS, INC.

**Table 4 - Reconciliation of Net Income Attributable to Taubman Centers, Inc. Common Shareowners
to Funds from Operations and Adjusted Funds from Operations
For the Periods Ended June 30, 2009 and 2008**

(in thousands of dollars; amounts attributable to TCO may not recalculate due to rounding)

| | Three Months Ended | | Year to Date | |
|--|---------------------------|-----------------|---------------------|-----------------|
| | 2009 | 2008 (1) | 2009 | 2008 (1) |
| Net income attributable to TCO common shareowners | 8,908 | 373 | 20,407 | 4,920 |
| Add (less) depreciation and amortization: | | | | |
| Consolidated businesses at 100% | 36,058 | 36,179 | 72,351 | 71,514 |
| Noncontrolling partners in consolidated joint ventures | (3,172) | (3,927) | (6,081) | (7,495) |
| Share of Unconsolidated Joint Ventures | 5,799 | 5,696 | 11,305 | 11,314 |
| Non-real estate depreciation | (854) | (745) | (1,734) | (1,441) |
| Add noncontrolling interests: | | | | |
| Noncontrolling share of income of TRG | 5,290 | 4,505 | 11,876 | 10,421 |
| Distributions in excess of noncontrolling share of income of TRG | | 6,513 | | 11,618 |
| Distributions in excess of noncontrolling share of income of consolidated joint ventures | | 4,258 | | 6,395 |
| Add distributions to participating securities of TRG | 361 | 361 | 836 | 723 |
| Funds from Operations | 52,390 | 53,213 | 108,960 | 107,969 |
| TCO's average ownership percentage of TRG | 66.8% | 66.6% | 66.8% | 66.5% |
| Funds from Operations attributable to TCO | 34,968 | 35,421 | 72,726 | 71,824 |
| Funds from Operations | 52,390 | 53,213 | 108,960 | 107,969 |
| Restructuring charge | 169 | | 2,630 | |
| Adjusted Funds from Operations (2) | 52,559 | 53,213 | 111,590 | 107,969 |
| TCO's average ownership percentage of TRG | 66.8% | 66.6% | 66.8% | 66.5% |
| Adjusted Funds from Operations attributable to TCO (2) | 35,081 | 35,421 | 74,482 | 71,824 |
| (1) Certain amounts have been reclassified to conform to 2009 classifications. | | | | |
| (2) FFO for the three and six months ended June 30, 2009 includes, and Adjusted FFO excludes, the restructuring charges which primarily represent the costs of termination of personnel. The Company discloses this Adjusted FFO due to the significance and infrequent nature of the charges. Given the significance of the charges, the Company believes it is essential to a reader's understanding of the Company's results of operations to emphasize the impact on the Company's earnings measures. The adjusted measures are not and should not be considered alternatives to net income or cash flows from operating, investing, or financing activities as defined by GAAP. | | | | |

TAUBMAN CENTERS, INC.**Table 5 - Reconciliation of Net Income to Beneficial Interest in EBITDA****For the Periods Ended June 30, 2009 and 2008**

(in thousands of dollars; amounts attributable to TCO may not recalculate due to rounding)

| | Three Months Ended | | Year to Date | |
|--|---------------------------|-----------------|---------------------|-----------------|
| | 2009 | 2008 (1) | 2009 | 2008 (1) |
| Net income | 20,866 | 21,414 | 45,392 | 44,930 |
| Add (less) depreciation and amortization: | | | | |
| Consolidated businesses at 100% | 36,058 | 36,179 | 72,351 | 71,514 |
| Noncontrolling partners in consolidated joint ventures | (3,172) | (3,927) | (6,081) | (7,495) |
| Share of Unconsolidated Joint Ventures | 5,799 | 5,696 | 11,305 | 11,314 |
| Add (less) interest expense and income tax expense: | | | | |
| Interest expense: | | | | |
| Consolidated businesses at 100% | 36,473 | 35,972 | 72,706 | 72,954 |
| Noncontrolling partners in consolidated joint ventures | (4,935) | (4,907) | (9,808) | (9,735) |
| Share of Unconsolidated Joint Ventures | 8,369 | 8,457 | 16,653 | 16,719 |
| Income tax expense | 198 | 250 | 468 | 440 |
| Less noncontrolling share of income of consolidated joint ventures | (2,033) | (1,130) | (3,726) | (2,306) |
| Beneficial Interest in EBITDA | 97,623 | 98,004 | 199,260 | 198,335 |
| TCO's average ownership percentage of TRG | 66.8% | 66.6% | 66.8% | 66.5% |
| Beneficial Interest in EBITDA attributable to TCO | 65,212 | 65,235 | 133,004 | 131,937 |

(1) Certain amounts have been reclassified to conform to 2009 classifications.

TAUBMAN CENTERS, INC.**Table 6 - Balance Sheets****As of June 30, 2009 and December 31, 2008**

(in thousands of dollars)

| | As of | |
|--|--------------------|----------------------|
| | June 30, 2009 | December 31, 2008 |
| Consolidated Balance Sheet of Taubman Centers, Inc. (1) : | | |
| Assets: | | |
| Properties | 3,708,342 | 3,699,480 |
| Accumulated depreciation and amortization | <u>(1,106,675)</u> | <u>(1,049,626)</u> |
| | 2,601,667 | 2,649,854 |
| Investment in Unconsolidated Joint Ventures | 88,636 | 89,933 |
| Cash and cash equivalents | 11,772 | 62,126 |
| Accounts and notes receivable, net | 32,761 | 46,732 |
| Accounts receivable from related parties | 1,686 | 1,850 |
| Deferred charges and other assets | <u>121,722</u> | <u>124,487</u> |
| | <u>2,858,244</u> | <u>2,974,982</u> |
| Liabilities: | | |
| Notes payable | 2,758,938 | 2,796,821 |
| Accounts payable and accrued liabilities | 234,068 | 262,226 |
| Dividends and distributions payable | | 22,002 |
| Distributions in excess of investments in and net income of Unconsolidated Joint Ventures | <u>155,141</u> | <u>154,141</u> |
| | <u>3,148,147</u> | <u>3,235,190</u> |
| Equity: | | |
| Taubman Centers, Inc. Shareowners' Equity: | | |
| Series B Non-Participating Convertible Preferred Stock | 26 | 26 |
| Series G Cumulative Redeemable Preferred Stock | | |
| Series H Cumulative Redeemable Preferred Stock | | |
| Common Stock | 531 | 530 |
| Additional paid-in capital | 559,240 | 556,145 |
| Accumulated other comprehensive income (loss) | (26,498) | (29,778) |
| Dividends in excess of net income | <u>(749,965)</u> | <u>(726,097)</u> |
| | <u>(216,666)</u> | <u>(199,174)</u> |
| Noncontrolling interests: | | |
| Noncontrolling interests in consolidated joint ventures | (90,579) | (90,251) |
| Noncontrolling interests in TRG | (11,875) | |
| Preferred Equity of TRG | 29,217 | 29,217 |
| | <u>(73,237)</u> | <u>(61,034)</u> |
| | <u>(289,903)</u> | <u>(260,208)</u> |
| | <u>2,858,244</u> | <u>2,974,982</u> |

(1) Certain 2008 amounts have been reclassified to conform to 2009 classifications.

Combined Balance Sheet of Unconsolidated Joint Ventures:

Assets:

| | | |
|---|------------------|------------------|
| Properties | 1,090,505 | 1,087,341 |
| Accumulated depreciation and amortization | <u>(381,331)</u> | <u>(366,168)</u> |
| | 709,174 | 721,173 |
| Cash and cash equivalents | 19,196 | 28,946 |
| Accounts and notes receivable | 18,560 | 26,603 |
| Deferred charges and other assets | <u>19,904</u> | <u>20,098</u> |
| | <u>766,834</u> | <u>796,820</u> |

Liabilities:

| | | |
|---|---------------|---------------|
| Notes payable | 1,098,370 | 1,103,903 |
| Accounts payable and other liabilities, net | <u>42,235</u> | <u>61,570</u> |

1,140,605

1,165,473

Accumulated Deficiency in Assets:

| | | |
|--|-----------|-----------|
| Accumulated deficiency in assets - TRG | (197,205) | (194,178) |
| Accumulated deficiency in assets - Joint Venture Partners | (165,452) | (160,862) |
| Accumulated other comprehensive income (loss) - TRG | (5,970) | (7,288) |
| Accumulated other comprehensive income (loss) - Joint Venture Partners | (5,144) | (6,325) |
| | <hr/> | <hr/> |
| | (373,771) | (368,653) |
| | <hr/> | <hr/> |
| | 766,834 | 796,820 |
| | <hr/> | <hr/> |

TAUBMAN CENTERS, INC.**Table 7 - Annual Outlook**

(all dollar amounts per common share on a diluted basis; amounts may not add due to rounding)

| | Range for Year Ended December 31, 2009 Before Restructuring Charge | Restructuring Charge (1) | Range for Year Ended December 31, 2009 |
|---|---|-------------------------------------|---|
| Funds from Operations per common share | 2.73 | 2.93 | (0.03) 2.70 2.90 |
| Real estate depreciation - TRG | (1.84) | (1.79) | (1.84) (1.79) |
| Distributions on participating securities of TRG | (0.02) | (0.02) | (0.02) (0.02) |
| Depreciation of TCO's additional basis in TRG | <u>(0.13)</u> | <u>(0.13)</u> | <u>(0.13)</u> <u>(0.13)</u> |
| Net income attributable to common shareowners, per common share | <u>0.74</u> | <u>0.99</u> | <u>(0.03)</u> <u>0.71</u> <u>0.96</u> |

(1) In 2009, the Company recognized a restructuring charge of \$2.6 million, which represents primarily the cost of terminations of personnel.