

TAUBMAN CENTERS INC

FORM 8-K

(Current report filing)

Filed 04/24/14 for the Period Ending 04/24/14

| | |
|-------------|--|
| 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): April 24, 2014

TAUBMAN CENTERS, INC .

(Exact Name of Registrant as Specified in its Charter)

Michigan

(State of 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 April 24, 2014, the Company issued a press release announcing its results of operations for the quarter ended March 31, 2014. A copy of the press release is attached as Exhibit 99 to this report.

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

| <u>Exhibit</u> | <u>Description</u> |
|----------------|--------------------|
|----------------|--------------------|

| | |
|----|---|
| 99 | Press Release, dated April 24, 2014, entitled "Taubman Centers Issues First 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 : April 24, 2014

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 April 24, 2014, entitled "Taubman Centers Issues First Quarter Results."

TAUBMAN CENTERS ISSUES FIRST QUARTER RESULTS

- *Average Rent and Leased Space Up*
- *The Mall of San Juan Construction Financing Complete*
- *2014 FFO Guidance Maintained*

BLOOMFIELD HILLS, Mich., April 24, 2014 - - Taubman Centers, Inc. (NYSE: TCO) today reported financial results for the first quarter of 2014.

| | March 31, 2014 Three Months Ended | March 31, 2013 Three Months Ended |
|---|---|--------------------------------------|
| Net income attributable to common shareholders per diluted share (EPS) | \$5.74 ⁽¹⁾ | \$0.43 |
| Funds from Operations (FFO) per diluted share | \$0.90 | \$0.90 |

(1) Includes a net gain of \$476 million (\$5.30 per share) on the sale of a 49.9% interest in the entity that owns International Plaza (Tampa, Fla.), as well as investments in Arizona Mills (Tempe, Ariz.) and land in Syosset, New York (Oyster Bay).

"FFO was consistent with our expectations," said Robert S. Taubman, chairman, president and chief executive officer of Taubman Centers. "It was positively impacted by increased rents and reduced interest expense, but was offset by the impact of our recent dispositions and various one-time items that occurred in the prior year."

Operating Statistics

Average rent per square foot for the quarter was \$50.21, up 3.6 percent from \$48.46 in the comparable period last year. Leased space in comparable centers was 92.6 percent on March 31, 2014, up 0.4 percent from 92.2 percent on March 31, 2013. Ending occupancy in comparable centers was the same at 90.3 percent on both March 31, 2014 and March 31, 2013.

For the quarter, comparable center NOI excluding lease cancellation income was up 2 percent. "The extremely harsh winter in the Midwest and Northeast caused higher than expected utilities and snow removal costs, dampening our NOI growth," said Mr. Taubman.

The company's 12-month trailing mall tenant sales per square foot modestly decreased to \$712, a 0.7 percent decline from the 12-months ended March 31, 2013. "After 17 consecutive quarters of sales per square foot increases, a number of factors, including weather, hurt first quarter sales," said Mr. Taubman. "Women's ready-to-wear, junior apparel and electronics were most impacted."

Financing Activity

In April, the company closed on the construction loan financing for The Mall of San Juan (*San Juan, Puerto Rico*). The \$320 million loan is interest only for the entire term at a rate of LIBOR plus 2 percent and matures April 2017, with two one-year extension options. U.S. Bank N.A. and J.P. Morgan Chase Bank, N.A. led a syndicate of nine banks.

In March, the company completed an extension of its \$65 million secondary line of credit. The line now expires in April 2016. The facility will continue to bear interest at a rate of LIBOR plus 1.4 percent.

In January, the company completed the previously announced sales of a 49.9 percent interest in International Plaza (*Tampa, Fla.*), land in Syosset, New York (Oyster Bay), and the company's 50 percent interest in Arizona Mills (*Tempe, Ariz.*). As a result of these transactions, the company recognized a gain on these dispositions, net of related income taxes, of \$476 million during the quarter.

Dividend Increased

In March, the company declared a regular quarterly dividend of \$0.54 per share of common stock, an increase of 8 percent. Since the company went public in 1992 it has never reduced its common dividend and has increased its dividend 17 times, achieving a 4.4 percent compounded annual growth rate. See [Taubman Centers Increases Quarterly Common Dividend 8 Percent To \\$0.54 Per Share - March 6, 2014](#).

2014 Guidance

The company is maintaining its guidance for 2014 FFO per diluted share of \$3.72 to \$3.82. This includes the negative impact of about \$0.12 per share due to the first quarter 2014 sale of the company's 50 percent interest in Arizona Mills and the sale of a 49.9 percent interest in International Plaza. This guidance assumes comparable center NOI growth, excluding lease cancellation income, of about 3 percent for the year. 2014 EPS is expected to be in the range of \$7.12 to \$7.27, which now includes the gain from the first quarter asset sales.

Supplemental Investor Information Available

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

- Company Information
- Income Statement
- Earnings Reconciliations
- Changes in Funds from Operations and Earnings Per Share
- Components of Other Income, Other Operating Expense, and Nonoperating Income
- Recoveries Ratio Analysis
- Balance Sheets

-more-

Taubman Centers/3

- Debt Summary
- Other Debt, Equity and Certain Balance Sheet Information
- Construction and Redevelopment
- Dispositions
- Capital Spending
- Operational Statistics
- Owned Centers
- Major Tenants in Owned Portfolio
- Anchors in Owned Portfolio
- Operating Statistics Glossary

Investor Conference Call

The company will host a conference call at 11:00 a.m. EDT on Friday, April 25 to discuss these results, business conditions and the company's outlook for the remainder of 2014. The conference call will be simulcast at www.taubman.com. An online replay will follow shortly after the call and continue for approximately 90 days.

Taubman Centers is an S&P MidCap 400 Real Estate Investment Trust engaged in the ownership, management and/or leasing of 27 regional, super-regional and outlet shopping centers in the U.S. and Asia. Taubman's U.S.-owned properties are the most productive in the publicly held U.S. regional mall industry. Taubman is currently developing six properties in the U.S. and Asia totaling 5.6 million square feet. Taubman Centers is headquartered in Bloomfield Hills, Mich. and Taubman Asia is headquartered in Hong Kong. Founded in 1950, Taubman has more than 60 years of experience in the shopping center industry. www.taubman.com.

For ease of use, references in this press release to "Taubman Centers," "company," "Taubman" or an operating platform mean Taubman Centers, Inc. and/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 or the named operating platform.

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. The forward-looking statements included in this release are made as of the date hereof. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future. Actual results may differ materially from those expected because of various risks and uncertainties. You should review the company's filings with the Securities and Exchange Commission, including "Risk Factors" in its most recent Annual Report on Form 10-K and subsequent quarterly reports, for a discussion of such risks and uncertainties..

CONTACT:

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

###

TAUBMAN CENTERS, INC.
Table 1 - Summary of Results
For the Periods Ended March 31, 2014 and 2013

(in thousands of dollars, except as indicated)

| | Three Months Ended | |
|--|---------------------------|-------------|
| | 2014 | 2013 |
| Net income | 526,157 | 46,356 |
| Noncontrolling share of income of consolidated joint ventures | (3,118) | (2,781) |
| Noncontrolling share of income of TRG | (147,662) | (11,789) |
| Preferred stock dividends | (5,784) | (3,600) |
| Distributions to participating securities of TRG | (468) | (442) |
| Net income attributable to Taubman Centers, Inc. common shareowners | 369,125 | 27,744 |
| Net income per common share - basic | 5.84 | 0.44 |
| Net income per common share - diluted | 5.74 | 0.43 |
| Beneficial interest in EBITDA - Combined (1) | 608,989 | 128,483 |
| Adjusted Beneficial interest in EBITDA - Combined (1) | 122,369 | 128,483 |
| Funds from Operations (1) | 81,223 | 81,513 |
| Funds from Operations attributable to TCO (1) | 58,036 | 58,205 |
| Funds from Operations per common share - basic (1) | 0.92 | 0.92 |
| Funds from Operations per common share - diluted (1) | 0.90 | 0.90 |
| Weighted average number of common shares outstanding - basic | 63,165,611 | 63,415,922 |
| Weighted average number of common shares outstanding - diluted | 64,821,603 | 64,570,812 |
| Common shares outstanding at end of period | 63,262,045 | 63,677,971 |
| Weighted average units - Operating Partnership - basic | 88,312,842 | 88,760,871 |
| Weighted average units - Operating Partnership - diluted | 89,968,834 | 90,787,023 |
| Units outstanding at end of period - Operating Partnership | 88,407,745 | 89,013,319 |
| Ownership percentage of the Operating Partnership at end of period | 71.6% | 71.5% |
| Number of owned shopping centers at end of period | 24 | 24 |
| Operating Statistics: | | |
| Net Operating Income excluding lease cancellation income - growth % (1)(2) | 2.0% | |
| Mall tenant sales - all centers (3) | 1,335,294 | 1,454,788 |
| Mall tenant sales - comparable (2)(3) | 1,329,450 | 1,412,398 |
| Ending occupancy - all centers | 89.6% | 90.3% |
| Ending occupancy - comparable (2) | 90.3% | 90.3% |
| Average occupancy - all centers | 90.2% | 90.4% |
| Average occupancy - comparable (2) | 90.8% | 90.5% |
| Leased space - all centers | 92.1% | 92.4% |
| Leased space - comparable (2) | 92.6% | 92.2% |
| All centers: | | |
| Mall tenant occupancy costs as a percentage of tenant sales - Consolidated Businesses (3) | 14.9% | 13.7% |
| Mall tenant occupancy costs as a percentage of tenant sales - Unconsolidated Joint Ventures (3) | 13.6% | 12.0% |
| Mall tenant occupancy costs as a percentage of tenant sales - Combined (3) | 14.5% | 13.2% |
| Comparable centers: | | |
| Mall tenant occupancy costs as a percentage of tenant sales - Consolidated Businesses (2)(3) | 14.9% | 13.7% |
| Mall tenant occupancy costs as a percentage of tenant sales - Unconsolidated Joint Ventures (2)(3) | 13.6% | 11.8% |
| Mall tenant occupancy costs as a percentage of tenant sales - Combined (2)(3) | 14.5% | 13.2% |
| Average rent per square foot - Consolidated Businesses (2) | 47.93 | 47.68 |
| Average rent per square foot - Unconsolidated Joint Ventures (2) | 55.81 | 50.78 |
| Average rent per square foot - Combined (2) | 50.21 | 48.46 |

- (1) 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 Company uses Net Operating Income (NOI) as an alternative measure to evaluate the operating performance of centers, both on individual and stabilized portfolio bases. The Company defines NOI as property-level operating revenues (includes rental income excluding straight-line adjustments of minimum rent) less maintenance, taxes, utilities, promotion, ground rent (including straight-line adjustments), and other property operating expenses. Since NOI excludes general and administrative expenses, pre-development charges, interest income and expense, depreciation and amortization, impairment charges, restructuring charges, and gains from peripheral land and property dispositions, it provides a performance measure that, when compared period over period, reflects the revenues and expenses most directly associated with owning and operating rental properties, as well as the impact on their operations from trends in tenant sales, occupancy and rental rates, and operating costs. The Company also uses NOI excluding lease cancellation income as an alternative measure because this income may vary significantly from period to period, which can affect comparability and trend analysis. The Company generally provides separate projections for expected comparable center NOI growth and lease cancellation income. Comparable centers are generally defined as centers that were owned and open for the entire current and preceding period presented.

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 (or losses) from extraordinary items and sales of properties and impairment write-downs of depreciable real estate, 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. The Company primarily uses FFO in measuring performance and in formulating corporate goals and compensation.

The Company may also present adjusted versions of NOI, Beneficial Interest in EBITDA, and FFO when used by management to evaluate operating performance when certain significant items have impacted results that affect comparability with prior or future periods due to the nature or amounts of these items. The Company believes the disclosure of the adjusted items is similarly useful to investors and others to understand management's view on comparability of such measures between periods. For the three month period ended March 31, 2014, EBITDA was adjusted for the gain on dispositions of interests in International Plaza, Arizona Mills, and land in Syosset, New York related to the former Oyster Bay project.

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 the same definitions. These measures should not be considered alternatives to net income or as an indicator of the Company's operating performance. Additionally, these measures do not represent cash flows from operating, investing or financing activities as defined by GAAP.

- (2) Statistics exclude non-comparable centers. In 2014 and 2013, non-comparable centers are Taubman Prestige Outlets Chesterfield and Arizona Mills.
 - (3) Based on reports of sales furnished by mall tenants.
-

TAUBMAN CENTERS, INC.

Table 2 - Income Statement

For the Three Months Ended March 31, 2014 and 2013

(in thousands of dollars)

| | 2014 | | 2013 | |
|---|----------------------------|--------------------------------------|----------------------------|--------------------------------------|
| | CONSOLIDATED BUSINESSES | UNCONSOLIDATED JOINT VENTURES (1) | CONSOLIDATED BUSINESSES | UNCONSOLIDATED JOINT VENTURES (1) |
| REVENUES: | | | | |
| Minimum rents | 97,890 | 46,508 | 102,309 | 40,071 |
| Percentage rents | 4,662 | 2,054 | 5,628 | 2,197 |
| Expense recoveries | 62,709 | 27,036 | 64,037 | 23,584 |
| Management, leasing, and development services | 2,505 | | 3,382 | |
| Other | 7,012 | 1,627 | 7,901 | 1,699 |
| Total revenues | 174,778 | 77,225 | 183,257 | 67,551 |
| EXPENSES: | | | | |
| Maintenance, taxes, utilities, and promotion | 47,941 | 20,003 | 46,557 | 17,211 |
| Other operating | 15,496 | 4,927 | 16,163 | 4,103 |
| Management, leasing, and development services | 1,285 | | 2,026 | |
| General and administrative | 11,537 | | 12,236 | |
| Interest expense | 26,130 | 17,892 | 34,452 | 16,934 |
| Depreciation and amortization | 35,118 | 11,700 | 37,022 | 10,071 |
| Total expenses | 137,507 | 54,522 | 148,456 | 48,319 |
| Nonoperating income | 1,103 | 2 | 2,237 | 8 |
| | 38,374 | 22,705 | 37,038 | 19,240 |
| Income tax expense | (699) | | (1,028) | |
| Equity in income of Unconsolidated Joint Ventures | 12,068 | | 10,346 | |
| | 49,743 | | 46,356 | |
| Gain on dispositions, net of tax (2) | 476,414 | | | |
| Net income | 526,157 | | 46,356 | |
| Net income attributable to noncontrolling interests: | | | | |
| Noncontrolling share of income of consolidated joint ventures | (3,118) | | (2,781) | |
| Noncontrolling share of income of TRG | (147,662) | | (11,789) | |
| Distributions to participating securities of TRG | (468) | | (442) | |
| Preferred stock dividends | (5,784) | | (3,600) | |
| Net income attributable to Taubman Centers, Inc. common shareowners | 369,125 | | 27,744 | |
| SUPPLEMENTAL INFORMATION: | | | | |
| EBITDA - 100% | 586,242 | 52,297 | 108,512 | 46,245 |
| EBITDA - outside partners' share | (6,343) | (23,207) | (6,060) | (20,214) |
| Beneficial interest in EBITDA | 579,899 | 29,090 | 102,452 | 26,031 |
| Gain on dispositions | (486,620) | | | |
| Beneficial interest expense | (24,066) | (9,844) | (32,289) | (9,376) |
| Beneficial income tax expense - TRG and TCO | (699) | | (1,028) | |
| Beneficial income tax expense - TCO | 59 | | 33 | |
| Non-real estate depreciation | (812) | | (710) | |
| Preferred dividends and distributions | (5,784) | | (3,600) | |
| Funds from Operations contribution | 61,977 | 19,246 | 64,858 | 16,655 |
| STRAIGHTLINE AND PURCHASE ACCOUNTING ADJUSTMENTS: | | | | |
| Net straight-line adjustments to rental revenue, recoveries, | | | | |

| | | | | |
|---|-----|-----|-------|-----|
| and ground rent expense at TRG % | 421 | 146 | 1,023 | 103 |
| Green Hills purchase accounting adjustments - minimum rents increase | 192 | | 204 | |
| Green Hills, El Paseo Village, and Gardens on El Paseo purchase accounting adjustments - interest expense reduction | 306 | | 858 | |
| Waterside Shops purchase accounting adjustments - interest expense reduction | | 263 | | 263 |
| Taubman BHO headquarters purchase accounting adjustment - interest expense reduction | 61 | | | |

- (1) 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. International Plaza's operations were consolidated through the disposition date. Subsequent to the disposition, the Company's remaining 50.1% interest is accounted for under the equity method of accounting within Unconsolidated Joint Ventures. In addition, Arizona Mills' operations were accounted for under equity method accounting through the disposition in January 2014.
 - (2) During the three months ended March 31, 2014, the gain on dispositions of interests in International Plaza, Arizona Mills, and land in Syosset, New York related to the former Oyster Bay project is net of income tax expense of \$10.2 million recognized.
 - (3) For the three months ended March 31, 2014, EBITDA includes the Company's \$486.6 million (before tax) gain from the dispositions of interests in International Plaza, Arizona Mills, and land in Syosset, New York related to the former Oyster Bay project.
-

TAUBMAN CENTERS, INC.

Table 3 - Reconciliation of Net Income Attributable to Taubman Centers, Inc. Common Shareowners to Funds from Operations

For the Three Months Ended March 31, 2014 and 2013

(in thousands of dollars except as noted; may not add or recalculate due to rounding)

| | 2014 | | | 2013 | | |
|--|--|-------------------|--------------------|---------------|-------------------|--------------------|
| | Dollars | Shares /Units | Per Share /Unit | Dollars | Shares /Units | Per Share /Unit |
| | Net income attributable to TCO common shareowners - Basic | 369,125 | 63,165,611 | 5.84 | 27,744 | 63,415,922 |
| Add distribution of participating securities of TRG | 468 | 871,262 | | | | |
| Add impact of share-based compensation | 2,587 | 784,730 | | 152 | 1,154,890 | |
| Net income attributable to TCO common shareowners - Diluted | 372,180 | 64,821,603 | 5.74 | 27,896 | 64,570,812 | 0.43 |
| Add depreciation of TCO's additional basis | 1,720 | | 0.03 | 1,720 | | 0.03 |
| Add TCO's additional income tax expense | 59 | | 0.00 | 33 | | 0.00 |
| Net income attributable to TCO common shareowners, excluding step-up depreciation and additional income tax expense | 373,959 | 64,821,603 | 5.77 | 29,649 | 64,570,812 | 0.46 |
| Add: | | | | | | |
| Noncontrolling share of income of TRG | 147,662 | 25,147,231 | | 11,789 | 25,344,949 | |
| Distributions to participating securities of TRG | | | | 442 | 871,262 | |
| Net income attributable to partnership unitholders and participating securities | 521,621 | 89,968,834 | 5.80 | 41,880 | 90,787,023 | 0.46 |
| Add (less) depreciation and amortization: | | | | | | |
| Consolidated businesses at 100% | 35,118 | | 0.39 | 37,022 | | 0.41 |
| Depreciation of TCO's additional basis | (1,720) | | (0.02) | (1,720) | | (0.02) |
| Noncontrolling partners in consolidated joint ventures | (1,161) | | (0.01) | (1,116) | | (0.01) |
| Share of Unconsolidated Joint Ventures | 7,178 | | 0.08 | 6,309 | | 0.07 |
| Non-real estate depreciation | (812) | | (0.01) | (710) | | (0.01) |
| Less gain on dispositions, net of tax | (476,414) | | (5.30) | | | |
| Less impact of share-based compensation | (2,587) | | (0.03) | (152) | | (0.00) |
| Funds from Operations | 81,223 | 89,968,834 | 0.90 | 81,513 | 90,787,023 | 0.90 |
| TCO's average ownership percentage of TRG | 71.5% | | | 71.4% | | |
| Funds from Operations attributable to TCO, excluding additional income tax expense | 58,095 | | 0.90 | 58,238 | | 0.90 |
| Less TCO's additional income tax expense | (59) | | (0.00) | (33) | | (0.00) |
| Funds from Operations attributable to TCO | 58,036 | | 0.90 | 58,205 | | 0.90 |

TAUBMAN CENTERS, INC.**Table 4 - Reconciliation of Net Income to Beneficial Interest in EBITDA and Adjusted Beneficial Interest in EBITDA****For the Periods Ended March 31, 2014 and 2013**

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

| | Three Months Ended | |
|--|---------------------------|----------------|
| | 2014 | 2013 |
| Net income | 526,157 | 46,356 |
| Add (less) depreciation and amortization: | | |
| Consolidated businesses at 100% | 35,118 | 37,022 |
| Noncontrolling partners in consolidated joint ventures | (1,161) | (1,116) |
| Share of Unconsolidated Joint Ventures | 7,178 | 6,309 |
| Add (less) interest expense and income tax expense: | | |
| Interest expense: | | |
| Consolidated businesses at 100% | 26,130 | 34,452 |
| Noncontrolling partners in consolidated joint ventures | (2,064) | (2,163) |
| Share of Unconsolidated Joint Ventures | 9,844 | 9,376 |
| Share of income tax expense | | |
| Income tax expense on dispositions | 10,206 | |
| Other income tax | 699 | 1,028 |
| Less noncontrolling share of income of consolidated joint ventures | (3,118) | (2,781) |
| Beneficial Interest in EBITDA | 608,989 | 128,483 |
| TCO's average ownership percentage of TRG | 71.5% | 71.4% |
| Beneficial Interest in EBITDA attributable to TCO | 435,578 | 91,796 |
| Beneficial Interest in EBITDA | 608,989 | 128,483 |
| Gain on Disposition | (486,620) | |
| Adjusted Beneficial Interest in EBITDA | 122,369 | 128,483 |
| TCO's average ownership percentage of TRG | 71.5% | 71.4% |
| Adjusted Beneficial Interest in EBITDA attributable to TCO | 87,524 | 91,796 |

TAUBMAN CENTERS, INC.

Table 5 - Reconciliation of Net Income to Net Operating Income (NOI)

For the Years Ended March 31, 2014, 2013, and 2012

(in thousands of dollars)

| | Three Months Ended | | Three Months Ended | |
|---|------------------------|------------------------|------------------------|----------------------|
| | 2014 | 2013 | 2013 | 2012 |
| Net income | 526,157 | 46,356 | 46,356 | 32,177 |
| Add (less) depreciation and amortization: | | | | |
| Consolidated businesses at 100% | 35,118 | 37,022 | 37,022 | 36,434 |
| Noncontrolling partners in consolidated joint ventures | (1,161) | (1,116) | (1,116) | (2,424) |
| Share of Unconsolidated Joint Ventures | 7,178 | 6,309 | 6,309 | 5,111 |
| Add (less) interest expense and income tax expense: | | | | |
| Interest expense: | | | | |
| Consolidated businesses at 100% | 26,130 | 34,452 | 34,452 | 37,527 |
| Noncontrolling partners in consolidated joint ventures | (2,064) | (2,163) | (2,163) | (4,206) |
| Share of Unconsolidated Joint Ventures | 9,844 | 9,376 | 9,376 | 8,094 |
| Share of income tax expense: | | | | |
| Income tax expense on dispositions | 10,206 | | | |
| Other income tax | 699 | 1,028 | 1,028 | 211 |
| Less noncontrolling share of income of consolidated joint ventures | (3,118) | (2,781) | (2,781) | (1,834) |
| Add EBITDA attributable to outside partners: | | | | |
| EBITDA attributable to noncontrolling partners in consolidated joint ventures | 6,343 | 6,060 | 6,060 | 8,467 |
| EBITDA attributable to outside partners in Unconsolidated Joint Ventures | 23,207 | 20,214 | 20,214 | 20,481 |
| EBITDA at 100% | 638,539 | 154,757 | 154,757 | 140,038 |
| Add (less) items excluded from shopping center NOI: | | | | |
| General and administrative expenses | 11,537 | 12,236 | 12,236 | 8,407 |
| Management, leasing, and development services, net | (1,220) | (1,356) | (1,356) | (126) |
| Gain on dispositions | (486,620) | | | |
| Straight-line of rents | (1,044) | (1,456) | (1,456) | (649) |
| Gain on sale of peripheral land | | (863) | (863) | |
| Gain on sale of marketable securities | | (1,323) | (1,323) | |
| Dividend income | (224) | | | |
| Interest income | (127) | (59) | (59) | (132) |
| Other nonoperating income | (754) | | | |
| Non-center specific operating expenses and other | 3,748 | 3,592 | 3,851 | 6,896 |
| NOI - all centers at 100% | 163,835 | 165,528 | 165,787 | 154,434 |
| Less - NOI of non-comparable centers | (1,432) ⁽¹⁾ | (6,332) ⁽²⁾ | (3,126) ⁽³⁾ | (349) ⁽³⁾ |
| NOI at 100% - comparable centers | 162,403 | 159,196 | 162,661 | 154,085 |
| NOI - growth % | 2.0% | | 5.6% | |

| | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| NOI at 100% - comparable centers | 162,403 | 159,196 | 162,661 | 154,085 |
| Lease cancellation income | <u>(1,958)</u> | <u>(1,836)</u> | <u>(1,836)</u> | <u>(989)</u> |
| NOI at 100% - comparable centers excluding lease cancellation income | <u>160,445</u> | <u>157,360</u> | <u>160,825</u> | <u>153,096</u> |
| NOI excluding lease cancellation income - growth % | 2.0% | | 5.0% | |

(1) Includes Taubman Prestige Outlets Chesterfield and Arizona Mills for the approximately one-month period prior to its disposition.

(2) Includes Arizona Mills.

(3) Includes City Creek Center.

TAUBMAN CENTERS, INC.

Table 6 - Balance Sheets

As of March 31, 2014 and December 31, 2013

(in thousands of dollars)

| | As of | |
|--|----------------|-------------------|
| | March 31, 2014 | December 31, 2013 |
| Consolidated Balance Sheet of Taubman Centers, Inc. (1) : | | |
| Assets: | | |
| Properties | 4,191,823 | 4,485,090 |
| Accumulated depreciation and amortization | (1,420,745) | (1,516,982) |
| | 2,771,078 | 2,968,108 |
| Investment in Unconsolidated Joint Ventures | 326,905 | 327,692 |
| Cash and cash equivalents | 178,138 | 40,993 |
| Restricted cash | 48,083 | 5,046 |
| Accounts and notes receivable, net | 57,064 | 73,193 |
| Accounts receivable from related parties | 2,967 | 1,804 |
| Deferred charges and other assets | 161,865 | 89,386 |
| | 3,546,100 | 3,506,222 |
| Liabilities: | | |
| Notes Payable | 2,580,033 | 3,058,053 |
| Accounts payable and accrued liabilities | 283,718 | 292,280 |
| Distributions in excess of investments in and net income of Unconsolidated Joint Ventures | 408,602 | 371,549 |
| | 3,272,353 | 3,721,882 |
| Equity: | | |
| Taubman Centers, Inc. Shareowners' Equity: | | |
| Series B Non-Participating Convertible Preferred Stock | 25 | 25 |
| Series J Cumulative Redeemable Preferred Stock | | |
| Series K Cumulative Redeemable Preferred Stock | | |
| Common stock | 633 | 631 |
| Additional paid-in capital | 798,705 | 796,787 |
| Accumulated other comprehensive income (loss) | (12,719) | (8,914) |
| Dividends in excess of net income | (573,755) | (908,656) |
| | 212,889 | (120,127) |
| Noncontrolling interests: | | |
| Noncontrolling interests in consolidated joint ventures | (13,424) | (37,191) |
| Noncontrolling interests in partnership equity of TRG | 74,282 | (58,342) |
| | 60,858 | (95,533) |
| | 273,747 | (215,660) |
| | 3,546,100 | 3,506,222 |

Combined Balance Sheet of Unconsolidated Joint Ventures (1)(2):

| | | |
|---|-----------|-----------|
| Assets: | | |
| Properties | 1,435,623 | 1,305,658 |
| Accumulated depreciation and amortization | (525,829) | (478,820) |
| | 909,794 | 826,838 |
| Cash and cash equivalents | 17,297 | 28,782 |
| Accounts and notes receivable, net | 33,770 | 33,626 |
| | 22,100 | 28,005 |

| | | |
|--|-----------|-----------|
| | 992,963 | 917,341 |
| Liabilities: | | |
| Notes payable | 1,732,021 | 1,551,161 |
| Accounts payable and other liabilities | 65,022 | 70,226 |
| | 1,797,043 | 1,621,387 |
| Accumulated Deficiency in Assets: | | |
| Accumulated deficiency in assets - TRG | (455,581) | (406,266) |
| Accumulated deficiency in assets - Joint Venture Partners | (337,109) | (285,904) |
| Accumulated other comprehensive income (loss) - TRG | (5,695) | (5,938) |
| Accumulated other comprehensive income (loss) - Joint Venture Partners | (5,695) | (5,938) |
| | (804,080) | (704,046) |
| | 992,963 | 917,341 |

(1) International Plaza was consolidated in the Company's balance sheet as of December 31, 2013 but is an Unconsolidated Joint Venture as of March 31, 2014 as a result of the disposition.

(2) Unconsolidated Joint Venture amounts exclude the balances of entities that own interests in Asia projects that are currently under development.

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

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

| | Range for Year Ended December 31, 2014 | |
|---|---|-------------|
| Funds from Operations per common share | 3.72 | 3.82 |
| Gain on dispositions, net of tax | 5.30 | 5.30 |
| Real estate depreciation - TRG | (1.77) | (1.72) |
| Distributions on participating securities of TRG | (0.02) | (0.02) |
| Depreciation of TCO's additional basis in TRG | (0.11) | (0.11) |
| Net income attributable to common shareowners, per common share (EPS) | <u>7.12</u> | <u>7.27</u> |