SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED JUNE 30, 1999 COMMISSION FILE NO. 1-12504

THE MACERICH COMPANY

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| MARYLAND | 95-4448705 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

401 Wilshire Boulevard, Suite 700, Santa Monica, CA 90401

(Address of principal executive office)(Zip code)

Registrant's telephone number, including area code (310) 394-6000

N/A

(Former name, former address and former fiscal year,
if changed since last report)

Number of shares outstanding of each of the registrant's classes of common stock, as of August 9, 1999.

Common stock, par value $.01 per share: 34,031,501 shares

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 twelve (12) months (or such shorter period that the Registrant was required to file such report) and (2) has been subject to such filing requirements for the past ninety (90) days.

YES X NO

THE MACERICH COMPANY (The Company)

Form 10-Q

INDEX

THE MACERICH COMPANY (The Company)

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

| | June 30, 1999 | December 31, 1998 |
|---|---|---|
| **ASSETS:** | | |
| Property, net | $1,973,543 | $1,966,845 |
| Cash and cash equivalents | 24,610 | 25,143 |
| Tenant receivables, net, including accrued overage rents of $4,692 in 1999 and $5,917 in 1998 | 33,335 | 37,373 |
| Due from affiliates | 78,322 | - |
| Deferred charges and other assets, net | 56,470 | 62,673 |
| Investments in joint ventures and the Management Companies | 300,390 | 230,022 |
| Total assets | $2,466,670 | $2,322,056 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY:** | | |
| Mortgage notes payable: | | |
| Related parties | $134,250 | $134,625 |
| Others | 1,146,509 | 1,074,093 |
| Total | 1,280,759 | 1,208,718 |
| Bank and other notes payable | 251,087 | 137,000 |
| Convertible debentures | 161,400 | 161,400 |
| Accounts payable and accrued expenses | 17,480 | 27,701 |
| Due to affiliates | - | 2,953 |
| Other accrued liabilities | 28,123 | 36,927 |
| Preferred stock dividend payable | 4,420 | 4,420 |
| Total liabilities | 1,743,269 | 1,579,119 |
| Minority interest in Operating Partnership | 160,618 | 165,524 |
| Commitments and contingencies (Note 9) | | |
| Stockholders' equity: | | |
| Series A cumulative convertible redeemable preferred stock, $.01 par value, 3,627,131 shares authorized, issued and outstanding at June 30, 1999 and December 31, 1998 | 36 | 36 |
| Series B cumulative convertible redeemable preferred stock, $.01 par value, 5,487,471 shares authorized, issued and outstanding at June 30, 1999 and December 31, 1998 | 55 | 55 |
| Common stock, $.01 par value, 100,000,000 shares authorized, 34,007,000 and 33,901,963 shares issued and outstanding at June 30, 1999 and December 31, 1998, respectively | 340 | 338 |
| Additional paid in capital | 570,782 | 581,508 |
| Accumulated earnings | - | - |
| Unamortized restricted stock | (8,430) | (4,524) |
| Total stockholders' equity | 562,783 | 577,413 |
| Total liabilities and stockholders' equity | $2,466,670 | $2,322,056 |

The accompanying notes are an integral part of these financial statements.

THE MACERICH COMPANY (The Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(Unaudited)

| | Six Months Ended June 30, 1999 | Six Months Ended June 30, 1998 |
|---|---|---|
| REVENUES: | | |
| Minimum rents | $101,905 | $79,629 |
| Percentage rents | 7,148 | 4,250 |
| Tenant recoveries | 47,276 | 36,822 |
| Other | 3,195 | 1,881 |
| Total revenues | 159,524 | 122,582 |
| EXPENSES: | | |
| Shopping center expenses | 47,221 | 38,001 |
| General and administrative expense | 2,843 | 2,177 |
| Interest expense: | | |
| Related parties | 5,053 | 5,083 |
| Others | 50,302 | 36,129 |
| Depreciation and amortization | 30,539 | 23,607 |
| Total expenses | 135,958 | 104,997 |
| Equity in income of unconsolidated joint ventures and the Management Companies | 10,634 | 5,582 |
| Gain on sale of assets | - | 9 |
| Income before extraordinary item and minority interest | 34,200 | 23,176 |
| Extraordinary loss on early extinguishment of debt | (988) | (90) |
| Income of the Operating Partnership | 33,212 | 23,086 |
| Less minority interest in net income of the Operating Partnership | 6,488 | 6,190 |
| Net income | 26,724 | 16,896 |
| Less preferred dividends | 8,841 | 2,706 |
| Net income - available to common stockholders | $17,883 | $14,190 |
| Earnings per common share - basic: | | |
| Income before extraordinary item | $0.56 | $0.49 |
| Extraordinary item | (0.03) | 0.00 |
| Net income per share - available to common stockholders | $0.53 | $0.49 |
| Weighted average number of common shares outstanding - basic | 33,971,000 | 28,975,000 |
| Weighted average number of common shares outstanding - basic, assuming full conversion of Operating Partnership units outstanding | 46,286,000 | 41,063,000 |
| Earnings per common share - diluted: | | |
| Income before extraordinary item | $0.55 | $0.49 |
| Extraordinary item | (0.02) | 0.00 |
| Net income per share - available to common stockholders | $0.53 | $0.49 |
| Weighted average number of common shares outstanding - diluted for EPS | 46,721,000 | 41,682,000 |

The accompanying notes are an integral part of these financial statements.

THE MACERICH COMPANY (The Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(Unaudited)

| | Three Months Ended June 30, 1999 | Three Months Ended June 30, 1998 |
|---|---|---|
| REVENUES: | | |
| Minimum rents | $51,313 | $40,213 |
| Percentage rents | 3,206 | 1,080 |
| Tenant recoveries | 24,178 | 19,181 |
| Other | 1,978 | 933 |
| Total revenues | 80,675 | 61,407 |
| EXPENSES: | | |
| Shopping center expenses | 23,955 | 19,279 |
| General and administrative expense | 1,439 | 1,153 |
| Interest expense: | | |
| Related parties | 2,540 | 2,556 |
| Others | 26,062 | 18,080 |
| Depreciation and amortization | 15,285 | 11,894 |
| Total expenses | 69,281 | 52,962 |
| Equity in income of unconsolidated joint ventures and the Management Companies | 5,286 | 4,152 |
| Gain on sale of assets | - | 9 |
| Income before extraordinary item and minority interest | 16,680 | 12,606 |
| Extraordinary loss on early extinguishment of debt | (15) | - |
| Income of the Operating Partnership | 16,665 | 12,606 |
| Less minority interest in net income of the Operating Partnership | 3,258 | 3,182 |
| Net income | 13,407 | 9,424 |
| Less preferred dividends | 4,421 | 2,057 |
| Net income - available to common stockholders | $8,986 | $7,367 |
| Earnings per common share - basic: | | |
| Income before extraordinary item | $0.26 | $0.24 |
| Extraordinary item | 0.00 | 0.00 |
| Net income per share - available to common stockholders | $0.26 | $0.24 |
| Weighted average number of common shares outstanding - basic | 33,980,000 | 30,765,000 |
| Weighted average number of common shares outstanding - basic, assuming full conversion of Operating Partnership units outstanding | 46,291,000 | 42,853,000 |
| Earnings per common share - diluted: | | |
| Income before extraordinary item | $0.26 | $0.24 |
| Extraordinary item | 0.00 | 0.00 |
| Net income per share - available to common stockholders | $0.26 | $0.24 |
| Weighted average number of common shares outstanding - diluted for EPS | 46,842,000 | 43,425,000 |

The accompanying notes are an integral part of these financial statements.

THE MACERICH COMPANY (The Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

| | January 1 to June 30, 1999 | January 1 to June 30, 1998 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income - available to common stockholders | $17,883 | $14,190 |
| Preferred dividends | 8,841 | 2,706 |
| Net income | 26,724 | 16,896 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Extraordinary loss on early extinguishment of debt | 988 | 90 |
| Gain on sale of assets | - | (9) |
| Depreciation and amortization | 30,539 | 23,607 |
| Amortization of net discount (premium) on trust deed note payable | 174 | (34) |
| Minority interest in net income of the Operating Partnership | 6,488 | 6,190 |
| Changes in assets and liabilities: | | |
| Tenant receivables, net | 4,038 | (271) |
| Other assets | 8,976 | 5,611 |
| Accounts payable and accrued expenses | (10,222) | (3,307) |
| Preferred stock dividend payable | - | 2,057 |
| Other liabilities | (8,804) | 397 |
| Total adjustments | 32,177 | 34,331 |
| Net cash provided by operating activities | 58,901 | 51,227 |
| Cash flows from investing activities: | | |
| Acquisitions of property and improvements | (4,226) | (88,840) |
| Renovations and expansions of centers | (26,078) | (14,103) |
| Additions to tenant improvements | (2,762) | (1,947) |
| Deferred charges | (7,932) | (6,359) |
| Equity in income of unconsolidated joint ventures and the Management Companies | (10,634) | (5,582) |
| Distributions from joint ventures | 10,390 | 2,586 |
| Contributions to joint ventures | (70,124) | (268,938) |
| Loans to affiliates, net | (81,275) | (10,675) |
| Net cash used in investing activities | (192,641) | (393,858) |
| Cash flows from financing activities: | | |
| Proceeds from mortgages and notes payable | 324,888 | 249,000 |
| Payments on mortgages and notes payable | (138,934) | (213,251) |
| Net proceeds from equity offerings | - | 417,022 |
| Dividends and distributions to partners | (43,906) | (36,222) |
| Dividends to preferred stockholders | (8,841) | (2,706) |
| Net cash provided by financing activities | 133,207 | 413,843 |
| Net (decrease) increase in cash | (533) | 71,212 |
| Cash and cash equivalents, beginning of period | 25,143 | 25,154 |
| Cash and cash equivalents, end of period | $24,610 | $96,366 |
| Supplemental cash flow information: | | |
| Cash payment for interest, net of amounts capitalized | $54,380 | $40,969 |
| Non-cash transactions: | | |
| Acquisition of property by assumption of debt | - | $30,116 |

The accompanying notes are an integral part of these financial statements.

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

1. Interim Financial Statements and Basis of Presentation:

The accompanying consolidated financial statements of The Macerich Company (the "Company") have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements and have not been audited by independent public accountants.

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The results for interim periods are not necessarily indicative of the results to be expected for a full year. The accompanying consolidated balance sheet as of December 31, 1998 has been derived from the audited financial statements, but does not include all disclosure required by GAAP.

Certain reclassifications have been made in the 1998 financial statements to conform to the 1999 financial statement presentation.

In March 1998, the Financial Accounting Standards Board ("FASB"), through its Emerging Issues Task Force ("EITF"), concluded based on EITF 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," that all internal costs to source, analyze and close acquisitions should be expensed as incurred. The Company had historically capitalized these costs in accordance with GAAP. The Company adopted the FASB's interpretation effective March 19, 1998.

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which will be effective for the Company's consolidated financial statements for periods beginning January 1, 2000. The new standard requires companies to record derivatives on the balance sheet, measured at fair value. Changes in the fair value of those derivatives will be accounted for based on the use of the derivative and whether it qualifies for hedge accounting. The key criteria for use of hedge accounting is whether the hedging relationship is highly effective in achieving offsetting changes in fair value or cash flows. The Company has not yet determined when it will implement SFAS 133 nor has it completed the complex analysis required to determine the impact of SFAS 133 on its consolidated financial statements.

In June 1999, the FASB issued SFAS 137, "Accounting for Derivative Instruments and Hedging Activities - - Deferral of the Effective Date of FASB Statement No. 133," which delays the implementation of SFAS 133 for the Company's consolidated financial statements to January 1, 2001.

Earnings Per Share ("EPS")

During 1998, the Company implemented SFAS No. 128, "Earnings per Share." The computation of basic earnings per share is based on net income and the weighted average number of common shares outstanding for the six and three months ending June 30, 1999 and 1998. The computation of diluted earnings per share includes the effect of outstanding restricted stock and common stock options calculated using the treasury stock method. The convertible debentures and convertible preferred stock were not included in the calculation since the effect of their inclusion would be anti-dilutive. The Operating Partnership units ("OP units") not held by the Company have been included in the diluted EPS calculation since they are redeemable on a one-for-one basis for common stock. The following table reconciles the basic and diluted earnings per share calculation:

| | For the Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 1999 | | | 1998 | | |
| | Net Income | Shares | Per Share | Net Income | Shares | Per Share |
| | (In thousands, except per share data) | | | | | |
| Net income | $26,724 | | | $16,896 | | |
| Less: Preferred stock dividends | 8,841 | | | 2,706 | | |
| Basic EPS: | | | | | | |
| Net income - available to common stockholders | 17,883 | 33,971 | $0.53 | 14,190 | 28,975 | $0.49 |
| Diluted EPS: | | | | | | |
| Effect of dilutive securities: | | | | | | |
| Conversion of OP units | 6,488 | 12,315 | | 6,190 | 12,088 | |
| Employee stock options and restricted stock | 611 | 435 | | 256 | 619 | |
| Convertible preferred stock | n/a - antidilutive for EPS | | | n/a - antidilutive for EPS | | |
| Convertible debentures | n/a - antidilutive for EPS | | | n/a - antidilutive for EPS | | |
| Net income - available to common stockholders | $24,982 | 46,721 | $0.53 | $20,636 | 41,682 | $0.49 |

| | For the Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 1999 | | | 1998 | | |
| | Net Income | Shares | Per Share | Net Income | Shares | Per Share |
| | (In thousands, except per share data) | | | | | |
| Net income | $13,407 | | | $9,424 | | |
| Less: Preferred stock dividends | 4,421 | | | 2,057 | | |
| Basic EPS: | | | | | | |
| Net income - available to common stockholders | 8,986 | 33,980 | $0.26 | 7,367 | 30,765 | $0.24 |
| Diluted EPS: | | | | | | |
| Effect of dilutive securities: | | | | | | |
| Conversion of OP units | 3,258 | 12,311 | | 3,182 | 12,088 | |
| Employee stock options and restricted stock | 368 | 551 | | - | 572 | |
| Convertible preferred stock | n/a - antidilutive for EPS | | | n/a - antidilutive for EPS | | |
| Convertible debentures | n/a - antidilutive for EPS | | | n/a - antidilutive for EPS | | |
| Net income - available to common stockholders | $12,612 | 46,842 | $0.26 | $10,549 | 43,425 | $0.24 |

(Dollars in thousands)

2. Organization:

The Macerich Company (the "Company") is involved in the acquisition, ownership, redevelopment, management and leasing of regional and community shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, The Macerich Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"). The Operating Partnership owns or has an ownership interest in 47 regional shopping centers and seven community shopping centers aggregating approximately 41 million square feet of gross leasable area. These 54 regional and community shopping centers are referred to hereinafter as the "Centers", unless the context otherwise requires. The Company is a self-administered and self-managed real estate investment trust ("REIT") and conducts all of its operations through the Operating Partnership and the Company's three management companies, Macerich Property Management Company, a California corporation, Macerich Manhattan Management Company, a California corporation, and Macerich Management Company, a California corporation (collectively, the "Management Companies").

The Company was organized to qualify as a REIT under the Internal Revenue Code of 1986, as amended. The 22% limited partnership interest of the Operating Partnership not owned by the Company is reflected in these financial statements as minority interest.

3. Investments in Unconsolidated Joint Ventures and the Management Companies:

The following are the Company's investments in various real estate joint ventures which own regional retail and community shopping centers. The Operating Partnership's interest in each joint venture as of June 30, 1999 is as follows:

| Joint Venture | The Operating Partnership's Ownership % |
|---|---|
| Macerich Northwestern Associates | 50% |
| Manhattan Village, LLC | 10% |
| Pacific Premier Retail Trust | 51% |
| Panorama City Associates | 50% |
| SDG Macerich Properties, L.P. | 50% |
| West Acres Development | 19% |

The Operating Partnership also owns the non-voting preferred stock of Macerich Management Company and Macerich Property Management Company and is entitled to receive 95% of the distributable cash flow of these two entities. Macerich Manhattan Management Company is a 100% subsidiary of Macerich Management Company.

The following are the Management Companies' ownership interests in entities which own regional retail and community shopping centers as of June 30, 1999:

| Entity | Management Companies' Ownership % |
|---|---|
| Macerich Cerritos, LLC | 100% |
| PPR Albany Plaza, LLC | 51% |
| PPR Eastland Plaza, LLC | 51% |

3. Investments in Unconsolidated Joint Ventures and the Management Companies, Continued:

The Company accounts for the Management Companies and joint ventures using the equity method of accounting.

On February 27, 1998, the Company, through SDG Macerich Properties, L.P., a 50/50 joint venture with an affiliate of Simon Property Group, Inc., acquired a portfolio of twelve regional malls. The properties in the portfolio comprise 10.7 million square feet and are located in eight states. The total purchase price was $974,500, which included $485,000 of assumed debt, at market value. The Company's share of the cash component of the purchase price was funded by issuing $100,000 of Series A cumulative convertible preferred stock ("Series A Preferred Stock"), $80,000 of common stock and borrowing the balance from the Company's line of credit. Each of the joint venture partners have assumed leasing and management responsibilities for six of the regional malls.

On February 18, 1999, the Company, through a 51/49 joint venture with Ontario Teachers' Pension Plan Board closed on the first phase of a two phase acquisition of a portfolio of properties. The phase one closing included the acquisition of three regional malls, the retail component of a mixed-use development, five contiguous properties and two non-contiguous community shopping centers comprising approximately 3.6 million square feet for a total purchase price of approximately $427,000. The purchase price was funded with a $120,000 loan placed concurrently with the closing, $140,400 of debt from an affiliate of the seller, and $39,400 of assumed debt. The balance of the purchase price was paid in cash. The Company's share of the cash component was funded with the proceeds from two refinancings of Centers and borrowings under the Company's line of credit. On July 12, 1999, the Company closed on the second phase of the acquisition. The second phase consisted of the acquisition of the office component of the mixed-use development for a purchase price of approximately $111,000. The purchase price was funded with a $76,700 loan placed concurrently with the closing and the balance was paid in cash. The Company's share of the cash component was funded from borrowings under the Company's line of credit.

On June 2, 1999, Macerich Cerritos, LLC, a wholly-owned subsidiary of Macerich Management Company, acquired Los Cerritos Center in Cerritos, California. The total purchase price was $188,000, which was funded with $120,000 of debt placed concurrently with the closing and a $70,800 loan from the Company. The Company funded this loan from borrowings under a $60,000 bank loan agreement and the balance from the Company's line of credit.

The results of these joint ventures and the Management Companies are included for the period subsequent to their respective dates of acquisition.

Combined and condensed balance sheets and statements of operations are presented below for all unconsolidated joint ventures and the Management Companies, followed by information regarding the Operating Partnership's beneficial interest in the combined operations. Beneficial interest is calculated based on the Operating Partnership's ownership interests in the joint ventures and the Management Companies.

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

3. Investments in Unconsolidated Joint Ventures and the Management Companies, Continued:

COMBINED AND CONDENSED BALANCE SHEETS OF JOINT VENTURES
AND THE MANAGEMENT COMPANIES

| | June 30, 1999 | December 31, 1998 |
|---|---|---|
| Assets: | | |
| Properties, net | $1,741,131 | $1,141,984 |
| Other assets | 51,056 | 38,103 |
| Total assets | $1,792,187 | $1,180,087 |
| Liabilities and partners' capital: | | |
| Mortgage notes payable | $1,008,315 | $618,384 |
| Notes to affiliates | 76,937 | - |
| Other liabilities | 46,931 | 42,048 |
| The Company's capital | 300,390 | 230,022 |
| Outside partners' capital | 359,614 | 289,633 |
| Total liabilities and partners' capital | $1,792,187 | $1,180,087 |

THE MACERICH COMPANY (The Company)

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

3. Investments in Unconsolidated Joint Ventures and the Management Companies - Continued:

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MANAGEMENT COMPANIES

| | Six Months Ended June 30, 1999 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimum rents | $42,548 | $13,581 | $12,563 | $1,399 | $70,091 |
| Percentage rents | 3,554 | 931 | 951 | 12 | 5,448 |
| Tenant recoveries | 19,612 | 4,279 | 5,665 | 341 | 29,897 |
| Management fee | - | - | - | 4,098 | 4,098 |
| Other | 931 | 167 | 576 | 215 | 1,889 |
| Total revenues | 66,645 | 18,958 | 19,755 | 6,065 | 111,423 |
| Expenses: | | | | | |
| Shopping center expenses | 24,288 | 5,507 | 6,390 | 373 | 36,558 |
| Interest expense | 15,189 | 6,399 | 3,794 | 1,019 | 26,401 |
| Management company expense | - | - | - | 5,718 | 5,718 |
| Depreciation and amortization | 10,566 | 3,525 | 2,141 | 698 | 16,930 |
| Total operating expenses | 50,043 | 15,431 | 12,325 | 7,808 | 85,607 |
| Gain on sale of assets | 5 | - | 983 | 300 | 1,288 |
| Net income (loss) | $16,607 | $3,527 | $8,413 | ($1,443) | $27,104 |

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MANAGEMENT COMPANIES

| | Six Months Ended June 30, 1998 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimum rents | $27,887 | - | $12,471 | - | $40,358 |
| Percentage rent | 1,507 | - | 559 | - | 2,066 |
| Tenant recoveries | 11,538 | - | 5,439 | - | 16,977 |
| Management fee | - | - | - | $2,944 | 2,944 |
| Other | 821 | - | 436 | 174 | 1,431 |
| Total revenues | 41,753 | - | 18,905 | 3,118 | 63,776 |
| Expenses: | | | | | |
| Shopping center expenses | 14,563 | - | 6,426 | - | 20,989 |
| Interest expense | 10,323 | - | 3,163 | (191) | 13,295 |
| Management company expense | - | - | - | 4,114 | 4,114 |
| Depreciation and amortization | 6,866 | - | 2,057 | 312 | 9,235 |
| Total operating expenses | 31,752 | - | 11,646 | 4,235 | 47,633 |
| Gain (loss) on sale of assets | - | - | 126 | (197) | (71) |
| Net income (loss) | $10,001 | - | $7,385 | ($1,314) | $16,072 |

THE MACERICH COMPANY (The Company)

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

3. Investments in Unconsolidated Joint Ventures and the Management Companies - Continued:

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES AND THE MANAGEMENT COMPANIES

| | Three Months Ended June 30, 1999 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimum rents | $21,422 | $9,317 | $6,274 | $1,399 | $38,412 |
| Percentage rents | 1,684 | 616 | 391 | 12 | 2,703 |
| Tenant recoveries | 9,586 | 3,068 | 2,899 | 341 | 15,894 |
| Management fee | - | - | - | 2,089 | 2,089 |
| Other | 362 | 91 | 282 | 61 | 796 |
| Total revenues | 33,054 | 13,092 | 9,846 | 3,902 | 59,894 |
| Expenses: | | | | | |
| Shopping center expenses | 12,155 | 3,963 | 3,269 | 373 | 19,760 |
| Interest expense | 7,562 | 4,324 | 1,888 | 1,124 | 14,898 |
| Management company expense | - | - | - | 2,974 | 2,974 |
| Depreciation and amortization | 5,388 | 2,533 | 1,075 | 614 | 9,610 |
| Total operating expenses | 25,105 | 10,820 | 6,232 | 5,085 | 47,242 |
| Gain on sale of assets | 2 | - | 983 | 288 | 1,273 |
| Net income (loss) | $7,951 | $2,272 | $4,597 | ($895) | $13,925 |

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

3. Investments in Unconsolidated Joint Ventures and the Management Companies - Continued:

COMBINED STATEMENTS OF OPERATIONS OF JOINT VENTURES
AND THE MANAGEMENT COMPANIES

| | Three Months Ended June 30, 1998 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimum rents | $20,987 | - | $6,222 | - | $27,209 |
| Percentage rents | 954 | - | 364 | - | 1,318 |
| Tenant recoveries | 9,357 | - | 2,596 | - | 11,953 |
| Management fee | - | - | - | $1,661 | 1,661 |
| Other | 512 | - | 229 | 134 | 875 |
| Total revenues | 31,810 | - | 9,411 | 1,795 | 43,016 |
| Expenses: | | | | | |
| Shopping center expenses | 11,706 | - | 3,142 | - | 14,848 |
| Interest expense | 7,576 | - | 1,597 | (112) | 9,061 |
| Management company expense | - | - | - | 2,446 | 2,446 |
| Depreciation and amortization | 5,109 | - | 1,009 | 164 | 6,282 |
| Total operating expenses | 24,391 | - | 5,748 | 2,498 | 32,637 |
| Gain on sale of assets | - | - | 127 | 191 | 318 |
| Net income (loss) | $7,419 | - | $3,790 | ($512) | $10,697 |

Significant accounting policies used by the unconsolidated joint ventures and the Management Companies are similar to those used by the Company.

Included in mortgage notes payable are amounts due to affiliates of Northwestern Mutual Life ("NML") of $73,999 and $74,612 for the periods ended June 30, 1999 and December 31, 1998, respectively. NML is considered a related party because it is a joint venture partner with the Company in Macerich Northwestern Associates. Interest expense incurred on these borrowings amounted to $2,465 and $1,483 for the six months ended June 30, 1999 and 1998, respectively; and $1,234 and $749 for the three months ended June 30, 1999 and 1998, respectively.

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

3. Investments in Unconsolidated Joint Ventures and the Management Companies - Continued:

PRO RATA SHARE OF COMBINED AND CONDENSED STATEMENTS OF OPERATIONS OF JOINT VENTURES AND THE MANAGEMENT COMPANIES

The following tables set forth the Operating Partnership's beneficial interest in the joint ventures and the Management Companies:

| | Six Months Ended June 30, 1999 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimun rents | $21,274 | $6,926 | $3,860 | $1,329 | $33,389 |
| Percentage rents | 1,777 | 475 | 300 | 11 | 2,563 |
| Tenant recoveries | 9,806 | 2,182 | 1,591 | 324 | 13,903 |
| Management fee | - | - | - | 3,893 | 3,893 |
| Other | 466 | 85 | 117 | 204 | 872 |
| Total revenues | 33,323 | 9,668 | 5,868 | 5,761 | 54,620 |
| Expenses: | | | | | |
| Shopping center expenses | 12,144 | 2,808 | 1,948 | 354 | 17,254 |
| Interest expense | 7,594 | 3,263 | 1,485 | 968 | 13,310 |
| Management company expense | - | - | - | 5,431 | 5,431 |
| Depreciation and amortization | 5,283 | 1,798 | 722 | 662 | 8,465 |
| Total operating expenses | 25,021 | 7,869 | 4,155 | 7,415 | 44,460 |
| Gain on sale of assets | 2 | - | 188 | 284 | 474 |
| Net income (loss) | $8,304 | $1,799 | $1,901 | ($1,370) | $10,634 |

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

3. Investments in Unconsolidated Joint Ventures and the Management Companies - Continued:

PRO RATA SHARE OF COMBINED AND CONDENSED STATEMENTS OF OPERATIONS OF JOINT VENTURES AND THE MANAGEMENT COMPANIES CONTINUED:

The following tables set forth the Operating Partnership's beneficial interest in the joint ventures and the Management Companies:

| | Six Months Ended June 30, 1998 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimun rents | $13,943 | - | $3,806 | - | $17,749 |
| Percentage rents | 753 | - | 178 | - | 931 |
| Tenant recoveries | 5,769 | - | 1,463 | - | 7,232 |
| Management fee | - | - | - | $2,796 | 2,796 |
| Other | 411 | - | 97 | 166 | 674 |
| Total revenues | 20,876 | - | 5,544 | 2,962 | 29,382 |
| Expenses: | | | | | |
| Shopping center expenses | 7,281 | - | 1,977 | - | 9,258 |
| Interest expense | 5,162 | - | 1,060 | (181) | 6,041 |
| Management company expense | - | - | - | 3,910 | 3,910 |
| Depreciation and amortization | 3,433 | - | 699 | 295 | 4,427 |
| Total operating expenses | 15,876 | - | 3,736 | 4,024 | 23,636 |
| Gain (loss) on sale of assets | - | - | 24 | (188) | (164) |
| Net income (loss) | $5,000 | - | $1,832 | ($1,250) | $5,582 |

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

3. Investments in Unconsolidated Joint Ventures and the Management Companies - Continued:

PRO RATA SHARE OF COMBINED AND CONDENSED STATEMENTS OF OPERATIONS OF JOINT VENTURES AND THE MANAGEMENT COMPANIES CONTINUED:

The following tables set forth the Operating Partnership's beneficial interest in the joint ventures and the Management Companies:

| | Three Months Ended June 30, 1999 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimum rents | $10,712 | $4,751 | $1,915 | $1,329 | $18,707 |
| Percentage rents | 842 | 314 | 102 | 11 | 1,269 |
| Tenant recoveries | 4,793 | 1,564 | 829 | 324 | 7,510 |
| Management fee | - | - | - | 1,985 | 1,985 |
| Other | 180 | 47 | 57 | 57 | 341 |
| Total revenues | 16,527 | 6,676 | 2,903 | 3,706 | 29,812 |
| Expenses: | | | | | |
| Shopping center expenses | 6,077 | 2,021 | 984 | 354 | 9,436 |
| Interest expense | 3,780 | 2,205 | 742 | 1,068 | 7,795 |
| Management company expense | - | - | - | 2,825 | 2,825 |
| Depreciation and amortization | 2,694 | 1,292 | 364 | 583 | 4,933 |
| Total operating expenses | 12,551 | 5,518 | 2,090 | 4,830 | 24,989 |
| Gain on sale of assets | 1 | - | 188 | 274 | 463 |
| Net income (loss) | $3,977 | $1,158 | $1,001 | ($850) | $5,286 |

| | Three Months Ended June 30, 1998 | | | | |
|---|---|---|---|---|---|
| | SDG Macerich Properties, L.P. | Pacific Premier Retail Trust | Other Joint Ventures | Mgmt Companies | Total |
| Revenues: | | | | | |
| Minimun rents | $10,493 | - | $1,896 | - | $12,389 |
| Percentage rents | 477 | - | 97 | - | 574 |
| Tenant recoveries | 4,678 | - | 711 | - | 5,389 |
| Management fee | - | - | - | $1,578 | 1,578 |
| Other | 256 | - | 48 | 127 | 431 |
| Total revenues | 15,904 | - | 2,752 | 1,705 | 20,361 |
| Expenses: | | | | | |
| Shopping center expenses | 5,853 | - | 959 | - | 6,812 |
| Interest expense | 3,788 | - | 535 | (103) | 4,220 |
| Management company expense | - | - | - | 2,325 | 2,325 |
| Depreciation and amortization | 2,555 | - | 347 | 155 | 3,057 |
| Total operating expenses | 12,196 | - | 1,841 | 2,377 | 16,414 |
| Gain on sale of assets | - | - | 24 | 181 | 205 |
| Net income (loss) | $3,708 | - | $935 | ($491) | $4,152 |

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

4. Property:

Property is comprised of the following at:

| | June 30, 1999 | December 31, 1998 |
|---|---|---|
| Land | $428,099 | $422,592 |
| Building improvements | 1,687,217 | 1,684,188 |
| Tenant improvements | 50,843 | 47,808 |
| Equipment & furnishings | 9,645 | 9,097 |
| Construction in progress | 70,388 | 49,440 |
| | 2,246,192 | 2,213,125 |
| Less, accumulated depreciation | (272,649) | (246,280) |
| | $1,973,543 | $1,966,845 |

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

5. Mortgage Notes Payable:

Mortgage notes payable at June 30, 1999 and December 31, 1998 consist of the following:

| | Carrying Amount of Notes | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1999 | | 1998 | | | | |
| Property Pledged As Collateral | Other | Related Party | Other | Related Party | Interest Rate | Payment Terms | Maturity Date |
| Wholly Owned Centers: | | | | | | | |
| Capitola Mall | ---- | $37,163 | ---- | $37,345 | 9.25% | 316(d) | 2001 |
| Carmel Plaza (i) | $28,984 | ---- | $25,000 | ---- | 8.18% | 202(d) | 2009 |
| Chesterfield Towne Center | 64,719 | ---- | 65,064 | ---- | 9.07% | 548(e) | 2024 |
| Chesterfield Towne Center | 3,217 | ---- | 3,266 | ---- | 8.54% | 31(d) | 1999 |
| Citadel | 73,987 | ---- | 74,575 | ---- | 7.20% | 554(d) | 2008 |
| Corte Madera, Village at (j) | 60,000 | ---- | 60,000 | ---- | 7.28% | interest only | 1999 |
| Crossroads Mall-Boulder (a) | ---- | 35,087 | ---- | 35,280 | 7.08% | 244(d) | 2010 |
| Fresno Fashion Fair | 69,000 | ---- | 69,000 | ---- | 6.52% | interest only | 2008 |
| Greeley Mall | 16,650 | ---- | 17,055 | ---- | 8.50% | 187(d) | 2003 |
| Green Tree Mall/Crossroads - OK/ Salisbury (b) | 117,714 | ---- | 117,714 | ---- | 7.23% | interest only | 2004 |
| Holiday Village | ---- | 17,000 | ---- | 17,000 | 6.75% | interest only | 2001 |
| Lakewood Mall (c) | 127,000 | ---- | 127,000 | ---- | 7.20% | interest only | 2005 |
| Northgate Mall | ---- | 25,000 | ---- | 25,000 | 6.75% | interest only | 2001 |
| Northwest Arkansas Mall | 62,589 | ---- | 63,000 | ---- | 7.33% | 434(d) | 2009 |
| Parklane Mall | ---- | 20,000 | ---- | 20,000 | 6.75% | interest only | 2001 |
| Queens Center (f) | 100,000 | ---- | 65,100 | ---- | 6.88% | 633(d) | 2009 |
| Rimrock Mall | 30,729 | ---- | 31,002 | ---- | 7.70% | 244(d) | 2003 |
| South Plains Mall (h) | 64,881 | ---- | 28,795 | ---- | 8.22% | 454(d) | 2009 |
| South Towne Center | 64,000 | ---- | 64,000 | ---- | 6.61% | interest only | 2008 |
| Valley View Center | 51,000 | ---- | 51,000 | ---- | 7.89% | interest only | 2006 |
| Villa Marina Marketplace | 58,000 | ---- | 58,000 | ---- | 7.23% | interest only | 2006 |
| Vintage Faire Mall (g) | 54,039 | ---- | 54,522 | ---- | 7.65% | 427(d) | 2003 |
| Westside Pavilion | 100,000 | ---- | 100,000 | ---- | 6.67% | interest only | 2008 |
| Total - Wholly Owned Centers | $1,146,509 | $134,250 | $1,074,093 | $134,625 | | | |

(Dollars in thousands)

5. Mortgage Notes Payable, Continued:

Mortgage notes payable at June 30, 1999 and December 31, 1998 consist of the following:

| | Carrying Amount of Notes | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1999 | | 1998 | | | | |
| Property Pledged As Collateral | Other | Related Party | Other | Related Party | Interest Rate | Payment Terms | Maturity Date |
| Joint Venture/Management Companies (at pro rata share): | | | | | | | |
| Broadway Plaza (50%)(k) | - | $37,000 | - | $37,306 | 6.68% | 257 (d) | 2008 |
| Macerich Cerritos LLC (95%) (k) | $114,000 | - | - | - | 7.13% | 785 (d) | 2006 |
| Pacific Premier Retail Trust (51%) (k): | | | | | | | |
| Cascade Mall | 14,111 | - | - | - | 6.50% | 122 (d) | 2014 |
| Kitsap Mall | 20,840 | - | - | - | 6.50% (l) | 178 (d) | 2000 |
| North Point | 1,922 | - | - | - | 6.50% | 16 (d) | 2015 |
| Redmond Town Center | 33,016 | - | - | - | 6.50% | 224 (d) | 2011 |
| Washington Square | 60,961 | - | - | - | 6.70% | 421 (d) | 2009 |
| Washington Square Too | 6,635 | - | - | - | 6.50% | 53 (d) | 2016 |
| SDG Macerich Properties L.P. (50%) (k) | 159,867 | - | $160,434 | - | 6.23(m) | 926 (d) | 2006 |
| SDG Macerich Properties L.P. (50%) (k) | 92,500 | - | 92,500 | - | 6.15(m) | interest only | 2003 |
| West Acres Center (19%)(k)(n) | 7,600 | - | 7,202 | - | 6.52% | interest only | 2019 |
| Total - Joint Venture/ Management Companies | 511,452 | 37,000 | 260,136 | 37,306 | | | |
| Total - All Centers | $1,657,961 | $171,250 | $1,334,229 | $171,931 | | | |

| | |
|---|---|
| Weighted average interest rate at June 30, 1999 - Wholly Owned Centers | 7.36% |
| Weighted average interest rate at December 31, 1998 - Wholly Owned Centers | 7.24% |

(a) This note was issued at a discount. The discount is being amortized over the life of the loan using the effective interest method. At June 30, 1999 and December 31, 1998 the unamortized discount was $380 and $397, respectively.

(b) This loan is cross collateralized by Green Tree Mall, Crossroads Mall-Oklahoma and the Centre at Salisbury.

(c) On August 15, 1995, the Company issued $127,000 of collateralized floating rate notes (the "Notes"). The Notes bear interest at an average fixed rate of 7.20% and mature in July 2005. The Notes require the Company to deposit all cash flow from the property operations with a trustee to meet its obligations under the Notes. Cash in excess of the required amount, as defined, is released. Included in cash and cash equivalents is $750 of restricted cash deposited with the trustee at June 30, 1999 and at December 31, 1998.

5. Mortgage Notes Payable, Continued:

(d) This represents the monthly payment of principal and interest.

(e) This amount represents the monthly payment of principal and interest. In addition, contingent interest, as defined in the loan agreement, may be due to the extent that 35% of the amount by which the property's gross receipts (as defined in the loan agreement) exceeds a base amount specified therein. Contingent interest expense recognized by the Company was $139 and $26 for the six and three months ended June 30, 1999, respectively; and $0 for the six and three months ended June 30, 1998.

(f) At December 31, 1998, a $65,100 loan was outstanding which bore interest at LIBOR plus 0.45%. There was an interest rate protection agreement in place on the first $10,200 of this debt with a LIBOR ceiling of 5.88% through maturity with the remaining principal having an interest rate cap with a LIBOR ceiling of 7.07% through 1997 and 7.7% thereafter. The $65,100 loan was paid in full on February 4, 1999 and refinanced with a new loan of $100,000, with interest at 6.88%, maturing in 2009. The Company incurred a loss on early extinguishment of the old debt in 1999 of $163.

(g) Included in cash and cash equivalents is $3,048 at June 30, 1999 and December 31, 1998, of cash restricted under the terms of this loan agreement.

(h) The old note of $28,795 was assumed at acquisition. At the time of acquisition in June 1998, this debt was recorded at fair market value and the premium was being amortized as interest expense over the life of the loan using the effective interest method. The monthly debt service payment was $348 per month and was calculated based on a 12.5% interest rate. At December 31, 1998, the unamortized premium was $6,165. On February 17, 1999, the loan was paid in full and was refinanced with a new loan of $65,000, with interest at 8.22%, maturing in 2009. The Company incurred a loss on early extinguishment of the old debt in 1999 of $810.

(i) On April 30, 1999, the old loan of $25,000 was paid in full and was refinanced with a new loan of $29,000, with a fixed interest rate of 8.18%, maturing May 1, 2009.

(j) The loan bears interest at LIBOR plus 2.0%.

(k) Reflects the Company's pro rata share of debt.

(l) In connection with the acquisition of this Center, the joint venture assumed $39,425 of debt. At acquisition, this debt was recorded at fair market value of $41,475, which included an unamortized premium of $2,050. This premium is being amortized as interest expense over the life of the loan using the effective interest method. The joint venture's monthly debt service is $349 and is calculated based on an 8.60% interest rate. At June 30, 1999, the joint venture's unamortized premium was $1,706.

5. Mortgage Notes Payable, Continued:

(m) In connection with the acquisition of these Centers, the joint venture assumed $485,000 of mortgage notes payable which are secured by the properties. At acquisition, this debt reflected a fair market value of $322,700, which included an unamortized premium of $22,700. This premium is being amortized as interest expense over the life of the loan using the effective interest method. At June 30, 1999 and December 31, 1998, the unamortized balance of the debt premium was $19,737 and $20,900, respectively. This debt is due in May 2006 and requires monthly payments of $926. $185,000 of this debt is due in May 2003 and requires monthly interest payments at a variable weighted average rate (based on LIBOR) of 5.49% and 6.03% at June 30, 1999 and December 31, 1998, respectively. This variable rate debt is covered by an interest rate cap agreement which effectively prevents the interest rate from exceeding 11.53%.

(n) On January 4, 1999, the joint venture replaced the old debt with a new loan of $40,000. The loan is at an interest rate of 6.52% and matures February 2019. The debt is interest only until January 2001 at which time monthly payments of principal and interest will be due of $299.

The Company periodically enters into treasury lock agreements in order to hedge its exposure to interest rate fluctuations on anticipated financings. Under these agreements, the Company pays or receives an amount equal to the difference between the treasury lock rate and the market rate on the date of settlement, based on the notional amount of the hedge. The realized gain or loss on the contracts is recorded on the balance sheet in other assets and amortized to interest expense over the period of the hedged loans.

Certain mortgage loan agreements contain a prepayment penalty provision for the early extinguishment of the debt.

Total interest capitalized during the six and three months ended June 30, 1999 was $2,739 and $1,773, respectively; and total interest capitalized during the six and three months ended June 30, 1998 was $1,471 and $810, respectively.

The market value of mortgage notes payable at June 30, 1999 and December 31, 1998 is estimated to be approximately $1,275,489 and $1,271,853, respectively, based on current interest rates for comparable loans.

6. Bank and Other Notes Payable:

The Company has a credit facility of $150,000 with a maturity of February 2000, which can be extended to February 2001, currently bearing interest at LIBOR plus 1.15%. The interest rate on such credit facility fluctuates between 0.95% and 1.15% over LIBOR. As of June 30, 1999 and December 31, 1998, $119,500 and $137,000 of borrowings were outstanding under this line of credit at interest rates of 6.15% and 6.79%, respectively.

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

6. Bank and Other Notes Payable, Continued:

On May 28, 1999, the Company entered into an agreement with a bank for a term loan of $60,000. The interest rate on such loan is at LIBOR plus 3.0% and matures with extension on February 26, 2000. As of June 30, 1999, $60,000 was outstanding at a total interest rate of 8.0%.

Additionally, the Company issued $776 in letters of credit guaranteeing performance by the Company of certain obligations. The Company does not believe that these letters of credit will result in a liability to the Company.

During January 1999, the Company entered into a bank construction loan agreement to fund $89,200 of costs related to the redevelopment of Pacific View. The loan bears interest at LIBOR plus 2.25% and matures in February 2001. Principal is drawn as construction costs are incurred. As of June 30, 1999, $40,987 of principal has been drawn under the loan.

In addition, the Company has a note payable of $30,600 due in February 2000 payable to the seller of the acquired portfolio. The note bears interest at 6.5%.

7. Convertible Debentures:

During 1997, the Company issued and sold $161,400 of convertible subordinated debentures (the "Debentures") due 2002. The Debentures, which were sold at par, bear interest at 7.25% annually (payable semi-annually) and are convertible at any time, on or after 60 days, from the date of issue at a conversion price of $31.125 per share. The Debentures mature on December 15, 2002 and are callable by the Company after June 15, 2002 at par plus accrued interest.

8. Related-Party Transactions:

The Company engaged the Management Companies to manage the operations of its properties and certain unconsolidated joint ventures. For the six and three months ending June 30, 1999, management fees of $1,620 and $812 respectively, and for the six and three months ended June 30, 1998, management fees of $1,250 and $622, respectively, were paid to the Management Companies by the Company.

Certain mortgage notes are held by one of the Company's joint venture partners. Interest expense in connection with these notes was $5,053 and $4,875 for the six months ended June 30, 1999 and 1998, respectively; and $2,540 and $2,348 for the three months ending June 30, 1999 and 1998, respectively. Included in accounts payable and accrued expenses is interest payable to these partners of $486 and $512 at June 30, 1999 and December 31, 1998, respectively.

Additionally, the Company has notes receivable due from the Management Companies of $76,937 related to acquisitions made by the Management Companies in 1999. These notes are interest only at a rate of 7.0% and mature in 2009. These notes receivable are included in due from affiliates at June 30, 1999.

8. Related-Party Transactions, Continued:

In 1997, certain executive officers received loans from the Company totaling $5,500. These loans are full recourse to the executives. $5,000 of the loans were issued under the terms of the employee stock incentive plan, bear interest at 7%, are due in 2007 and are secured by Company common stock owned by the executives. The remaining loan is non interest bearing and is forgiven ratably over a five year term. These loans receivable are included in other assets at June 30, 1999 and December 31, 1998.

Certain Company officers and affiliates have guaranteed mortgages of $21,750 at one of the Company's joint venture properties and $2,000 at Greeley Mall.

9. Commitments and Contingencies:

The Company has certain properties subject to noncancellable operating ground leases. The leases expire at various times through 2070, subject in some cases to options to extend the terms of the lease. Certain leases provide for contingent rent payments based on a percentage of base rental income, as defined. Ground rent expenses were $456 and $644 for the six months ended June 30, 1999 and 1998, respectively; and $257 and $427 for the three months ended June 30, 1999 and 1998, respectively. There were no contingent rents in either period.

Perchloroethylene (PCE) has been detected in soil and groundwater in the vicinity of a dry cleaning establishment at North Valley Plaza, formerly owned by a joint venture of which the Company was a 50% member. The property was sold on December 18, 1997. The California Department of Toxic Substances Control (DTSC) advised the Company in 1995 that very low levels of Dichloroethylene (1,2 DCE), a degradation byproduct of PCE, had been detected in a municipal water well located 1/4 mile west of the dry cleaners, and that the dry cleaning facility may have contributed to the introduction of 1,2 DCE into the water well. According to DTSC, the maximum contaminant level (MCL) for 1,2 DCE which is permitted in drinking water is 6 parts per billion (ppb). The 1,2 DCE was detected in the water well at a concentration of 1.2 ppb, which is below the MCL. The Company has retained an environmental consultant and has initiated extensive testing of the site. Remediation began in October 1997. The joint venture agreed (between itself and the buyer) that it would be responsible for continuing to pursue the investigation and remediation of impacted soil and groundwater resulting from releases of PCE from the former dry cleaner. $71 and $65 have already been incurred by the joint venture for remediation, and professional and legal fees for the periods ending June 30, 1999 and 1998, respectively. An additional $336 remains reserved by the joint venture as of June 30, 1999. The joint venture has been sharing costs on a 50/50 basis with a former owner of the property and intends to look to additional responsible parties for recovery.

Low levels of toluene, a petroleum constituent, were detected in one of three groundwater dewatering system holding tanks at Queens Center. Although the Company believes that no remediation will be required, the Company established a $150 reserve in 1996 to cover professional fees and testing costs. The Company incurred costs of $0 and $1 during the six months ending June 30, 1999 and 1998, respectively. The Company intends to look to the responsible parties if remediation is required.

9. Commitments and Contingencies, Continued:

The Company acquired Fresno Fashion Fair in December 1996. Asbestos was detected in structural fireproofing throughout much of the Center. Testing data conducted by professional environmental consulting firms indicate that the fireproofing is largely inaccessible to building occupants and is well adhered to the structural members. Additionally, airborne concentrations of asbestos are well within OSHA's permissible exposure limit (PEL) of .1 fcc. The accounting for this acquisition includes a reserve of $3,300 to cover future removal of this asbestos, as necessary. The Company incurred $82 and $134 in remediation costs for the six months ending June 30, 1999 and 1998, respectively.

10. Pro Forma Information:

On February 18, 1999, through a 51/49 joint venture with Ontario Teachers' Pension Plan Board, the Company closed on the first phase of a two phase acquisition of a portfolio of properties. The phase one closing included the acquisition of three regional malls, the retail component of a mixed-use development, five contiguous properties and two non-contiguous community shopping centers comprising approximately 3.6 million square feet for a total purchase price of approximately $427,000. The purchase price was funded with a $120,000 loan placed concurrently with the closing, $140,400 of debt from an affiliate of the seller, and $39,400 of assumed debt. The balance of the purchase price was paid in cash. The Company's share of the cash component was funded with the proceeds from two refinancings of Centers and borrowings under the Company's line of credit. On July 12, 1999, the Company closed on the second phase of the acquisition. The second phase consisted of the acquisition of the office component of the mixed-use development for a purchase price of approximately $111,000. The purchase price was funded with a $76,700 loan placed concurrently with the closing and the balance was paid in cash. The Company's share of the cash component was funded from borrowings under the Company's line of credit.

On June 2, 1999, Macerich Cerritos, LLC, a wholly-owned subsidiary of Macerich Management Company, acquired Los Cerritos Center in Cerritos, California. The total purchase price was $188,000, which was funded with $120,000 of debt placed concurrently with the closing and a $70,800 loan from the Company. The Company funded this loan from borrowings under a $60,000 bank loan agreement and the balance from the Company's line of credit.

On a pro forma basis, reflecting these acquisitions as if they had occurred on January 1, 1999 and 1998, the Company would have reflected net income - available to common stockholders of $17,018 and $13,496 for the six months ended June 30, 1999 and 1998, respectively. Net income - available to common stockholders on a diluted per share basis would be $0.50 and $0.47 for the six months ended June 30, 1999 and 1998, respectively.

11. Preferred Stock:

On February 25, 1998, the Company issued 3,627,131 shares of Series A Preferred Stock for proceeds totaling $100,000 in a private placement. The preferred stock can be converted on a one for one basis into common stock and will pay a quarterly dividend equal to the greater of $0.46 per share, or the dividend then payable on a share of common stock.

NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

11. Preferred Stock, Continued:

On June 17, 1998, the Company issued 5,487,471 shares of Series B cumulative convertible preferred stock ("Series B Preferred Stock") for proceeds totaling $150,000 in a private placement. The preferred stock can be converted on a one for one basis into common stock and will pay a quarterly dividend equal to the greater of $0.46 per share, or the dividend then payable on a share of common stock.

No dividends will be declared or paid on any class of common or other junior stock to the extent that dividends on Series A Preferred Stock and Series B Preferred Stock have not been declared and/or paid.

12. Subsequent Events:

On August 11, 1999, a dividend\distribution of $0.485 per share was declared for common stockholders and OP unit holders of record on August 19, 1999. In addition, the Company declared a dividend of $0.485 on the Company's Series A Preferred Stock and a dividend of $0.485 on the Company's Series B Preferred Stock. All dividends/distributions will be payable on September 7, 1999.

Item II

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is based primarily on the consolidated balance sheet of The Macerich Company as of June 30, 1999, and also compares the activities for the six and three months ended June 30, 1999 to the activities for the six and three months ended June 30, 1998.

This information should be read in conjunction with the accompanying consolidated financial statements and notes thereto. These financial statements include all adjustments, which are, in the opinion of management, necessary to reflect the fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.

### Forward-Looking Statements

This quarterly report on Form 10-Q contains or incorporates statements that constitute forward-looking statements. Those statements appear in a number of places in this Form 10-Q and include statements regarding, among other matters, the Company's growth and acquisition opportunities, the Company's acquisition strategy, regulatory matters pertaining to compliance with governmental regulations and other factors affecting the Company's financial condition or results of operations. Words such as "expects," "anticipates," "intends," "projects," "predicts," "plans," "believes," "seeks," "estimates," and "should" and variations of these words and similar expressions, are used in many cases to identify these forward-looking statements. Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company or the industry to vary materially from the Company's future results, performance or achievements, or those of the industry, expressed or implied in such forward-looking statements. Such factors include, among others, general industry economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, lease rents, availability and cost of financing and operating expenses; adverse changes in the real estate markets including, among other things, competition with other companies, retail formats and technology, risks of real estate development and acquisition; governmental actions and initiatives; environmental and safety requirements; and Year 2000 compliance issues of the Company and third parties and related service interruptions or payment delays. The Company will not update any forward-looking information to reflect actual results or changes in the factors affecting the forward-looking information.

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued:

The following table reflects the Company's acquisitions in 1998 and 1999:

| | Date Acquired | Location |
|---|---|---|
| "1998 Acquisition Centers" | | |
| SDG Macerich Properties, L.P. (*) | February 27, 1998 | Twelve properties in eight states |
| South Plains Mall | June 19, 1998 | Lubbock, Texas |
| Westside Pavilion | July 1, 1998 | Los Angeles, California |
| Village at Corte Madera | June-July 1998 | Corte Madera, California |
| Carmel Plaza | August 10, 1998 | Carmel, California |
| Northwest Arkansas Mall | December 15, 1998 | Fayetteville, Arkansas |
| "1999 Acquisition Centers" | | |
| Pacific Premier Retail Trust (*) | February 18, 1999 | Three regional malls, retail component of a mixed-use development and five contiguous properties in Washington and Oregon. The office component of the mixed-used development was acquired July 12, 1999. |
| PPR Albany Plaza LLC (**) PPR Eastland Plaza LLC (**) | February 18, 1999 | Two non-contiguous community shopping Centers in Oregon and Ohio. |
| Los Cerritos Center (**) | June 2, 1999 | Cerritos, California |

(*) denotes the Company owns its interests in these Centers through a joint venture entity.

(**) denotes the Company owns its interests in these Centers through one of the Management Companies.

The financial statements include the results of these Centers for periods subsequent to their acquisition.

The properties acquired by SDG Macerich Properties, L.P., Pacific Premier Retail Trust and the Management Companies ("Joint Venture Acquisitions") are reflected using the equity method of accounting. The results of these acquisitions are reflected in the consolidated results of operations of the Company in equity in income of unconsolidated joint ventures and the Management Companies.

Many of the variations in the results of operations discussed below occurred due to the addition of these properties to the portfolio during 1999 and 1998. Many factors impact the Company's ability to acquire additional properties; including the availability and cost of capital, the overall debt to market capitalization level, interest rates and availability of potential acquisition targets that meet the Company's criteria. Accordingly, management is uncertain whether during the balance of 1999, and in future years, there will be similar acquisitions and corresponding increases in revenues, net income and Funds from Operations that occurred as a result of the 1999 and 1998 Acquisition Centers. Pacific View (formerly known as Buenaventura Mall), Crossroads Mall-Boulder, Huntington Center and Parklane Mall are currently under redevelopment and are referred to herein as the "Redevelopment Centers." All other Centers are referred to herein as the "Same Centers."

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued:

The bankruptcy and/or closure of an Anchor, or its sale to a less desirable retailer, could adversely affect customer traffic in a Center and thereby reduce the income generated by that Center. Furthermore, the closing of an Anchor could, under certain circumstances, allow certain other Anchors or other tenants to terminate their leases or cease operating their stores at the Center or otherwise adversely affect occupancy at the Center.

In addition, the Company's success in the highly competitive real estate shopping center business depends upon many other factors, including general economic conditions, the ability of tenants to make rent payments, increases or decreases in operating expenses, occupancy levels, changes in demographics, competition from other centers and forms of retailing and the ability to renew leases or relet space upon the expiration or termination of leases.

Results of Operations

Comparison of Six Months Ended June 30, 1999 and 1998

Revenues

Minimum and percentage rents increased by 30% to $109.1 million in 1999 from $83.9 million in 1998. Approximately $21.8 million of the increase resulted from the 1998 Acquisition Centers and $4.7 million of the increase was attributable to the Same Centers. In May 1998, the FASB, through the EITF, modified the timing of recognition of revenue for percentage rent received from tenants in EITF 98-9, "Accounting for Contingent Rent in Interim Financial Periods." The Company applied this accounting change as of April 1, 1998. The accounting change had the effect of deferring $1.3 million of percentage rent in the second quarter of 1998 attributable to the Same Centers into the fourth quarter of 1998. During the fourth quarter of 1998, the FASB reversed EITF 98-9. Accordingly, the Company has resumed accounting for percentage rent on the accrual basis effective January 1, 1999. These increases were partially offset by revenue decreases at the Redevelopment Centers of $1.3 million in 1999.

Tenant recoveries increased to $47.3 million in 1999 from $36.8 million in 1998. The 1998 Acquisition Centers generated $11.5 million of this increase and $0.1 million of the increase was from the Same Centers. These increases were partially offset by revenue decreases at the Redevelopment Centers of $1.1 million in 1999.

Other income increased to $3.2 million in 1999 from $1.9 million in 1998. Approximately $0.3 million of the increase related to the 1998 Acquisition Centers and $1.0 million of the increase was attributable to the Same Centers.

Results of Operations - Continued:

Comparison of Six Months Ended June 30, 1999 and 1998, Continued:

Expenses

Shopping center expenses increased to $47.2 million in 1999 compared to $38.0 million in 1998. Approximately $9.8 million of the increase resulted from the 1998 Acquisition Centers. The other Centers had a net decrease of $0.6 million in shopping center expenses resulting primarily from decreased property taxes and recoverable expenses.

General and administrative expenses increased to $2.8 million in 1999 from $2.2 million in 1998 primarily due to the accounting change required by EITF 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," which requires the expensing of internal acquisition costs. Previously in accordance with GAAP, certain internal acquisition costs were capitalized. The increase is also partially attributable to higher executive and director compensation expense.

Interest Expense

Interest expense increased to $55.4 million in 1999 from $41.2 million in 1998. This increase of $14.2 million is primarily attributable to the acquisition activity in 1998 and 1999, which was partially funded with secured debt and borrowings under the Company's line of credit.

Depreciation and Amortization

Depreciation increased to $30.5 million from $23.6 million in 1998. This increase relates primarily to the 1998 Acquisition Centers.

Income From Unconsolidated Joint Ventures and Management Companies

The income from unconsolidated joint ventures and the Management Companies was $10.6 million for 1999, compared to income of $5.6 million in 1998. A total of $3.3 million of the change is attributable to the 1998 acquisitions by SDG Macerich Properties, L.P. and $1.8 million of the change is attributable to the 1999 acquisition by Pacific Premier Retail Trust. These increases are partially offset by a decrease of $0.1 million at the Management Companies.

Extraordinary Loss from Early Extinguishment of Debt

In 1999, the Company wrote off $1.0 million of unamortized financing costs, compared to $0.1 million written off in 1998.

Net Income Available to Common Stockholders

As a result of the foregoing, net income available to common stockholders increased to $17.9 million in 1999 from $14.2 million in 1998.

Comparison of Six Months Ended June 30, 1999 and 1998, Continued:

Operating Activities

Cash flow from operations was $58.9 million in 1999 compared to $51.2 million in 1998. The increase is primarily because of increased net operating income from the 1998 and 1999 Acquisition Centers.

Investing Activities

Cash flow used in investing activities was $192.6 million in 1999 compared to $393.9 million in 1998. The change resulted primarily from the cash contributions required by the Company for the joint venture acquisitions of $268.9 million in 1998 compared to $70.1 million in 1999.

Financing Activities

Cash flow from financing activities was $133.2 million in 1999 compared to $413.8 million in 1998. The decrease resulted from no equity offerings in the six months ended June 30, 1999 compared to 6,520,181 shares of common stock sold in the six months ended June 30, 1998. Additionally, 9,114,602 shares of preferred stock were sold in the first and second quarters of 1998.

Funds From Operations

Primarily because of the factors mentioned above, Funds from Operations - Diluted increased 56% to $77.5 million from $49.7 million in 1998.

Results of Operations

Comparison of Three Months Ended June 30, 1999 and 1998

Revenues

Minimum and percentage rents increased by 32% to $54.5 million in 1999 from $41.3 million in 1998. Approximately $10.7 million of the increase resulted from the 1998 Acquisition Centers and $3.1 million of the increase was attributable to the Same Centers. In May 1998, the FASB, through the EITF, modified the timing of recognition of revenue for percentage rent received from tenants in EITF 98-9, "Accounting for Contingent Rent in Interim Financial Periods." The Company applied this accounting change as of April 1, 1998. The accounting change had the effect of deferring $1.3 million of percentage rent in the second quarter of 1998 attributable to the Same Centers into the fourth quarter of 1998. During the fourth quarter of 1998, the FASB reversed EITF 98-9. Accordingly, the Company has resumed accounting for percentage rent on the accrual basis effective January 1, 1999. These increases were partially offset by revenue decreases at the Redevelopment Centers of $0.6 million in 1999.

Results of Operations - Continued:

Comparison of Three Months Ended June 30, 1999 and 1998, Continued:

Tenant recoveries increased to $24.2 million in 1999 from $19.2 million in 1998. The 1998 Acquisition Centers generated $6.1 million of this increase. This increase was partially offset by revenue decreases at the Same Centers of $0.3 million and the Redevelopment Centers of $0.8 million in 1999.

Other income increased to $2.0 million in 1999 from $0.9 million in 1998. Approximately $0.1 million of the increase related to the 1998 Acquisition Centers, $0.9 million of the increase was attributable to the Same Centers and $0.1 million to the Redevelopment Centers.

Expenses

Shopping center expenses increased to $24.0 million in 1999 compared to $19.3 million in 1998. Approximately $4.7 million of the increase resulted from the 1998 Acquisition Centers and $0.6 million of the increase was from the Same Centers. The Redevelopment Centers had a net decrease of $0.8 million in shopping center expenses resulting primarily from decreased property taxes and recoverable expenses.

General and administrative expenses increased to $1.4 million in 1999 from $1.1 million in 1998 primarily due to higher executive and director compensation expense.

Interest Expense

Interest expense increased to $28.6 million in 1999 from $20.6 million in 1998. This increase of $8.0 million is primarily attributable to the acquisition activity in 1998 and 1999, which was partially funded with secured debt and borrowings under the Company's line of credit.

Depreciation and Amortization

Depreciation increased to $15.3 million from $11.9 million in 1998. This increase relates primarily to the 1998 Acquisition Centers.

Income From Unconsolidated Joint Ventures and Management Companies

The income from unconsolidated joint ventures and the Management Companies was $5.3 million for 1999, compared to income of $4.2 million in 1998. A total of $0.3 million of the change is attributable to the 1998 acquisitions by SDG Macerich Properties, L.P. and $1.2 million of the change is attributable to the 1999 acquisition by Pacific Premier Retail Trust. These increases are partially offset by a decrease of $0.4 million at the Management Companies.

Net Income Available to Common Stockholders

As a result of the foregoing, net income available to common stockholders increased to $9.0 million in 1999 from $7.4 million in 1998.

Results of Operations - Continued:

Comparison of Three Months Ended June 30, 1999 and 1998, Continued:

Funds From Operations

Primarily because of the factors mentioned above, Funds from Operations - Diluted increased 47% to $38.9 million from $26.4 million in 1998.

Liquidity and Capital Resources

The Company intends to meet its short term liquidity requirements through cash generated from operations and working capital reserves. The Company anticipates that revenues will continue to provide necessary funds for its operating expenses and debt service requirements, and to pay dividends to stockholders in accordance with REIT requirements. The Company anticipates that cash generated from operations, together with cash on hand, will be adequate to fund capital expenditures which will not be reimbursed by tenants, other than non-recurring capital expenditures. Capital for major expenditures or major redevelopments has been, and is expected to continue to be, obtained from equity or debt financings which include borrowings under the Company's line of credit and construction loans. However, many factors impact the Company's ability to access capital, such as its overall debt to market capitalization level, interest rates, interest coverage ratios and prevailing market conditions. The Company currently is undertaking a $90 million redevelopment of Pacific View. The Company has a bank construction loan agreement to fund $89.2 million of these construction costs.

The Company believes that it will have access to the capital necessary to expand its business in accordance with its strategies for growth and maximizing Funds from Operations. The Company presently intends to obtain additional capital necessary to expand its business through a combination of additional public and private equity offerings, debt financings and/or joint ventures. During 1998 and 1999, the Company acquired two portfolios through joint ventures with another party. The Company believes such joint venture arrangements provide an attractive alternative to other forms of financing.

The Company's total outstanding loan indebtedness at June 30, 1999 was $2.2 billion (including its pro rata share of joint venture debt). This equated to a debt to Total Market Capitalization (defined as total debt of the Company, including its pro rata share of joint venture debt, plus aggregate market value of outstanding shares of common stock, assuming full conversion of OP Units and preferred stock into common stock) ratio of approximately 61% at June 30, 1999. The Company's debt consists primarily of fixed-rate conventional mortgages payable secured by individual properties.

The Company has filed a shelf registration statement, effective December 8, 1997, to sell securities. The shelf registration is for a total of $500 million of common stock, common stock warrants or common stock rights. During 1998, the Company sold a total of 7,920,181 shares of common stock under this shelf registration. The aggregate offering price of these transactions was approximately $212.9 million, leaving approximately $287.1 million available under the shelf registration statement.

Liquidity and Capital Resources, Continued:

The Company has an unsecured line of credit for up to $150.0 million. There was $119.5 million of borrowings outstanding at June 30, 1999.

At June 30, 1999, the Company had cash and cash equivalents available of $24.6 million.

Year 2000 Readiness Disclosure

The information provided below contains Year 2000 statements and is a Year 2000 Readiness Disclosure pursuant to Pub. L. No. 105-271.

Year 2000 Issues

The Year 2000 issue is the result of many existing computer programs and embedded technology using two digits rather than four to define the applicable year. The Company's computer equipment and software and devices with embedded technology that are time-sensitive may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or erroneous data which would cause disruptions of operations.

The Company has initiated a Year 2000 compliance program consisting of the following phases: (1) identification of Year 2000 issues; (2) assessment of Year 2000 compliance of systems; (3) remediation or replacement of non-compliant systems; (4) testing to verify compliance; and (5) contingency planning, as appropriate. This program includes a review of both information technology ("IT") and non-IT systems of the centers in which the Company has an ownership interest and manages. The Company's Year 2000 team which consists of management as well as operational and IT staff members is supervising this program.

IT Systems

The Company has reviewed its core computer hardware systems and software programs to determine if such systems and programs will properly process dates in the Year 2000 and thereafter. Based on manufacturer or vendor information, the Company presently believes most of its critical computer hardware systems and software programs are substantially Year 2000 compliant. One critical hardware system needed a Year 2000 upgrade which the Company recently installed at a cost of approximately $13,100. The Company continues to conduct its own evaluation and testing to verify compliance of its critical hardware systems and software and expects to conclude such testing by October 1, 1999.

The most important software program to the Company's operations is its property management and accounting software. The Company has been advised by its independent software vendor that it has completed its evaluation, testing and modification of this program and the necessary changes have been completed to achieve Year 2000 compliance. The Company recently completed its own evaluation and testing and based upon such testing, the Company believes that this software is substantially Year 2000 compliant.

Year 2000 Readiness Disclosure - Continued:

IT Systems, Continued:

The Company completed its assessment of the Year 2000 compliance of its non-critical computer hardware systems and software programs by its target date of December 31, 1998. Based on manufacturer or vendor information, the Company presently believes that substantially all of its non-critical hardware systems and software programs are Year 2000 compliant.

Non-IT Systems

Part of the Company's Year 2000 program also includes a review of the various operating systems of each of its centers in which the Company has an ownership interest and manages. The main offices of the Company are also being reviewed for Year 2000 compliance issues. These operating systems typically include embedded technology which complicates the Company's Year 2000 efforts. Examples of these types of systems include energy management systems, telecommunication systems, elevators, security systems and copiers. The various operating systems have been assigned priorities based on the importance of the system to each property's operations and the potential impact of non-compliance.

All of the Company's properties have substantially completed their initial assessment of each system and are continuing the process of verifying Year 2000 compliance through the manufacturers and/or vendors of the systems. Approximately 80% of the critical operating systems at the centers for which the Company has received information from manufacturers or vendors are substantially Year 2000 compliant as reported by such entities. Certain critical systems, eleven energy management systems, three telephone systems, two fire alarm systems, one security alarm system, one CCTV system and one elevator intercom system, will need Year 2000 upgrades and the Company is in the process of obtaining such upgrades at an aggregate cost of approximately $55,000. Other non-compliant critical systems are being upgraded by the manufacturer at no cost to the Company or were previously scheduled for replacement or upgrades prior to January 1, 2000. With respect to approximately 18% of its critical operating systems at the centers, the Company has not received the necessary information to assess the Year 2000 compliance of such systems or the necessary remediation steps. The Company continues to contact these manufacturers/vendors to obtain the information necessary to complete its Year 2000 compliance assessment. The Company is also beginning the process of assessing the risk to the center assuming the system is not compliant and developing contingency plans, as appropriate.

Each property is preparing remediation and testing recommendations and time lines based on the importance of each system to the property's operations and information received from the manufacturer/vendor. The Company is coordinating the testing phase with the manufacturers/vendors of the systems, as appropriate. The Company has revised its target date to complete the remediation and testing phases for the critical operating systems at each center to October 1, 1999. The Company will need the cooperation of its manufacturers/vendors in providing information and testing assistance to meet this timeline for its critical operating systems. If such cooperation is not provided, completion of these phases will be delayed. The Company expects the Year 2000 program to continue beyond January 1, 2000 with respect to non-critical operating systems and issues.

Year 2000 Readiness Disclosure - Continued:

Non-IT Systems, Continued:

Material Third Parties

The Company mailed surveys to its material vendors, utilities and tenants about their plans and progress in addressing the Year 2000 issue. Those entities surveyed include the utilities for each center (i.e., electric, gas, water, telephone and waste management companies), the largest tenants of the Company based on the amount of their 1998 rent payments and certain Anchor tenants. As of this date, the Company has received responses from approximately 80% of those entities surveyed. Generally, the responses received state that the entity is in the process of addressing the Year 2000 compliance issues and expects to achieve compliance prior to January 1, 2000. Approximately 12% of those entities have indicated their mission critical systems are Year 2000 compliant.

Costs

Because the Company's assessment, remediation and testing efforts are ongoing, the Company is unable to estimate the actual costs of achieving Year 2000 compliance for its IT and non-IT systems. Based on information received from manufacturers/vendors, the Company presently anticipates that the assessment and remediation costs will not be material. As of June 30, 1999, the Company has not expended significant amounts since its evaluation of Year 2000 issues has been primarily conducted by its own personnel. The Company does not separately record the internal costs incurred for its Year 2000 compliance program. Such costs are primarily the related payroll costs for its personnel who are part of the Year 2000 program. Independent electricians conducted Year 2000 compliance reviews of the electrical infrastructure at each center for an aggregate cost of approximately $13,000.

Risks

As is true of most businesses, the Company is vulnerable to external forces that might generally effect industry and commerce, such as utility company Year 2000 compliance failures and related service interruptions. In addition, failure of information and operating systems of tenants and/or failure of their respective material vendors to provide products and services may delay or otherwise adversely impact the payment of rent to the Company or impair the ability of a tenant to operate. Although a formal contingency plan has not yet been developed for dealing with the most reasonably likely worst case scenario, the Company has focused on the power companies servicing each center and is preparing security contingency plans in case a center does not receive power. The Company will continue to evaluate other potential areas of risk and develop contingency plans, as appropriate.

Based on currently available information, the Company believes that the Year 2000 issue will not pose significant operational problems for the Company. However, if all Year 2000 issues are not properly identified, or assessment, remediation and testing are not effected in a timely manner, there can be no assurance that the Year 2000 issue will not adversely affect the Company's results of operations or its relationships with tenants or other third parties. Additionally, there can be no assurance that the Year 2000 issues of third parties will not have an adverse impact on the Company's results of operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued:

Funds From Operations

The Company believes that the most significant measure of its performance is Funds from Operations ("FFO"). FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") to be: Net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales or write-down of assets, plus depreciation and amortization (excluding depreciation on personal property and amortization of loan and financial instrument costs) and after adjustments for unconsolidated entities. Adjustments for unconsolidated entities are calculated on the same basis. FFO does not represent cash flow from operations, as defined by GAAP, and is not necessarily indicative of cash available to fund all cash flow needs. The following reconciles net income available to common stockholders to FFO:

| | Six months ended June 30, 1999 | | 1998 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| | (amounts in thousands) | | | |
| Net income - available to common stockholders | | $17,883 | | $14,190 |
| Adjustments to reconcile net income to FFO - basic: | | | | |
| Minority interest | | 6,488 | | 6,190 |
| Depreciation and amortization on wholly owned centers | | 30,539 | | 23,607 |
| Pro rata share of unconsolidated entities' depreciation and amortization | | 8,465 | | 4,427 |
| Gain on sale of assets | | - | | (9) |
| Extraordinary loss on early extinguishment of debt | | 988 | | 90 |
| Pro rata share of (gain) loss on sale of assets from unconsolidated entities | | (474) | | 164 |
| Amortization of financing costs | | (1,685) | | (1,502) |
| Depreciation of personal property | | (422) | | (366) |
| FFO - basic (1) | 46,286 | 61,782 | 41,063 | 46,791 |
| Additional adjustments to arrive at FFO - diluted: | | | | |
| Impact of convertible preferred stock | 9,115 | 8,841 | 2,949 | 2,706 |
| Impact of stock options and restricted stock using the treasury method | 435 | 611 | 619 | 256 |
| Impact of convertible debentures | 5,186 | 6,276 | (n/a anti-dilutive) | |
| FFO - diluted (2) | 61,022 | $77,510 | 44,631 | $49,753 |

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued:

| | Three months ended June 30, 1999 | | 1998 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| | (amounts in thousands) | | | |
| Net income - available to common stockholders | | $8,986 | | $7,367 |
| Adjustments to reconcile net income to FFO - basic: | | | | |
| Minority interest | | 3,258 | | 3,182 |
| Depreciation and amortization on wholly owned centers | | 15,285 | | 11,894 |
| Pro rata share of unconsolidated entities' depreciation and amortization | | 4,933 | | 3,057 |
| Gain on sale of assets | | - | | (9) |
| Extraordinary loss on early extinguishment of debt | | 15 | | - |
| Pro rata share of (gain) loss on sale of assets from unconsolidated entities | | (463) | | (205) |
| Amortization of financing costs | | (776) | | (716) |
| Depreciation of personal property | | (275) | | (192) |
| FFO - basic (1) | 46,291 | 30,963 | 42,853 | 24,378 |
| Additional adjustments to arrive at FFO - diluted: | | | | |
| Impact of convertible preferred stock | 9,115 | 4,421 | 4,471 | 2,057 |
| Impact of stock options and restricted stock using the treasury method | 551 | 368 | 572 | - |
| Impact of convertible debentures | 5,186 | 3,161 | (n/a anti-dilutive) | |
| FFO - diluted (2) | 61,143 | $38,913 | 47,896 | $26,435 |

1) Calculated based upon basic net income as adjusted to reach basic FFO. Weighted average number of shares includes the weighted average number of shares of common stock outstanding for 1999 and 1998 assuming the conversion of all outstanding OP units.

2) The computation of FFO - diluted and diluted average number of shares outstanding includes the effect of outstanding common stock options and restricted stock using the treasury method. Convertible debentures are dilutive for the six and three months ending June 30, 1999 and therefore assumed converted to equity to calculate FFO - diluted in 1999. The debentures are anti-dilutive for the six and three months ending June 30, 1998 and therefore are not assumed converted to equity for the period ended June 30, 1998. On February 25, 1998, the Company sold $100 million of its Series A Preferred Stock. On June 17, 1998, the Company sold $150 million of its Series B Preferred Stock Each series of preferred stock can be converted on a one for one basis for common stock. These preferred shares are not assumed converted for purposes of net income per share as they would be anti-dilutive to that calculation. The preferred shares are assumed converted for purposes of FFO diluted per share as they are dilutive to that calculation.

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued:

Included in minimum rents were rents attributable to the accounting practice of straight-lining of rents. The amount of straight-lining of rents that impacted minimum rents was $1.3 million and $1.8 million for the six months ended June 30, 1999 and 1998, respectively; and $0.7 million and $0.9 million for the three months ended June 30, 1999 and 1998, respectively.

Inflation

In the last three years, inflation has not had a significant impact on the Company because of a relatively low inflation rate. Most of the leases at the Centers have rent adjustments periodically through the lease term. These rent increases are either in fixed increments or based on increases in the Consumer Price Index. In addition, many of the leases are for terms of less than ten years, which enables the Company to replace existing leases with new leases at higher base rents if the rents of the existing leases are below the then existing market rate. Additionally, most of the leases require the tenants to pay their pro rata share of operating expenses. This reduces the Company's exposure to increases in costs and operating expenses resulting from inflation.

Seasonality

The shopping center industry is seasonal in nature, particularly in the fourth quarter during the holiday season when retailer occupancy and retail sales are typically at their highest levels. In addition, shopping malls achieve a substantial portion of their specialty (temporary retailer) rents during the holiday season. As a result of the above, earnings are generally highest in the fourth quarter of each year.

New Accounting Pronouncements Issued

In March 1998, the FASB, through its EITF, concluded based on EITF 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," that all internal costs to source, analyze and close acquisitions should be expensed as incurred. The Company had historically capitalized these costs in accordance with GAAP. The Company adopted the FASB's interpretation effective March 19, 1998.

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which will be effective for the Company's consolidated financial statements for periods beginning January 1, 2000. The new standard requires companies to record derivatives on the balance sheet, measured at fair value. Changes in the fair value of those derivatives will be accounted for based on the use of the derivative and whether it qualifies for hedge accounting. The key criteria for hedge accounting is whether the hedging relationship is highly effective in achieving offsetting changes in fair value or cash flows. The Company has not yet determined when it will implement SFAS 133 nor has it completed the complex analysis required to determine the impact of SFAS 133 on its consolidated financial statements.

In June 1999, the FASB issued SFAS 137, "Accounting for Derivative Instruments and Hedging Activities - - Deferral of the Effective Date of FASB Statement No. 133," which delays the implementation of SFAS 133 for the Company's consolidated financial statements to January 1, 2001.

Item III
Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is interest rate risk. The Company has managed and will continue to manage interest rate risk by (1) maintaining a conservative ratio of fixed rate, long-term debt to total debt such that variable rate exposure is kept at an acceptable level, (2) reducing interest rate exposure on certain long-term variable rate debt through the use of interest rate caps with appropriately matching maturities, (3) using treasury rate locks where appropriate to fix rates on anticipated debt transactions, and (4) taking advantage of favorable market conditions for long-term debt and/or equity.

The following table sets forth information as of June 30, 1999 concerning the Company's long term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value ("FV").

| | For the Years Ended December 31, (dollars in thousands) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | Thereafter | Total | FV |
| Wholly Owned Centers: | | | | | | | | |
| Long term debt: | | | | | | | | |
| Fixed rate | $9,697 | $38,628 | $107,338 | $10,255 | $98,498 | $986,943 | $1,251,359 | $1,245,942 |
| Average interest rate | 7.35% | 7.34% | 7.36% | 7.33% | 7.33% | 7.28% | 7.33% | - |
| Fixed rate - Debentures | - | - | - | 161,400 | - | - | 161,400 | 156,553 |
| Average interest rate | - | - | - | 7.25% | - | - | 7.25% | - |
| Variable rate | 60,000 | 60,000 | 160,487 | - | - | - | 280,487 | 280,487 |
| Average interest rate | 7.28% | 8.0% | 6.56% | - | - | - | 6.97% | - |
| Total debt - Wholly owned Centers | $69,697 | $98,628 | $267,825 | $171,655 | $98,498 | $986,943 | $1,693,246 | $1,682,982 |
| Joint Venture Centers: (at Company's pro rata share) | | | | | | | | |
| Fixed rate | $4,363 | $26,210 | $6,114 | $6,532 | $6,981 | $405,752 | $455,952 | $433,734 |
| Average interest rate | 6.60% | 6.60% | 6.61% | 6.61% | 6.61% | 6.61% | 6.61% | - |
| Variable rate | - | - | - | - | 92,500 | - | 92,500 | 92,500 |
| Average interest rate | - | - | - | - | 6.15% | - | 6.15% | - |
| Total debt - All Centers | $74,060 | $124,838 | $273,939 | $178,187 | $197,979 | $1,392,695 | $2,241,698 | $2,209,216 |

Of the total variable rate debt maturing in 1999, the Company is currently in negotiations to refinance the $60.0 million with fixed rate debt. The $60.0 million of floating rate debt maturing in 2000, matures February 26, 2000 and is a loan from the Company's lead bank. Of the $160.5 million of variable rate debt maturing in 2001, $119.5 million represents the outstanding borrowings under the Company's credit facility. The credit facility matures in February 2000, with a one year option to extend the maturity date to February 2001. The table reflects the Company extending the maturity date to February 2001. The balance of $41.0 million represents outstanding borrowings under the Pacific View construction loan.

In addition, the Company has assessed the market risk for its variable rate debt and believes that a 1% increase in interest rates would decrease future earnings and cash flows by approximately $3.7 million per year based on $373.0 million outstanding at June 30, 1999.

Quantitative and Qualitative Disclosures About Market Risk, Continued:

The fair value of the Company's long term debt is estimated based on discounted cash flows at interest rates that management believes reflect the risks associated with long term debt of similar risk and duration.

# PART II

## Other Information

### Item 1 Legal Proceedings

During the ordinary course of business, the Company, from time to time, is threatened with, or becomes a party to, legal actions and other proceedings. Management is of the opinion that the outcome of currently known actions and proceedings to which it is a party will not, singly or in the aggregate, have a material adverse effect on the Company.

### Item 2 Changes in Securities and Use of Proceeds

None

### Item 3 Defaults Upon Senior Securities

None

### Item 4 Submission of Matters to a Vote of Security Holders

The following matters were voted upon at the Annual Meeting held on May 20, 1999:

A. The following three persons were elected as directors of the Company to serve until the annual meeting of stockholders in 2002 and until their respective successors are duly elected and qualify: Number of Shares

| | For | Against | Authority Withheld |
|---|---|---|---|
| Dana K. Anderson | 29,863,351 | - 0 - | 154,946 |
| Theodore S. Hochstim | 29,837,413 | - 0 - | 180,884 |
| Stanley A. Moore | 29,847,418 | - 0 - | 170,879 |

B. The ratification of the selection of PricewaterhouseCoopers LLP as independent public accountants for the fiscal year ending December 31, 1999.

Votes:

| | |
|---|---|
| For: | 28,495,432 |
| Against: | 7,135 |
| Abstain: | 1,515,730 |

### Item 5 Other Information

None

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

Number Description

None

(b) Reports on Form 8-K

A report on Form 8-K/A, Amendment No. 1, dated April 21, 1999, event date February 18, 1999, was filed with the Securities and Exchange Commission for the purpose of disclosing certain financial statements and pro forma financial information regarding the acquisition of three regional malls, the retail component of one mixed-use development and five contiguous properties by Pacific Premier Retail Trust.

A report on Form 8-K dated June 14, 1999, event date June 14, 1999, was filed with the Securities and Exchange Commission for the purpose of disclosing the acquisition of Los Cerritos Center.

A report on Form 8-K/A, Amendment No. 2, dated July 30, 1999, event date July 12, 1999, was filed with the Securities and Exchange Commission for the purpose of disclosing the acquisition of the office component of Redmond Town Center, a mixed-use development, by Pacific Premier Retail Trust.

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.

The Macerich Company

By: /s/ Thomas E. O'Hern
Thomas E. O'Hern
Executive Vice President and
Chief Financial Officer

Date: August 13, 1999

Exhibit Index

| Exhibit No. | Page |
|---|---|

(a) Exhibits

| Number | Description |
|---|---|
| None | |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS FOUND ON
PAGES 1 AND 2 OF THE COMPANY'S FORM 10Q FOR THE YEAR.

0000912242
THE MACERICH COMPANY
1,000
0

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
1
24,610
0
33,335
0
0
0
2,246,192
(272,649)
2,466,670
50,023
1,693,246
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2,466,670
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159,524
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50,064
26,393
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55,355
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0
(988)
0
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0.53