

Piedmont Office Realty Trust, Inc.
Consolidated Balance Sheets (Unaudited)

(in thousands)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Assets:		
Real estate assets, at cost:		
Land	\$ 567,244	\$ 567,244
Buildings and improvements	3,782,385	3,682,000
Buildings and improvements, accumulated depreciation	(1,013,019)	(915,010)
Intangible lease assets	177,584	205,074
Intangible lease assets, accumulated amortization	(86,197)	(90,694)
Construction in progress	74,579	52,010
Total real estate assets	<u>3,502,576</u>	<u>3,500,624</u>
Cash and cash equivalents	5,044	16,536
Tenant receivables	8,806	4,762
Straight line rent receivables	181,843	172,019
Restricted cash and escrows	5,983	3,064
Prepaid expenses and other assets	26,156	17,152
Goodwill	71,980	82,937
Interest rate swaps	5,841	4,183
Deferred lease costs	483,353	505,979
Deferred lease costs, accumulated depreciation	(217,804)	(221,731)
Total assets	<u>\$ 4,073,778</u>	<u>\$ 4,085,525</u>
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs of \$18,556 and \$13,319, respectively	\$ 1,853,598	\$ 1,786,681
Secured Debt	196,721	197,000
Accounts payable, accrued expenses, and accrued capital expenditures	120,579	110,306
Dividends payable	—	25,357
Deferred income	89,990	59,977
Intangible lease liabilities, less accumulated amortization	45,825	56,949
Total liabilities	<u>2,306,713</u>	<u>2,236,270</u>
Stockholders' equity:		
Common stock (123,696,475 and 123,439,558 shares outstanding as of September 30, 2023 and December 31, 2022, respectively)	1,237	1,234
Additional paid in capital	3,714,629	3,711,005
Cumulative distributions in excess of earnings	(1,943,652)	(1,855,893)
Other comprehensive income	(6,718)	(8,679)
Piedmont stockholders' equity	<u>1,765,496</u>	<u>1,847,667</u>
Noncontrolling interest	1,569	1,588
Total stockholders' equity	<u>1,767,065</u>	<u>1,849,255</u>
Total liabilities and stockholders' equity	<u>\$ 4,073,778</u>	<u>\$ 4,085,525</u>
<i>Net debt (Unsecured and Secured Debt less Cash and cash equivalents)</i>	<i>2,045,275</i>	<i>1,967,145</i>
<i>Total Principal Amount of Debt Outstanding (Unsecured and Secured Debt plus discounts and unamortized debt issuance costs)</i>	<i>2,068,875</i>	<i>1,997,000</i>

Piedmont Office Realty Trust, Inc.

Consolidated Statements of Operations

Unaudited (in thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
Revenues:				
Rental and tenant reimbursement revenue	\$ 141,534	\$ 139,572	\$ 415,866	\$ 403,635
Property management fee revenue	396	303	1,340	1,280
Other property related income	5,056	4,225	15,219	11,643
Total revenues	146,986	144,100	432,425	416,558
Expenses:				
Property operating costs	59,847	59,039	176,006	166,295
Depreciation	38,150	34,941	110,422	98,828
Amortization	20,160	23,290	63,524	67,022
Goodwill impairment charge	10,957	—	10,957	—
General and administrative	7,043	6,590	22,013	21,212
Total operating expenses	136,157	123,860	382,922	353,357
Other income (expense):				
Interest expense	(27,361)	(17,244)	(72,827)	(44,917)
Other income	351	335	3,794	2,302
Loss on early extinguishment of debt	(820)	—	(820)	—
Gain on sale of real estate assets	—	—	—	50,674
Total other income (expense)	(27,830)	(16,909)	(69,853)	8,059
Net income/(loss)	(17,001)	3,331	(20,350)	71,260
Net income/(loss) applicable to noncontrolling interest	(1)	—	(7)	1
Net income/(loss) applicable to Piedmont	\$ (17,002)	\$ 3,331	\$ (20,357)	\$ 71,261
Weighted average common shares outstanding - diluted	123,696	123,697	123,640	123,631
Net income/(loss) per share applicable to common stockholders - diluted	\$ (0.14)	\$ 0.03	\$ (0.16)	\$ 0.58

Piedmont Office Realty Trust, Inc.

Funds From Operations, Core Funds From Operations and Adjusted Funds From Operations

Unaudited (in thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
GAAP net income/(loss) applicable to common stock	\$ (17,002)	\$ 3,331	\$ (20,357)	\$ 71,261
Depreciation of real estate assets ⁽¹⁾	37,790	34,743	109,680	98,262
Amortization of lease-related costs	20,151	23,278	63,495	66,986
Goodwill impairment charge	10,957	—	10,957	—
Gain on sale of real estate assets	—	—	—	(50,674)
NAREIT Funds From Operations applicable to common stock*	51,896	61,352	163,775	185,835
Loss on early extinguishment of debt	820	—	820	—
Core Funds From Operations applicable to common stock*	52,716	61,352	164,595	185,835
Amortization of debt issuance costs and discounts on debt	1,410	922	3,961	2,463
Depreciation of non real estate assets	350	189	711	537
Straight-line effects of lease revenue	(418)	(3,268)	(6,360)	(8,874)
Stock-based compensation adjustments	2,070	1,950	4,348	3,116
Amortization of lease-related intangibles	(4,479)	(3,542)	(11,010)	(9,713)
Non-incremental capital expenditures ⁽²⁾	(11,710)	(14,121)	(35,070)	(42,406)
Adjusted Funds From Operations applicable to common stock*	\$ 39,939	\$ 43,482	\$ 121,175	\$ 130,958
Weighted average common shares outstanding - diluted	123,781 ⁽³⁾	123,697	123,689 ⁽³⁾	123,631
NAREIT Funds From Operations per share (diluted)	\$ 0.42	\$ 0.50	\$ 1.32	\$ 1.50
Core Funds From Operations per share (diluted)	\$ 0.43	\$ 0.50	\$ 1.33	\$ 1.50

⁽¹⁾Excludes depreciation of non real estate assets.

⁽²⁾Capital expenditures of a recurring nature related to tenant improvements, leasing commissions and building capital that do not incrementally enhance the underlying assets' income generating capacity. Tenant improvements, leasing commissions, building capital and deferred lease incentives incurred to lease space that was vacant at acquisition, leasing costs for spaces vacant for greater than one year, leasing costs for spaces at newly acquired properties for which in-place leases expire shortly after acquisition, improvements associated with the expansion of a building and renovations that either enhance the rental rates of a building or change the property's underlying classification, such as from a Class B to a Class A property, are excluded from this measure.

⁽³⁾Includes potential dilution under the treasury stock method that would occur if our remaining unvested and potential stock awards vested and resulted in additional common shares outstanding. Such shares are not included when calculating net loss per diluted share applicable to Piedmont for the three and nine months ended September 30, 2023 as they would reduce the loss per share presented.

Piedmont Office Realty Trust, Inc.

**EBITDAre, Core EBITDA, Property Net Operating Income (Cash and Accrual),
Same Store Net Operating Income (Cash and Accrual)**

Unaudited (in thousands)

	Cash Basis		Accrual Basis	
	Three Months Ended		Three Months Ended	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
Net income/(loss) applicable to Piedmont (GAAP)	\$ (17,002)	\$ 3,331	\$ (17,002)	\$ 3,331
Net income/(loss) applicable to noncontrolling interest	1	—	1	—
Interest expense	27,361	17,244	27,361	17,244
Depreciation	38,140	34,931	38,140	34,931
Amortization	20,151	23,278	20,151	23,278
Depreciation and amortization attributable to noncontrolling interests	20	21	20	21
Goodwill impairment charge	10,957	—	10,957	—
EBITDAre*	79,628	78,805	79,628	78,805
Loss on early extinguishment of debt	820	—	820	—
Core EBITDA*	80,448	78,805	80,448	78,805
General and administrative expenses	7,043	6,590	7,043	6,590
Management fee revenue	(210)	(177)	(210)	(177)
Other income	(207)	(119)	(207)	(119)
Reversal of non-cash general reserve for uncollectible accounts	(600)	(1,000)		
Straight line effects of lease revenue	(418)	(3,268)		
Straight line effects of lease revenue attributable to noncontrolling interests	(2)	(4)		
Amortization of lease-related intangibles	(4,479)	(3,542)		
Property NOI*	81,575	77,285	87,074	85,099
Net operating (income)/loss from:				
Acquisitions	(5,941)	(2,867)	(7,404)	(4,164)
Dispositions	28	(2,587)	28	(2,579)
Other investments ⁽¹⁾	212	211	111	150
Same Store NOI*	\$ 75,874	\$ 72,042	\$ 79,809	\$ 78,506
<i>Change period over period in Same Store NOI</i>	<i>5.3%</i>	<i>N/A</i>	<i>1.7 %</i>	<i>N/A</i>

⁽¹⁾Other investments consist of our investments in active, out-of-service redevelopment and development projects, land, and recently completed redevelopment and development projects. The operating results of 222 South Orange Avenue in Orlando, FL, are included in this line item.

Piedmont Office Realty Trust, Inc.

EBITDAre, Core EBITDA, Property Net Operating Income (Cash and Accrual), Same Store Net Operating Income (Cash and Accrual)

Unaudited (in thousands)

	Cash Basis		Accrual Basis	
	Nine Months Ended		Nine Months Ended	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
Net income/(loss) applicable to Piedmont (GAAP)	\$ (20,357)	\$ 71,261	\$ (20,357)	\$ 71,261
Net income/(loss) applicable to noncontrolling interest	7	(1)	7	(1)
Interest expense	72,827	44,917	72,827	44,917
Depreciation	110,391	98,799	110,391	98,799
Amortization	63,495	66,986	63,495	66,986
Depreciation and amortization attributable to noncontrolling interests	60	65	60	65
Goodwill impairment charge	10,957	—	10,957	—
Gain on sale of real estate assets	—	(50,674)	—	(50,674)
EBITDAre*	237,380	231,353	237,380	231,353
Loss on Early Extinguishment of Debt	820	—	820	—
Core EBITDA*	238,200	231,353	238,200	231,353
General and administrative expenses	22,013	21,212	22,013	21,212
Management fee revenue	(756)	(743)	(756)	(743)
Other income	(3,218)	(1,655)	(3,218)	(1,655)
Reversal of non-cash general reserve for uncollectible accounts	(1,000)	(2,000)		
Straight line effects of lease revenue	(6,360)	(8,874)		
Straight line effects of lease revenue attributable to noncontrolling interests	(7)	(6)		
Amortization of lease-related intangibles	(11,010)	(9,713)		
Property NOI*	237,862	229,574	256,239	250,167
Net operating income/(loss) from:				
Acquisitions	(16,784)	(2,867)	(22,384)	(4,164)
Dispositions	102	(8,372)	102	(8,437)
Other investments ⁽¹⁾	548	539	244	528
Same Store NOI*	\$ 221,728	\$ 218,874	\$ 234,201	\$ 238,094
<i>Change period over period in Same Store NOI</i>	<i>1.3 %</i>	<i>N/A</i>	<i>(1.6)%</i>	<i>N/A</i>

⁽¹⁾Other investments consist of our investments in active redevelopment and development projects, land, and recently completed redevelopment and development projects for which some portion of operating expenses were capitalized during the current or prior reporting periods. The operating results from 222 South Orange Avenue in Orlando, FL, are included in this line item.

***Definitions:**

Funds From Operations ("FFO"): The Company calculates FFO in accordance with the current National Association of Real Estate Investment Trusts ("NAREIT") definition. NAREIT currently defines FFO as net income/(loss) (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real estate assets and investment in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity, along with appropriate adjustments to those reconciling items for joint ventures, if any. These adjustments can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates. FFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of the Company's operating performance. The Company believes that FFO is helpful to investors as a supplemental performance measure because it excludes the effects of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs, which implicitly assumes that the value of real estate diminishes predictably over time. The Company also believes that FFO can help facilitate comparisons of operating performance between periods and with other REITs. However, other REITs may not define FFO in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than the Company; therefore, the Company's computation of FFO may not be comparable to that of such other REITs.

Core Funds From Operations ("Core FFO"): The Company calculates Core FFO by starting with FFO, as defined by NAREIT, and adjusting for gains or losses on the extinguishment of swaps and/or debt and any significant non-recurring items. Core FFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of the Company's operating performance. The Company believes that Core FFO is helpful to investors as a supplemental performance measure because it excludes the effects of certain infrequent or non-recurring items which can create significant earnings volatility, but which do not directly relate to the Company's core business operations. As a result, the Company believes that Core FFO can help facilitate comparisons of operating performance between periods and provides a more meaningful predictor of future earnings potential. Other REITs may not define Core FFO in the same manner as the Company; therefore, the Company's computation of Core FFO may not be comparable to that of other REITs.

Adjusted Funds From Operations ("AFFO"): The Company calculates AFFO by starting with Core FFO and adjusting for non-incremental capital expenditures and then adding back non-cash items including: non-real estate depreciation, straight-lined rents and fair value lease adjustments, non-cash components of interest expense and compensation expense, and by making similar adjustments for joint ventures, if any. AFFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of the Company's operating performance. The Company believes that AFFO is helpful to investors as a meaningful supplemental comparative performance measure of our ability to make incremental capital investments. Other REITs may not define AFFO in the same manner as the Company; therefore, the Company's computation of AFFO may not be comparable to that of other REITs.

EBITDAre: The Company calculates EBITDAre in accordance with the current National Association of Real Estate Investment Trusts ("NAREIT") definition. NAREIT currently defines EBITDAre as net income/(loss) (computed in accordance with GAAP) adjusted for gains or losses from sales of property, impairment charges, depreciation on real estate assets, amortization on real estate assets, interest expense and taxes, along with the same adjustments for joint ventures. Some of the adjustments mentioned can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates. EBITDAre is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of the Company's operating performance. The Company believes that EBITDAre is helpful to investors as a supplemental performance measure because it provides a metric for understanding the Company's results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization) and capitalization and capital structure expenses (such as interest expense and taxes). The Company also believes that EBITDAre can help facilitate comparisons of operating performance between periods and with other REITs. However, other REITs may not define EBITDAre in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than the Company; therefore, the Company's computation of EBITDAre may not be comparable to that of such other REITs.

Core EBITDA: The Company calculates Core EBITDA as net income/(loss) (computed in accordance with GAAP) before interest, taxes, depreciation and amortization and removing any impairment charges, gains or losses from sales of property and other significant infrequent items that create volatility within our earnings and make it difficult to determine the earnings generated by our core ongoing business. Core EBITDA is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of the Company's operating performance. The Company believes that Core EBITDA is helpful to investors as a supplemental performance measure because it provides a metric for understanding the performance of the Company's results from ongoing operations without taking into account the effects of non-cash expenses (such as depreciation and amortization), as well as items that are not part of normal day-to-day operations of the Company's business. Other REITs may not define Core EBITDA in the same manner as the Company; therefore, the Company's computation of Core EBITDA may not be comparable to that of other REITs.

Property Net Operating Income ("Property NOI"): The Company calculates Property NOI by starting with Core EBITDA and adjusting for general and administrative expense, income associated with property management performed by Piedmont for other organizations and other income or expense items for the Company, such as interest income from loan investments or costs from the pursuit of non-consummated transactions. The Company may present this measure on an accrual basis or a cash basis. When presented on a cash basis, the effects of non-cash general reserve for uncollectible accounts, straight lined rents and fair value lease revenue are also eliminated. Property NOI is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of the Company's operating performance. The Company believes that Property NOI is helpful to investors as a supplemental comparative performance measure of income generated by its properties alone without the administrative overhead of the Company. Other REITs may not define Property NOI in the same manner as the Company; therefore, the Company's computation of Property NOI may not be comparable to that of other REITs.

Same Store Net Operating Income ("Same Store NOI"): The Company calculates Same Store NOI as Property NOI attributable to the properties for which the following criteria were met during the entire span of the current and prior year reporting periods: (i) they were owned, (ii) they were not under development / redevelopment, and (iii) none of the operating expenses for which were capitalized. Same Store NOI also excludes amounts attributable to land assets. The Company may present this measure on an accrual basis or a cash basis. Same Store NOI is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of the Company's operating performance. The Company believes that Same Store NOI is helpful to investors as a supplemental comparative performance measure of the income generated from the same group of properties from one period to the next. Other REITs may not define Same Store NOI in the same manner as the Company; therefore, the Company's computation of Same Store NOI may not be comparable to that of other REITs.