

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	<i>(unaudited)</i>	
Assets:		
Real estate assets, at cost:		
Land	\$ 506,440	\$ 470,432
Buildings and improvements	3,099,177	2,839,640
Buildings and improvements, accumulated depreciation	(772,122)	(718,070)
Intangible lease assets	165,854	165,067
Intangible lease assets, accumulated amortization	(77,483)	(87,391)
Construction in progress	13,866	15,848
Real estate assets held for sale, gross	274,673	433,544
Real estate assets held for sale, accumulated depreciation and amortization	(61,579)	(102,476)
Total real estate assets	3,148,826	3,016,594
Cash and cash equivalents	10,284	4,571
Tenant receivables	10,091	10,800
Straight line rent receivables	147,197	136,762
Restricted cash and escrows	1,820	1,463
Prepaid expenses and other assets	27,143	24,691
Goodwill	98,918	98,918
Interest rate swaps	—	1,199
Deferred lease costs, gross	441,106	413,117
Deferred lease costs, accumulated depreciation	(173,490)	(176,919)
Other assets held for sale, gross	47,923	70,371
Other assets held for sale, accumulated depreciation	(7,887)	(9,138)
Total assets	\$ 3,751,931	\$ 3,592,429
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs	\$ 1,689,793	\$ 1,495,121
Secured debt, net of premiums and unamortized debt issuance costs	189,451	190,351
Accounts payable, accrued expenses, and accrued capital expenditures	114,812	93,739
Dividends payable	—	26,972
Deferred income	27,985	28,779
Intangible lease liabilities, less accumulated amortization	34,970	35,708
Interest rate swaps	6,862	839
Other liabilities held for sale	7,275	8,780
Total liabilities	2,071,148	1,880,289
Stockholders' equity :		
Common stock	1,258	1,262
Additional paid in capital	3,685,504	3,683,186
Cumulative distributions in excess of earnings	(2,007,438)	(1,982,542)
Other comprehensive income	(283)	8,462
Piedmont stockholders' equity	1,679,041	1,710,368
Non-controlling interest	1,742	1,772
Total stockholders' equity	1,680,783	1,712,140
Total liabilities and stockholders' equity	\$ 3,751,931	\$ 3,592,429
<i>Number of shares of common stock outstanding as of end of period</i>	<i>125,783</i>	<i>126,219</i>

Piedmont Office Realty Trust, Inc.
Consolidated Statements of Income
Unaudited (in thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Revenues:				
Rental and tenant reimbursement revenue	\$ 130,579	\$ 124,518	\$ 382,213	\$ 372,491
Property management fee revenue	405	368	2,819	1,059
Other property related income	4,437	4,822	13,993	15,232
Total revenues	135,421	129,708	399,025	388,782
Expenses:				
Property operating costs	54,613	49,679	158,798	154,175
Depreciation	27,131	26,852	80,004	81,112
Amortization	19,505	14,840	55,666	46,818
Impairment loss on real estate assets	1,953	—	1,953	—
General and administrative	7,950	6,677	29,736	21,487
Total operating expenses	111,152	98,048	326,157	303,592
Other income (expense):				
Interest expense	(16,145)	(15,849)	(46,750)	(45,294)
Other income	263	303	1,292	1,480
Loss on extinguishment of debt	—	—	—	(1,680)
Gain on sale of real estate assets	32	—	39,370	45,186
Total other income/(expense)	(15,850)	(15,546)	(6,088)	(308)
Net income	8,419	16,114	66,780	84,882
Plus: Net income applicable to noncontrolling interest	3	—	3	4
Net income applicable to Piedmont	\$ 8,422	\$ 16,114	\$ 66,783	\$ 84,886
Weighted average common shares outstanding - diluted	126,240	128,819	126,190	131,187
Net income per share applicable to common stockholders - diluted	\$ 0.07	\$ 0.13	\$ 0.53	\$ 0.65

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	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
GAAP net income applicable to common stock	\$ 8,422	\$ 16,114	\$ 66,783	\$ 84,886
Depreciation of real estate assets ⁽¹⁾	26,909	26,668	79,346	80,531
Amortization of lease-related costs	19,491	14,828	55,622	46,773
Impairment loss on real estate assets	1,953	—	1,953	—
Gain on sale of real estate assets	(32)	—	(39,370)	(45,186)
NAREIT Funds From Operations applicable to common stock*	56,743	57,610	164,334	167,004
Retirement and separation expenses associated with senior management transition	—	—	3,175	—
Loss on extinguishment of debt	—	—	—	1,680
Core Funds From Operations applicable to common stock*	56,743	57,610	167,509	168,684
Amortization of debt issuance costs, fair market adjustments on notes payable, and discounts on debt	526	550	1,574	1,561
Depreciation of non real estate assets	214	176	634	558
Straight-line effects of lease revenue	(1,531)	(3,210)	(7,437)	(11,489)
Stock-based compensation adjustments	(3,015)	1,661	1,949	4,462
Net effect of amortization of above/below-market in-place lease intangibles	(1,923)	(2,006)	(6,009)	(5,636)
Non-incremental capital expenditures ⁽²⁾	(14,352)	(9,276)	(27,410)	(27,407)
Adjusted funds from operations applicable to common stock	\$ 36,662	\$ 45,505	\$ 130,810	\$ 130,733
Weighted average common shares outstanding - diluted	126,240	128,819	126,190	131,187
Funds from operations per share (diluted)	\$ 0.45	\$ 0.45	\$ 1.30	\$ 1.27
Core funds from operations per share (diluted)	\$ 0.45	\$ 0.45	\$ 1.33	\$ 1.29

⁽¹⁾ Excludes depreciation of non real estate assets.

⁽²⁾ Capital expenditures of a recurring nature related to tenant improvements and leasing commissions 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 change the underlying classification of a building are excluded from this measure.

***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 (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment losses, adding back depreciation and amortization on real estate assets, and after the same adjustments for unconsolidated partnerships and joint ventures. 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, acquisition-related expenses (that are not capitalized) 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 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 acquisition-related costs (that are not capitalized) 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 unconsolidated partnerships and joint ventures. 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.

Piedmont Office Realty Trust, Inc.

EBITDAre, 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	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
GAAP net income applicable to common stock	\$ 8,422	\$ 16,114	\$ 8,422	\$ 16,114
Net income applicable to noncontrolling interest	(3)	—	(3)	—
Interest expense	16,145	15,849	16,145	15,849
Depreciation	27,124	26,844	27,124	26,844
Amortization	19,491	14,828	19,491	14,828
Impairment loss on real estate assets	1,953	—	1,953	—
Gain on sale of real estate assets	(32)	—	(32)	—
EBITDAre*	73,100	73,635	73,100	73,635
General & administrative expenses	7,950	6,677	7,950	6,677
Management fee revenue	(203)	(181)	(203)	(181)
Other income	(47)	(87)	(47)	(87)
Straight line effects of lease revenue	(1,531)	(3,210)		
Amortization of lease-related intangibles	(1,923)	(2,006)		
Property NOI*	77,346	74,828	80,800	80,044
Net operating income from:				
Acquisitions	(5,546)	(431)	(6,876)	(694)
Dispositions	(296)	(7,019)	(280)	(6,811)
Other investments ⁽¹⁾	(896)	(132)	(889)	(141)
Same Store NOI *	\$ 70,608	\$ 67,246	\$ 72,755	\$ 72,398
<i>Change period over period in Same Store NOI</i>	<i>5.0 %</i>	<i>N/A</i>	<i>0.5 %</i>	<i>N/A</i>

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	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
GAAP net income applicable to common stock	\$ 66,783	\$ 84,886	\$ 66,783	\$ 84,886
Net income applicable to noncontrolling interest	(3)	(4)	(3)	(4)
Interest expense	46,750	45,294	46,750	45,294
Depreciation	79,982	81,090	79,982	81,090
Amortization	55,622	46,773	55,622	46,773
Impairment loss on real estate assets	1,953	—	1,953	—
Gain on sale of real estate assets	(39,370)	(45,186)	(39,370)	(45,186)
EBITDAre	211,717	212,853	211,717	212,853
Loss on extinguishment of debt	—	1,680	—	1,680
Retirement and separation expenses associated with senior management transition	3,175	—	3,175	—
Core EBITDA *	214,892	214,533	214,892	214,533
General & administrative expenses	26,561	21,487	26,561	21,487
Management fee revenue	(2,226)	(531)	(2,226)	(531)
Other income	(165)	(475)	(165)	(475)
Straight line effects of lease revenue	(7,437)	(11,489)		
Amortization of lease-related intangibles	(6,009)	(5,636)		
Property NOI*	225,616	217,889	239,062	235,014
Net operating income from:				
Acquisitions	(12,610)	(1,038)	(14,974)	(1,653)
Dispositions	(4,931)	(18,368)	(3,479)	(16,845)
Other investments ⁽¹⁾	(1,181)	(1,456)	(1,159)	(1,292)
Same Store NOI *	\$ 206,894	\$ 197,027	\$ 219,450	\$ 215,224
<i>Change period over period in Same Store NOI</i>	<i>5.0 %</i>	<i>N/A</i>	<i>2.0 %</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 Two Pierce Place in Itasca, IL are included in this line item.

***Definitions:**

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 (computed in accordance with GAAP) adjusted for gains or losses from sales of property, impairment losses, depreciation on real estate assets, amortization on real estate assets, interest expense and taxes, along with the same adjustments for unconsolidated partnerships and 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 (computed in accordance with GAAP) before interest, taxes, depreciation and amortization and incrementally removing any impairment losses, 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 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 unconsolidated joint venture and land assets. The Company may present this measure on an accrual basis or a cash basis. When presented on a cash basis, the effects of straight lined rents and fair value lease revenue are also eliminated. 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.