

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

(in thousands)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets:		
Real estate assets, at cost:		
Land	\$ 567,244	\$ 529,941
Buildings and improvements	3,682,000	3,374,903
Buildings and improvements, accumulated depreciation	(915,010)	(861,206)
Intangible lease assets	205,074	178,157
Intangible lease assets, accumulated amortization	(90,694)	(83,777)
Construction in progress	52,010	43,406
Real estate assets held for sale, gross	—	80,586
Real estate assets held for sale, accumulated depreciation and amortization	—	(16,699)
Total real estate assets	<u>3,500,624</u>	<u>3,245,311</u>
Cash and cash equivalents	16,536	7,419
Tenant receivables	4,762	2,995
Straight line rent receivables	172,019	162,632
Notes receivable	—	118,500
Restricted cash and escrows	3,064	1,441
Prepaid expenses and other assets	17,152	20,485
Goodwill	82,937	98,918
Interest rate swaps	4,183	—
Deferred lease costs, gross	505,979	469,671
Deferred lease costs, accumulated depreciation	(221,731)	(205,100)
Other assets held for sale, gross	—	9,389
Other assets held for sale, accumulated depreciation	—	(996)
Total assets	<u>\$ 4,085,525</u>	<u>\$ 3,930,665</u>
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs of \$13,319 and \$12,210, respectively	\$ 1,786,681	\$ 1,877,790
Secured Debt	197,000	—
Accounts payable, accrued expenses, and accrued capital expenditures	110,306	114,453
Dividends payable	25,357	26,048
Deferred income	59,977	80,686
Intangible lease liabilities, less accumulated amortization	56,949	39,341
Interest rate swaps	—	4,924
Total liabilities	<u>2,236,270</u>	<u>2,143,242</u>
Stockholders' equity:		
Common stock	1,234	1,231
Additional paid in capital	3,711,005	3,701,798
Cumulative distributions in excess of earnings	(1,855,893)	(1,899,081)
Other comprehensive income	(8,679)	(18,154)
Piedmont stockholders' equity	<u>1,847,667</u>	<u>1,785,794</u>
Noncontrolling interest	1,588	1,629
Total stockholders' equity	<u>1,849,255</u>	<u>1,787,423</u>
Total liabilities and stockholders' equity	<u>\$ 4,085,525</u>	<u>\$ 3,930,665</u>

<i>Number of shares of common stock outstanding as of end of period</i>	<i>123,440</i>	<i>123,077</i>
<i>Net debt (Unsecured and Secured Debt less Cash and cash equivalents)</i>	<i>1,967,145</i>	<i>1,870,371</i>
<i>Total Principal Amount of Debt Outstanding (Unsecured and Secured Debt plus discount and unamortized debt issuance costs)</i>	<i>1,997,000</i>	<i>1,890,000</i>

Piedmont Office Realty Trust, Inc.

Consolidated Statements of Operations

Unaudited (in thousands, except for per share data)

	Three Months Ended		Year Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Revenues:				
Rental and tenant reimbursement revenue	\$ 142,106	\$ 134,313	\$ 545,741	\$ 514,619
Property management fee revenue	395	576	1,675	2,496
Other property related income	4,707	3,275	16,350	11,595
Total revenues	147,208	138,164	563,766	528,710
Expenses:				
Property operating costs	59,763	56,083	226,058	210,932
Depreciation	34,788	31,952	133,616	120,615
Amortization	23,915	22,014	90,937	85,992
Impairment losses	25,981	41,000	25,981	41,000
General and administrative	7,915	7,835	29,127	30,252
Total operating expenses	152,362	158,884	505,719	488,791
Other income (expense):				
Interest expense	(20,739)	(13,917)	(65,656)	(51,292)
Other income	408	2,882	2,710	10,206
Gain on sale of real estate assets	101,055	—	151,729	—
Total other income (expense)	80,724	(11,035)	88,783	(41,086)
Net income/(loss)	75,570	(31,755)	146,830	(1,167)
Net (income)/loss applicable to noncontrolling interest	(1)	5	—	14
Net income/ (loss) applicable to Piedmont	\$ 75,569	\$ (31,750)	\$ 146,830	\$ (1,153)
Weighted average common shares outstanding - diluted	123,633	123,742	123,524	123,978
Net income/ (loss) per share applicable to common stockholders - diluted	\$ 0.61	\$ (0.26)	\$ 1.19	\$ (0.01)

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		Year Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
GAAP net income/(loss) applicable to common stock	\$ 75,569	\$ (31,750)	\$ 146,830	\$ (1,153)
Depreciation of real estate assets ⁽¹⁾	34,587	31,756	132,849	119,629
Amortization of lease-related costs	23,905	22,003	90,891	85,946
Impairment losses	25,981	41,000	25,981	41,000
Gain on sale of real estate assets	(101,055)	—	(151,729)	—
NAREIT Funds From Operations applicable to common stock*	58,987	63,009	244,822	245,422
Severance costs associated with Q4 management reorganization	2,248	—	2,248	—
Core Funds From Operations applicable to common stock*	61,235	63,009	247,070	245,422
Amortization of debt issuance costs, fair market adjustments on notes payable, and discounts on debt	926	781	3,389	2,857
Depreciation of non real estate assets	191	187	728	949
Straight-line effects of lease revenue	(2,356)	(1,939)	(11,230)	(10,566)
Stock-based compensation adjustments	1,717	2,772	4,833	7,924
Net effect of amortization of above/below-market in-place lease intangibles	(3,713)	(3,098)	(13,426)	(11,290)
Non-incremental capital expenditures ⁽²⁾	(10,918)	(22,313)	(53,324)	(75,162)
Adjusted Funds From Operations applicable to common stock*	\$ 47,082	\$ 39,399	\$ 178,040	\$ 160,134
Weighted average common shares outstanding - diluted	123,633	124,412 ⁽³⁾	123,524	124,455 ⁽³⁾
NAREIT Funds From Operations per share (diluted)	\$ 0.48	\$ 0.51	\$ 1.98	\$ 1.97
Core Funds From Operations per share (diluted)	\$ 0.50	\$ 0.51	\$ 2.00	\$ 1.97

⁽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 dilution is not included when calculating Net loss per diluted share applicable to Piedmont for the quarter and year ended December 31, 2021 as it 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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Net income/(loss) applicable to Piedmont (GAAP)	\$ 75,569	\$ (31,750)	\$ 75,569	\$ (31,750)
Net income/(loss) applicable to noncontrolling interest	1	(5)	1	(5)
Interest expense	20,739	13,917	20,739	13,917
Depreciation	34,778	31,943	34,778	31,943
Amortization	23,905	22,003	23,905	22,003
Depreciation and amortization attributable to noncontrolling interests	20	22	20	22
Impairment losses	25,981	41,000	25,981	41,000
Gain on sale of real estate assets	(101,055)	—	(101,055)	—
EBITDAre*	79,938	77,130	79,938	77,130
Severance costs associated with Q4 management reorganization:	2,248	—	2,248	—
Core EBITDA*	82,186	77,130	82,186	77,130
General & administrative expenses	5,668	7,835	5,668	7,835
Management fee revenue	(261)	(323)	(261)	(323)
Other income	(193)	(2,667)	(193)	(2,667)
Reversal of non-cash general reserve for uncollectible accounts	(1,000)	(965)		
Straight line effects of lease revenue	(2,356)	(1,939)		
Straight line effects of lease revenue attributable to noncontrolling interests	(4)	1		
Amortization of lease-related intangibles	(3,713)	(3,098)		
Property NOI*	80,327	75,974	87,400	81,975
Net operating (income)/loss from:				
Acquisitions	(7,928)	(2,460)	(11,363)	(3,273)
Dispositions	(2,342)	(4,555)	(2,389)	(4,663)
Other investments ⁽¹⁾	224	217	123	275
Same Store NOI*	\$ 70,281	\$ 69,176	\$ 73,771	\$ 74,314
<i>Change period over period in Same Store NOI</i>	<i>1.6%</i>	<i>N/A</i>	<i>(0.7)%</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	
	Year Ended		Year Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Net income/(loss) applicable to Piedmont (GAAP)	\$ 146,830	\$ (1,153)	\$ 146,830	\$ (1,153)
Net loss applicable to noncontrolling interest	—	(14)	—	(14)
Interest expense	65,656	51,292	65,656	51,292
Depreciation	133,577	120,578	133,577	120,578
Amortization	90,891	85,946	90,891	85,946
Depreciation and amortization attributable to noncontrolling interests	85	84	85	84
Impairment losses	25,981	41,000	25,981	41,000
Gain on sale of real estate assets	(151,729)	—	(151,729)	—
EBITDAre*	311,291	297,733	311,291	297,733
Severance costs associated with Q4 management reorganization	2,248	—	2,248	—
Core EBITDA*	313,539	297,733	313,539	297,733
General & administrative expenses	26,879	30,252	26,879	30,252
Management fee revenue	(1,004)	(1,269)	(1,004)	(1,269)
Other income	(1,847)	(9,089)	(1,847)	(9,089)
Reversal of non-cash general reserve for uncollectible accounts	(3,000)	(553)		
Straight line effects of lease revenue	(11,230)	(10,566)		
Straight line effects of lease revenue attributable to noncontrolling interests	(10)	3		
Amortization of lease-related intangibles	(13,426)	(11,290)		
Property NOI*	309,901	295,221	337,567	317,627
Net operating income/(loss) from:				
Acquisitions	(18,720)	(2,460)	(27,055)	(3,273)
Dispositions	(10,714)	(17,572)	(10,826)	(18,400)
Other investments ⁽¹⁾	763	841	651	1,067
Same Store NOI*	\$ 281,230	\$ 276,030	\$ 300,337	\$ 297,021
<i>Change period over period in Same Store NOI</i>	<i>1.9 %</i>	<i>N/A</i>	<i>1.1 %</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 (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 (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 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 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 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.