

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

(in thousands)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Assets:		
Real estate assets, at cost:		
Land	\$ 476,717	\$ 476,716
Buildings and improvements	3,259,369	3,123,042
Buildings and improvements, accumulated depreciation	(829,832)	(751,521)
Intangible lease assets	148,945	158,444
Intangible lease assets, accumulated amortization	(80,072)	(67,850)
Construction in progress	48,226	56,749
Real estate assets held for sale, gross	78,803	76,475
Real estate assets held for sale, accumulated depreciation and amortization	(16,699)	(16,021)
Total real estate assets	3,085,457	3,056,034
Cash and cash equivalents	8,189	7,331
Tenant receivables	8,678	8,448
Straight line rent receivables	159,871	148,797
Notes receivable	118,500	118,500
Restricted cash and escrows	6,093	1,883
Prepaid expenses and other assets	24,915	23,277
Goodwill	98,918	98,918
Deferred lease costs, gross	437,020	444,211
Deferred lease costs, accumulated depreciation	(195,255)	(171,817)
Other assets held for sale, gross	9,258	5,030
Other assets held for sale, accumulated depreciation	(996)	(802)
Total assets	<u>\$ 3,760,648</u>	<u>\$ 3,739,810</u>
Liabilities:		
Unsecured debt, net of discount and unamortized debt issuance costs of \$12,899 and \$10,932, respectively	\$ 1,665,101	\$ 1,594,068
Secured debt, inclusive of premium and unamortized debt issuance costs of \$0 and \$326, respectively	—	27,936
Accounts payable, accrued expenses, and accrued capital expenditures	127,675	111,997
Dividends payable	—	25,683
Deferred income	73,614	36,891
Intangible lease liabilities, less accumulated amortization	26,924	35,440
Interest rate swaps	6,715	9,834
Total liabilities	1,900,029	1,841,849
Stockholders' equity:		
Common stock	1,241	1,238
Additional paid in capital	3,700,208	3,693,996
Cumulative distributions in excess of earnings	(1,822,441)	(1,774,856)
Other comprehensive income	(20,036)	(24,100)
Piedmont stockholders' equity	<u>1,858,972</u>	<u>1,896,278</u>
Noncontrolling interest	1,647	1,683
Total stockholders' equity	<u>1,860,619</u>	<u>1,897,961</u>
Total liabilities and stockholders' equity	<u>\$ 3,760,648</u>	<u>\$ 3,739,810</u>

<i>Number of shares of common stock outstanding as of end of period</i>	<i>124,136</i>	<i>123,839</i>
<i>Net debt (Unsecured and Secured debt, less Cash and cash equivalents)</i>	<i>1,656,912</i>	<i>1,614,673</i>
<i>Total Principal Amount of Debt Outstanding (Unsecured debt plus discount and unamortized debt issuance costs and Secured debt less premium and unamortized debt issuance costs)</i>	<i>1,678,000</i>	<i>1,632,610</i>

Piedmont Office Realty Trust, Inc.

Consolidated Statements of Income

Unaudited (in thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Revenues:				
Rental and tenant reimbursement revenue	\$ 127,427	\$ 128,280	\$ 380,306	\$ 391,681
Property management fee revenue	626	751	1,920	2,146
Other property related income	3,018	2,662	8,320	9,668
Total revenues	131,071	131,693	390,546	403,495
Expenses:				
Property operating costs	51,767	53,293	154,849	159,631
Depreciation	30,562	28,255	88,663	83,339
Amortization	20,373	22,990	63,978	70,970
General and administrative	6,955	5,469	22,417	20,049
Total operating expenses	109,657	110,007	329,907	333,989
Other income (expense):				
Interest expense	(12,450)	(12,725)	(37,375)	(41,942)
Other income	2,337	319	7,324	817
Loss on early extinguishment of debt	—	—	—	(9,336)
Gain/(loss) on sale of real estate assets	—	(340)	—	191,032
Total other income (expense)	(10,113)	(12,746)	(30,051)	140,571
Net income	11,301	8,940	30,588	210,077
Net loss applicable to noncontrolling interest	5	3	9	2
Net income applicable to Piedmont	\$ 11,306	\$ 8,943	\$ 30,597	\$ 210,079
Weighted average common shares outstanding - diluted	124,627	126,385	124,472	126,302
Net income per share applicable to common stockholders - diluted	\$ 0.09	\$ 0.07	\$ 0.25	\$ 1.66

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	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
GAAP net income applicable to common stock	\$ 11,306	\$ 8,943	\$ 30,597	\$ 210,079
Depreciation of real estate assets ⁽¹⁾	30,336	27,960	87,873	82,384
Amortization of lease-related costs	20,362	22,976	63,943	70,930
(Gain)/loss on sale of real estate assets	—	340	—	(191,032)
NAREIT Funds From Operations applicable to common stock*	62,004	60,219	182,413	172,361
Loss on early extinguishment of debt	—	—	—	9,336
Core Funds From Operations applicable to common stock*	62,004	60,219	182,413	181,697
Amortization of debt issuance costs, fair market adjustments on notes payable, and discounts on debt	849	931	2,076	2,180
Depreciation of non real estate assets	216	286	762	930
Straight-line effects of lease revenue	(2,122)	(6,315)	(8,627)	(20,378)
Stock-based compensation adjustments	1,637	1,336	5,152	4,281
Net effect of amortization of above/below-market in-place lease intangibles	(2,731)	(3,240)	(8,192)	(9,517)
Non-incremental capital expenditures ⁽²⁾	(18,640)	(15,611)	(52,849)	(58,062)
Adjusted Funds From Operations applicable to common stock*	\$ 41,213	\$ 37,606	\$ 120,735	\$ 101,131
Weighted average common shares outstanding - diluted	124,627	126,385	124,472	126,302
Funds From Operations per share (diluted)	\$ 0.50	\$ 0.48	\$ 1.47	\$ 1.36
Core Funds From Operations per share (diluted)	\$ 0.50	\$ 0.48	\$ 1.47	\$ 1.44

⁽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.

⁽³⁾ Includes the leasing commission for the approximately 20-year, 520,000-square-foot renewal and expansion of the State of New York's lease at our 60 Broad Street building in New York City that was executed during the fourth quarter of 2019.

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	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Net income applicable to Piedmont (GAAP)	\$ 11,306	\$ 8,943	\$ 11,306	\$ 8,943
Net loss applicable to noncontrolling interest	(5)	(3)	(5)	(3)
Interest expense	12,450	12,725	12,450	12,725
Depreciation	30,552	28,247	30,552	28,247
Amortization	20,362	22,976	20,362	22,976
Depreciation and amortization attributable to noncontrolling interests	21	22	21	22
Loss on sale of real estate assets	—	340	—	340
EBITDAre* and Core EBITDA*	74,686	73,250	74,686	73,250
General & administrative expenses	6,955	5,469	6,955	5,469
Management fee revenue	(309)	(422)	(309)	(422)
Other income	(2,121)	(104)	(2,121)	(104)
Non-cash general reserve for uncollectible accounts	—	(33)		
Straight line effects of lease revenue	(2,122)	(6,315)		
Straight line effects of lease revenue attributable to noncontrolling interests	1	(5)		
Amortization of lease-related intangibles	(2,731)	(3,240)		
Property NOI*	74,359	68,600	79,211	78,193
Net operating income from:				
Acquisitions	(8,012)	(6,041)	(9,621)	(8,505)
Dispositions	(359)	(3,338)	(359)	(3,191)
Other investments ⁽¹⁾	254	150	311	(286)
Same Store NOI*	\$ 66,242	\$ 59,371	\$ 69,542	\$ 66,211
<i>Change period over period in Same Store NOI</i>	<i>11.6%</i>	<i>N/A</i>	<i>5.0 %</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	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
Net income applicable to Piedmont (GAAP)	\$ 30,597	\$ 210,079	\$ 30,597	\$ 210,079
Net loss applicable to noncontrolling interest	(9)	(2)	(9)	(2)
Interest expense	37,375	41,942	37,375	41,942
Depreciation	88,635	83,315	88,635	83,315
Amortization	63,943	70,930	63,943	70,930
Depreciation and amortization attributable to noncontrolling interests	63	64	63	64
Gain on sale of real estate assets	—	(191,032)	—	(191,032)
EBITDAre*	220,604	215,296	220,604	215,296
Loss on early extinguishment of debt	—	9,336	—	9,336
Core EBITDA*	220,604	224,632	220,604	224,632
General & administrative expenses	22,417	20,049	22,417	20,049
Management fee revenue	(946)	(1,098)	(946)	(1,098)
Other income	(6,423)	(170)	(6,423)	(170)
Non-cash general reserve for uncollectible accounts	412	4,831		
Straight line effects of lease revenue	(8,627)	(20,378)		
Straight line effects of lease revenue attributable to noncontrolling interests	2	(12)		
Amortization of lease-related intangibles	(8,192)	(9,517)		
Property NOI*	219,247	218,337	235,652	243,413
Net operating income from:				
Acquisitions	(24,214)	(15,320)	(29,244)	(21,246)
Dispositions	(204)	(20,225)	(204)	(21,330)
Other investments ⁽¹⁾	580	388	748	551
Same Store NOI*	\$ 195,409	\$ 183,180	\$ 206,952	\$ 201,388
<i>Change period over period in Same Store NOI</i>	<i>6.7 %</i>	<i>N/A</i>	<i>2.8 %</i>	<i>N/A</i>

⁽¹⁾Other investments include active out-of-service redevelopment and development projects, land, and recently completed redevelopment and development projects. 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. 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 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. 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 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 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.