

## **TELECONFERENCE RESULTS**

### **November 5, 2020**

#### **Arkadin**

Welcome to Pei's fourth Investors Teleconference. Please, give us your name and your company's name. The conference will begin in a few minutes, thanks for your patience.

My name is [ ] and I will be your operator for today's call. At this time, all attendants are in silent mode.

You may ask questions through the web platform or live, through your phone. Questions will be answered at the end of the session. Please note that this conference call is being recorded.

In today's session we are joined by Pei Asset Management's President, Mr. Jairo Corrales; Financial and Administrative Vicepresident, Mr. Andrés Felipe Ruiz; and Investors Relations Manager, Ms. Jimena Maya.

From this moment I give the floor to Mr. Jairo Alberto Corrales, Pei Asset Management's President.

#### **Jairo Corrales**

Good morning everyone. Welcome to Pei's fourth investor conference call of 2020. We hope that you are all well.

As informed in our last teleconference, for two months Pei Asset Management's team has been executing a return-to-the-office plan. Thus, we have returned to the office under a groups and alternating shifts basis, respecting the permitted capacity. This process has shown the benefits of working face-to-face, among them the interaction with the members of the organization, enjoying suitable conditions for work such as a fine internet connection and a dedicated space without distractions, and being able to differentiate between our work and personal life.

2020 has been challenging and defiant for the world in general. In Colombia, very few industries were not impacted by the Covid-19 situation and this creates an immediate need to adapt to the new conditions, be flexible, rethink businesses, and seek opportunities in this "new normal".

As for everyone else, a pandemic scenario like the one we are experiencing was not in our protocols; we did not have a contingency plan for a situation of this magnitude. However, we have spent 13 years preparing ourselves for challenging scenarios and this preparation has enabled us to navigate this situation by working hand in hand with tenants, the assets' managers, and investors.

In this teleconference, we wish to share the results for the third quarter of 2020 which, although continued to be framed under the Covid-19 juncture, also evidence the beginning of the country and PEI's portfolio economic reopening.

#### **SLIDE # 4 MANAGEMENT - THIRD QUARTER OF 2020**

We wish to highlight 3 main topics of the quarter's management:

- First, the portfolio's situation where the agreements' retention level stands at 92% so far this year, with more than 61 thousand m2 retained, in addition to over 6 thousand square meters leased in areas formerly available. As a result of the above, year-to-date average economic vacancy stands at 10.3% and the physical vacancy at 8,9%.
- Second, the management of and assistance to the tenants. We continue to reach a number of arrangements with them in the context of the Covid-19 situation. Because each category was affected by and performs differently under the Covid-19 juncture --as you may see on the screen--, this is why more arrangements have been reached in the commercial category, compared to the others.
- Third, in connection with the financial metrics, the vehicle's indebtedness level is 30%, 10 percentage points below the 40% debt-to-assets limit established. The debt service closed the period at 5.6%, the 5-years stabilized profitability at 10,75%, and last 12-months profitability at 7,8%. The average daily trading volume (ADTV) in the secondary market stands at COP 2,196 MM year-to-date, a situation that has not y affected PEI Securities exclusively and has kept the TEIS as the sixteenth most traded security in 2020 in the Colombian Stock Exchange.
- Finally, and moving on to the next slide, Jimena Maya will shortly refer to the Investors Ordinary Assembly held this third quarter and later to the results of the quarter.

#### **SLIDE # 5 – 2020'S INVESTORS ORDINARY ASSEMBLY**

Jairo, thank you very much and, good morning everyone.

As Jairo mentioned, in the third quarter, Pei's first and second-call Investors Ordinary Assemblies were held: the first one, on August 20 and, the second one, on September 29.

The upper left graph shows the assemblies quorum's evolution in recent years. In 2020, we reached the highest level of attendance ever, in both the first and second-calls assemblies, with 77% of the TEIS represented. Many of you joined us there.

In addition to the regular topics of the presentation --the management reports and

financial statements--, the investors approved the Investors General Assembly rules and the designation and appointment of the new Investors Legal Representative.

The assembly's rules contain general information, among others, on the ILR's accreditation as investor to attend the Assembly, that ordinary assemblies must be held in the 3 months following the end of the previous year, the different types of quorum, the voting mechanism, and the types of interventions during the session. This item of the agenda was approved with 74.26% of the equity during the first call-meeting.

Because the appointment of the new ILR entailed a modification to both the prospectus and the trust agreement, it required a special 80% quorum that was not present during the first call-assembly. Therefore, a second call-assembly was held on September 29, and this point was approved by the investors with a 70,52% quorum, appointing *Fiduciaria Colombiana de Comercio Exterior - Fiducoldex* as Pei's Securities Investors new Legal Representative. *Fiducoldex* formally began its new role as Investors Legal Representative, on November 1.

## **SLIDE # 7 - THE VEHICLE'S PILLARS HAVE ENABLED A MITIGATION OF THE IMPACTS FROM THE CURRENT JUNCTURE**

During the last months, we have been emphasizing the vehicle's pillars in a number of scenarios with both the investors and the tenants. These pillars have enabled the vehicle to face this contingency and mitigate the impacts thereof. The pillars refer to 4 main fronts:

1. Portfolio diversification
2. Commercial risk hedging schemes
3. Liquidity
4. Timely management of obligations and conservative leverage

**DIVERSIFICATION** refers to all aspects: Geographical because Pei's assets are located throughout the country, in over 30 cities and municipalities; per type of asset, as the portfolio has 146 income-generating properties in 4 different categories --corporate, commercial, logistics and industrial, and specialized-- which are impacted differently by the market situations or cycles; per tenant, because the assets are occupied by 1,424 different lessees; and per economic activity, as the tenants operate in more than 20 different economic sectors, whose particularities render the impacts thereon to be different in each case.

**COMMERCIAL RISK HEDGING SCHEMES** refers to the different hedging schemes that Pei has implemented, such as guaranteed income and preferential flow, whose main objective is to mitigate any potential marketing risks during the assets' stabilization period, while the ideal occupancy and tenant mix levels are achieved. Other commercial risk hedging schemes include insurance policies, guarantee deposits, and sources of payment. These schemes have rendered economic vacancy levels below those physical vacancy in the corporate category, where occupation has been slower in recent

months.

VEHICLE'S LIQUIDITY refers to having available resources at demand, through low-risk investments, in order to meet the day-to-day business's demands. During this juncture, in particular, Pei's liquidity situation enabled the vehicle to offer payment deferral schemes to its tenants, whose collection is projected to take place within the next 6 to 12 months.

**CONTROLLED, CONSERVATIVE, AND LONG-TERM LEVERAGE**, refers to the fact that Pei's debt-to-assets ratio has historically oscillated between 25% and 30% and the debt is mostly long-term debt. The leverage sources are financial entities with whom Pei has credit facilities approved for the purchase of fixed assets and the ordinary bonds program that the vehicle launched in 2018 through the capital market.

## **SLIDE # 8 - REAL ESTATE PORTFOLIO'S DIVERSIFICATION**

On the next slide, we once again highlight the real estate portfolio's diversification. Diversification per tenant remained stable in the third quarter and the portfolio's income distributed among different tenants and economic sectors, translating into an important strength to mitigate the impact of the current situation, in addition complying with vehicle's exposure limits.

The upper graphs detail the main tenants in each category and their corresponding weight in the total portfolio, showing that a same client's exposure is below 6%.

The graphs at the bottom show that essential premises, which have not been affected by the situation, correspond to 11% of the revenues and that the commercial category's subcategories have different performances and are affected differently. For example, the restaurants and airlines subcategories correspond to less than 4% of the revenues.

## **SLIDE # 9 - VACANCY**

Regarding the portfolio's occupancy, the physical vacancy up to September stood on average at 8,9%, while the average economic vacancy at 10,3%. The physical vacancy's increase is mainly explained by the expiry of certain agreements in the commercial category --affected by the Covid-19 situation--, in subcategories such as children's entertainment, gyms, restaurants, and local brands-tenants with payment difficulties; this represents 5% of the shopping centers' revenues.

The above, together with the temporary reliefs agreed upon with the tenants, also reflected on the portfolio's economic vacancy, which compared to the previous quarter shows an increase of 110 basis points.

In terms of vacancy, we estimate that 2021 will be a year of slow recovery and that the metric for Pei's portfolio may be between 8% and 10%. In the following years, the metric may decrease to levels between 6% and 10%.

Regarding the economic vacancy, our projection is that the ranges may be between 9% and 13% in the next year and between 7% and 11% in the medium-term.

Now, referring again, to the third quarter's management, 137 potential tenants were activated and may translate into 88,110m2 leased. The period closed with advanced negotiations with 33 of such potential tenants. One of the most relevant prospect tenants is Serviantega, at the Mosquera warehouse, with whom an agreement was executed in October. This agreement will decrease both the physical and economic vacancies in the category, from the fourth quarter of 2020.

## **SLIDE # 10 – PEI'S VACANCY V. MARKET'S VACANCY**

The next slide compares Pei's vacancy to the real estate market's vacancy. The market's metrics correspond to the second quarter and refer to the categories at the national level. The third quarter's data are taken from market studies in Bogotá, which are a representative sample of the different categories; this because the national market reports have no data at closing of the third quarter and we believe it is important to have a vision of the real estate industry's performance in the third quarter of the year, in light of the current Covid-19 situation.

In the corporate category, the vacancy metrics slightly increased in Pei's portfolio due to the Claro agreement's termination in connection with the first floor of the QBE building. This agreement represented 358 square meters and a monthly rent of COP 36 million. By the end of the third quarter, the category's economic vacancy stood at 11,9% and the physical vacancy at 6,9%, with both metrics below the market's vacancy which stood at 12,6%, taking Bogotá as the benchmark.

This category registers a vacant area of 33,312 m2 and has 46 commercial prospects, representing a leasable area of 32,524 m2.

Continuing with the commercial category, both the physical and economic vacancy metrics were impacted by the termination of agreements in the restaurant, gym, and beauty parlor subsectors. With this, the category's physical vacancy in the third quarter closed at 11% and the economic vacancy at 19,3%, among others, due to the shopping centers' lower variable income. On the other hand, the market's vacancy showed a considerable increase in the third quarter, reaching around 17,5%. The category's vacant area is 36,481 m2 expected to decrease with 82 commercial prospects corresponding to a leasable area of 23,323m2.

## **SLIDE # 11 – PEI'S VACANCY V. MARKET'S VACANCY**

Slide number 11 compares the vacancies in the logistics and industrial category, which has been the least impacted by the Covid-19 situation. Physical vacancy remained at 7.7%, while economic vacancy decreased, standing at 4,3%. This decrease resulted

from the revenues for additional areas that were temporarily rented in *Cittium* to *Siemens* and *Sofasa*, companies that already occupied this asset. Both the physical and economic vacancy in the category remain considerably below the market's levels, which reached a level of 19%. Currently, the category has 29,511 m2 under commercialization with 3 prospects; in addition, as mentioned earlier, by the end of the year it may have an additional decrease due to the Mosquera warehouse's placement.

On the right side we find the specialized assets category's vacancy performance. This category includes education and health-related sector assets. The category's physical vacancy metric showed an increase driven by a lower occupancy in *CityU*. However, the economic vacancy decreased to 39,6% due to an invoicing phasing with *Universidad de Los Andes* in connection with the commercial agreements process. Currently, the category has 8 prospects for the premises located in the commercial levels of the asset.

### **SLIDE # 13 – PROGRESS WITH THE ASSETS' TRAFFIC**

The next slide shows the reopening and traffic trends for each of the categories. As shown in the graph, logistics and industrial assets were the first to benefit from the sectors' opening in May 2020: from that moment onwards, the category's gradual reopening continued and, today, it has a 94% occupancy level.

Commercial assets, on the other hand, have been reactivating since June and by the end of September registered a 53% traffic and important purchases from visitors, comparable to the 85% consumer sales levels registered in the same months of 2019 (pre-Covid).

In the last quarter, the specialized assets category registered an occupancy close to 40%.

Corporate assets, whose tenants are mainly companies in the service sector, have shown different dynamics and a slower reactivation, reason why we project that their traffic trend will increase in 2021.

### **SLIDE # 14 - INVESTMENTS IN THE CURRENT PORTFOLIO'S PROPERTIES**

Continuing with the real estate portfolio's management, the next slide shows the different investments made in the properties up to date. As informed in past teleconferences, one of the actions adopted to tackle the Covid-19 situation was to favor the vehicle's short-term liquidity, assessing which investment projects in the assets could be postponed without jeopardizing the relevant asset's operation stability. After a careful analysis, the CAPEX and R&M investments to perform were determined, representing COP 44 thousand MM.

The slide shows that the category with the largest investment in the year was commercial, with COP 14,992 million, a significant portion of which resulted from the



negotiation to incorporate new tenants in the portfolio's assets.

Investments in the logistics and industrial category followed with COP 12,101 million, used in the expansion of one of the warehouses in the Pacific Free Zone. Built-to-Suit expansion for the tenant's benefit, will generate additional revenues to the current rental fee.

Investments in the corporate and specialized categories were lower and focused on the modernization of the hydraulic grids and improvements of the asset's security standards.

## **SLIDE # 16 - FINANCIAL FIGURES**

Continuing with the financial figures' slides, the vehicle's accumulated operating income closed the third quarter of the year at COP 325,190 MM, registering a 4,4% decrease compared to the COP 340,069 MM reached for the same period of 2019. This decrease was driven by the reliefs in the framework of the Covid-19 juncture. The impact directly reflected in the revenues --it does not include cash deferrals--, reached 51,551MM by the end of September and is divided as follows: 34,460MM in fixed rent reductions; 9,146MM in lower variable revenues due to sales decreases; and 7,945MM in other revenues such as the common areas' and parking lots' exploitation.

The category with the greatest number of reliefs was shopping centers, with 87% thereof, which explains the category's share reduction on revenues from 41% to 39% in the third quarter. Shopping centers are followed by corporate real estate with 5%, commercial premises with 4%, logistics with 3%, and specialized and corporate assets with 1% of the registered reliefs.

On the other hand, the revenues from the same number of square meters show an 11% decrease compared to the prior period, mainly driven by the lower revenues received during the period due to the pandemic-related measures adopted.

The accumulated NOI at the third quarter of the year decreased by 1% compared to 2019. This decrease is explained by the lower revenues received during this year as a result of the Covid-19 situation. The impact is partially offset by a 4,57%, decrease in the operating and reimbursable expenses which generates a decline of the NOI's absolute value, but a recovery of the metric, with the NOI's margin standing at 84%. The operating expenses' 8% savings stemmed from the appreciation contribution's lower expenses, savings in Specialized Operators Fees, and savings in Repairs and Maintenance resulting from the Covid-19 situation.

With respect to the EBITDA, the metric shows a 5,2% decrease explained by the lower revenues resulting from the reliefs granted during the year. The aforementioned savings made it possible to maintain the EBITDA margin --despite the revenues' decrease-- and the vehicle's administration expenses structure.

## SLIDE # 17 - RECEIVABLES

Receivables have been affected by the Covid-19 situation, as the reliefs agreed to with the tenants were structured as a support for the quarantine and operations closure months, through the obligations' collection was deferred to the following months. Certainly, the gross receivables' balance at the end of the third quarter of 2020 was 52,222 million, decreasing the metric in over COP 8 thousand million thanks to the enforcement of Pei's collections policy .

On the other hand, the net receivables reflecting the current collection risk, registered COP 33,341 MM that represent 7,38% of the last 12 months' revenues. Similarly, the net receivables' turnover days decreased from 32 days in the second quarter of 2020 to 23 days in the third quarter. Furthermore, it is worth noting that, of the 33,341 million in net receivables, 18,481 correspond to current receivables mainly associated to the reliefs granted by the vehicle, registering a 37% decrease during the last quarter.

We estimate that this receivables metric will evolve in the course of the next 12 months, as the installments under the Covid-19 deferrals are paid.

## SLIDE # 18 - APPRAISALS

Moving on to the next slide, it is important to bear in mind that the vehicle's total profitability consists of the flow paid and the assets appreciation. The slide shows that, at the end of the third quarter of this year, 81% of the commercial appraisals for the assets under management were completed --corresponding to assets for 5.1Bn pesos--, with a total impact of -1,04%, which has already been incorporated in the daily unit value. This net decrease combines the conjunctural reliefs granted to tenants and the CPI's decrease for the first years of the appreciation horizon --it is important to bear in mind that the portfolio assets' appraisals were conducted under the discounted cash flow methodology with a 10 years-horizon--. The graph shows the progress in the activation of the appraisals in 2020. The most representative appraisals in each of the categories appear on the right side, among them *Jardin Plaza* shopping center in Cali, the *Único* portfolio, the *Nuestro* shopping centers, and the Cinemark and Bodytech portfolios; in the corporate category, Avianca's CEO building, Amadeus, and Frontera; and in the logistics and industrial category, Nutresa's portfolio and Éxito's CEDI.

## SLIDE # 20 - PROFITABILITY

Moving on to the next slide we find profitability. The commercial portfolio's assets appraisals show a -0.03% devaluation of the security, placing the net asset value (NAV) at the end of the third quarter of 2020 at the same levels for the end of December 2019. This generates a decrease in the year-to-date profitability, which at the end of September stood at 7.83%. For the stabilized metric, i.e. the 5-years the profitability, profitability is 10,72% with a slight impact compared to the same metric for 2019, which stood at 11,7%.



As to the returns paid or “Distributable Cash Flow”, note that the first quarterly cash flow payment will take place on November 17, for COP 29,193 per security, equivalent to a total absolute value of COP 12,594 million.

The upper right graph shows the evolution in recent years. Although 2020 has been an atypical year for the operating flow delivered to investors --given the Covid-19 situation-, this year the Cash Flow Paid corresponds to 5 quarters: two of 2019 paid in February 2020 and 3 quarters of 2020 paid in August and November. Thus, the dividend yield paid in 2020 reaches a 4,79%. The same metric, compared to previous years -- considering the flow for 4 quarters--, stood at 4,52%, levels, similar to those in 2017 and 2018.

## **SLIDE # 20 – INDEBTEDNESS**

This slide shows the debt portfolio’s performance.

The debt’s amount closed the period at 2.11bn pesos, 89% of which corresponds to long-term debt and 11% to short-term debt, in line with the vehicle’s capital structure. This is equivalent to a 30% loan to value, i.e. the debt-to-assets ratio, 10 percentage points below the vehicle’s limit, which is 40%.

In order to reduce the 2021’s maturities and take advantage of the current low interest rates, novations for COP 498 billion were executed in the third quarter. Thus, the debt portfolio’s indexation increased its exposure to the IBR, going from 4% in the third quarter of 2019 to 43% by the end of September 2020, making it possible to capture the Central Bank’s reductions of the intervention rate.

With respect to the debt’s weighted cost performance from January to September, we observe a 79 basis points decrease compared to the last year, mainly explained by the results from the placement of the second ordinary bonds’ issue in November 2019 and the debt portfolio’s active management, which translated into new credit facilities and better rates from greater competition by financing entities.

As mentioned earlier, we are progressing in the process of offering to the market the third issuance of ordinary bonds. This transaction is aimed at replacing the current debt, taking advantage of the current low financing rates in the market.

The debt securities program was updated in the last quarter to expand its issuance scope and thus include green bonds and commercial papers. The program’s currently approved amount is COP 1.5 Billion, of which COP 500,000 million pesos are available. We expect this to be the third debt issuance’s amount.

It is worth noting that the purpose of the resources obtained through the third bonds issue is the current debt portfolio’s management and not to increase the vehicles

indebtedness.

The issue also aims at deepening the debt issuance curve and continue to optimize the capital structure through the use of long-term structural debt.

## **SLIDE # 19 - SECOND SEMESTER OF 2020'S WORK AGENDA**

Finally and, as usual, the following are the main topics of Pei and the real estate manager's work agenda for the last quarter of the year. We will continue to progress in connection thereof, in the context of the current Covid-19 situation.

- The Distributable Cash Flow corresponding to the third quarter of 2020, i.e. the period between July 1st and September 30<sup>th</sup>, will be paid on next Tuesday, November 17.
- As mentioned a moment ago, we are advancing on the offer to the market of Pei's third ordinary bonds issue, which we expect to place in the following month.
- We will also continue to prepare for the migration to the equity trading session that the BVC postponed to April 12, 2021, monitoring both the secondary market and the security's performance to prepare the migration process. In this regard, it is important to remind investors that this migration is not optional for issuers, will not change the security's nature, and will bring benefits such as the security's visibility in international markets, promotion of its liquidity, and appreciation at market prices.

## **JIMENA MAYA CLOSING**

We have thus covered a review of Pei's situation as of the end of the first semester of 2020. We thank you once more for your participation in this space, aimed at bringing the vehicle's management closer to investors and keeping them informed of the portfolio's most relevant events and metrics, and the vehicle's results.

Thank you very much for your attention. Now, we will begin our questions and answers session.

Thank you all very much and we are going to start with the questions you delivered through the electronic devices.

## **QUESTIONS AND ANSWERS**

Juan Ballen asks the first question we receive. He says:

- Good morning, what details do you know about a possible bonds issue and when would it take place?
- Good morning everyone, this is Andrés Ruiz and, Juan, in connection with your question, the bonds issue would take place between the last week of November and the first week of December of this year. This is what we have on the radar at this time.

Thank you very much Andrés. We receive the following question from José Ciro. He says:

- if you forecast a 13% economic vacancy, have you measured the impact of this scenario on profitability?
- José, Andrés Ruiz again and, yes, indeed! I would make a clarification with regard to the to the vacancy issue: those are ranges that we have considered. The 13% at an economic level, should we have a very acid scenario and were thinking on a the 10-years profitability standing at the CPI + 6,95% and the CPI + 7,30%. That depends not only on the vacancy. We need to remember that long-term profitability involves other factors such as the inflation's behavior and how the assets appreciation schemes have a significant impact on the total returns. Again, this is a fairly conservative scenario and we do not believe it to be the most probable, notwithstanding that, of course we have considered in light of this juncture, because it is important to assess the different areas.
- (Jairo Corrales) Andrés Felipe, if you allow me to complement your answer. As Andrés says, what we did was an assessment of scenarios where we looked at the different categories' potential to give you an idea of what has been happening in the market --as Jimena had the chance to show you--. Shopping centers' traffic has been picking up significantly; but even more important than traffic, the sales our businesspeople are making, are already above 85%, compared to pre-Covid levels in some of the commercial assets. If this trend continues for the remainder of the year --in this last quarter--, and remained in 2021, by 2021 we would practically recover the normality levels that we had before the Covid. And in such a scenario, we would stand in the lower range of that vacancy range; we would not be at 13%, but close to 9% or even slightly below that 9%. In this conservative scenario, we made some quite acid assumptions --also in connection with the absorption of the spaces available--. We have metrics of how long it may take for 1000m2 of office to be placed. For a year as 2021 we were particularly acid and made assumptions above those used in the past, given the situation we are going through. Then, as Andrés Felipe said it, it is a scenario that we see unlikely. We wanted to provide more than one range and, if one wants a probability, then we should stand more towards the center of that range than towards any of its extremes.

Thank you very much Jairo, and thank you very much Andrés. The following question we receive is from Mónica Ochoa. She says: Good morning, what is the average duration of the reliefs resulting from the situation? When is the normalization of the

revenues projected for, following the relief?

- Good morning, Alejandro Alzate speaking. The reliefs' average duration has a lot to do with the corporate and logistics category, which corresponds to around 67% of the portfolio as the reliefs are already ending because they only consisted of payment facilities but no additional discounts as such. And in the commercial category, where we have given the greater reliefs --as Jimena and Jairo explained--, the reliefs have to do with the type of premises; thus, there are categories for which we still have significant reliefs, to the extent that their opening just took place in the last few months or has not even occurred, such as movie theaters, gyms, and children's entertainment. And there are other categories that remained open as usual during the juncture --because they are essential--, and well, they have no reliefs because they were open throughout the whole Covid-19. Now, the vast majority of the retail stores and other subcategories within the market have been gradually increasing their monthly sales percentages and it is likely that, depending on any new virus outbreaks or closings, we would need to provide them other reliefs during the first quarter of the next year; but, at the end of the year, we are very close to invoicing almost 100% of the changes in those categories.

Thanks Alejandro. The next question we receive is from Andrés Gil. He asks: What percentage of the appraisals have not been updated yet or do not consider post-Covid factors?

- Andrés, good morning. Andrés Ruiz again. The first thing is that, at the end of September, we were already at 81% of the appraisals' activations. At the end of October, we were close to 90%, because we were already completing the bulk of the appraisals as very few of them are actually made in December. In connection with how many of these appraisals may eventually not consider the Covid situation, these would be those made in January and February, which were mainly associated with issues such as acquisitions. These were the appraisals related mainly to Atrio's incorporation, which is an asset under stabilization as we just bought it. And remember that this is an asset subject to the hedging schemes that we normally structure; then, for appraisal purposes, there should be no big differences between the appraisal made at the beginning of the year and another one repeated at this time. The other thing that is relevant is the incorporation of *Jardín Plaza Cúcuta*, also an asset under stabilization. Assets under stabilization have prevalence with a distributable cash flow methodology, and the same thing happens. Actually, the juncture does not necessarily affect the appraisal. Precisely because appraisals are based on the distributable cash flow methodology, this may represent a relatively small portion of the portfolio that, I may say, does not represent more than 5% of the AUM's at the moment. I wish to take advantage of this moment to delve a little deeper into the appraisal's issues. We have been absolutely rigorous with the entire relief exercise and the appraisers, which are four companies, have been quite rigorous in considering the different variables --one of which, as I mentioned a few minutes ago,

Alejandro-- that has to do with all the reliefs that we have been implementing. On the other hand, they have been considering the inflation forecasts, which are different from the ones handled last year; and, at the same time, this may also have no incidence on the discount rates. This does not necessarily mean that all the categories are reflecting the impacts of the situation, because I believe that right now Jimena just covered all the dynamics in the different categories. Some categories have had appreciations throughout the year that have offset the depreciations generated with respect to other categories, such as commercial. In this sense, the weighted exercise of the appraisals throughout the year has been an exercise that, of course, has had effects of 2.3% compared to the third quarter --as Jimena mentioned--, but of 1% in this year. And I believe that this is where the portfolio's benefits are highlighted in terms of its diversification; this shows that the manner how this long-term portfolio is structured, allows it to navigate very well throughout a situation as particular as the one we are experiencing. At this moment, this is the message that we want to convey to you: we have been very thoughtful and rigorous with the updating exercises and the portfolio is practically near the end of the appraisal exercise for 2020.

Thank you very much Andrés. Camilo Franco is asking the next question: What percentage of the assets' portfolio does not consider the Covid effect on the appraisal thereof? Do you have an estimate of what the impact may be on the unit's value?

- Yes Camilo, this is Andrés again. I believe that the effect is, precisely, what I was mentioning right now, and it is that the effect in this year-to-date has been 1%. In fact, the appreciation of the unit's value this year has been practically stable, and we have not had an appreciation. And that has been the effect on the unit's value, and it is that 1,8% of the inflation accrued throughout the year plus those three positive basis points --that we only consider as appreciation because that has been the effect of the appraisals--. Then, we may be talking about an effect close to 2,6% on the unit's value. All categories, in general terms, have incorporated the effects of the juncture. Inflation expectations in 2019 were around 3,5%. Inflation projections for 2021 are below 3%. Upon considering the above, I would say that all the portfolio categories incorporate, to a good extent, some of the variables resulting from the situation. However, they may be offset for other reasons: either by higher occupancy levels, higher rents, or the master agreements' update, all of which do not necessarily entail a depreciation effect in the appraisal exercises.

Thank you very much Andrés. Claudia Milena Herrera asks: How do you expect the corporate sector to perform, considering that work at home is here to stay?

- Claudia, thank you very much for the question. This is an issue that we have been monitoring very closely as managers. We have arrived at the firm conviction that work at home came to complement the corporate headquarters, but clearly there are a number of attributes and advantages of having an office. These [attributes and advantages] already show that companies are not thinking

of massively returning back their spaces. Most likely, there will be certain areas or divisions of the companies that may be capable of becoming implemented via remote work, but the vast majority of the different divisions of a company require teamwork, spaces for the conformation of its culture, creativity. We have conducted a series of very interesting surveys with our tenants and other corporate assets tenants, and their answers were very interesting because about 88% of the companies answered NO to the question of whether they were thinking of reducing their spaces. And when a series of surveys were also conducted --not only with the companies, but with end users and workers--, they clearly want to return to their offices. One of the main issues --which at first is not so obvious, but that is very influential-- is the division between personal and professional life and that offices become the barrier or membrane protecting the professionals' personal lives. We are aware that Home Office has arrived; that it will be a complementary tool; that for certain offices and divisions in particular it may be implemented. But these months' experience has also demonstrated that there will not be a massive return of spaces. Quite the contrary, some of the companies are thinking of adapting their offices --first to have isolation standards and secondly so that they become a place for teams to interact and where creativity is generated--, with meeting rooms and spaces to socialize and receive customers. So, we are firm believers that just as there are certain categories where phenomena such as omnichannelling arise, on the matter of offices, though the return has been slow, it will happen and large corporations continue to appreciate all the attributes that offices have: confidentiality, branding, and everything I just mentioned.

Jairo, thank you very much. David Santos asks if the vacancies presented already have the reliefs included?

- David, the results shown for both the second and third quarters, reflect the reliefs in terms of returns of spaces in physical vacancy, which has been very low. On the other hand, as for the payment deferrals relief, this effect is recorded under the receivables.

Jimena, thank you very much. David Moreno asks: Good morning. I would like to know what the logistics increases correspond to under the receivables?

- David, good morning. We have a particular case in the logistics category that have been sharing with you since the beginning of the year. It is the situation of a tenant --Alfacer--with whom we have a logistics asset at *La Cayena* Free Trade Zone in Barranquilla. This tenant is subject to Act 1116 and we have carried out two processes with it: A negotiation that, for practical purposes, is already closed. We are aware of the process they are in and require the Superintendency of Company's authorizations. We are very optimistic about this agreement because we believe it will have positive effects for the logistics portfolio once it becomes perfected. And, it is precisely how they would pay us those receivables' lease



fees; and, at the same time, the return of the logistics asset has already been agreed to, and should become perfected in December. Additionally, the positive thing about this is that logistics, as I just mentioned, is a category that is having a very positive dynamic and a very good traction from many tenants as a result of the omnichannel generated around the situation; and in that context, there is already an important progress in connection with the placement. The reason for the increase is that within the agreement, we required to continue with warehouse's monthly rent invoicing as they must comply with the agreement reached. That is the specific reason why logistics shows an increase in receivables. I would also tell you that the category's performance in the absence thereof has been very healthy and, so far, positively evolved in October and November.

Thanks Andrés. Iván Felipe Agudelo asks the next question: Good morning. What do you expect in terms of absorption rates and caprates in 2021?

- We consider various scenarios. An intermediate scenario where we achieve a recovery in the second semester of the year, with absorptions remaining above those observed in the first two quarters of the year. Our statistics, compiled over 13 years, enable us to have those specific absorption data depending on the category. We believe that due to this year's events, many companies have remained still while many others are waiting for some of the protocols to be lifted or made more flexible. And, obviously in the face of this situation, we will see what comes first. Second, that we are surely going to have absorption rates a little higher than those observed in the past; however, in the second half of the year we do expect the absorption to reach normal levels. It is important to remember that, fortunately, before the Covid outbreak, the real estate sector was going through a good time from the corporate headquarters' and triple-A offices' vacancy and absorption points of view, reaching vacancy levels above 13% - 14% in 2017, that had been consistently decreasing. Fortunately, this avoided a coincidence of very high inventories with the Covid-19 situation, reflecting on the absorption. In relation to the caprates, what have we seen? We have seen that the majority of the assets' vacancies have grown and there is an interesting piece of information: a vehicle like Pei --one of whose pillars is that it owns the assets, thus being able to manage them integrally--, is less exposed to fragmented assets owned by many people. Thus, the commercial assets' vacancy during the Covid-19 has rose from 10% to 20%, i.e. 10 percentage growth points, while for sole-owner assets vacancy grew between 2 and 3 points. This is why we believe that the ability to integrally manage the assets is a great strength. What have we seen with respect to the prices, to complete the equation and be able to make a forecast in connection with the caprates? We have seen that offices' and warehouses' prices have not decreased. There have been gradual reliefs, and also a gradual decrease in discounts over time, but rents have not substantially changed. Therefore, because there has not been such a change, caprates have not significantly decreased and we believe --complementing the first part--, that upon returning to normal absorption levels that enable us to stabilize the

vacancy, we will have caprates very similar to those existing before the Covid situation. What happens? The caprates have no relationship whatsoever with the Covid, but from long ago and doing with that a country that has been sophisticating the real estate investments, well... it has had a compression of the rates that we previously saw at 10% [sic]: clearly that does not happen any longer. Nowadays we have caprates between 7,5% and 9% --depending on the category--, but to be specific with the answer, we have not seen a noticeable change in the long term with the caprates as a result of the situation; quite the contrary, vacancy will be affected and that is why Pei's strategy has focused on generating a number of reliefs for our tenants, which we regard as long-term allies. We believe that making a revenue-related sacrifice in the short and medium-terms, while maintaining our portfolio with good occupations, generates stability in the long-term cash flow. This is why our intention will always be to preserve the occupation and thus not be forced to structurally affect the caprates that we currently manage in the portfolio.

Thank you very much Jairo. We are receiving several questions with respect to Atrio's occupation. Lorena Ruiz says: Good morning, what happened to Atrio and how is its occupation going?

- Lorena, good morning. At Atrio building, driven by the Covid-19, we have had a situation with Bancolombia --the main occupant of around 33% of the area-- that has been affected in terms of their delays in making a number of adjustments to occupy the building. This occupancy may take place in the first quarter of the next year, which will obviously generate a much more important dynamic for the asset in terms of occupancy. Now said occupation will also depend, not only on the completion of those adjustments, but also on the reopening and return to the offices, either with distancing or through the activity's resumption. We plan in next year's budget to continue with the active marketing and lease of some of the blocks of areas. We had some very active prospects in January and February that, obviously lowered their interest a little bit as a result of the Covid-19, and are waiting for how the office issue reactivates to make a decision in connection with Atrio. Those prospects made a few visits in recent months and we believe that, with a greater opening of the return-to-the-offices issue, we may come back to those prospects and rent floors other than those of Bancolombia. Regarding Atrio's commercial category --which corresponds to about three thousand square meters--, we already have, particularly for Hall 4 --which is 700m--, a client that submitted an important proposal to have three brands, which would allow us to complement the offer for the office occupants. Thus, in connection with Atrio I would tell you that we are going to have many challenges next year, but will also come back with some of the potential customers that lowered their interest due to the Covid, without such a circumstance meaning that they have discarded the asset.

Thank you very much Alejandro.

Mónica Ochoa asks: From what date will the payment of the quarterly yield start?

- Monica, this is Andrés. As Jimena mentioned, we practically started in the month of November. This month we already moved to quarterly distributions and the next one will take place on November 17, as mentioned in the materials shared in connection with the Security's performance in terms of distributable cash flow for this year, under the presentation.

Thanks Andrés. And continuing with the same topic, Ronald Morales asks: The quarterly returns distribution you are going to do in November, how does it compare with a normal semi-annual distribution? I see that there is a significant drop, compared to the distribution made in August 2020.

- Ronald, very important question! Indeed, they are not comparable. It is a low distribution of around 12,500 million pesos, precisely because a good measure of the most intense part of the reliefs was applied to manage the situation and be able to have the robust metric that Jairo referred to at the beginning of the presentation: a 92% retention of the portfolio's agreements. It is certainly a low figure. I would say that August is not comparable to November because in August we are talking about one semester. But if we think of it in terms of a semester, we could be talking about around 35,000 or 40,000 million pesos; but of course, this reflects part of what has been implemented throughout the year and that should gradually decrease over time until we return to normal or a pre-Covid scenario, if we wish to name it like that.

Thanks Andrés. Jesús Antonio Garavito asks: What are the causes of the unit's price drop in the secondary price, and what will happen when it is migrated to the variable rent platform?

- I love that question because it is one of the things that we have been analyzing and deepening in with Jimena, Jairo, and the team. And, in fact, also with the Advisory Committee. The migration to the variable rent trading has many aspects that we regard as positive, such as visibility --which is the possibility for all investors to transparently access the market through a single mechanism--. Let us remember that the mechanisms obtained to operate are two, through two systems; through the stock market's trading systems or through the stockbrokers that engage in OTC transactions. These OTC transactions are subject to sale and purchase intentions that are not necessarily reflected on the market screen and may generate price distortions. Thus, I would tell you that the price drop incorporates those nuances, generated around the currently existing mechanisms, to be able to operate an equity security, considering that through the formal mechanisms that the stock market has, very little is traded. The vast majority is traded through the over-the-counter market, so I believe that this is an important precision. It is difficult to anticipate what may happen with the migration, but strictly speaking, the channeling of all purchase and sale intentions in the market through a single platform should generate the best price balance at which the unit's value is traded and better liquidity levels, which is one of Pei's great strengths: that assets eventually deemed illiquid (real estate assets) have

turned into liquid assets. Therefore, we see it with very good eyes, notwithstanding that we continue to assess all the regulatory and operational issues associated to this migration and, particularly, those related to the assistance with and explanations thereof to our entire investors base.

Thanks Andres. Camilo Aristizábal asks the following question: Do you plan to provision any part of the receivables? What part of the receivables corresponds to is reliefs and what part to delinquent or late-payment receivables?

- Camilo, since 2018 when the IFRS 9 was implemented, it basically required all of us engaged with the management of receivables to have a statistical model that recurrently makes provisions for the migration of the different receivables' aging. This means that if the receivables turn from being current to have 30 days, the migration rate corresponds to a given percentage. The statistical model built -- which we built together with our [statutory] auditor and advisor--, determines how much of the receivables must be provisioned and so on until they reach 360 days. Under the worst-case scenario we must have 100% provisioned: if there are \$100, I must have the \$100 provisioned after those 360 days. In relation to, let us say, how the receivables are made up and what our receivables consist of today, about 18,500 million pesos are current receivables and mainly derived, on a 99%, of those reliefs or requirements that we have been granting to the tenants. What is the positive side? First --as Jimena mentioned--, that the reduction has been around 37%; and second, that the arrangements have been fulfilled 100%, complying with our collections' projections for these three months. October has not been the exception; therefore, October has maintained the same dynamics and very surely, when we report to you by the end of the year, you will continue to see that reduction trend in the current receivables that are not that is not migrating to overdue receivables. This is important. What the overdue receivables consist of are a piece thereof that we deem structural, which are the vehicle's receivables or usual working capital. And if the tenant who suddenly "hangs up", after 30 or 15 days, we deem the receivables overdue, despite the following month the tenant may catch up. Of course there is the component mentioned in connection with the proceedings under Act 1116, whose amounts are included within the 52,000 million pesos in receivables that, of course are overdue, but that we will catalog as pertaining to a different process because they correspond to receivables handled as mentioned earlier, but through the legal mechanisms governing such business restructuring processes.

Thank you very much Andrés. Mateo Pérez asks the next question: What is the current liquidity position of the vehicle? What percentage of income and equity does the current liquidity represent?

- Mateo, thank you very much for the question. In relation to the vehicle's liquidity, we have the peace of mind that, today, the vehicle has over 100 billion pesos. We are around 102,000 million pesos in liquidity. Let us remember that at the beginning of this whole situation we did an important survey of the working

capital with a loan for around 70,000 million pesos. This represents about 24% of the last 12 months' income, so it is a very solid liquidity position. One that we feel very comfortable and calm with.

Thank you very much Andrés. Mateo also asks how will the resources from the bonds' issuance be used. Will they be used for operational access or new acquisitions?

- The bond strategy is identical to the one used in the two previous issues: debt substitution and maturity reprofiling, as discussed in the debt slide. Therefore, these resources are specifically for debt substitution and we shall not change the indebtedness level as a result of this transaction. This bond issue aims at improving the maturity profile and optimizing the vehicle's financing cost structure that, as you were able to see today, is around 5%.

Thanks Andrés. David Moreno asks: Do you plan to allocate any resources to the remodeling of or adjustments to properties required to comply with safety and distance-standards for tenants? When will those resources be allocated and in what amount?

- David, how are you? Indeed, as of the second quarter, the adaptation of each of the corporate, commercial, and logistics' assets categories began, in order to comply with all safety-related regulations. In fact, at Pei's portfolio we decided to accept the Icontec certification for good biosafety practices. This has required investments that, in some cases have involved the assets co-ownerships' budgets and in other Pei's budget. The total investment ranges around 1,200 million pesos and is being executed from May to the end of 2020.

Thank you very much Jairo. They also ask us: Good morning. 2020 in the time of Covid-19 requires a quarterly monitoring of the sales and administrative expenses' performance. Please mention how this has been comparing the quarters of 2020 to those of 2019?

- Thank you very much for the question. In particular what I would tell you is that it has definitely been a focus of our management to be very rigorous and disciplined with that item you are mentioning. All of the portfolio expenses -- which we consider as management expenses-- correspond to improvements made for the tenants in order to engage them and deliver them premises with some type of adaptations or lease commissions that we eventually need to pay to place the spaces. In this sense, we have decided not to make any cuts, to the extent that it results in a greater portfolio occupation and a greater placement of spaces, where we have had an increase considering that 2019 was year a particularly low. And in lease commissions, for practical purposes this year we had only 337 million pesos and this year we have had a value close to 1,940 million pesos that largely offsets the portfolio's management expenses.

Thank you very much Andrés. We close with this the questions received: Please remember that the presentation and this teleconference transcript is available at

[www.pei.com.co](http://www.pei.com.co).

(Jimena Maya) Dear investors, some of you have asked us to repeat some of the answers. We confirm, as Natalia mentioned, that the information will be available on the website and also invite you to contact us directly if you want to delve into any of the issues. Please write us a message to our contact email: [www.inversionistas@pei.com.co](mailto:www.inversionistas@pei.com.co).

Thanks everyone for your participation.