CONFERENCE CALL TRANSCRIPTION – 3Q-2023

Good morning, everyone. It is a pleasure to greet you and start our results conference for the third quarter of 2023. Today, we are joined by Jairo Corrales, President of PEI Asset Management, and Alejandro Alzate, Commercial Manager for the company. We will start our conference with a few words from our President Jairo Corrales, who will also share a general balance sheet for the quarter, highlighting the most relevant events. Later, we will talk about the advances in the strategy and then we will review the summary of the management, where we will talk about the most relevant events from the commercial strategy, the financial results, and the context of the capital market. We will end the presentation with our perspectives for 2024 and close our conference with our usual Q&A session. Without further ado, I give the floor to our President Jairo Corrales.

Thank you, Andrés. Good morning to all our esteemed investors. Today, our purpose is to share with you the closing information for the third quarter of 2023. In the same way, we will present to you a forecast for the rest of the year, December 2023, and at the end, we will have the opportunity to share with you our perspectives for 2024. We must start by sharing that the high volatility and uncertainty environment that has occurred during this year, 2023, has clearly affected all businesses and the exception is not the case. We have a year that has been characterized by high inflation, which, in turn, has not allowed the Central Bank to reduce interest rates, which have a very high impact on the capital structure of our vehicle.

However, despite this uncertainty, we must emphasize that the operational results of the vehicle are still very positive. We closed the quarter with an occupancy rate of more than 94.5%, and the percentage of retention of our lease contracts rises to a figure close to 99%. A figure that is very relevant is the increase in income. By the year 2023, in the first nine months, we achieved income of more than 511 billion. This represents an increase of more than 15%. As we had been able to share in previous meetings, inflation generates a negative effect due to the increase in interest rates, but it also generates a positive effect due to the increase in rents that our leaseholders must cancel, since the lease contracts have this indicator as an index. It is important to say that, as a consequence of the increase in income, there is no margin for the evaluation period. In these first nine months, it exceeded 82.5%. As you may remember, in the regular assembly at the end of March this year, the administrator made an announcement of a temporary discount on the fees, which resulted in the increase of the business EBITDA margin to levels higher than 71%. Despite the positive news that we had yesterday, all Colombians, in relation to the decrease in inflation, which is already in place in the last 12 months, around 10.48%, and which foresees that this important indicator will be below 10% by the end of the year, the decrease in interest rates has not been as fast as it was estimated at the beginning of the year.

This has led to an important financial expense during this year. In the first nine months, the financial expense rose to 326 billion pesos. This financial expense obviously greatly impacts the cash that we can distribute to our investors. Next week we will be distributing a sum close to 18 billion pesos, which will allow us to consolidate, during the year 2023, distributable returns for 63 billion pesos. In this way, the distributable return for the patrimonial value exceeds 1.1%, far below the historical value, but better than what we had predicted at the beginning of the year. At the end of the presentation, we will share with you some perspectives for the year 2024, where I anticipate that we do not see an important decrease in interest rates in the first semester, but we should start to have that positive benefit for the rest of the year. In this initial message, I want to tell you that last week we gave the Finance Superintendent all the relevant information to be able to carry out our extraordinary meeting that we hope to be able to carry out in the first days of December or the last days of November. Later, we will give you more detailed information to be able to use in this meeting. Before giving the floor to Andrés Felipe, who will tell us in detail the results of this third quarter of the year, it is important to make a recap of the context of the real estate sector on major issues. I would like to highlight the following, as we had already shared with you in previous calls, construction costs have experienced a very significant increase in recent years, not only as a result of inflation, but even above inflation. This leads to the fact that the cost of repositioning of real estate assets today is very high. This significant increase in the cost of repositioning should lead to an increase in rents. Unfortunately, the uncertainty that we experience at the international level, and at the national level, political issues that are fortunately beginning to clear up, or at least there is a better environment after the result we had in the elections, allows us to have a better behavior for the next year and that this consequence of the increase in rents begins to be seen in 2024. I say real increase, because in the last 18 months there has been a basic adjustment as a consequence of the increase in inflation. As you can see in the slide that we are presenting, there is also an indicator that is very relevant in the industry, which is the construction licenses that have been declining, in such a way that by 2023 the inventory in the main categories has decreased substantially. This allows the vacancy, in the main categories, to have decreased. Remember, as I mentioned at the beginning, that today the occupation of the PEI portfolio, which has more than 1,150,000 square meters, is above 94.5%. And you can see that reflected in the third graph, where we see how the supply of square meters in the main cities has had an important contraction. All this seems important to us to share in the environment that, although today the real estate sector is experiencing a challenging situation, this sector is characterized by having some cycles. And very surely in 2024 we will begin to see the reaction in the price of some of the categories, as has already happened in logistics. Let's remember that logistics, during the last 18-24 months, has experienced a real increase in rents. And we believe that, in the same way, other categories that make up the PEI portfolio will have that positive effect.

We also want, before moving on to the explanation of the most relevant figures of the quarter, to make a recap of the advances in the PEI strategy, of those fundamental or prioritized strategies that we communicate and share with you in our last ordinary assembly. The first is the realization of our extraordinary assembly. As I mentioned, we hope to do it in the first days of December and there we will be able to update the vehicle for the next few years and comply with a commitment that we acquired with the investors on four main fronts. The remuneration of the real estate administrator, where we have sought and I think we have reached a very good final product in terms of the alignment of interests between the investors and the real estate administrator. There we went from having a remuneration, and this is what we are going to present. Obviously, it has already been socialized with you in different meetings and we reached a consensus, which makes us very happy. And there what we are going to do is go from a remuneration or what we call the AUMs, now to two indicators that are super relevant, such as the NOI, which has everything to do with the operating business and the distribution box flow, which is obviously a very sensitive variable for you, our investors. There what we have done is have a combination of these two important indicators with a minimum that guarantees that the administrator can cover their expenses without problem and with a limit or ceiling that guarantees the investors that they will never charge more than they had been charging. We are also going to make some important adjustments in the capital structure. The current capital structure of the PEI is conservative in comparison to a comparison that one would make with national and international vehicles. However, we are introducing two important modifications. One, reducing the debt limit that we used to have at 40, we are lowering it to 35% and introducing a new concept of interest coverage. These two new elements are going to allow us to have a very safe performance in line with the interests of the investors, in such a way that at times when we have high interest rates, in a preventive way, the vehicle will have a lower level of endowment.

However, when the interest rates are at lower levels, we will be able to use the potential of financial leverage. In relation to the corporate government, we are going to make two important updates regarding the election of independent members that did not have a limit before and we are establishing limits that guarantee continuity in the vehicle, but also rotation. In relation to the remuneration of the management agent, which is the spokesman for the Corficolombiana fiduciary, we are, as in the case of the remuneration of the real estate administrator, presenting to the investors for their consideration in the next assembly, a new formula also aligned with the result of the vehicle in a participation. We believe that this assembly is going to be very important for PEI and I insist that we hope to be able to carry it out in the coming months of December. We also want to update you on the advancements in the de-investment processes. As you know, for about 18 months, the PEI asset management team has been working on what we have called the optimization of the real estate portfolio. It is not limited to the issue of de-investment, but also contemplates issues of redevelopment and reconversion of assets. Let us remember that there are already assets that have not been sold for 17 years and that is why we built a scoring that allows us to determine which assets are more attractive to sell, to reconvert or to redevelop. In relation to de-investment, over the course of the year we have already received four LOIs, which are non-binding intention cards, which is the result of some processes that we have advanced with potential asset buyers. Some of these cards have formulated a proposal far from our objective value on real estate of very good characteristics, good leasing, so we have taken it to our advisory committee and we have received from the committee the feedback to continue in some cases, obviously trying to improve the conditions and in other cases simply discard it and focus on those businesses where we see more possibility of having the best conditions for the PEIE. It is important to say that this process has allowed us to confirm for many of the assets that we have valued that we can transmit to you the tranquility and confidence that the PEIE values are at market levels, that they correspond to judicious exercises made by third parties and independents that give us the tranquility to advance in negotiations with a price that a third party is not validating. We have continued with two processes with international companies interested in two large commercial assets where we are not proposing a total disinvestment but a partial sale of those assets. We are advancing well, but slowly. We do not believe that the transaction will be completed by December, but we do believe that we could have a memorandum of understanding for that date. It is also important to comment that in relation to the application of the investment base and the capital structure, we have had significant advances. Information sessions with potential international investors were initiated. We are in the whole issue of preparing a non-deal roadshow and we have started to work on the definition of a decarbonization plan. This is closely associated with the process of substitution of passives that we advance with the IFC. The IFC has placed special emphasis on all issues of sustainability and that is why this decarbonization plan is very important and collects more than 12 assets out of the about 70 in the portfolio. We expect the team of the financial vice-president has been advancing intense negotiations with the IFC and we expect the closing of the term sheet in the next few weeks. Andrés Felipe will now do a deepening of the subject and will give you some details of this operation that allows us to replace passives with very favorable rates compared to those currently in the national market. In this way, I want to give the floor to Andrés Felipe who will go into detail about the results of the third quarter of 2023.

Thank you very much. Jairo, thank you very much. I invite you all to go to slide number 10 and highlight some of the most relevant figures of the portfolio at the end of the quarter. At the end of September, the portfolio closed with more than 9.2 billion pesos in assets under administration, as we mentioned a few minutes ago as a result of the evasions made by third parties that today are represented in about 1.15 million square meters of rentable area. Among them, the commercial team led by Alejandro has signed lease contracts based on the confidence of the relationships with our more than 1,600 leasers and the confidence of the more than 6,300 investors who today are part of the autonomous heritage. The above, preserving what we have always mentioned about the diversification strategy where the portfolio has 41% of the investment property in commercial centers, 3% in commercial premises on the street, 35% in corporate assets, 16% in logistics assets and 5% in the category of specialized assets, which includes not only these assets that have a vocation of health service such as the portfolio that we have been doing to the Geralticino group, but also our subcategory of hospitality that includes assets such as the Calablanca Hotel in Barú or the university residences that we have both in Bogotá and in Cali.

This is to give you a general vision of the portfolio. Based on slide number 11, I want to highlight some of the real estate and business indicators. In terms of both physical and economic vacancies, we registered a 5.5% and 7.7% vacancy respectively. Both had significant reductions in the case of the physical vacancy, which was 8 basic points, and in the case of the economic vacancy, which was 100 basic points. This, as Jairo mentioned at the beginning of his message, allowed us to reach income for about 511 billion pesos during the first nine months of the year, which is an increase of 15%, which translates into an operational utility of the order of 362 billion pesos. This has resulted in operational margins from the real estate perspective that have exceeded 82% and have had increases compared to what we obtained last year in about 50 basic points. On the other hand, the EBITDA margin was of the order of 70.8%. This is a significant increase of 536 basic points. At this particular point, I want to highlight what Jairo mentioned at the beginning of his message, which is that this also has to do with the discount that the real estate administrator made since January of this year and it is one of the most relevant reasons to be able to see these increases in operational margins and EBITDA profitability.

In terms of the distribution box flow, which is a relevant issue and we announced it yesterday at the end of the day, by the third quarter of 2023 we will be distributing the next 16th of November a total of 80 million pesos that allows us to achieve a total distribution for the year 2023 of a little more than 63 billion pesos that translates into a distribution box flow of 434 pesos for the quarter and 1,475 pesos for the entire year. This ratifies the expectation that we had shared with you throughout the year of having a patrimonial performance per title or dividend yield greater than 1.1% in line with the expectations that we had been sharing with you. In this way, I give the floor to Alejandro Alzate to elaborate on the commercial results of the portfolio.

Good morning everyone. Based on slide 13, we are going to present the results of the portfolio management and the performance per real estate category. In the upper left graph we can see the evolution of the physical holiday from the first quarter of 2022 to the closing of the third quarter of 2023 and the average physical holiday from last year, which was 6%. This decrease is due to the income of new tenants, mainly in the commercial and logistics categories. On the other hand, in the upper right graph we observe the evolution of the economic holiday that during the year has had a stable behavior in terms of the closing of the year as well as the perspective of 2024, that the economic holiday will continue to decrease as the grace periods of new contracts that we have signed in the current quarter end. In the current quarter, 30,000 square meters were retained, reaching a retention of more than 84,000 square meters which resulted, as Jairo mentioned, in a metric of renewed contracts close to 98.5% as a proportion of income. On the other hand, more than 16,000 square meters were placed during the quarter, being the quarter with the highest absorption during 2023. Due to this category, 46 basic points increased compared to the previous quarter mainly due to the delivery of spaces by Condúen, NML Colombia and Sistemas de Colombia in the One Plaza asset. However, the income of new tenants such as the International Organization for Migrations and General Motors in the Capital Tower asset mitigated this increase in the holiday. In the case of One Plaza, we are in negotiations that will allow us to place those meters that were the object of evolution by Sistemas de Colombia so that in the first quarter of 2024 we have those spaces that were returned with new tenants. On the other hand, the economic holiday recorded an increase of 58 basic points compared to the previous quarter due to the deliveries mentioned before and at the beginning of the recognition of the economic holiday in the Amadeus asset in Bogotá due to the release of DirecTV and with the respective sanction for the anticipated termination that we had agreed with this return. On the other hand, traffic in our corporate assets remained constant for about 70% of the levels recorded before the pandemic. This is very important considering the hybrid work schemes that certain types of companies have implemented which allows you to understand that we have already reached a traffic in this category that was one of the most threatened in the pandemic with constant levels of traffic.

If we go to slide 15, we see the corporate management and the dynamics of the commercial management that we have had in assets such as Elemento and One Plaza. In PEI Asset Management we seek to offer an integral approach to commercial management to keep us at the forefront in the market in constant evolution. We emphasize on continuously updating the assets in terms of normative compliance to maintain and preserve the assets with the highest specifications. The above has allowed us to attract first-level lenders, keep us in permanent contact with brokers and our team has worked to position these assets in the market. This has allowed us to have in Elemento an average value of the lending channel in the building of 73,000 pesos per square meter which is a very good price considering the corridor of 26 that has had a good behavior. Likewise, since the stabilization of the asset in 2018 this asset has been occupied 100% by first-level companies such as Johnson & Johnson. There have been no dead holidays since Leakfest had given us an area in 2021 it was placed immediately and here we have a target of multinationals, local corporations and government entities that allow us to have a very good commercial mix. It is also important to highlight in this our new 4-meter scheme that involves adapting and offering spaces and services to our lenders and this type of approach has proven to be successful in this specific corporate category which is demonstrated with successful cases with companies such as AVI, PEI Asset Management, Comanalco, Tigo, the International Organization for Migration, Abbott, General Motors and Neostela. Moving on to slide 16 entering the Commerce category, the physical holiday decreased 47 basic points compared to the previous quarter as a result of the entry of new lenders such as HomeCentry to the central square asset, Santa Guadalupe to Nuestro Bogotá and Censa to the Nuestro Cartago asset.

Moving on to slide 17 the economic holiday in the quarter increased 10 basic points compared to the previous quarter as a result of the stability in the real estate dynamic of the economy. For its part, this good dynamic in the course of the year shows continuous increases in monthly sales per square meter of our lenders which have been higher than 20% in the last two quarters This is very important in this category considering that in particular in many of the commercial centers we have brands that have a variable lending tied to the sales that occur in these businesses. We have taken these sales from the commercial centers of the brands that have a variable lending such as Plaza Central, Atlantis, the Unico portfolio, Jardín Plaza Cali, Jardín Plaza Cúcuta and our portfolio. The physical holiday of the commercial category is explained as you can see in the table. As for slide 17, the logistics category as Jairo already announced this is the category that improves behavior not only after the pandemic in terms of its occupation but also with the price level that has increased above inflation. In this category we have decreased the physical holiday by 89 points compared to the previous quarter as a result of the entry of the lender to the Bucaramanga winery. On the other hand, the economic holiday had a decrease of 102 basic points compared to the previous quarter due to the entry of new lenders Finally, we want to mention that due to the high levels of occupation the prices per square meter in the category have shown increases in the main cities of the country. In particular, Medellín and Bogotá reported growth of 7.7% and 6.7% respectively for the quarter of the year compared to the same period of the previous year in the reports presented by some real estate brokers.

As for the hospitality category in the 18th slide we observe how health and education assets continue to provide stability in terms of occupation to the portfolio given the long-term relations we have had with our lenders with tailor-made leasing schemes and long-term that allow occupations of 100%. In the hospitality category Citivo had an average occupation in the quarter of 89% while Boho registered an average occupation of 64%. It is important to note that this last asset started operations a few months ago so it is in the process of stabilization but already presents better numbers than those it had prior to our acquisition process. Regarding the Hotel Calablanca it had an average occupation in the third quarter of 55% and during the year its average occupation has been of 57% and has allowed us to overrun this asset due to the fact that the mixture between tariff and occupation has been above all other months except for the month of September I give the floor to Andrés Felipe who will talk to you about the financial results and the context of the capital market.

Alejandro, thank you very much. I invite you to go to slide number 20 to talk specifically in this section about the financial results. Some of them we anticipated. Here we make two comparisons that are important. The quarter-quarter evolution and the year-over-year evolution that is, the first 9 months of 2022 versus the first 9 months of 2023. The reason why we present the results in this way is because it allows us not only to look at the evolution of the year when we look at the first 9 months of 2022 and the third quarter allows us to look at the seasonality that is generated in the vehicle and then to eliminate it we compare the same 3 months of last year against the same 3 months of this year. I make this precision because I know that we have received concerns regarding the comparison of the quarters. For the third quarter of this year the operating income of the vehicle reached about $174 billion, which is what we see there, a 16%, which when compared with the same quarter of last year has had a much more positive performance. The same thing happens with the income for the first 9 months, which is close to 15%. For its part, the operational utility, which is the utility as a product of the leasing of the real estate after covering all the expenses of the operation, including elements such as insurance and loans, closed at a value of $143 billion, an 18% above what we had registered last year. This growth that we are seeing in the operational utility is driven mainly by the commercial category, especially commercial centers, as we have been telling you. In some cases, the portfolio of commercial centers is unique, Jardín Plaza in Cali and the portfolio of commercial centers in the Hotel Calablanca in the hospitality category that Alejandro shared with us a few minutes ago. Now, in terms of profitability, which is looking at the operating margin, we observe that for this quarter there was an increase of 48 basic points explained because we had a greater variation in income, as I mentioned, compared to an increase in operating expenses that was located at 9%.

The expenses grow below the increase in income. In line with this trend, El EBITDA reaches for the quarter about $121 billion, which is an increase of 26%, and for the current year it reaches about $1,000 billion, which is an increase of 24%. In both cases we are registering increases in margins, in profitability in terms of life, important, in the case of the third quarter we reached or exceeded the threshold of 69% and for these first 9 months of the year we are at levels of 70.82%, compared to last year. In the lower right-hand graph we see the reference to the gross portfolio, as we have been presenting it to you, and it is the evolution of those accounts for charging that we have in relation to rents and has been consistently decreasing compared to what we reported in 2021 and 2022, where this indicator is consolidated or closes with a gross portfolio level of $11,245 million. This is a reduction of 20% compared to the same period of the previous year and net portfolio, which is after provisions that by IFRS regulations we have to do, is located at about $3,632 million, which represents about 0.5% of the income of the last 12 months. An indicator that is very relevant in terms of the portfolio is the rotation, which has also been presenting significant improvements since 2021, if you remember, we had levels of rotation of 5 days, today we have levels of rotation close to 2 days, which shows, to a large extent, that solid relationship they have with the tenants, but also complemented by that adequate risk profile of counterpart that we make when selecting those tenants that are going to be part of the portfolio.

If we go to slide number 21, we see the evolution of the debt portfolio. In general, I would mention that in the third quarter we saw a positive effect in two ways. One, the reduction in the indicator of the loan-to-value ratio, which is the proportion of the debt value as a proportion of the assets, which went from 36.1% to 34%. There we see in that same graph that the debt was located at about $3.2 billion, which was explained mainly by the appreciation of the value of the assets. That relationship of the debt as a proportion of the assets has to do with the fact that the assets had a higher valuation than the increase we had in the value of the debt. Now, the value of the debt corresponds exclusively to the investment requirements or CAPEX that we must make in real estate assets to keep them up to date, as well as the PEI of development projects that were incorporated at the beginning of this year. As we see in the upper right graph, we project that this loan-to-value trend will remain, that is, it continues in that reduction in the medium term, and that it reaches levels of leverage close to 30%, as we mentioned in our March meeting towards the year 2026. These projections, of course, do not incorporate the strategies that Jairo shared at the beginning of the call in relation to de-investment. In terms of the financing cost, we had a reduction in the last quarter. We had a peak in the financing cost that reached 15.47% in June and in September it reached around 14.86%, to a good extent, as a result of the inflation reductions that we have seen that went from a little more than 13.3% to the levels that we had prior to the data reported yesterday, which were close to 11%. This should continue to have a reduction trend as the new inflation level is incorporated, as compared to yesterday. Remember that 81% of our debt portfolio is in variable rate, and in that measure, that is why I mention that these inflation reductions should be collected in terms of financing cost and should generate a gradual effect on the portfolio. Now, with the expectations of the analysts, we have been sharing not only the results of 2022, but also our projections for 2023 and our estimates for 2024, 2025 and 2026, which had inflation premises in the case of 2023 close to 9.5% and led us to this indication of 1.1% of the dividend yield. In the case of 2024, which we are now going to see in our projections, we were anticipating a drop in inflation much faster than we have evidenced this year and the next, and the market and analysts were anticipating an inflation of 5.2%, which allowed us to reach a dividend yield of between 3% and 3.5%, which gradually, over time, led us to levels of distribution per title close to 7,800 pesos to return to those levels of patrimonial yield close to 5%.

This is a context for understanding how the market expectations have changed in what we are going to share in our projections. If we go to slide number 23, we want to talk a little about what has been the evolution of the investment base in the framework of what was the variable income migration that, remember, was done as a result of the approval that the Investment Assembly gave us in August 2022. In September of this year, more than 1,300 new investors have been incorporated, which is what you see in the upper left graph where we went from a little more than 5,000 in August in migration to about 6,355 at the end of September. This has also had an evolution in terms of composition and it was part of what we wanted to share with you, which is in the upper right graph where we see that the voluntary pension funds that have had an important participation in the patrimony have shown a reduction since that moment, since August of last year, where they went from 63% to about 57%. These titles that have been traded in the market have been collected mainly, I would say, by natural and legal people who have been taking a position and it is precisely what leads to this increase in the number of investors that are part of the vehicle today. It is also important to mention that in the Reacquisition Plan in August of last year and you can see it there in the number of titles that we had in circulation, we had about 43,143,000 titles. Today there are about 42,810,000 as a result of the number of titles that the patrimony reacquired throughout this period, which were a little more than 332,000 at an average price close to 36,800 pesos. I mention that because it has been part of the strategies that surround liquidity issues. And to a large extent they have also allowed the dynamics of the capital market to have a relevant change.

If we go to slide 24, what we want to mention is what has been the evolution of the participatory title in the course of this year. Today the participatory title is close to 53,000 pesos. We were in the month of October at a maximum point of 59,490 pesos. This has led to the fact that the title has had a valuation close to 42% and is located, of course, as one of the titles with the highest valuation in the variable income wheel. As I mentioned, liquidity has been a relevant element and it is what we can see in the lower left graph that the daily transaction average from the fourth quarter of 2022 to the fourth quarter of 2026 has increased by 2.2 times. Only in the month of September the daily transaction average of the title was located at more than 1,200 million pesos, which to a large extent is what has allowed many of these investors to enter the market in the same way as we had in 2020, 2021 and 2022. In this context, we are going to talk about our perspectives for 2024 and I want to give the floor to our President Jairo Corrales so that he can share that sensitivity that we already have for the execution of the next year.

Thank you, Andrés. Indeed, we have adopted a good practice that we have considered for about a year to share with you an outlook in relation to what the next years of the PEI will be and not stay exclusively in a retrospective report of the figures. In that sense, it seems very important to us to make a recap of the estimates that we had of the main variables at the end of last year and you can see in the graph how the estimate of IPC has changed from the economic analysts in the course of the year. We started with forecasts of the order of 9.49, we had a peak or a floor in about half a year in 8.90 and today the analysts point out that this important indicator should close the year by the order of 9.56. Let's remember that yesterday the report that the DANE gave us is located at about 10.48, that is, we would have a decrease of about 90 basic points. The rate of intervention of the Bank of the Republic has had variations. At the beginning of the year it was estimated that we could have a closure of 2023 with rates below even 10. We started the year and that forecast began to grow and today we are at 13.25 and the consensus of the analysts was that we could close 2023 with an intervention of the order of 12.82, that is, 50 basic points below the current one. And on the subject of GDP, we have also had some modifications where a year and a half ago it was thought or a year and a quarter it was thought that the growth of GDP for this year could be close to 3%, but today the consensus is more around 1.2, 1.3%.

And this leads us to make an update of the Yield Dividend that we would deliver to our investors for 2024. What we have done, and at the bottom of the graph you can see it, is to sensitize to different levels of inflation what would happen with the Yield Dividend. If we had inflations between 4% and 6%, which we still see far away, the Yield Dividend would move in a range between 2.7% and 4.5%. But if the average inflation was between 7% and 9%, which is much more likely, the Yield Dividend would be between 1.9% and 2.2%. And if we had higher interest rates as a consequence of the fact that inflation does not give up, and the scenario that we are looking at is that the Yield Dividend would be between 1.3% and 1.7%. Here it is worth mentioning, as Andrés already mentioned, that these sensitivities we are running under the assumption of not making pre-PEI Asset Managements to the debt. That is, the effect of a disinvestment is not involved, to have some resources that we could use to pre-PEI some of the obligations. In relation to the prospects, taking into account the picture that we had already shared with you in previous calls, here we are updating what would be the closure for 2023 and presenting the forecast for 2024. This year we hope to close with income in the order of 700 billion pesos. There is no margin, as we have already reiterated, it is close to

82.5%. We have managed to be today at levels that we had predicted between 5.5% and 6.5%. We are in the low range, which is 5.5%. The Yield Dividend, as we have already announced, with the distributable yields of next week, will be 1% above the patrimonial value. It is very important to insist on this. And the profitability, taking into account the inflation, the valuation of the title, would be between 14% and 17%. What do we see for 2024? Some income that is in a range between 775 billion and 820 billion pesos. There is no margin, it will remain at the same levels, which is very positive. We also estimate a stabilization. We have important challenges, as Alejandro mentioned, especially in the corporate category due to some contract terminations. In the past, we have been able to deploy all our efforts to ensure that the periods of vacation for delivery of real estate are very short and the search and prospecting of new tenants. And the Yield Dividend practically doubles for next year, being at levels between 1.9% and 2.5%. And it will be the result of such important variables as the inflation rate and the level of interest rates. As for the patrimonial profitability, taking into account that we are already going to have a decrease in inflation, we expect it to be between 12% and 15% annual cash. This is our forecast for next year. We anticipate that 2025 would be a year where we could continue deploying actions aimed at recovering Yield Dividend levels closer to 4%. If we manage to consolidate the level of income that we have been presenting in recent years, it is very important to emphasize that it was a challenge that we had for this year, and it is that the increases that we have practiced to the lease contracts are in many cases superior to inflation. And with an inflation of 13%, it was a challenge to achieve the commercial management of those increases, but we have had a good result. We are going to have the same challenge for 2024 because, again, inflation has levels close to between 9.5% and 10%. We also consider that 2024 and especially 2025 are going to be periods in which we are going to have lower interest rate levels, consolidation of income, and therefore the Yield Dividend will be around 3.5% to 4%. We think it is important to share this with you under the premise that the PEI is a long-term investment instrument, and that is why we should not stay with the figures of a single year, but have the possibility to share our vision on vehicle behavior in the following months and years.

Thank you. From this moment on, we will start the Q&A session. You can write your comments through the question box available on the platform. Thank you very much. We have received several questions that I am going to pass on to our team here at the work table.

I am going to start, Jairo. Mr. Adolfo Velasco is asking us if you can help us with this question. I am going to start with you, Jairo. I am going to start with you, Jairo. I am going to start with you, Jairo. I am going to start with you, Jairo. Is the indexation of income proportional to the increase in the cost of debt? Dear investor, this is a very relevant question. I already alluded to it in my speech. Real estate business has a great kindness and it is precisely that link to inflation. The income of the vehicle, which are the lease contracts, have as a source long-term contracts that generally, 95% or more, have annual indexations tied to inflation. This allows us to have a natural coverage in the country in the face of high inflation scenarios due to the indexation of the inflation contracts. Unfortunately, there is a gap between the moment when income increases and the moment when interest rates as a consequence of inflation increases. This is what happened to us precisely this year. This year, or since the end of the previous one, we have seen a substantial increase in interest rates and lease contracts have been growing and will continue to do so in the coming months. But we have a gap. This is the effect that we had on the vehicle in the first half of the year, but also because of that, in the next few years we will be able to increase the lease contracts on a basis that is already permanent to the future and in exchange, the interest rates will most likely give in. So, in the next few months and years we will be able to increase the lease contracts on a basis that is already permanent to the future and in exchange, the interest rates will most likely give in.

Thank you, Jairo. I'm going to give the floor to Alejandro to help us with a question from Mr. José Bunda. Why does the leasing area not include the university residences of CTU, Calablanca and Boho? It is not that the leasing area of CTU, Calablanca and Boho is not included, but that these three assets that belong to the hospitality category cannot be measured as a leasing square meter as we do with the offices category or the logistics category. For this particular category, what we do is a measurement of the occupancy in terms of beds, as well as the average rate that we are charging for each of the clients that stay there. In such a way that we do a budget follow-up to a very important indicator called the REPAR which is the combination between the rooms that we have rented as well as the rate for the effect of being able to make a special metric for this category that has a different behavior from the others and in which we charge per square meter. It is important to highlight here that in the business of CTU, the commercial platform of the first three floors that include food stands and other types of leasing do have the rentable area metric while the rooms obey the metric that I just described in terms of occupancy and rates.

Alejandro, thank you very much. We have a question from Claudia Herrera in relation to the resources of sales. What are we going to use the resources of sales for? New investments, debt PEI Asset Management, cash flow for investors, purchase of units? Claudia, I think it is a very good question and I would like to mention first that today all those alternatives that are in the question that you ask us allow. The reality is that the disinvestment in the event or rather when it materializes is going to take all those into consideration while maintaining a very relevant premise and that is to maintain the risk profile of the vehicle. What does that mean? That means that today we have a level of debt as a proportion of the assets of 34%, we have an objective of taking the debt as a proportion of the portfolio at levels of 30%, as we mentioned in the March meeting, and very surely when consideration is taken of the advisory committee, the decision of the use of the resources is going to use a proportion for the debt PEI Asset Management as I said, maintaining that premise and it will be decided which will be the best use in terms of cash flow or the other alternatives that are mentioned. But we do have a premise that we know that the distribution of those utilities that have been generated over time as a result of the valuation of the assets will be taken into account for the effects that this will have on the moment of de-investment, all in order to maximize the profitability of our investors.

We have a question from Andrés Vega Jaramillo Can you share the market value of the real estate and the market value of the debt titles? We have been sharing an exercise that we think is very useful and interesting that has to do with the valuation for fundamentals and the valuation for the price of the secondary market. I would like you to give us this detail. Thank you, Andrés. The value of the assets is easy to understand and it is forceful in its result. The assets are registered or the value in books of the assets is about 9.3 billion pesos. The passive of the PEI is close to 3.2 billion pesos. That means that the accounting heritage is about 1.2 billion pesos. However, the participative titles have a discount in the secondary market. Today that discount is close to 60%. That is, the value of the title corresponds to 40% of the heritage value. If we convert that into an analysis of how much a square meter of a real estate would be worth if for a second we were to represent the value of the assets in the secondary market, we would get the following result. When we consider that the PEI has a portfolio of real estate of about 1.1 million square meters, the value per square meter of heritage is 7.7 million pesos per square meter. That is a blender that has commercial centers that are a little more expensive and that are at 11 million pesos, corporate centers at 9.5 million pesos and commercial centers at 6 million pesos. That is the value for which third-party evaluators independent of the PEI do some discounted cash flow exercises and get to determine those values that we register in our books. The value per square meter of the PEI knowing the quality of assets we have would be in the order of 7.7 million pesos. If for a moment we apply the discount to the value of the equity contributed by the investors which is about 6 billion, they would give us about 2.4 billion pesos. If we add the debt, which is about 3 billion, we would be in the order of 5.5 billion and the value of the assets. If we divide that among the square meters that we have today, it would give us that the value per square meter is less than 4.5 million pesos per square meter which is very low, in many cases it does not even recognize the value of the land. If we compare that exercise by categories, I would like to say that if in a commercial center the value per square meter would be almost half, 6.1 million per square meter. This shows the great difference between the fundamentals of the business and the value that the title is transferring in the secondary market. As Andre Felipe shared with you, the value of the title has experienced a very relevant valuation from the end of the first quarter of this year which was 22,000 pesos and today we are closer to 55,000 pesos. That is, it has multiplied by more than 2.5 times. We are doing the exercise with the current value, that is, with the 55,000 pesos which represents a discount close to 60% or that the title represents 40% of the patrimonial value.

Thank you, Jairo. Natalia Tamayo asks us the following question and it is, this quarter there is a dividend distribution. Does this dividend distribution come from a debt or product of a positive cash flow? Natalia, this is a very good question and thank you for asking it because it seems very relevant to me. The process of purging the cash flow is something that is very clear and determined in our prospect. Why do I mention it? Because the purging of the cash flow leads us to the fact that the vehicle must always as a priority attend to the operational expenses of it. Once the operational expenses have been addressed, cover all the debt service and what remains after that purging exercise is what is considered for the effects of the distribution of the distributable cash flow. Now, the answer to your question is no. Debt is not used to distribute the distributable cash flow. The remaining cash flow is used after doing that purging and I would even tell your question that today the vehicle is very careful in the administration of how it determines the distribution. This implies that depending on the expenses and their seasonality, including the financial expense, some liquidity balance will eventually be retained for the effects of power in the following periods to attend to those obligations, which in a good way complements what you ask us about debt. So the answer is no, debt is not used, only the cash flow generated by the operation is used.

There is a question that I am going to give to our president Jairo Corrales from Catherine Ortiz. What happened in the last few months with the de-investment process? I think Jairo mentioned it at the beginning of your speech. Suddenly it seems relevant to me that the amount presented maintains the goal of 900 billion.

Thank you Andrés and thank you Catherine for the question. As I mentioned in our report, the de-investment process has been attended to for about a year and a half and when we talk about processes or prospects that reach up to 900 billion, it does not mean that we aim to make a total de-investment of this amount, but as we know that not all processes culminate successfully, we must have more than one process. The total amount of processes, as it is well mentioned, is around 900 billion. Our intention is to crystallize de-investments in the order of 400 billion pesos. That is the goal we have, but to achieve that goal it is important to have plan B and plan C and that is why the amount of opportunities that we are currently evaluating reaches that amount close to one billion pesos, but that does not mean that we think that all of them will materialize, because we are obviously in a market where buyers are trying to materialize operations with high discounts, and in the case of PEIE we have to be very careful that this de-investment generates value for investors. To tie it to the previous question, the decision of the Advisory Committee will be the most probable PEI Asset Management of the debt, but the PEI Asset Management of the debt is justified as long as we are selling the assets at a reasonable value. Our assets have adequate market rents, they have good leaseholders, and that is why we have always insisted on de-investment in an intelligent way. It would be convenient geographically to make a de-investment and in this way be very assertive in being able to bring you a positive result in terms of having resources that we can apply to the PEI Asset Management of the debt or for an extraordinary performance, but that does not disarticulate the portfolio that we have built for 17 years. Jairo, thank you very much.

The next question comes from Pedro Valencia and I would like you to address it in relation to the commissions of the real estate administrator and until when will this reduction be in force? Pedro, thank you very much for the question. In the ordinary assembly in March, we informed the investors of a unilateral decision that consisted of a discount of 37.5% of the commission to which the administrator has the right. This 37.5% is equivalent throughout 2023 to a sum close to 30 billion, and it is what allowed that the standard of living that is normally in the order of 65% is located almost at 71%. The proposal or unilateral offer of P&A has a horizon of December 31 of this year or the investment assembly, whatever happens first, and that is where I refer to this point, which is important, and that is that although the unilateral offer of P&A has a clear validity at the end of this year, the main issue of our next extraordinary assembly is that for similar conditions to those that were presented in 2023 in relation to the interest rates and the sensitive decrease of P&A, the administrator will make an effort, but it will no longer be a unilateral issue, but it will be approved in the next assembly that we are going to have and it will be automatic and it extends over time. If next year, where P&A or NOI had a significant decrease, we would have an effect or a benefit for investors translated into a significant reduction of the administration commission. If next year, as we have already been commenting with Andrés and Alejandro, the conditions of high interest rates were maintained at 2%, there would clearly be a significant savings for investors. This discount that we grant in 2023, which amounts to a sum close to 30 billion pesos, would be maintained in time for years in which P&A can decrease or NOI can be affected.

Thank you very much, Jairo. There is a question from Juan Camilo Jiménez that asks us what information we have about the possibility of entering the different indices of Colombia, whether it is the COLCAP or the HCOLCEL. I will make a clarification to the question. The COLCAP follows an index called MCI-COLCAP and the HCOLCEL is an ETF that has as a subjacent index the Standard &

Poor's Colombia Select. Juan Camilo, we follow it, we have come in conversations with both Standard & Poor's and MCI through the stock market. We understand from the analysis that we have done that today the P&A meets the conditions to be part of these indices. In fact, in recent months, in the month of September, there have been reports from some market analysts where they anticipated that eventually the P&A could enter the Standard & Poor's Colombia Select, which is the index that follows the HCOLCEL, the other ETF that exists in Colombia of variable income, but it was not included in the recalculation. There is a discretionary issue that they take into account in a good measure the feedback that the market gives them. When I talk about the market, I mean investors, analysts, commissioning firms of relevance or not that a sector like the real estate is incorporated in the index or in the most representative indices of variable income. In the case of MCI, they are very discretional in that management. I would only tell them that we know that on the 15th of this month there is a rebalance of the MCI, but we do not have information at this time that allows us to conclude whether or not we will be able to enter the index of the title. The market will find out first that they do it in direct communication and we will obviously be telling you.

I am going to move on to the next question that I am going to ask Alejandro Alsate to help us, Mr. Jorge Salgado. It is about SIBOHO, it is the business center located in Usaquén, in Bogotá, which we mentioned about university residences. Jorge, good morning. SIBOHO is not the asset that you allude to in your question, it is not located in Usaquén. SIBOHO, as Andrés Felipe said, is an asset that was an object of acquisition by PEI at the end of 2022, it entered the portfolio at the beginning of 2023 and is an asset located in Cali, whose objects are university residences in the city of Cali, very similar to those we have here in CITIBÚ, obviously with a size tied to the Cali market and being located in front of these universities has allowed us to have occupations that, as we saw in the presentation, are close to 65% on average. It is important to take into account that in this asset of university residences in Cali, we are also serving students and an unsatisfied demand from other cities such as Pasto, Popayan and even cities close to Cali, such as Palmira, of students who are going to study in the city of Cali and who required an asset of these characteristics in which we could serve this type of public.

Thank you very much, Alejandro. William Borrero asks us the following question. Please emphasize the optimization of assets. How are we doing all our portfolio optimization strategy? What is relevant? Thank you, Andrés. Thank you, William, for the question. Yes, as I mentioned, within our strategy of managing the PEI with that long-term vision in which we have insisted so much, we define that one of the fundamentals and pillars of that strategy is the optimization of assets. And what does it refer to? We had some early years of the PEI where we consolidated a portfolio, today close to 9.3 billion pesos, assets, some of which we bought more than 15 years ago, in a way that allows us to capture opportunities. There are also cases of assets that today can serve a certain use, but the new trends of the surges lead us to see a use to repotentialize. And obviously, as we already mentioned, also the recycling of capital through the de-investment of assets. We built, as I mentioned, a table that allowed us to make a scoring of the assets and find which of them are susceptible or convenient or attractive to include as priority within the optimization of assets. You must have seen the investors who are here in Bogotá with both of our assets, such as the corporate headquarters of State Insurance in 1190, which is a building with an excellent location, but it was a building that we acquired 15 years ago and when it was bought it was already more than 20 years old. And there we have an opportunity that we are working on to deliver to our current client or lender a renovated building with very high areas and specifications and obviously with an attractive profitability for our investors. We have cases in which we have developed distribution centers in areas where today the city has been implementing renovation plans, partial plans that allow today those warehouses, also some with many years of construction, to be demolished so that buildings of more than 20 floors can be built with a very important possibility of developing housing units. As in that case the PEI does not have within its prospect as an admissible investment the housing, what we would do is a disinvestment of that lot but already with a rule that allows us to capture the value. And there may be some very important opportunities where we would be selling not at book value but well above book value because we could capture that use change at the time of selling the lot to a housing developer. We also have some cases in which the intervention is not to demolish a building totally but to update it. Perhaps you remember that Alejandro Alzate as commercial manager shared with you a few months ago the case of success of AVI in one of our buildings in the 93. This is a building that is about 35 years old and there we made an intervention of demolition of skyscrapers, of reconstruction of some common areas and we rented it to this company, to this local startup with very good conditions with a medium and long-term contract. So we refer to that with the optimization of the portfolio and it includes obviously also the potential growth of the vehicle. But as at this time the interest rates do not allow us to deploy that ability to grow, we are very focused on the optimization of the portfolio. We do not see the disinvestment as something specific, which at this time clearly has a purpose of trying to reduce the financial burden, but we also see it as something natural within the structure of a REIT such as the PEI and that is to be recycling capital and to be able to deliver to the investors in the future some extraordinary returns for the sale of the assets. What we do consider very important is that, when there are acquisitions or acquisitions, the disinvestment has to create value and that is why the search for these potential buyers is complex at a time when the interest rates are high, where there are many entities, natural persons, but also companies selling assets and that therefore you have to choose in a very selective way who can be the buyers. From the perspective of the PEI, what we have done and what we have advanced positively is to find, I would say, more than buyers, partners who acquire a large participation of asset investors and who allow us today to have that cash out to PEI debt but in the future to be able to be a platform of growth for the next few years.

Jairo, I want to ask you if we can make a precision because it is a term that we use in PEI Asset Management but I think that sometimes it is worth deepening. What is the difference between reconversion and redevelopment that fits a little into what you are explaining about the optimization of the portfolio?

I agree, Andrés. Redevelopment is a much deeper intervention. It is that before a building that has already completed its cycle and an opportunity that gives us the norm of capitalizing in a new use or in the same use but with a larger area, the existing construction is lowered and we make an asset from scratch, zero kilometers. Reconversion has to do with the fact that in an asset it is not necessarily demolished in its entirety but that its use can be changed, other areas are enabled, an extension is made, complementary uses are incorporated. That is the difference between redevelopment and reconversion and we complement it with the issue of de-investment which is what we have alluded to.

Jairo, thank you very much. Alejandro Jaramillo asks us what is the advantage in the long term once inflation and rates are normalized of debt with IFC versus debt with the National Bank? Alejandro, it is an excellent question. The conditions that we have achieved and that IFC has offered us today taking into account the duration of that credit which is a credit of about 6 years is practically in conditions as if we were not in this rate environment because it has several elements that I would say are relevant. One, as Jairo mentioned, has to do with the whole issue of asset decarbonization where we have an important prioritization because this is not a traditional line, it is a green or sustainable credit that we are working with IFC. Those conditions come from the hand of that environmental component that improves the conditions in terms of interest rate. Additionally, the entry of IFC is also a matter of trust and support of the National Bank to the real estate industry and the real estate vehicles in Colombia in a transaction that we consider to be relevant. So, that IFC credit will continue to be competitive even when we return to normal conditions which will most likely be as we mentioned towards the year 2026 and in no way do we see that this could eventually compromise or compete in an inefficient way against the financing of national banks. Let us remember that the National Bank has other regulatory characteristics that have also influenced its capacity in terms of rate to be able to finance the investments that have been implemented in Colombia that have greater capital requirements and have made them a little more expensive the requirements of their heritage and that also influences.

Andrés, allow me to complement you because today we do not present it although in our previous call we had already done it, that the credit would be received in pesos because we are not exposed to the issue of valuation because the credit would be received in pesos with a grace period of three years. So, the benefits of an operation with the IFC are very clear, not only in rate but in a message of confidence that a multilateral entity puts resources close or superior to the 700 billion pesos and that also with respect to the current conditions that the National Bank could give us the improvement is impressive. Thank you very much, Airo. There are two questions, one from Ricardo Luna which has to do with the link of foreign investors. We have come with the socialization with different investors who have started to have PEI on the radar of their possible investments. We have already had the first investment of a foreign investment fund that was seen in the last month. Obviously, liquidity has a relevant issue because we still do not see what we all want to see and they are more relevant amounts than the entry of an international investor. And in that measure, we are deploying what Jairo mentioned is a non-deal roadshow which is a roadshow that we are doing through a bank that is supporting us in this process for the purpose of going out to visit investors in other countries including Latin America that may be interested in investing in PEI as a product that gives them exposure to the real estate sector. PEI is the only variable income that is listed in the market and is the only way they can be exposed through the capital market in a liquid market.

And we have one last question from Diego Rodríguez It is a very good question. The reacquisition plan is in force. This year we have not reacquired any titles. What I mentioned in the capital market section was what we did last year. The reason for that has to do fundamentally with the fact that the cost of capital that we have this year has been very high and we have been prudent in the deployment of this initiative prioritizing other investments that have had to be made in the real estate portfolio. Now, as I said, it is still in force and as the conditions are favorable in terms of capital costs we will very surely reactivate it as we had as we continue to highlight these discounts so deep that are being seen between the asset value and the market price. As I mentioned, last year reacquisitions were made for a little more than 12 billion pesos at an average price of 36,000 pesos or 37,000 pesos and today the value of the title is in the order of 53,000 which for the benefit of our investors who are today and have remained in the portfolio is a good transaction, so to speak. With this we end our section of questions and answers and suddenly give you the floor Jairo for some closing words for all our investors.

Yes, Andrés, thank you. As always, thank you for your interest, for the time you dedicate to us to share the results and the most material issues of the vehicle and also give you a color in relation to why the assembly we had planned for September is going to end finally running in December and it is that we wanted to involve all our investors in this process. We made a series of visits to the different cities we do not limit ourselves to visiting the great institutional conversionists, but we also include natural people. That process took us almost two months and a half, three months since we started the visits. It was a very enriching process where we received very valuable comments and that allowed us to adjust the original proposal that we made to a final version that we believe will be of benefit of the vehicle in the long term. At this time we are very attentive to the fact that the superintendent reviews the information and confirms its approval to immediately make the citation of the assembly. Let us remember and here it is very important that hopefully we could attend it in the first call. Our prospectus regulation provides that a special quorum is required, since we are going to modify the prospectus, which is the document that governs the fate of the PEI. We need a quorum greater than 80%. We value your participation a lot, the same as if you have other investors who for some reason have not been able to connect to this call, tell them that they are going to receive that call soon. We are going to make the meeting hybrid, allowing you investors to attend in person, but also to connect, and it would be very beneficial for the vehicle, for the investors, that we could do it in that first call that requires that 80%. The same prospectus contemplates that in case we do not reach that quorum, we are going to have a second call where we can deliver with a very high percentage. We hope then in the next few days to be communicating the exact date and we count on your assistance.

Again, thank you very much.