

## Transcript of the Inmobiliaria Colonial Full Year 2022 Webcast

**Pere Viñolas:** Good afternoon to everyone. It's a pleasure to be here again in order to share with you the results for 2022. I am Pere Viñolas, CEO, and I am with Carmina Ganyet, Chief Corporate Officer, and Carlos Krohmer, Chief Corporate Development Officer.

I'm on page 6 of the presentation, which is a summary of the main highlights of the results for 2022. After the end of the year, basically, we can share these numbers regarding 2022.

First of all, our recurring profit grows 26% to a new number of €161M. Second, our EPS grows 21%, that is, 29.8 euro cents per share. The EBITDA grows 14% to €283M. Our revenues grow 13%, 7% like-for-like, €354M.

So first comment on our main highlights: strong cash flow as the main message for our results. Second row: resilient values. So the gross asset value grows 5% compared to the year before. In terms of like-for-like, it would be 1%. Disposals: in line with appraisal values for a total amount of €500M, roughly speaking. The NTA remaining at 11.83, minus 1.7 compared to one year before, and the net disposal value growing 15% to a new number of 12.72. So second row of main highlights, resilient values.

Third row: solid balance sheet. Loan to value 36.9%. That is including recent disposals. Liquidity of 2.6 billion, again including disposals. Fixed cost as a percentage of total debt at 100%, so mainly all of the debt hedged. Cost of the debt, average cost of the debt at the year-end 2022: 1.6%. So again, a solid balance sheet as a summary for this year. These are the main highlights. I will enter into details, of course, for all of these numbers.

Page 7. Just to summarise and maybe emphasise some of these KPIs. Behind these numbers, first of all, what is being a driving force is the letting volume. The letting volume at the end of the year is 177,000 m<sup>2</sup>. This is the second highest number in the Group's history, well above our average. As you know, this has been a trend not only for 2022, also for 2021, 2020. So we are in a structural process of strong letting of our premises.

As a consequence of that high occupancy, 96% occupancy, maybe it's good to highlight the performance of Paris: 99.8. If we translate this letting volume and higher occupancy into rents, three messages. First of all, full pricing power. So 5% indexation impact in our annualised gross rental income, 7% in the case of Madrid and Barcelona. Spain is enjoying a higher effect of indexation. ERV growing 5% to the Group, 6% for Paris, and a release spread of 6% for the Group, 8% of Paris.

Page 8. I would like to highlight maybe what's the main driving forces in this performance that we see for Colonial before entering into details. A number of messages I would like to share with you. First of all, what is clear at the end of year 2022 is that Colonial is delivering strong cash flow growth, but in particular with full pricing power. So to the question of to what extent inflation is being passed through clients, roughly speaking, we are passing everything. So full pricing power, as we could expect from the kind of clients, buildings and contracts, leasing contracts that we have with our clients.

Number two, this cash flow growth that is offering this full pricing power, it also shows a very healthy like-for-like growth. I would like maybe to emphasise that beyond being a good number, as you will see, now that more or less all of the data in the sector is already available, to put it in a way, we are at the high end. We are leading the growth in terms of like-for-like gross rental income in our sector.

The third message is that this full pricing power, this healthy growth in our gross rental income, is producing the level of inflation hedge that we would like to have. That means that the cash flow growth of Colonial is offsetting the impact of the yield expansion that we have experienced so far. That's an important message. Full inflation hedge right now.

Number four: in the meantime, this is having the support not only of our existing assets, but also from the new projects that are delivering its additional alpha value. But as a consequence of all of this, basically, we are enjoying an NTA that by the end of 2022 remains mainly resilient. If we would include, factor in the dividend already paid, I would say that the number at the end of 2022 is the same number as 2021.

This resilient NTA allows me to go into the next step, which is regarding capital structure. What can we say? Well, first of all, we've been achieving some divestments. First of all, these divestments are real in a moment where there's a lot of speculation or talking about what companies should and most of all can do. We are effectively delivering already done divestments. Second, divestments that are done, mainly, roughly speaking, at NTA. So this is confirming a little bit the health of our assets and in particular, of their valuation.

With these divestments, we can confirm that we are comfortable with the evolution of our capital structure, and we would like to highlight two things about our capital structure beyond the LTV number and the rating, which is already known.

The first is that I think that we enjoyed an outstanding financial hedging structure. We basically have all of our capital structure, our debt, fully hedged. But not only in terms of the picture as of today, but more importantly, going forward into the long term, we can enjoy as of today a secured, very low interest rate for a number of years. After a number of years, it's just slightly above 2%. This number, projected into the future, we believe that it's even more important than whatever number we can say about today.

Maybe as a conclusion, and I think that is an interesting thought out of this, maybe we'd like also to share to what extent is relevant the net disposable value number because of this. In the NTA, there's a lot of discussion about what may happen to the value of the assets because of the debt, because of the rising interest rates, because of a number of things. But then there are a number of hedging strategies that are not really seen there, that are seen when you look at the net disposal of value. And what is happening to our net disposal value is that is growing at a double-digit number, reflecting this quality check on the health of our debt.

So the message is that behind these numbers, there is strong cash flow growth with full pricing power; resilient asset values, where you can see pricing power offsetting rates shift; solid NTA benefiting from the polarisation of the market; and financial cost under control in terms of 100% of current debt at fixed cost.

These are our highlights for today. Now, as usual, we will enter into different sections to go more in depth. And now I ask Carmina to step in, to go into the section about financials.

**Carmina Ganyet:** OK, thanks, Pere. In this section, we are going to see deeper the main financial indicators, mainly showing the full benefit of polarisation. In page 10, you can see how these 2022 results show a double-digit profit growth with an increase of EBITDA of 14%, a recurring net profit increasing 26%, and as a result, the earnings per share increasing 21%. An [inaudible] with a very resilient valuation, showing a gross asset value increasing 5% with a like-for-like 1% positive, showing also an NTA growth of minus 1.7% post dividend. If we add the dividend, mainly the NTA remains flat. As I mentioned before, with a significant growth on net disposal value of 15%, up to €12.72 per share.

And all this recurring profit increasing 26%, and mainly it is beating the EPS, the upper range of the guidance, as we guided during the year. So we are in the upper range of the range of the guidance and mainly, the main impact of the recurring profit is due to the additional revenues.

And what are the main impacts of these additional grants you can see on page 12. Basically, first, we are increasing income in the comparable portfolio with 7%, driven by indexation, rental growth

and letting new space. Additionally, we are also increasing rents thanks to the project pipeline and the renovation, contributing with additional 7% on the growth on the revenues. Basically, 14% is thanks to the right strategy on prime assets with prime clients. And the third additional impact is due to the fact of additional acquisitions, mainly Pasteur in Paris and the headquarters of Danone in Barcelona, contributing additionally 4% growth.

And on the opposite side, you can see here in the chart the impact of the disposals with -16 million. So mainly, the rental income variance increases 18%, thanks to the pricing power and new acquisitions and net disposal. The total gross rental income increases 13%. As I mentioned before, the 7.2% delivered in 2022, it's the highest like-for-like growth in the sector. So we are beating our peers, and also this year we are beating our historical like-for-like growth in the last five years, as you can see in page 13.

When we look at a more granular analysis, the main impact of this like-for-like growth on page 14, you can see here how the gross rental income increases in Paris, 13% in the portfolio average including Paris -- sorry, 17% growth -- with outstanding like-for-like 7% total portfolio and positive in all the markets: 8% in Paris, 6% in Madrid and 9% in Barcelona.

When you look at the main driving forces of this like-for-like growth, mainly it's a combination of indexation, a combination also of pricing power. So we are increasing rents above the indexation, as you can see here, and on top, additional occupancy rates.

So pricing power at the end, it's not only passing through the indexation, it's also having the best portfolio, the best assets in prime locations and the scarcity at the end helps to this additional rental growth above the indexation levels.

In following the next page, page 15, you can see also a little bit more of the details of how we have succeeded the divestment strategy. We have developed more than €500M in line with the appraisal value. All has been done in a very narrow investment market conditions with a successfully large volume of €500M. You can see here mainly the net initial yield that this disposal has been sold, below 3%.

In average, 83% of the disposal has been assets in Spain, 17% in Madrid. You can see here the split between secondary, landlord and mature assets. So these are not the best assets, which as you can see here: secondary, land plots and mature assets significantly in Spain. As of today, 75% of the assets programme has been executed in 2023, €84M has been executed during 2022, and the rest we have an advanced and high visibility to complete the programme above €500M.

One of also the main important driving forces of resilient value and the positive NTA impact in 2022 has been delivering part of the project pipeline we had in place during the year. On page 16, you can see how we are creating value through this project pipeline. You can see here two examples, one in Paris -- Biome, and the other in Spain in Madrid -- Velázquez, creating in a blended capital gain of 60%, six zero, 40% in Biome and 90% in Velázquez. So this is also part of the beauty of this project pipeline being completed and being impacted very positively in the NTA in the 2022 valuation.

On the next page, you can see the details of our updated gross asset value. Basically, the message is that the valuation remains resilient with 1% like-for-like, higher cash flow due to the indexation, due to the rental growth, because of the scarcity of the product in our market. So this pricing power at the end offset the yield expansion that has been included in the last appraisal valuation in December 2022.

On top, we are adding additional valuation, additional value, coming from the project delivery. On the opposite side, you can see here the -- sorry, and also on top, sorry, you can see here the impact on the net acquisition. So like-for-like valuation growing 1%, additional cash flow being offset by yield expansion, and on top, new acquisitions with an increase of gross asset value of 5%.

Also here we have included a detail of the markets, how this valuation has been impacted in the different markets. But mainly the message is that the strong value performance delivered in Paris and the CBD markets as opposite this performance has been much more better than the secondary, as you can see in the details of the valuation impacting in the second half of the year.

If we look at our capital structure on page 18, as I mentioned, the fact that we have completed this disposal programme, enhanced the capital structure, enhanced the profile of our liquidity with more than 2.6 billion of liquidity, the net debt after disposal is below 5 billion and the long-term value performance after disposals remains below 37%: 36.9%.

And how is performing this capital structure? [Inaudible] we would say, thanks to the financial policy, we have secured the cost of debt. So today, all the debt, 100% post disposal, is fully hedged, and this profile of hedge -- in the appendix, you will see more details -- remains at this level until 2025, thanks to the positive mark-to-market at very, I would say, interesting levels of rates, and also thanks to the bonds at fixed cost at a very interesting level.

So the stable financial growth remains in the range of 1.7% and projecting this cost of debt thanks to the hedge remains below 2%: 2.5%. So a fully hedged position at a very interesting level of

cost of debt, with a very solid liquidity covering future financial needs, close to four times the future maturity this year for this year and for the next year, and 70%, as you can see, the profile of debt maturity expires or matures after 2026. So stable zone in financial cost, very interesting levels of cost of debt and very solid capital structure and liquidity position.

Finally, all this impact, positive impact on cash flow, positive impact on project delivery, positive impact also in capital structure, it shows in an NTA remaining flat, as you can see on page 20. You can see here the impact of pricing power, with a very positive impact on the NTA. Also, project delivery is adding additional impact on the NTA and all the interest has been offset partially, with a negative impact due to the expansion yields with the price evaluation at the end of this year. But if you look at [inaudible], when we included the mark-to-market of the debt, the NDV increases 15%, with a very positive impact of 86%, almost 1 billion thanks to the mark-to-market of the debt and also of the hedge. So a resilient NTA, remaining flat, including the dividend, and a very positive 15% growth on net disposal value thanks to the fact of this financial policy, very proactively hedging all the capital structure for the following three, four, five years.

**Pere Viñolas:** So, Carmina, now we'll enter in the section about operations, which are the driving forces regarding our outperformance. Carlos Krohmer will begin.

**Carlos Krohmer:** Thank you very much, Pere. So as you have seen, the performance has been very strong on cash flow and on value, and what is behind all of this performance. Basically, let's start with page 22. One of the main drivers is polarisation and Colonial strategy that is focused on this scarcity play. When you look today at the market, what you can see is that the market segments where we are active, that is the CBD of the cities and the high-quality product, there is a clear scarcity of product. Just 0.4 percent of Grade A product in the CBD of Paris and around 2%, below 2%, in Madrid and Barcelona. This faces a demand that is looking for the best product in the best locations, both on the rental market as well as on the investment market. This is what basically explains that we are having such a strong performance.

If we switch to the next page, we start to see first factual figures regarding the Colonial portfolio. We have signed, as Pere already said, 177,000 m<sup>2</sup>, second highest volume in our history, well above the normal letting activity that is in a year something around 100 to 120,000 m<sup>2</sup>. So very, very high activity and in every single market. Moreover, we are signing contracts with long maturities. Until the first exit, it is six years on average and until expiry of contract -- that is mostly the case because all of the tenants are really loyal to our product -- it's nine years.

If we go to the next page, on page 24, we see an even better way of how polarisation as a trend in the market is benefiting the operations of Colonial. When we look at Paris intramuros, our share

of the Colonial portfolio is 2.6%. But out of all of the takeup that has happened in 2022 in Paris intramuros, we have taken 4% of this takeup. So we are really capturing market share. How much? 140 basis points. If we look at Madrid, we can look at the total market, the share of the Colonial portfolio on the total Madrid market is 6% out of the total takeup for the full Madrid market. We have captured in 2022 11% of the takeup. So here, even 500 basis points of outperformance, of capturing higher market share. And at what prices are we doing this? We are setting really the benchmark. We have signed contracts above 1,000 in Paris and the maximum rent we signed in Madrid was at 40.

On the next page, on page 25, when we look and analyse the full contract activity of the full portfolio in terms of price performance or rental price growth, we see another year of really, again, stronger ERV growth, the same as that of the previous year. In 2021, we have had 5% of ERV growth. We again repeat 5% on ERV year growth and especially highlighting on the office contracts in Paris, we have even plus 6%, so really a very high number. On the release spreads, we remain also in a very strong territory of 6% total release spreads in this year. Again, Paris outstanding with strong release spreads.

On the next page, on page 26, we see that we are clearly benefiting in terms of occupancy of this high letting activity, as I said, 170,000 m<sup>2</sup>. I would like to underline that our clients have a very high loyalty. On average, the client loyalty in our portfolio is 17 years, and more than 75% are more than 5 years with us. At the end, this really allows us to maintain very high occupancy levels. As Pere mentioned, Paris is almost fully occupied, Madrid at 96, a blended portfolio, at 96%. So a very high level.

When we look then on page 27, what is the space available to be let in the coming months? We have four groups. We have 4.4% of EPRA availability, 1.7% is assets, entries into operation of the renovation programme. What we can say already today is that as of today, out of the vacancy of 1.7%, that part of this corresponds to Ortega y Gasset and Diagonal. We have Ortega y Gasset 100% let and Diagonal 530 -- this is one of the best assets in Barcelona -- 89% let. Then the rest of the 4% is 0.7 percent CBD Madrid. Again here also, two of the assets that explain part of the vacancy, Recoletos and Castellana, as of reporting date today are already 100% let. Then 1.1% CBD Barcelona and 0.9% percent secondary Barcelona.

And last but not least, Grade A high quality, what is behind it? One of the features that is behind is really highest ESG standards and in particular, sustainability standards. We are one of the few companies that really have a decarbonisation plan. We not only adhere to science-based target, it's also validated and approved by science-based target of 1.5% decrease pathway. And on the CDP, that is the most sophisticated rating on carbon emissions, we are within the 1.5% of

companies that have the maximum rating worldwide. So 19,000 companies across industries are being rated, across all industries. Just 283 have an A rating. We are one of them and we are one of the 6 companies in Europe -- real estate companies -- that have this A rating. Nobody else has this. On GRESB we are also very high: 90 on 100 on investment portfolio, 96 on 100 in development portfolio, and Moody's also. As a consequence, obviously not the liability side, our financing side, all of the bonds were converted into green bonds, which is really also an important competitive advantage.

**Pere Viñolas:** Thank you, Carlos. Let's now move into the next section, which is about the positioning of the company into the future. Just before entering into the details, because this presentation usually is a lot about numbers, just a reminder on our strategic positioning. In the case of Colonial, it's traditionally been very, very simple. Our idea is that positioning in the prime end in terms of assets, in terms of clients, in terms of contracts, delivers better returns in terms of cash flows, in terms of risk attached to these cash flows, in terms of resilience. This is not a strategy that is brand new. It's not suddenly that we discovered that and we want to do now into the future. It's something that we've been doing for a number of years and that has been delivered, and we believed and proved already in the past. So in everything that we do every day, it's aiming at even enhancing the quality of our assets, the quality of our clients, the quality of our contracts, because this is what will allow us to deliver the numbers that we want to deliver more short term.

Looking into the future, this long-term strategic positioning of the company is obviously benefiting from the polarisation that is obvious in the market. Any of the numbers we've been disclosing today, you can compare them with what is available in the market in terms of rental growth, in terms of like-for-like rental growth, in terms of EPS, in terms of occupancy, in terms of like-for-like gross asset value, in terms of NTA. I think that in all of them, a ranking can be [inaudible] and look at the evidence. This is the picture, and maybe my point is we can talk about numbers, but it's more importantly a decision of strategic positioning behind this that is well on track for a number of years.

Messages that I would like to share into the future. In the next months and maybe years, the positioning of Colonial is simple. Number one, we want to deliver rental growth, cash flows, incremental cash flows. And on page 30, you can see already that this is happening and you can witness this, looking at the ERV growth that is growing substantially in all our markets: Paris, Madrid and Barcelona.

On page 31, of course, a driving force of our rental cash flow growth has to do with indexation, with inflation, and the way this is passed through to our contracts and clients. Maybe to share here a few numbers: as you can see in this table on page 31, maybe starting on the right-hand

side, the CPI for Spain was 5.7, almost 6. At the end of the year, it was also 5.9, almost 6 for Paris where ILAT reference is used. Of course, the way indexation is translated into our P&L has a sort of a delay effect because the indexation comes at different moments of the year when each contract has its revision. So in the year 2022, we already signed contracts. Let's put it this way, we already invoiced our tenants with, as a result of the signed contracts, with a 5% indexation impact. That already happened during the year 2022. But out of these 5%, only 3% was able to make it, let's put it this way, to be part of the P&L effect of 2022. While 2% of this indexation slips into the following year, into the year 2023. So that means that there is an inertia, that only part of the indexation is already captured in the year 2022.

This also is slightly different if we look at Spain or if we look at France. In the case of Spain, this -- let's say inertia -- it goes faster, mainly because of a couple of reasons. One is that contracts in Spain are all of them linked to CPI, which is published on a monthly basis, and that means that translation from new data available to effective new invoicing is really quick or at least quicker. In the case of France or Paris, our contracts are mainly indexed to ILAT, mainly on a quarterly basis, not so speedy. Therefore you can see that whatever was already indexed during the year 2022 in France, let's say a majority of this did not show up in 2022 numbers. It will be crystallised in 2023. So indexation remains a driving force in our numbers, especially for 2023.

Behind ordinary -- let's put it this way -- indexation, there is the other driving force of the projects we are involved in. So first of all, you can see the renovation programme on page 32, a number of projects that are being delivered. Here, the fundamental number is what you can see at the bottom right of this page. The projects that we've been finishing have meant 39 million of secured rents, out of which only 25 are being included in the P&L of 2022. If we would account for all of the renovation programmes, even those that have not been secured yet, then the number of our topped-up GRI would be 46 million. So we have the potential of going from 25 to 46, out of which 39 are already secured.

On page 33, you can see a number of examples of these different renovation programmes. Let's remember that for us, a renovation programme means a number of activities that happen in existing assets that are being renovated through specific projects. You can see a number of examples here of assets that have already been fully delivered and fully let. Maybe it's worth mentioning on the right-hand side of page 33, a couple of projects that mainly were done by the end of the year, the beginning of this year, Ortega y Gasset and Diagonal 530, which means additional rents that have been captured in the beginning of 2023 and therefore are reducing also the vacancies of the company.

If, beyond the renovation programme, we talk about the pipeline, as you know, we have a strong pipeline mainly already delivered, but not yet producing all of the cash flows that they could produce. As of 2022, the number of gross rental income included in the P&L was only 16 million as opposed to a maximum 82 million that this pipeline can produce, and out of this 82 million, already 55 have been secured. On page 35, you can see a number of examples, many of them classical. So there are no major news. Maybe the most recent news would be Plaza Europa 34, where we are in the process of delivering in the next few months or I would say weeks almost. This building, at the time that it will be fully let to a cosmetics company and also to a family office company. More into the future, already known, the Fondation Cartier project for the Louvre-Saint-Honoré. So basically, this idea of Colonial producing incremental cash flow can be seen through indexation, through ERV growth, through renovation programme deliveries, through pipeline delivery.

Last but not least, on page 36, giving individual examples the same as the next projects to be included in our pipeline. As a conclusion of this, mainly the message is that we have a strong visibility for a €500M figure in terms of topped-up gross rental income for our company, at the moment that we are still producing a number well below 400.

The second idea about the future is to talk about our capital structure. While this rental cash flow is happening, we are enjoying a capital structure which is pretty secured, which has, let us say, full protection regarding interest rates. It's already well known that we have 100% of our debt at fixed cost. Here, what we want to highlight is, as I said at the beginning, not the static number of what the number is today. More importantly, projecting this into the future, how much of our debt will remain fixed four years from now, and four years from now, we will still be enjoying 93% of our debt will be fixed. In other numbers, assuming that floating rates are what they are today or they will be today, according to markets, after four years, our costs will still be well below 2.5%.

So in front of us, we have a number of years of incremental cash flow that will live hand-in-hand with a very secured, unlimited cost of funding. This cost of funding -- by the way, I mentioned this at the beginning -- has an important value that sometimes has low visibility because of market practice of being so much focused on NTA. Then we are all very much concentrated in saying that our NTA is resilient, at the same time that our net MDD is growing 15%, one five. I think that this is a number that is worth emphasising.

Another quality comment on capital structure. Of course, here there is a question of to what extent Colonial can additionally protect its capital structure with disposals that can really be done? To what extent Colonial enjoy owning liquid products, liquid assets? To what extent also these disposals can be done at appraisal values? Here, what we would like to highlight is that at a

moment where many of us are having plans of disposal, one thing is to have plans and another one is executing. Basically, we have seen that we have very fast, very efficiently moved into this direction and we have already delivered around €500M in the last year, with a number of examples happening and being shown on this page. Most of these assets have been located in Spain so far and are basically a combination of secondary assets, land plots, non-strategic assets or mature assets. Basically, this is being done very much close to NTA. So we have liquidity and we have value. As of today, we already have delivered a substantial part of what we would like to do during this year.

This, as page 40 more or less wants to show, it's a little bit part of our usual strategy where we buy or sell our assets on an ordinary basis in a liquid and secured environment and on very strong terms in terms of pricing relative to appraisal values.

Well, as a result of all of this, what's happening so far is that we are showing -- page 41 -- an NTA that remains mainly resilient in 2022, also enjoying from the fact that this NTA is validated or reconfirmed with the disposal of €500M at prices in line with this NTA. So as a very simple summary, there is very high visibility on increasing cash flows and rents, together with an important resilience that can handle any fluctuation that can happen in the market in very good terms.

Page 43 is a little bit about conclusions. Maybe I won't repeat what I just said. So about this message of strong cash flows and resilient values, I think that what we've seen in this presentation is that during 2022, Colonial has been delivering strong cash flow growth with full pricing power. This cash flow growth has been able to offset the impact of yield expansion together with delivery of the Alpha creation of our projects. That has led to our resilient NTA, which is a little bit the result of our prime positioning. This NTA has been validated or reconfirmed with real divestments in line with this NTA, at a time that we are supported by a capital structure with fundamental quality values in terms of hedging, and moreover, projecting this hedging into the future.

A word on guidance for this year. We are of course, first of all, conscious that the year 2023 is a year with a certain level of uncertainty still attached. The situation has improved a lot in the last three months, but you know us very well. We want to be usually quite prudent in assessing what the future may tell us. So regarding EPS, we envisage between 4 and 10% EPS growth on continued operations. Our guidance for recurring EPS would stay between \$0.28 and \$0.30. Let's not forget that this is in a world where divestments have been happening, so including the effect of these divestments. And finally, the dividend that we see for 2022 to be paid in 2024, it's the number that will be proposed to the general shareholders' meeting is \$0.25. Maybe it's worth emphasising this these days, fully in cash, and second, growing 4% compared to the year before.

That means consistent with the -- let's call it tradition -- of Colonial, of having a dividend per share that grows on a regular basis through the years.

Well, this has been the presentation for today. As usual, we will be very happy to answer any questions that you may have. Thank you very much.

**Moderator:** Ladies and gentlemen, the Q&A session starts now. If you wish to ask a question, please press star one one on your telephone keypad. Please be informed that there can be a short silence while questions are being registered. Thank you. Once again, if you wish to ask a question, please press star one one on your telephone keypad. Thank you. The first question comes from Markus Kulesa from Bank of America. Please go ahead.

**Markus Kulesa:** Yeah, good evening, everyone. I hope you can hear me well. Thank you for the presentation. I have a first question on the disposals on slide 15. Just to understand, of the 420 million remaining, they have been signed. When you say 'agreed', does that mean they have been signed or?

**Pere Viñolas:** Which page did you say, Markus? Sorry, can you repeat?

**Markus Kulesa:** Yes, it's slide 15 on the disposal. I think it was slide 15. Just to understand, out of 420 million remaining, how much have been effectively signed already? Because you're saying you have agreed. Yeah.

**Pere Viñolas:** Yes, so 75 of these, roughly speaking -- because we cannot really be specific -- have already been executed. So let's put it this way, the cash is in the company already. That means, let's put it this way, well above €300M. There will be, very roughly speaking, another 100 with very high visibility. High visibility means an asset where a *promesse de vente* is done in France, which you know what this means in terms of probability of execution. So well above 90%. Another asset where we are in a very well-advanced due diligence process and we are very highly confident of, so out of this 421, 75% -- let's say a little bit in excess of 300 -- executed and cashed in, 25% with very high visibility, either because we already signed the *promesse de vente* or because we are in advanced stages or due diligence.

**Markus Kulesa:** OK, thank you. And the 2.6% cap rate is on the full 500 million? The net initial yield?

**Pere Viñolas:** Yes, yes.

**Markus Kulesa:** OK. The second question would be on your portfolio valuation over 2022. Do we understand well, looking at H2 only, that we have seen a cap rate compression? Looking at the net initial yield you report, the [inaudible] net initial yields in Barcelona and Madrid?

**Pere Viñolas:** No. What you have to...What is the input for the valuation is the cap rate. So the valuation yields, so the yields that they use, the appraisers, to do the valuation. We have had on average on our portfolio a 25 basis points yield expansion.

**Markus Kulesa:** Also in Spain, OK. My last question would be on the like-for-like rent growth. So I understood well in the 7% like-for-like growth in 2022, 3% comes from indexation, not 5. So only the 3. And then my second or third question is for 2023. Will we have 6% indexation impact as you show in slide 31? Or will it be spread also and we're going to see a lower indexation impact than the 6%, which is the face value of ILAT and CPI?

**Pere Viñolas:** Maybe I'll try to answer two separate answers. First of all, the important thing to understand is that out of the 5% captured that I explained on the like-for-like of 2022, just 3% is indexation. So we have still a remaining part of full-year impact that will come in 2023. And the second thing that we show here, and it is especially relevant for Paris, that is all of the contracts that will be reviewed in Q1 2023 are in Spain and France. The references are for Spain, 5.7% and for Paris, 5.9%. When we remain with the same pricing power that we have had so far, that we have been able to pass through fully the indexation, all of the contracts that are due in the indexation window in the first quarter -- and that is quite a relevant part, more than 25% of the contracts -- will be reviewed with this indexation reference that, as you can see, especially in the case of Paris, is much higher than the indexation reference that we saw on average last year that was about 3%. Apart from this, then you have to make your own numbers where you could see the like-for-like rental growth. We do not guide specifically on this, but we say we have several engines that give us a supportive and a positive view on ongoing like-for-like rental growth, indexation and [inaudible] growth that has to come through.

**Markus Kulesa:** OK, thank you.

**Pere Viñolas:** Thank you, Markus.

**Moderator:** Thank you very much. The next question comes from Fernando Abril from Alantra. Please go ahead, sir.

**Fernando Abril:** Hello, thank you for the presentation. I have a couple of questions, please. First, on releasing spreads. So clearly a still positive quarter by quarter, but slowing down. Q4 is plus

2%. Obviously, you are capturing inflation and therefore probably reversionary potential is now lower. So what do you expect release spread to be in 2023? And then the second question: Pere, you mentioned that most of the asset sales you were targeting have already been completed. I don't know how much is left for 2023, if any? Thank you.

**Carlos Krohmer:** OK. On the release spread, I think it would not be wise not knowing how inflation will evolve, to guide specifically on a release spread number. But having said this, at the end, apart from what happens with indexation and our average contract rents, what we have to look at is to what extent we are able to pass through rental growth that we have done, and what is the reversionary potential of our portfolio. Still today we have a quite significant reversionary potential of our contracts and of our portfolio in general by letting up available space and also price effect. So we expect to have an ongoing positive release spread. What will be the exact level? It's in the current environment, very difficult to guide and to specifically say, but we are positive on this front.

**Pere Viñolas:** Fernando, the question regarding disposals. Maybe to be more specific and to read the chart on page 15 in a different way, we did almost 100 million in 2022 in the second quarter, and then very quickly in 2023, we've already done more than 420 -- almost done maybe, because we are including the agreed and high visibility ones. At the very least, for 2023 we would also have a number of 500 or so. At the very least, we would be adding another 100 to this number of 420 that you are seeing here. Depending on, let's say, an opportunistic approach to where the market is, we could even do more than this, maybe this number of an additional 100, maybe even 200 or 300, depending on the opportunity. So to be specific, for 2023, the initial goal is to do 500 out of which 300 or so have already been executed. Another 100 has high visibility and agreements already signed, and maybe another 100 or less than 100 would be a pending issue. 500 in total as the initial objective. Depending on the situation of the market and an opportunistic approach, we could envisage to enlarging this because of the benefits that we are enjoying doing these transactions at the level that we are doing so far.

**Fernando Abril:** OK, thank you. Just a quick follow-up. Carlos, but correct me if I'm wrong, but the reversionary potentials coming from prices have halved in '22 now. I mean, you had 20 million last year, now you have 10, obviously because of inflation. So I don't know if this 10 million of reversionary potential could be captured already in 2023?

**Carlos Krohmer:** Look, this is a static number. So if we look at the spot balance date, 31 December 2022, and we compare the passing rents with the market rent, this is at 10 million. So this is right, what you said, but what this does not take into account is what will happen during 2023 with indexation and what will happen during 2023 for the best product regarding ERP costs.

As we guided or as we explained, we think that with our scarcity strategy, we can be here the people that most benefit of it. So this is how we see it. Yeah, it's static, but we have a very important dynamic effect these days.

**Fernando Abril:** OK, OK. Thank you very much.

**Pere Viñolas:** Thank you, Fernando.

**Moderator:** Thank you. Ladies and gentlemen, if you have any comments or questions, please press star one one on your telephone keypad to enter a queue. Thank you. The next question comes from Ana Escalante from Morgan Stanley. Please go ahead.

**Ana Escalante:** Good evening. I would like to ask about the difference in the EPRA net initial yield and the topped-up net initial yield. So according to your disclosure, I can see that the rent-free periods and other incentives have increased significantly during the year, and I believe that is behind the explanation of the difference. Could you please comment a little bit on that and whether you see rising incentives in new leases or new development completions coming into the investment portfolio?

**Carlos Krohmer:** Yeah, thank you for the question, Ana. First, a clear answer. No, there is no increase in incentives. What is the explanation? The explanation is a change in mix. So when you deliver projects, and especially we have delivered the huge project of Biome in France, and if we are in a market where the incentives play a role, even though we are signing at the lowest level of incentives for the segments that we are, then we have immediately after putting the assets into operation during some months, a rent-free period. So you cannot compare really net initial yields or topped-up net initial yields from one year with another because the perimeter is different. As we have shown, we have delivered far earlier and at a far better rent than expected the Biome project, one of the main drivers, and this is explaining this. So again, and we can go into much detail in a one-on-one session, incentives are remaining tight in our portfolio at the lowest level of the market as it is normal for the best product. The changes that we are seeing is changes in perimeter.

**Ana Escalante:** OK, thank you very much.

**Moderator:** Thank you very much. There are no further questions. Dear speakers, back to you.

**Pere Viñolas:** Well, thank you very much for the attention and we are very happy to have the opportunity to share these good results we believe so far. Hopefully, we'll come back with more during 2023. Thank you very much and have a good day. Bye-bye.