NSI Interim Results

Half Year 2019

18 July 2019

“NSI will be the leading specialist in the Dutch office market, with a strong and efficient platform that will drive returns through pro-active asset management, value-add initiatives and active capital recycling.

NSI will be the partner of choice for investors looking to team up with a best-in-class operator”

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Key highlights H1 2019

Operational performance

- **EPRA Vacancy** – Down 1.3pp to 12.5%
- **Asset rotation** – 2 acquisitions (€30.8m) and 12 disposals (€48.1m)
- **Rental growth** – Strong increase in like for like net rents of 1.8%
- **Development** – Potential pipeline increased to € 850m

Financial performance

- **Valuation result** – Positive uplift of 5.3% (Target Cities up 6.5%)
- **EPRA EPS** – €1.24 per share (up 4.5% compared to H1 2018)
- **EPRA NAV per share** – up 9.7% to €43.60
- **Dividend** – Stable interim dividend of €1.04 per share

Balance sheet management

- **RCF Extended** – Now maturing in 2024
- **Cost of debt** – Stable at 2.0%
- **Debt maturity** – 4.7 years, pro-forma 5.4 years
- **US PP post period end** – €40m 12-year notes at fixed coupon of 1.70%

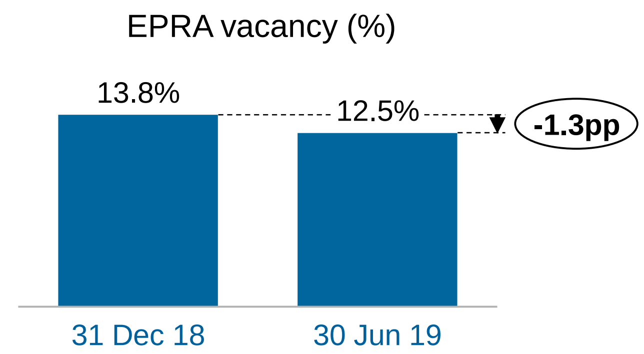
Strong operational and financial performance

Key metrics

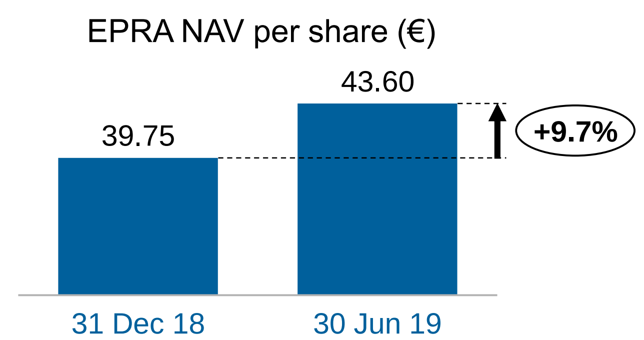
Revenue and earnings	30 Jun 19	30 Jun 18	Change %
Operating margin	76.3%	78.6%	-2.3pp
Net rents like-for-like	1.8%	-0.4%	+2.2pp
EPRA Earnings per share (€)	1.24	1.19	+4.5%
Dividend per share (€)	1.04	1.04	0.0%

Balance sheet	30 Jun 19	31 Dec 18	Change %
EPRA Vacancy	**12.5%**	**13.8%**	**-1.3pp**
Portfolio revaluation	5.3%	3.7%	
EPRA NAV per share (€)	**43.60**	**39.75**	**+9.7%**
EPRA NNNAV per share (€)	42.52	39.20	+8.5%
Average cost of debt	2.0%	2.0%	0.0%
LTV	33.7%	36.9%	-3.2pp

Improved occupancy



Enhanced NAV per share



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Asset rotation January 2015 – June 2019

A more concentrated, higher quality portfolio of larger assets

Acquisitions

	# Assets	# Tenants	Total purchase cost (€m)		Net contract rent (€m)	NIY	WAULT (years)
Total Offices	20	46	560		33	5.9%	5.6

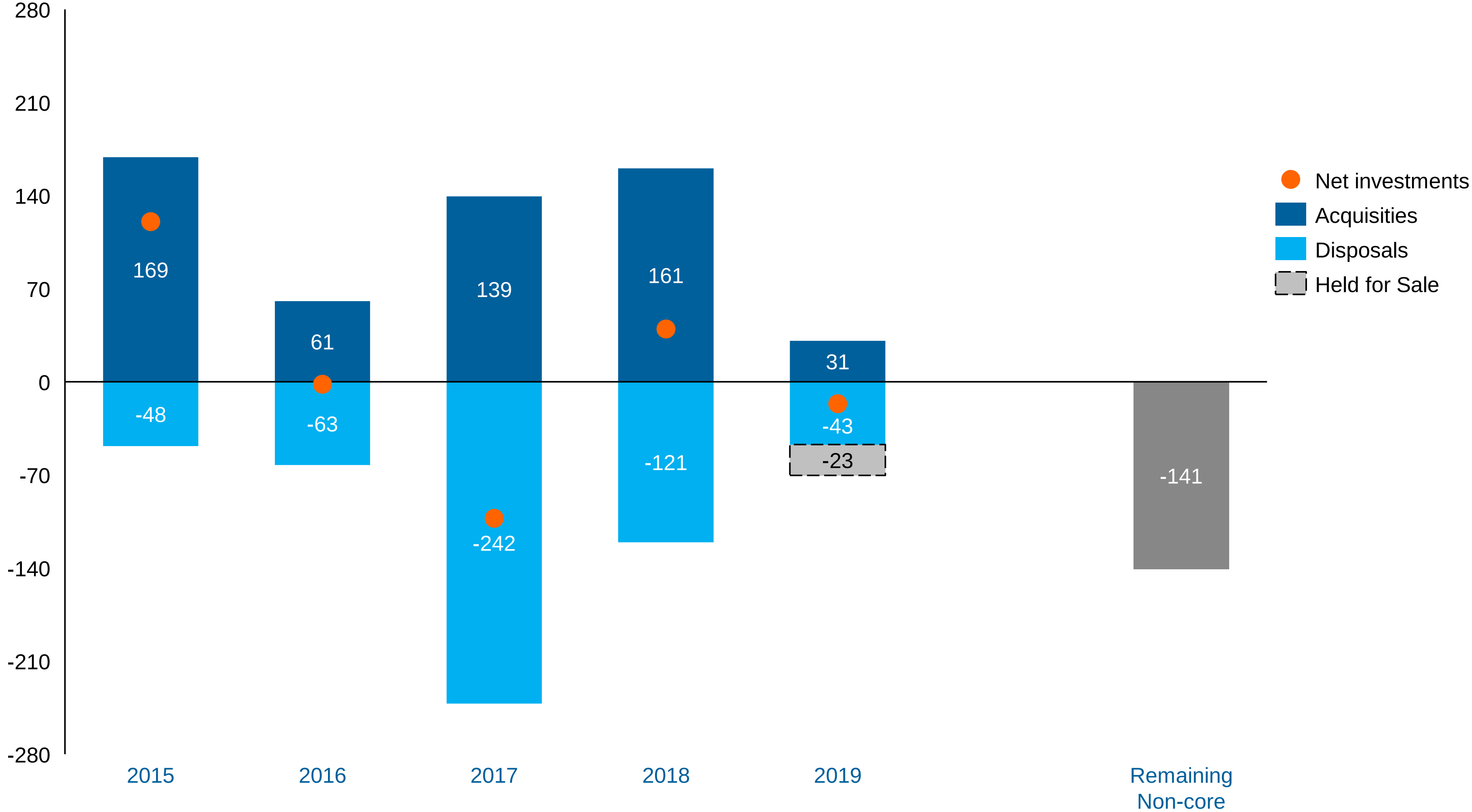
Disposals

	# Assets	# Tenants	Net sales proceeds (€m)	Book profit / (loss) (€m)	Net contract rent (€m)	NIY	WAULT (years)
Total Offices	94	179	196	13	12	6.3%	3.0
Total Other	56	367	325	(3)	23	7.0%	3.9
Total disposals	**150**	**546**	**521**	**10**	**35**	**6.7%**	**3.2**

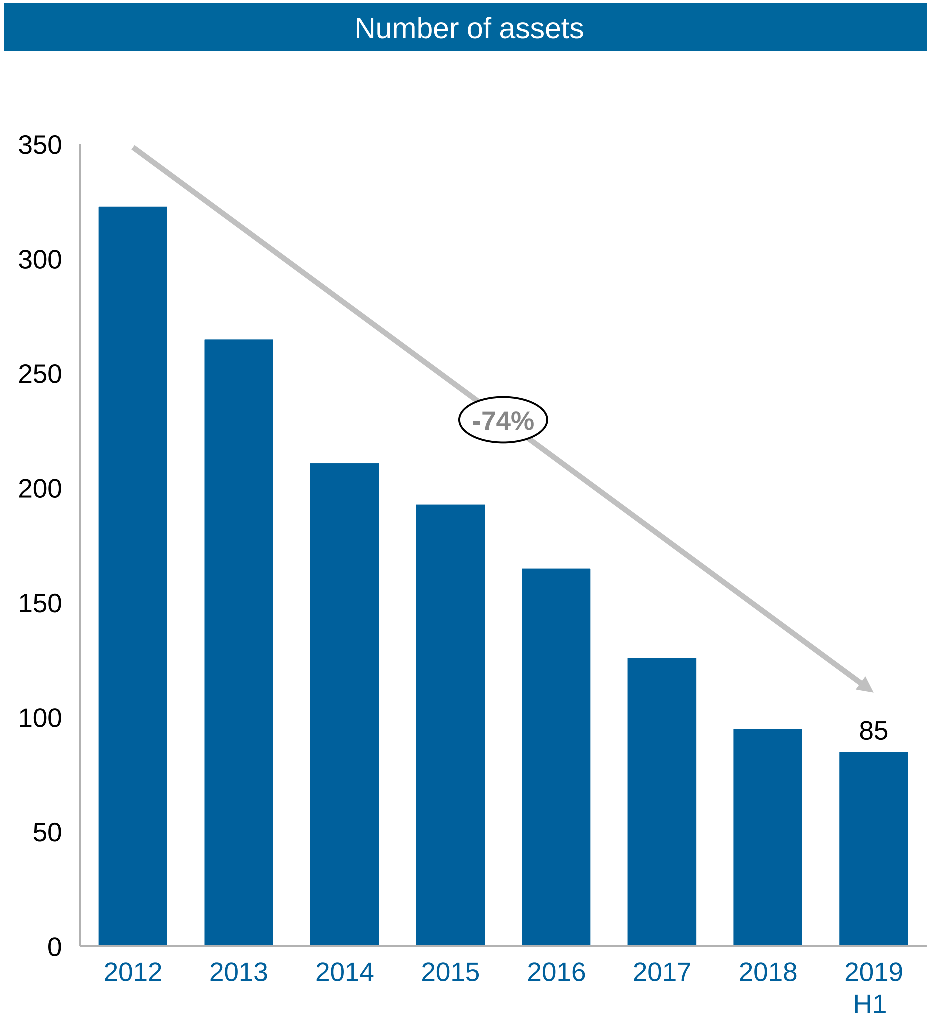
Delta	**(130)**	**(500)**	**39**		**(2)**	**(0.9%)**	**2.3**

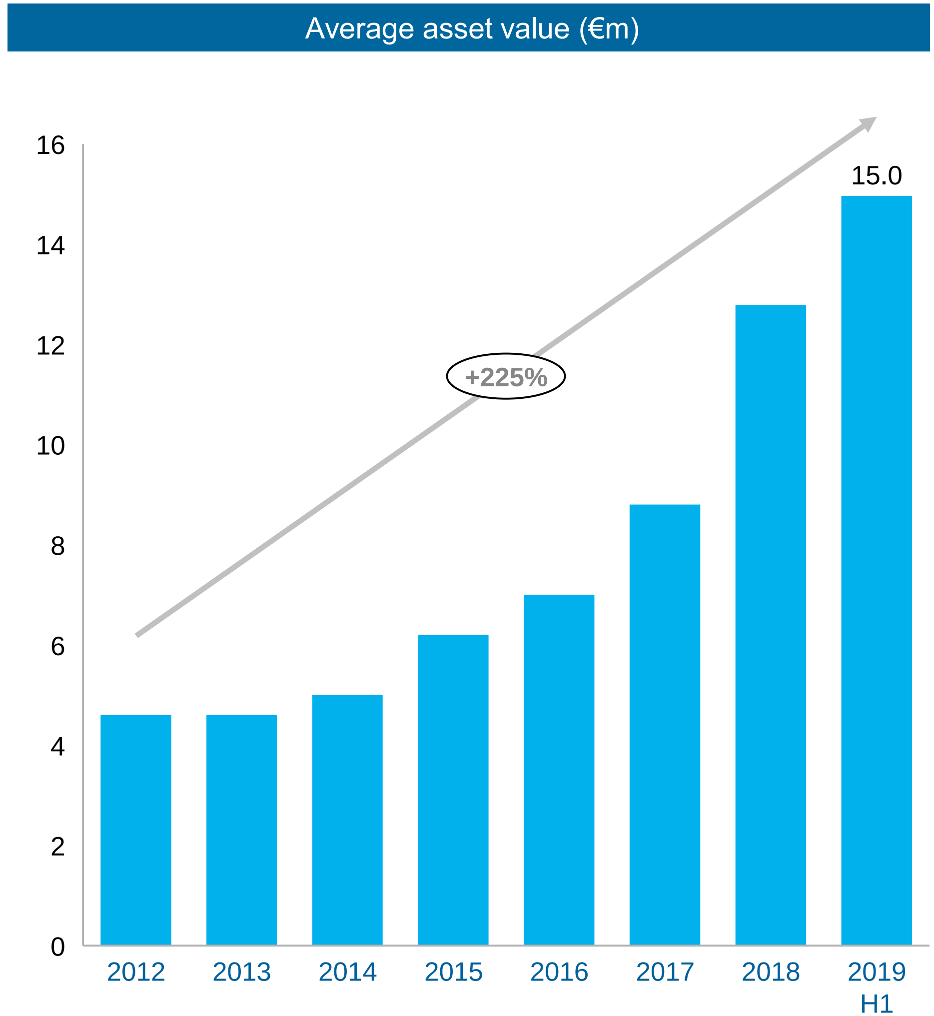
Over € 1bn of turnover with € 39m net investments

Average transaction volume over € 200m p.a.



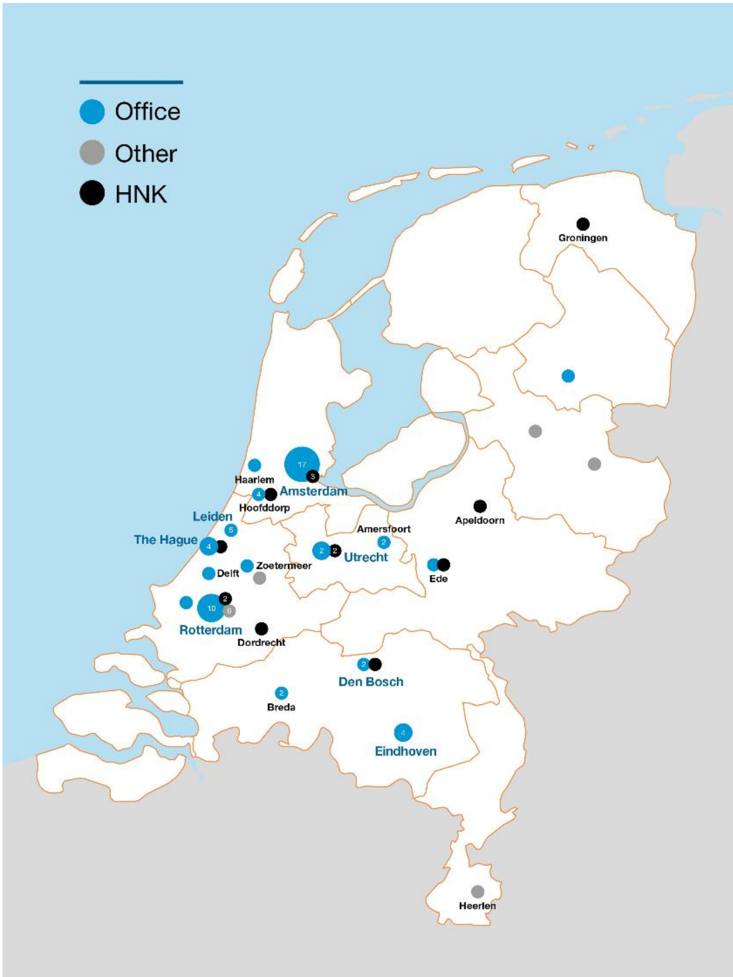
Heading to a more concentrated portfolio





Heading to a more concentrated portfolio

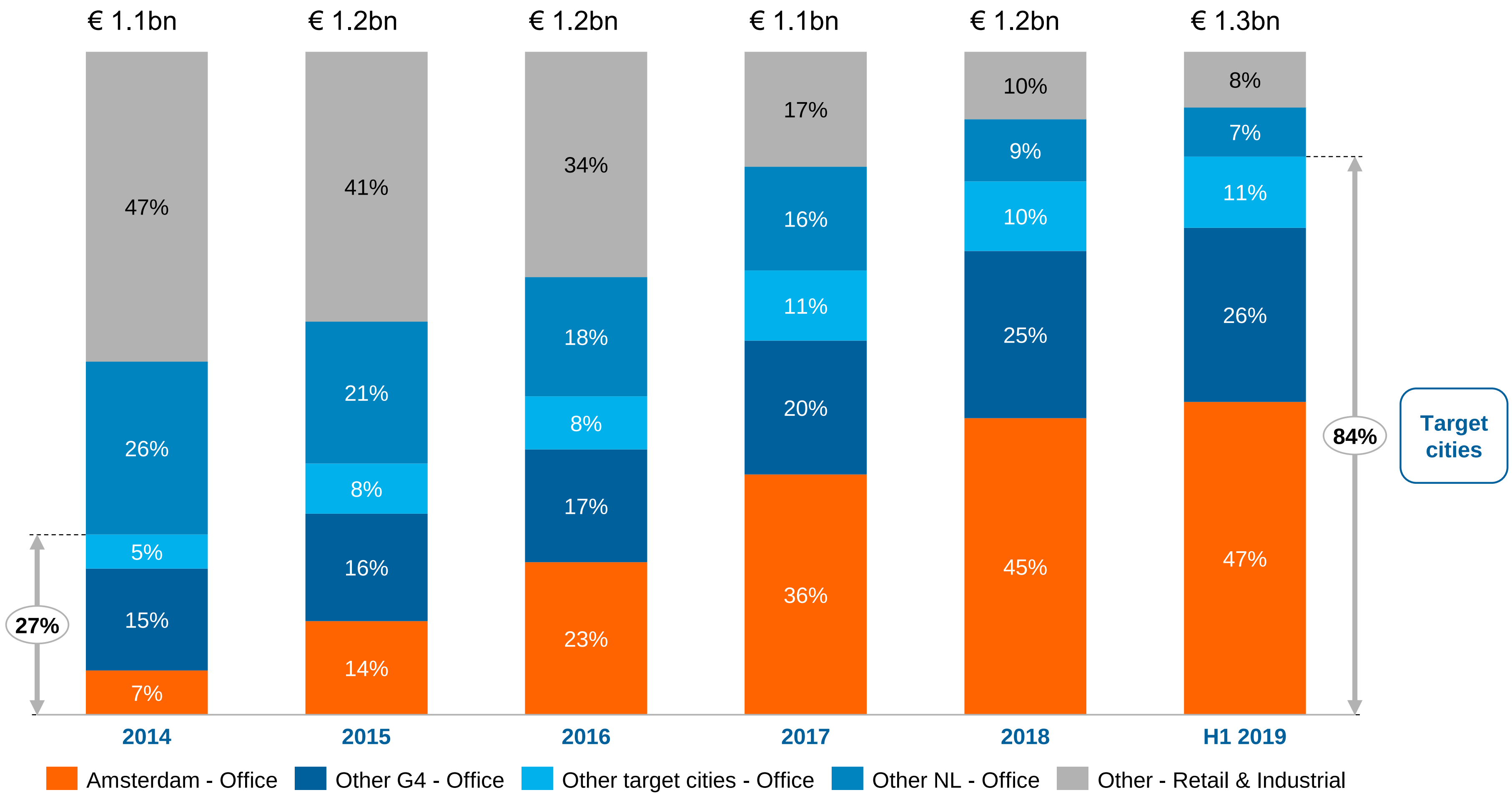
Total portfolio



Disposals 2016-2019

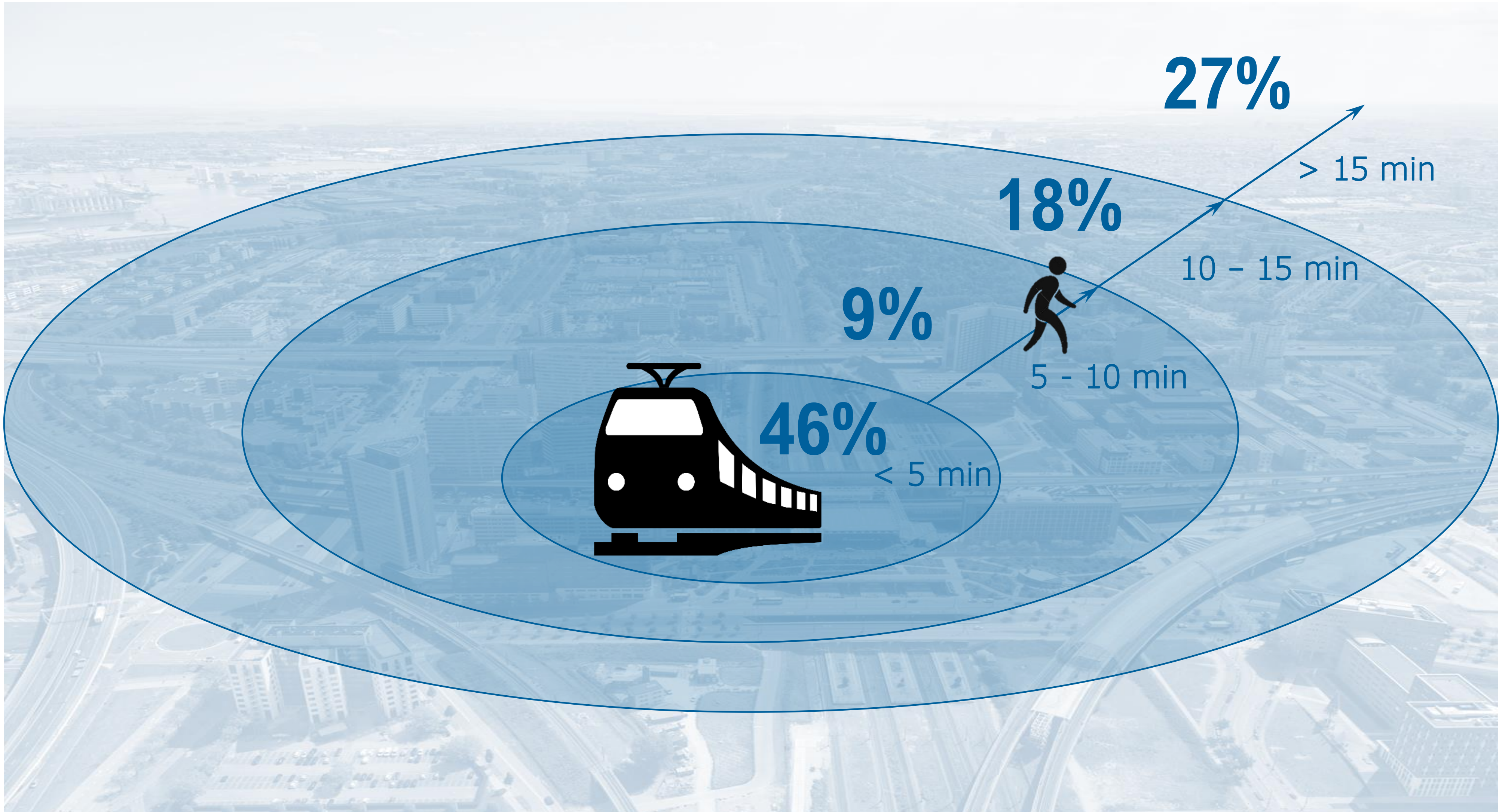
Dutch portfolio split

In recent years NSI has focused its portfolio, with a strong emphasis on Amsterdam



Proximity to major train station

55% of total value of NSI core portfolio within 10 min walk from major train station



Strategy update

Fast changing world requires agile business approach

NSI is taking advantage of three global trends

1	**Urbanisation**	Focus on economic growth cities
2	**Changes in way we work**	Adding services and flexibility
3	**Low interest rates and yields**	Total return has to come from value add

HET NIEUWE KANTOOR

DEVELOPMENT

Potential € 850m Development Pipeline over next decade

Substantial value add potential

8	Projects
€ 150m	June 2019 asset value
€ 700m	Capital Expenditure
€ 850m	All-up costs
6.0% - 6.5%	Expected average yield on Cost
85%	Amsterdam (all-up costs)

Proximity to major train station

88% Within 5 minutes

8% Between 5 and 10 minutes

4% Between 10 and 15 minutes

1 Urbanisation

By 2050 nearly 70% of world population will live in urban areas

2 Going vertical

Densification of cities, especially near major public transport hubs

3 Strong position

NSI has significant potential near public major transport hubs to extend or (re)develop new offices and mixed-use assets

Consistent number of development starts

Several positive discussions with municipality and potential tenants

Project start dates to be confirmed subject to

- Planning
- Property cycle
- Balance sheet capacity
- Overall business risk profile
- Significant pre-lets

NSI risk tolerance

- Leasing risk ✓
- Financing risk ✓
- Construction risk ✗

Office-as-a-service

Boundaries between traditional office & flex office diminishing

Space


Club Space


Managed Offices


Meeting Rooms


Tailored Office


Conventional+


Single-let

HNK
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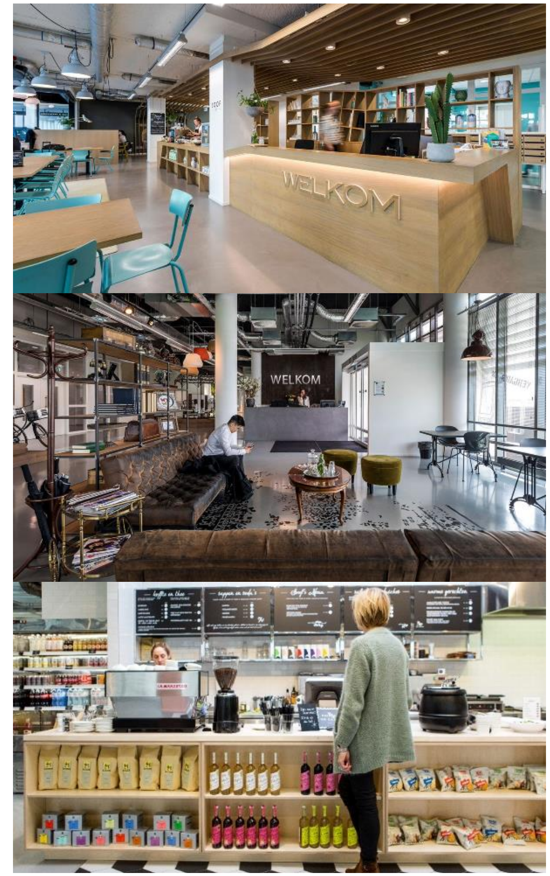
nsi

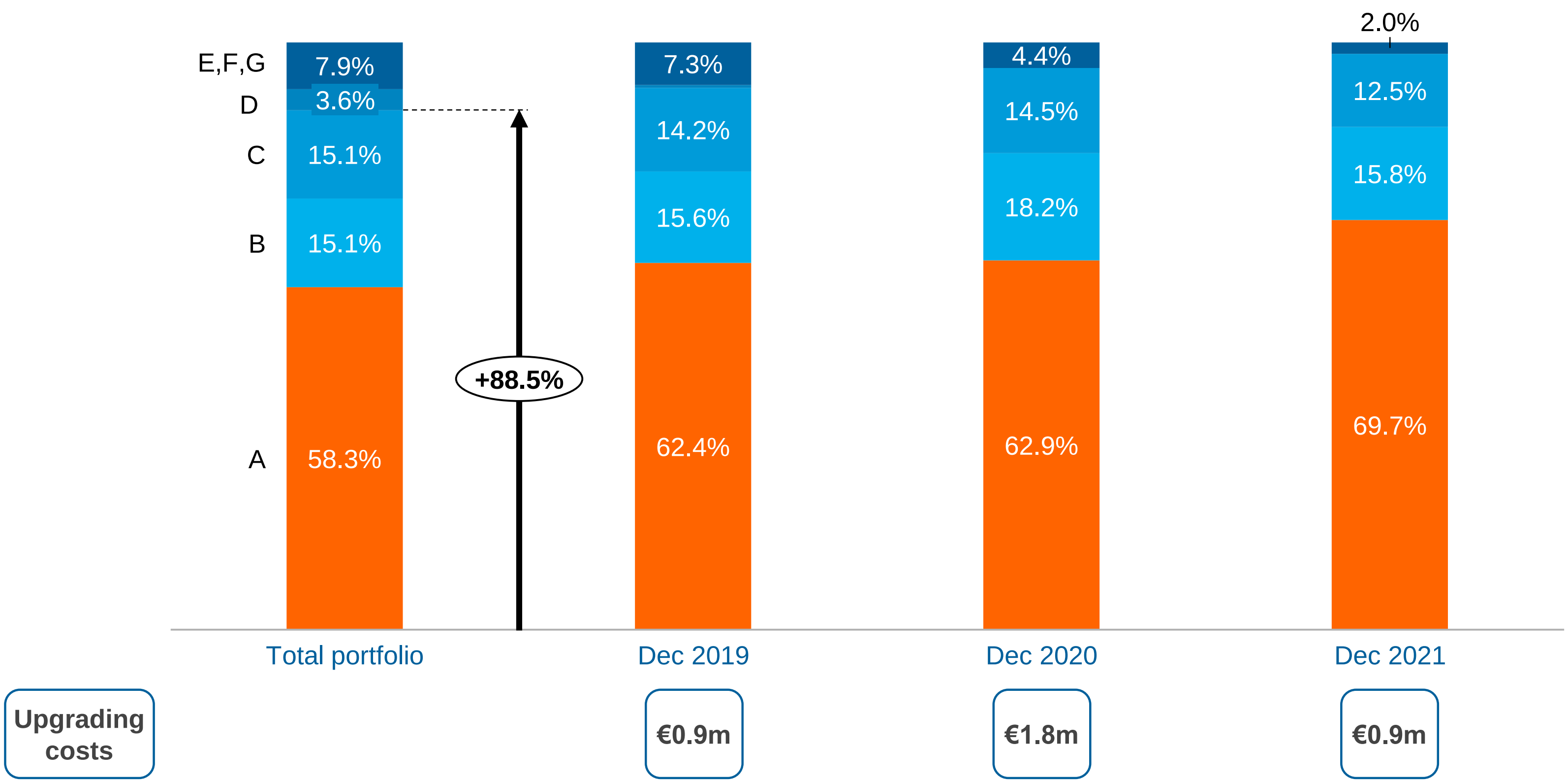
Services

- **Reception**
- **F&B**
- **ICT**
- **Cleaning**
- **Furniture and fittings**
- **Events**
- **Print services**
- **Dry cleaning**
- **Mail handling**
- **and more…**



ESG initiatives and progress

On track to meet energy label requirements well before 2023 deadline



Strategic portfolio effectively[1] compliant with C-label or better requirement by the end of 2020

1) Excluding monuments and assets with redevelopment plans

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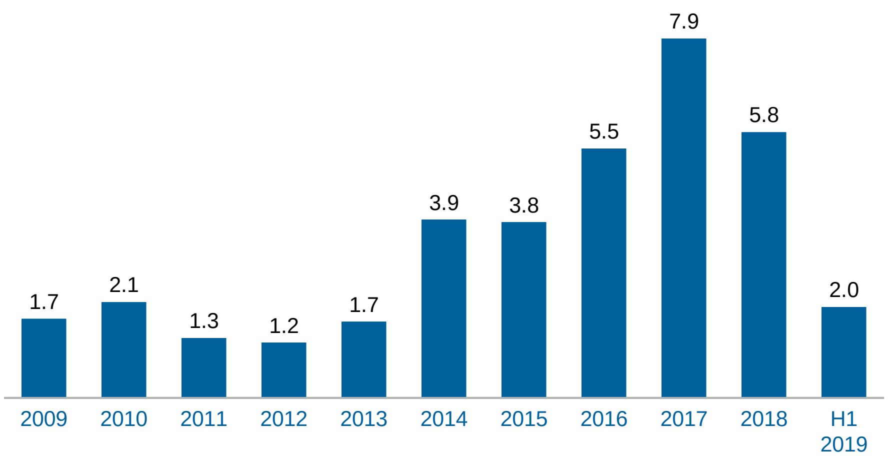
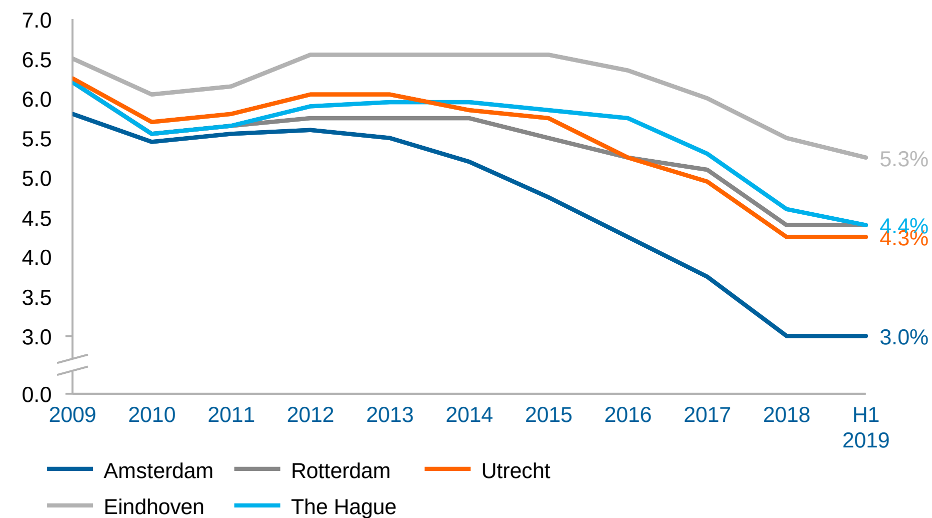
Dutch office market

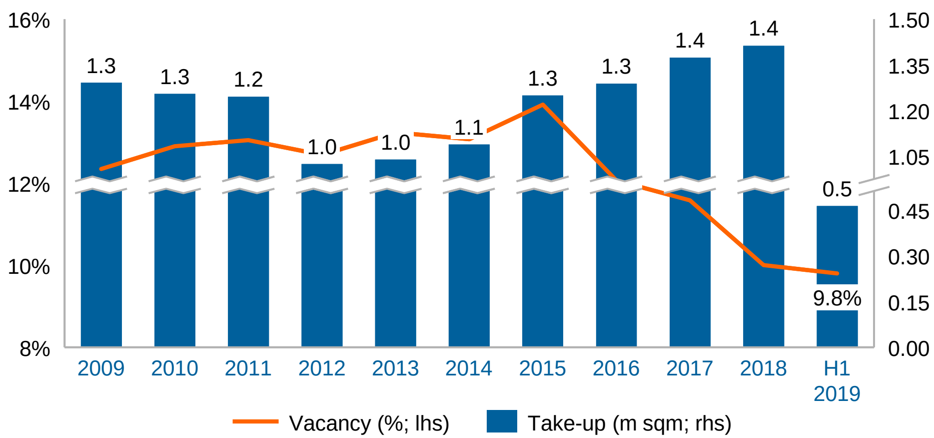
Investment volumes Offices Netherlands (€bn)



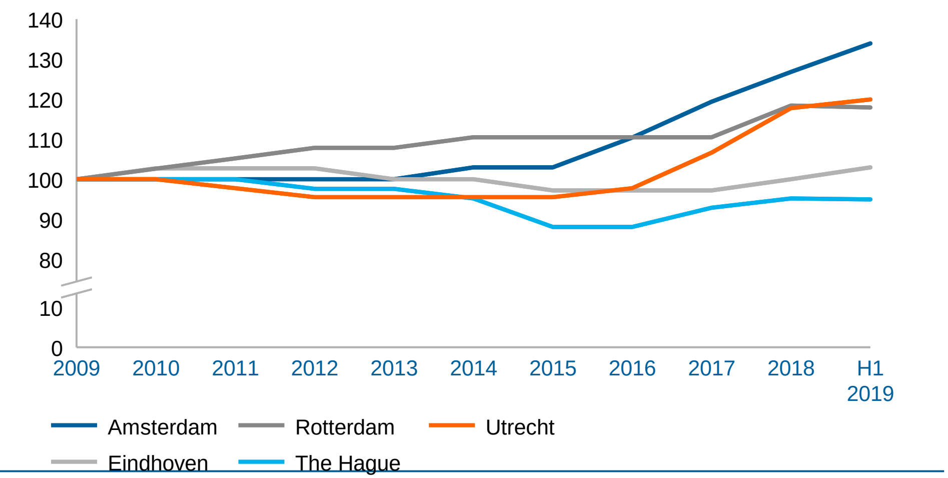
Prime Yields (%)



Vacancy rate and take-up Offices Netherlands



Prime rental growth(1)

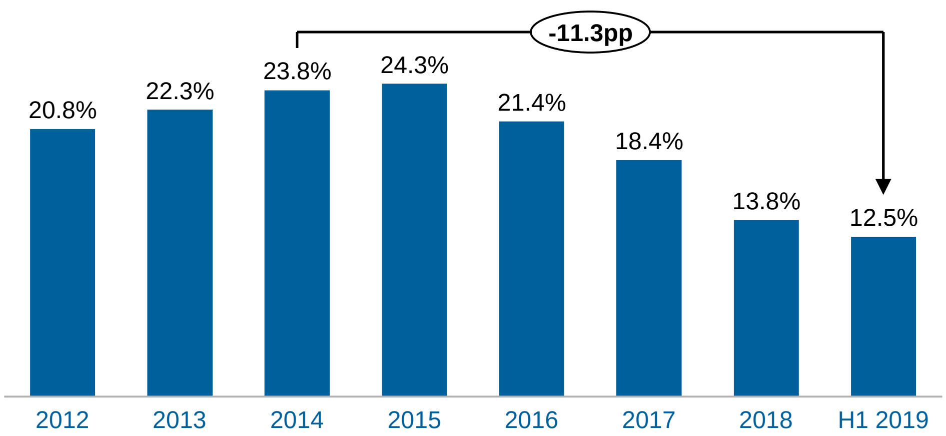


1) Indexed (2009 = 100)
Source: JLL

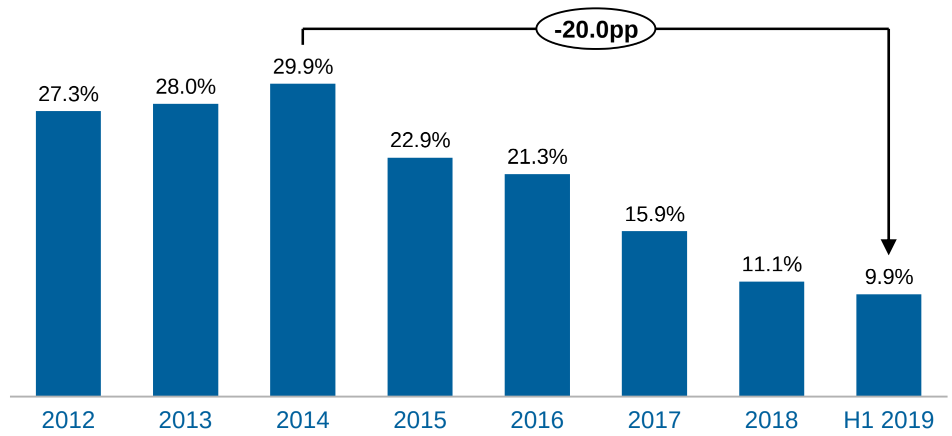
Vacancy approaching market average

Significant improvement through active leasing and asset rotation

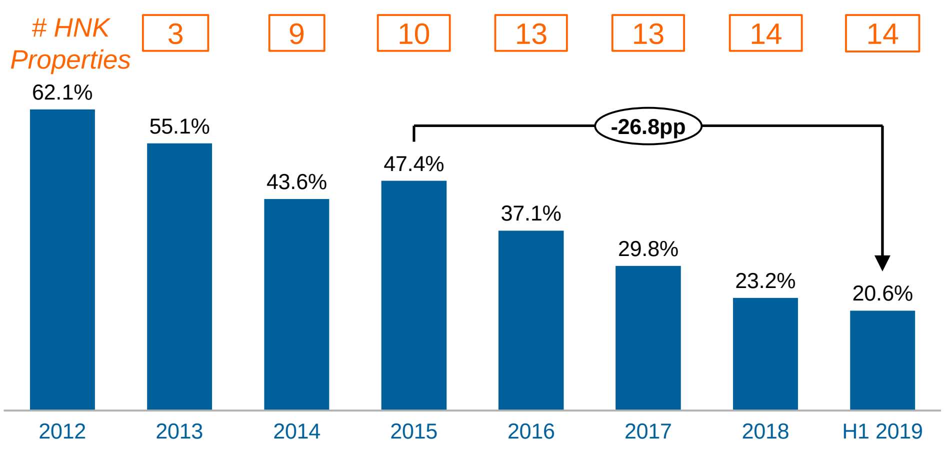
EPRA Vacancy rate total portfolio



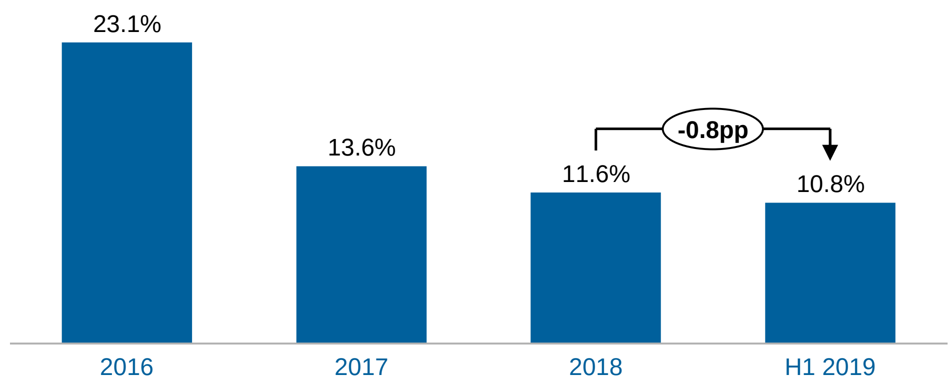
EPRA Vacancy rate Offices



EPRA Vacancy rate HNK



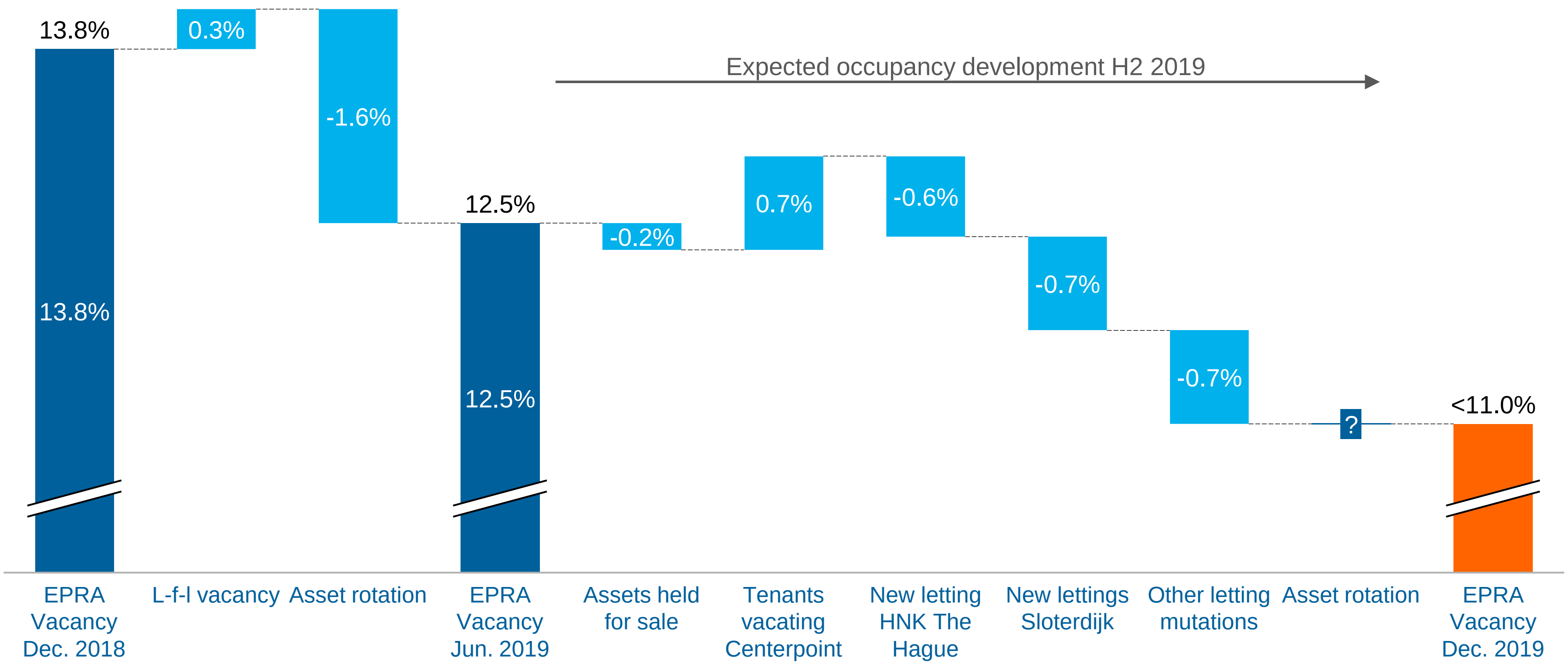
EPRA Vacancy HNK Managed Offices



EPRA vacancy Managed offices

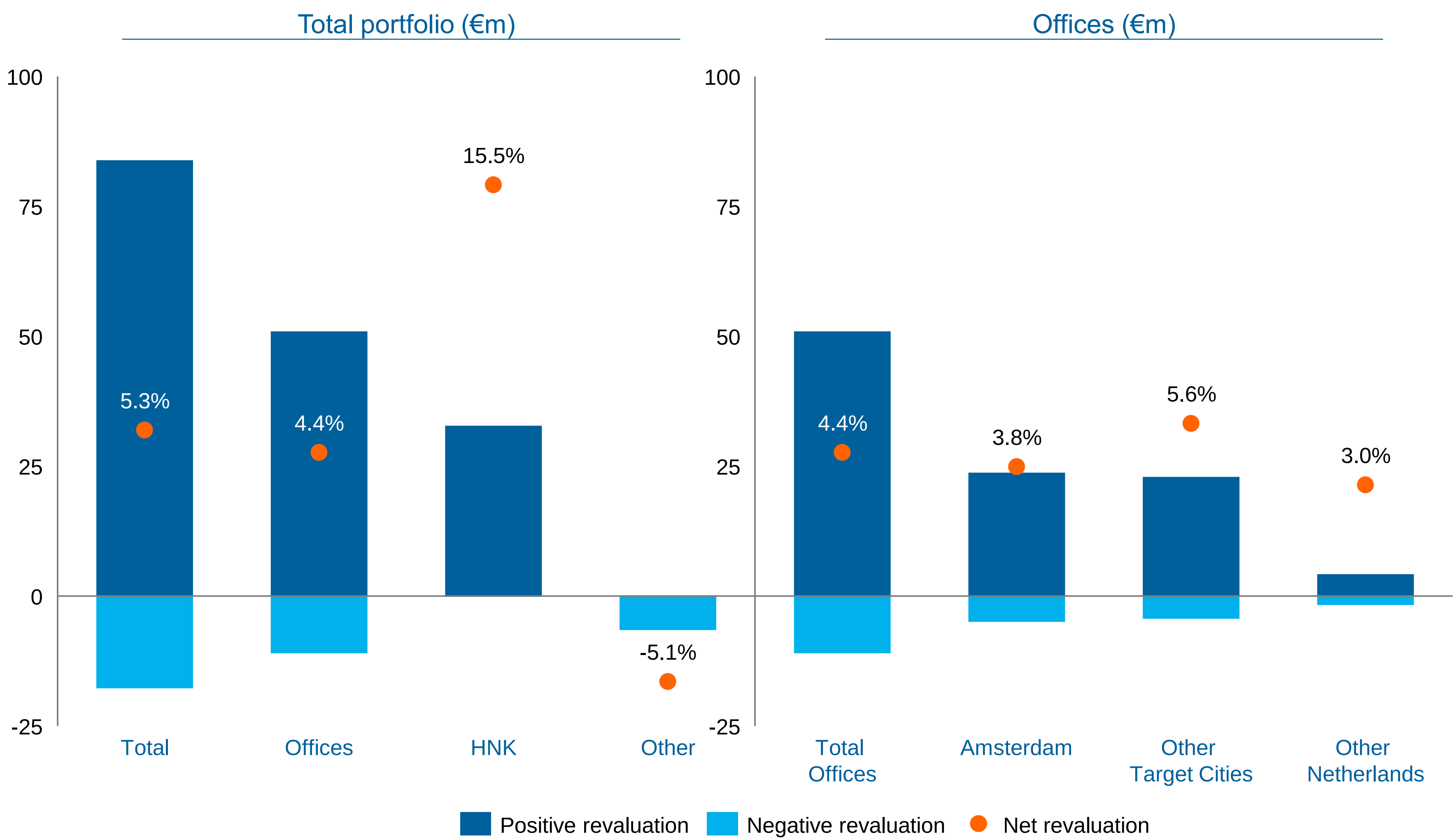
Continued positive occupancy momentum

Expected vacancy to be below 11% at Year End 2019



Strong positive revaluations in June 2019

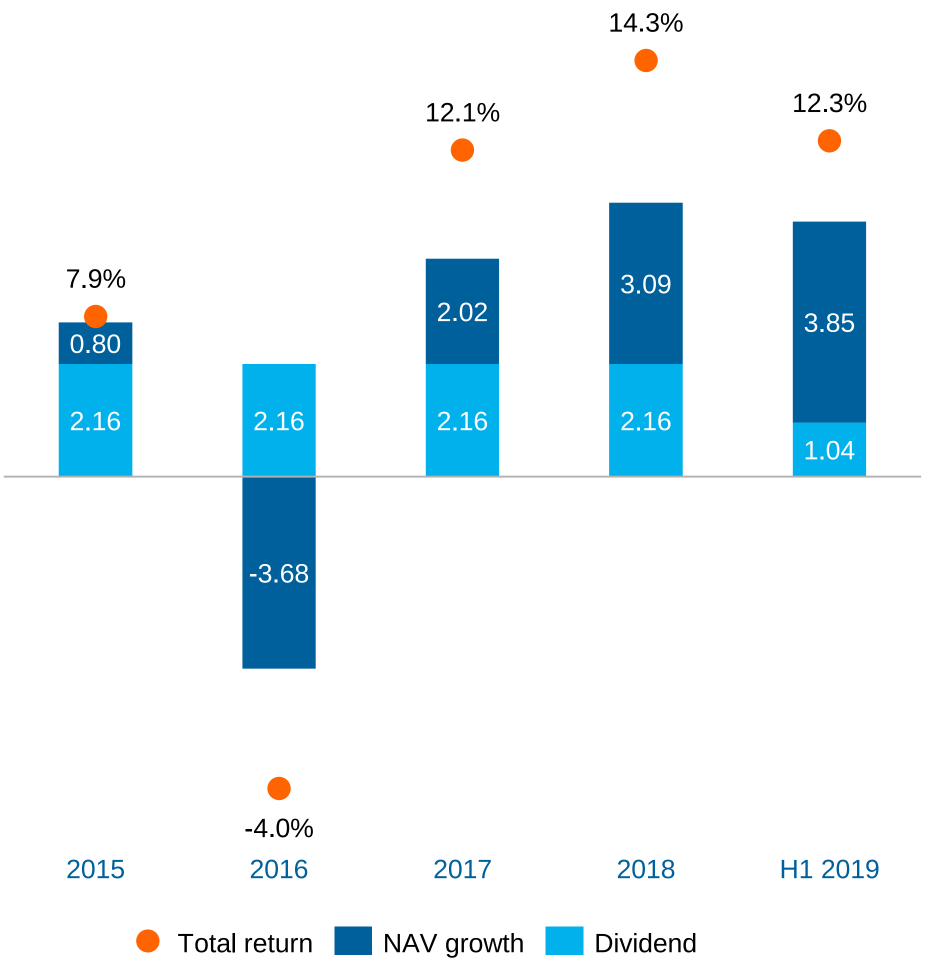
Due to HNK letting activity and continued yield compression



Externally valued on 30 June 2019 by CBRE, Colliers, Cushman & Wakefield and JLL

Strong business and asset returns driving shareholder value

Generating double digit total returns with lower overall risk profile



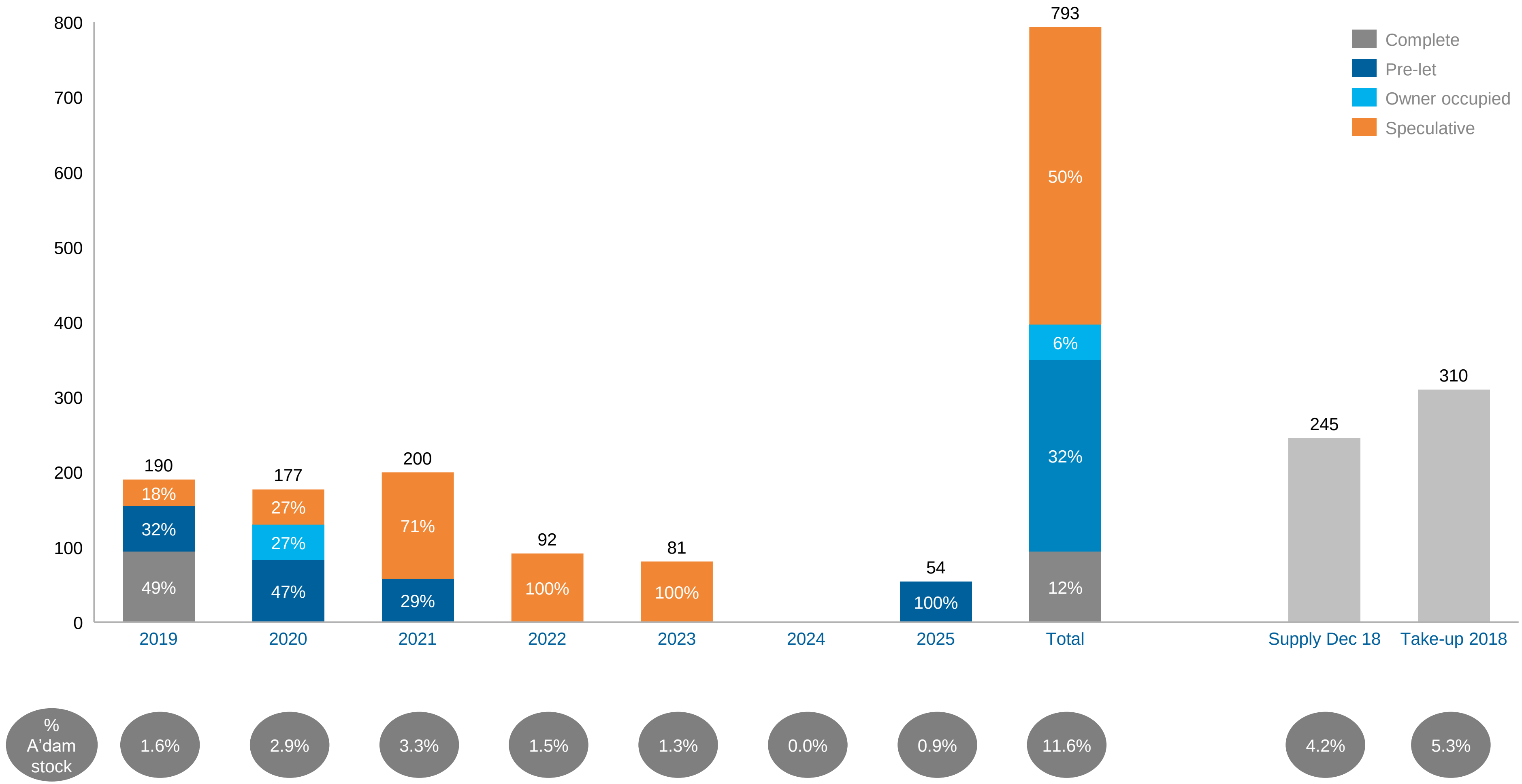
Focus is paying off

- Rotating into higher quality assets
- Ungeared IRR ’15-’19 acquisitions 16%
- LTV lower

Developments

Limited development activity in Amsterdam

Amsterdam development pipeline ('000 sqm)



1) Under construction, renovations and large refurbishments
Source: JLL

Substantial long term development pipeline

Identified pipeline of ca. €850m

INDICATIVE & DEFINITION PHASE

Laanderpoort Amsterdam South East

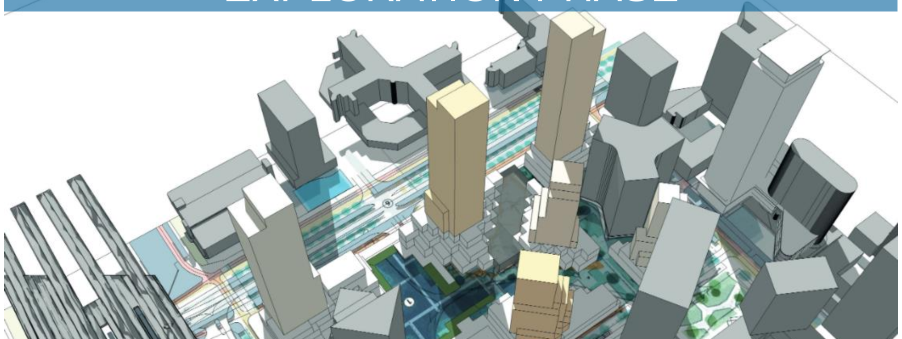
Current area[1]	13.000sqm	Capex	€120m
To be developed	30.000-35.000sqm	Earliest start	Q2 2021

DEFINITION PHASE

Vitrum Amsterdam South Axis

Current area[2]	11.600sqm		
To be developed[3]	6.000sqm	Earliest start	Q3 2021

EXPLORATION PHASE



Centerpoint Amsterdam South-East

Current area[1]	15.000sqm
To be developed	40.000-70.000sqm

EXPLORATION PHASE

Motion building Amsterdam Sloterdijk

Current area	16.500sqm
To be developed	15.000-27.000sqm

1) Will be demolished
2) Will be refurbished
3) Exploring possible addition of ca. 6.000sqm

Bentinck Huis

Lange Voorhout 7, Den Haag

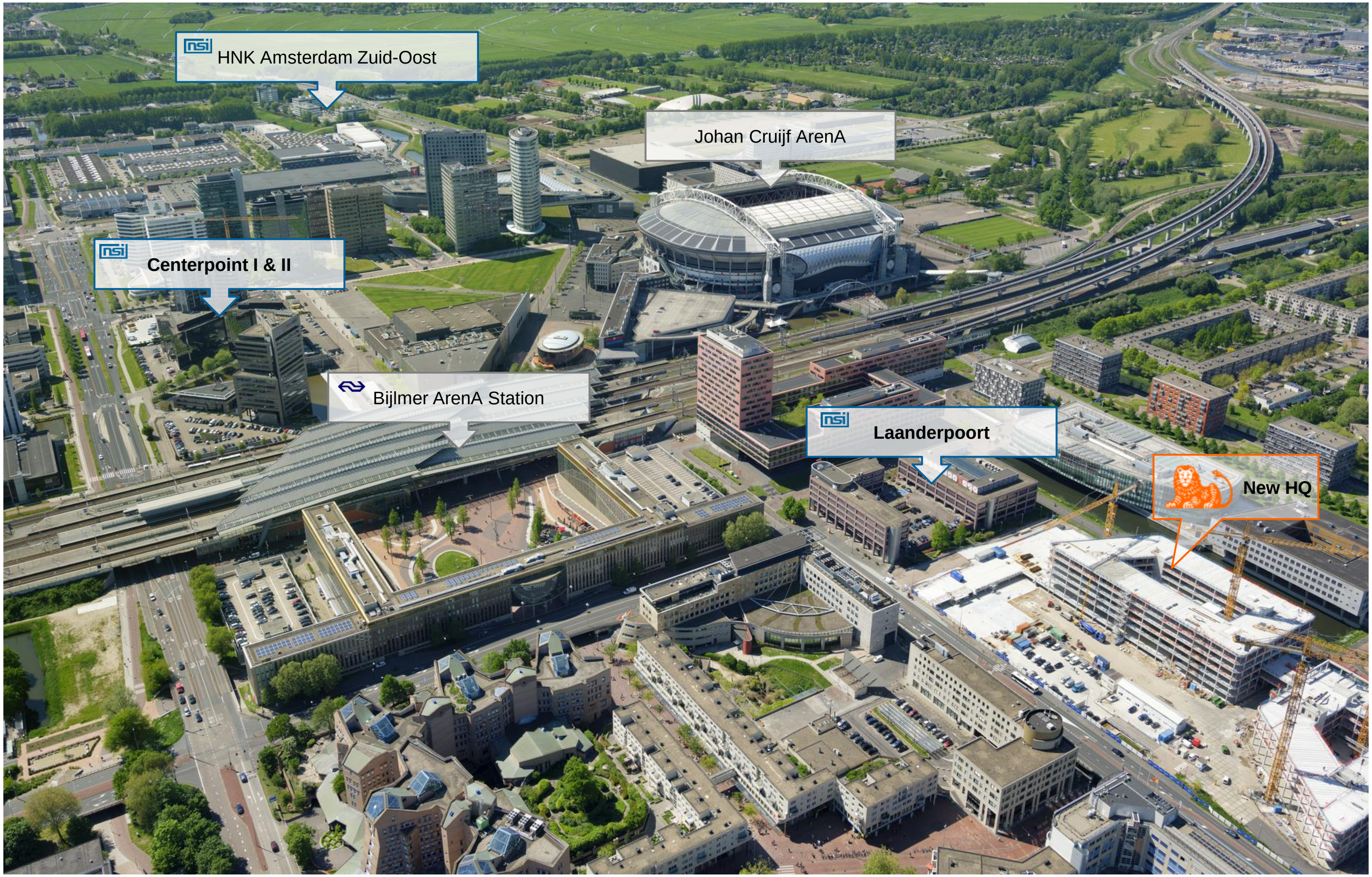
Update

- Status: Works have started
- Planned completion date: Q4 2019 / Q1 2020
- Investment: € 13.9 m
- Planned capex: € 7.6 m
- Increase in capex due to: Significantly higher build and sustainability spec
  - Targeting BREEAM in use excellent
  - Increase natural light ingress by 42%
  - Thermal energy storage system

Result: Substantial increase in end value foreseen

Two potential development projects in Amsterdam South East

Laanderpoort & Centerpoint in strong location close to train station



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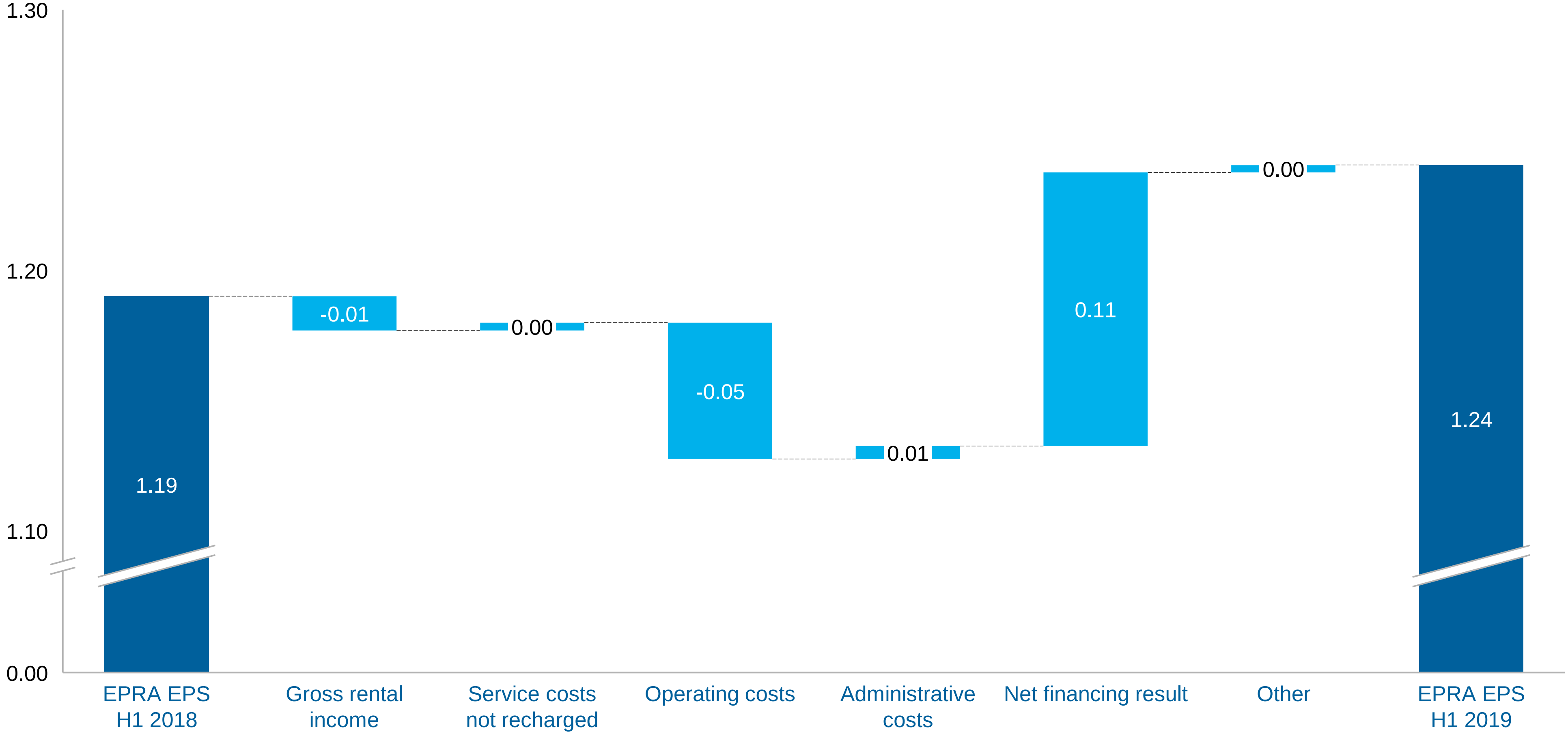
EPRA Earnings

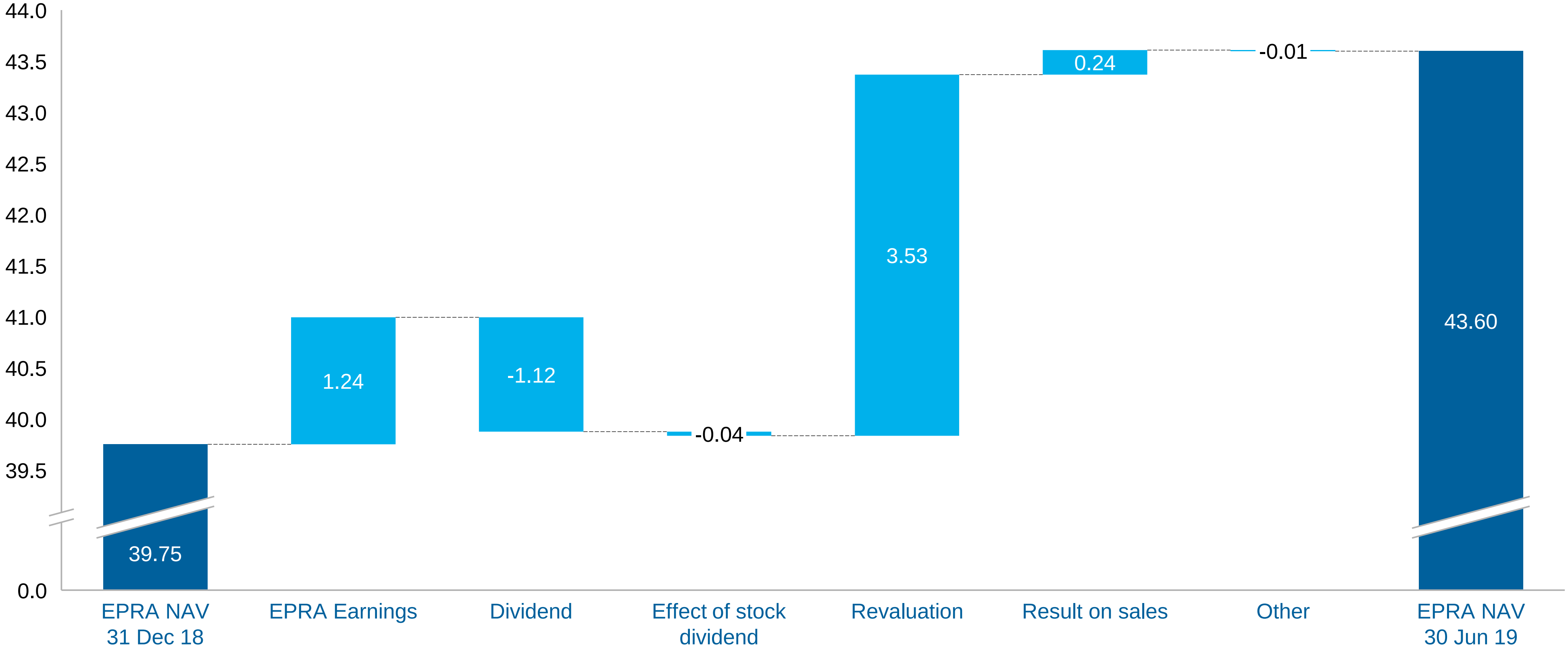
(€ '000)	H1 2019	H1 2018	Change %	Comments
Gross rental income	42,130	42,372	-0.6%	Net disposals
Service costs not recharged	-983	-1,046	-6.0%	Lower vacancy and negative one-offs in 2018
Operating costs	-9,009	-8,040	12.1%	Higher maintenance costs
Net rental income	**32,138**	**33,286**	**-3.4%**	
Administrative costs	-3,778	-4,023	-6.1%	Lower legal, tax and valuation fees
Net financing result	-5,193	-7,315	-29.0%	€ 2.1m negative one-off in H1 2018 due to refinancing
Direct investment result before tax	**23,167**	**21,948**	**5.6%**	
Corporate income tax	2	-51		
Direct investment result / EPRA earnings	**23,169**	**21,897**	**5.8%**	
Direct investment result / EPRA earnings per share	1.24	1.19	4.2%	

Higher EPRA EPS because of large negative one-offs in 2018, lower rental income reflecting smaller asset base

EPRA Earnings

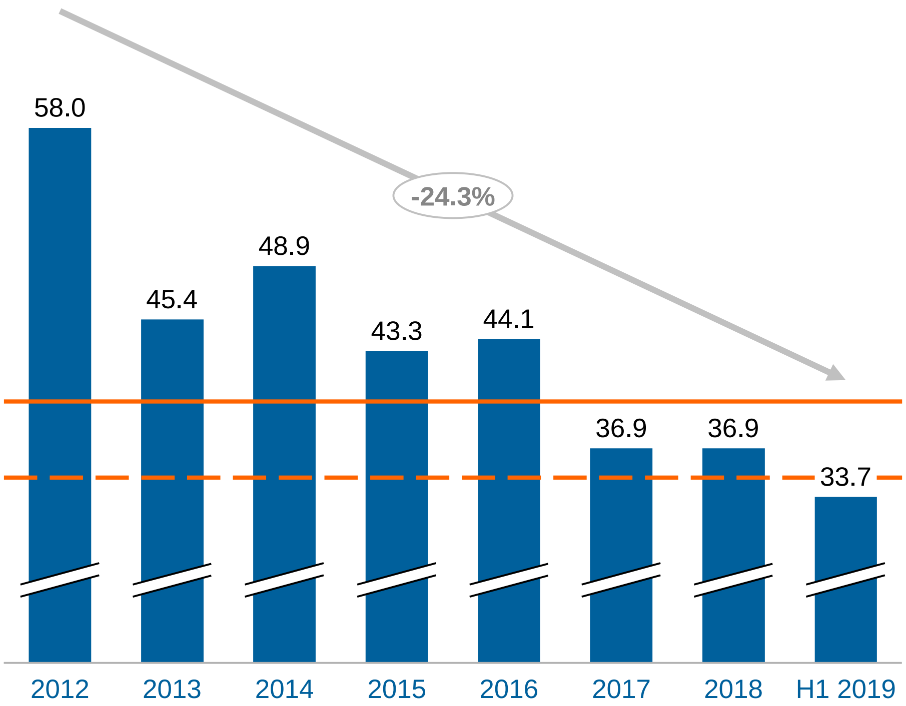


EPRA NAV

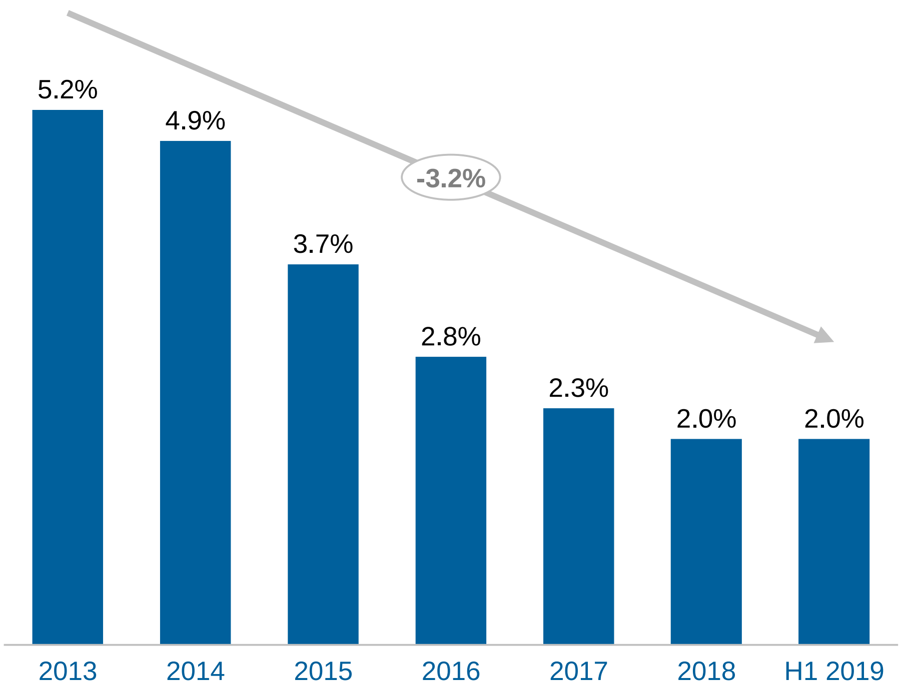

44.0
43.5
43.0
42.5
42.0
41.5
41.0
40.5
40.0
39.5
0.0
39.75
1.24
-1.12
-0.04
3.53
0.24
-0.01
43.60
EPRA NAV 31 Dec 18
EPRA Earnings
Dividend
Effect of stock dividend
Revaluation
Result on sales
Other
EPRA NAV 30 Jun 19

Balance sheet de-risked, cost of debt down

Loan-to-value



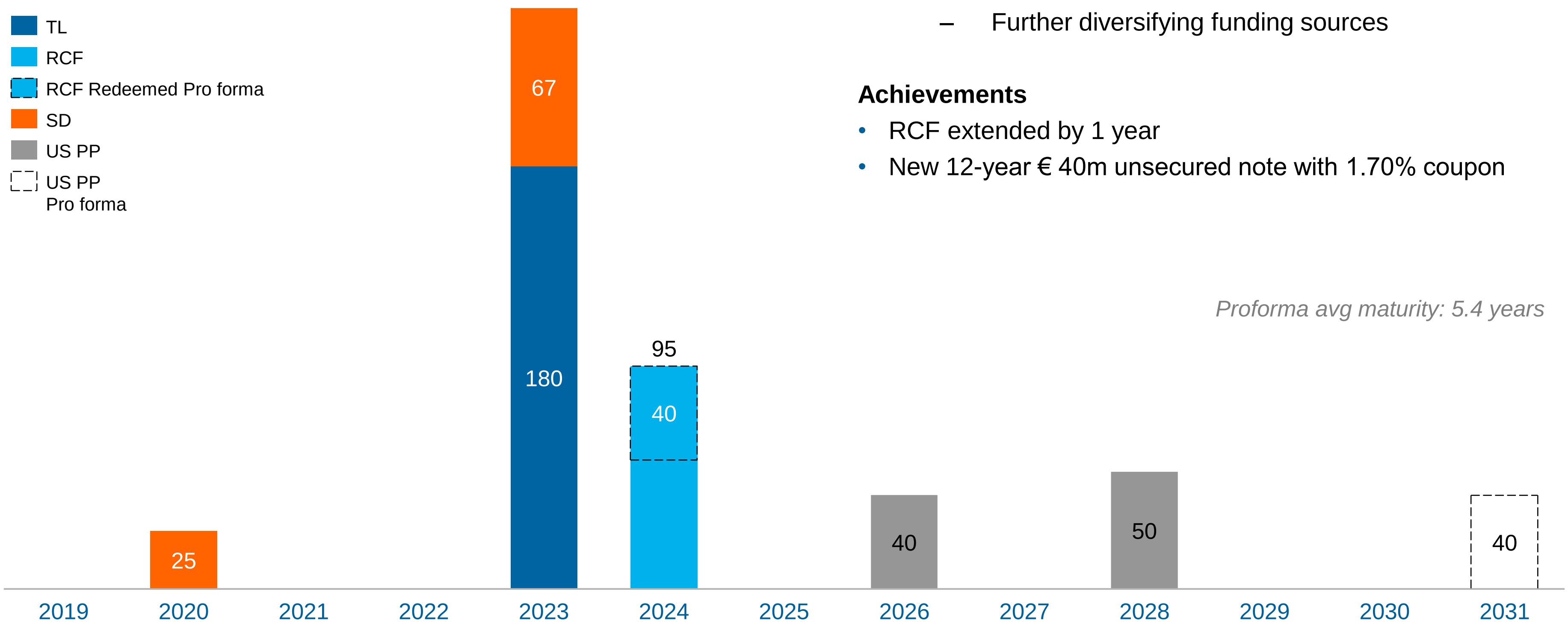
Cost of debt



Lower leverage and better-quality portfolio resulting in lower financing costs

Extending maturities to prepare for next phase

Loans maturity profile Jun 2019 (€m)



Strategy and achievements

Strategy

- Optimising debt structure after refinancing in 2018
- Focus on
  - Further extending and diversifying maturities
  - Further diversifying funding sources

Achievements

- RCF extended by 1 year
- New 12-year € 40m unsecured note with 1.70% coupon

Proforma avg maturity: 5.4 years

TL: Term Loan
RCF: Revolving Credit Facility

SD: Secured Bank Debt
USPP: US Private Placements

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Final remarks

- EPRA EPS 2019 €2.40 - €2.50
- 2019 dividend proposal of €2.16
- Strong balance sheet to fund both acquisitions and developments
- Strengthening in-house development capacity

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Key figures H1 2019

€1.3bn

GAV

85
Assets

€42m
Revenue

€23m
EPRA Earnings

100%
Netherlands

€1.24
EPRA Earnings per share

€1.04
Dividend per share

33.7%
Net LTV

€817m
EPRA NAV

€43.60
EPRA NAV per share

A clear focus

Positioning

A focus entirely on Dutch offices…

- **Location** – Economic growth centres *(Amsterdam, The Hague, Rotterdam, Utrecht, Eindhoven, Den Bosch, Leiden and selective others)*
- **Potential** – Larger, high quality, high margin, more efficient assets with growth potential

Execution

Offering an attractive risk-adjusted total return…

- **Active asset management** – Manage vacancy and consistently explore value-add and (re)development initiatives
- **Disciplined capital recycling** – Pro-actively and consistently trade assets to improve the overall risk-return profile of the business

Control

Underpinned by operational and financial leadership…

- **Platform** – Investing in people, systems and optimising processes
- **Transparency** – Clear accountability to all stakeholders
- **Cost efficiency** – Lower EPRA cost ratio

Strategic History of NSI

1992	1998	2000	2013	2015	2016	2017	2018	H1 2019
Corporate Highlights								
NSI founded	NSI Listed	Dutch REIT status	Successful €300m recapita-lisation	€550m Refinancing	Significant reduction in secured assets	New strategy introduced	Successful €480m refinanced syndicated loan facility	Strategic update
Investment Highlights								
			Exit from Switzerland	Partial exit Belgian IOW stake	Sale of 85% of industrial assets (total €45m)	Sale of 60% of retail assets (total €225m)	Sale of 35 assets (total €122m)	Sale of 12 assets (total €47m)
				Acquisition of 8 office assets (total €169m)	Acquisition of Glass House (€61m)	Acquisition of 5 office assets (total €139m)	Acquisition of 4 office assets (total €150m)	Acquisition of 2 office assets (total 31m)
							3 new developments introduced (€300m+)	Identified € 850m development pipeline

Further progress

- New, leaner organisation
- Upgrading IT systems and processes
- Lower EPRA cost ratio

1. IG = Investment Grade

Asset Rotation H1 2019

	# Assets	Acquisition/ Net sales price	Net result on sale	Contract rent
Offices	2	30.8		2.0
Acquisitions	**2**	**30.8**		**2.0**
Offices	10	37.0	4.8	2.9
Other	2	10.3	-0.4	0.9
Disposals	**12**	**47.3**	**4.4**	**3.7**

1) Acquisitions at acquisition price including costs
2) Including sales and acquisition costs

Acquisitions 2016-2019





Address	Teleportboulevard 121	Uniceflaan 1	Bijlmerdreef 100	Parnassusweg 101	Archimedesweg 6
City	Amsterdam	Utrecht	Amsterdam	Amsterdam	Leiden
Area (sqm)	22,918	12,079	13,300	11,700	7,239
Acquisition price (€m)	57.0	20.5	33.8	45.0	17.5
Year of acquisition	2016	2017	2017	2017	2017






Kingsfordweg 43-117	Lange Voorhout 7	Radarweg 60	Jacobsweerd 200 - 4402	Archimedesweg 30	Derkinderenstraat 2-24
Amsterdam	The Hague	Amsterdam	Utrecht	Leiden	Amsterdam
12,709	6,048	16,231	14,396	2,686	8,315
36.8	13.9	47.3	52.1	5	23.7
2018	2018	2018	2018	2019	2019

Development opportunity Laanderpoort Amsterdam

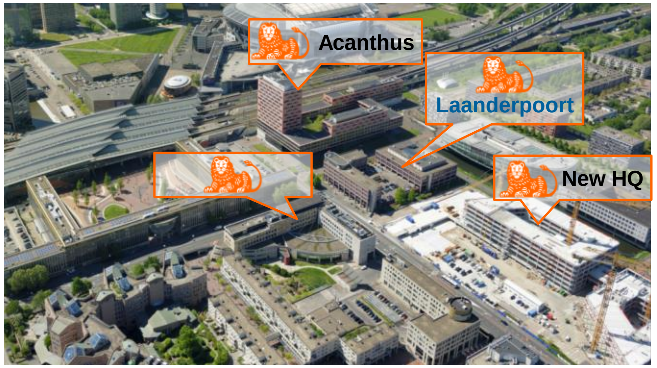
New 30,000 – 35,000 sqm lettable floor area split over two buildings

Building a new office & shared facilities on ING campus

- In negotiations with ING
- Laanderpoort is part of the planned fintech campus by ING
- Replace two existing buildings totalling 13,000 sqm
- Plan is to build two modern buildings totalling 30,000 – 35,000 sqm
- Earliest start date Q2 2021
- Estimated construction period 27 months
- Estimated capex € 120m (excluding leasehold adjustment)

Current building in the middle of envisaged ING Campus

- Year of construction 1991
- LFA: 12,739 sqm



One potential development project in Amsterdam Sloterdijk

Utilise parking area Motion building to add 15,000-27,000 sqm LFA

Area in transition with residential addition

Key portfolio metrics

	Jun 19				Dec 18
	Offices[1]	HNK	Other[1]	Total	Total
Number of properties	59	14	12	85	95
Market value (€m)[2]	922	245	107	1,274	1,214
Annual contracted rent (€m)[3]	58	18	10	85	87
ERV (€m)[4]	66	23	10	99	102
Lettable area (sqm k)	364	127	75	566	603
Average rent / sqm	186	191	165	184	179
EPRA vacancy[5]	9.9%	20.6%	11.3%	12.5%	13.8%
EPRA net initial yield	4.6%	4.4%	6.9%	4.8%	5.2%
Reversionary yield	7.3%	9.4%	9.3%	7.9%	8.5%
Wault (years)	4.5	3.0	5.6	4.3	4.4

1) Based on unaudited results
2) Reported in balance sheet at book value incl. right of use leasehold (IFRS 16), excl. lease incentives and part of NSI HQ (own use).
3) Before free rent and other lease incentives.
4) Excluding ERV for investment properties under construction (Bentinck Huis).
5) In line with EPRA-guidelines EPRA vacancy rate excludes Bentinck Huis, which is currently being redeveloped

Offices split

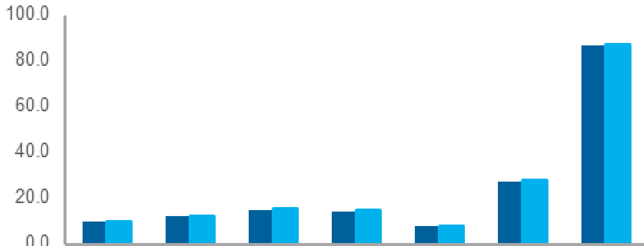
	Jun. 2019				Dec. 2018
	A'dam	Other Target Cities	Other NL	TOTAL	
Number of properties	17	27	15	59	67
Market value (€ m)	512	349	61	922	881
Avg. market value (€ m)	30	13	4	16	13
Market value (€ sqm)	3,574	2,284	899	2,535	2,233
Ann. contract rent (€ m)	28	23	6	58	59
Average rent / sqm	218	178	124	186	179
Lettable area (sqm k)	143	153	68	364	394
ERV (€ m)	34	25	7	66	68
EPRA vacancy	7.7%	9.4%	21.8%	9.9%	11.1%
EPRA net initial yield	4.1%	4.9%	6.9%	4.6%	5.1%
Reversionary yield	6.6%	7.5%	11.9%	7.3%	7.8%
Wault	4.5	4.5	4.4	4.5	4.6

Yields

	EPRA net initial yield		Gross initial yield		Reversionary yield	
	Jun. 2019	Dec. 2018	Jun. 2019	Dec. 2018	Jun. 2019	Dec. 2018
Offices	4.6%	5.1%	6.4%	6.8%	7.3%	7.8%
HNK	4.4%	4.6%	7.3%	8.0%	9.4%	10.8%
Other	6.9%	6.9%	9.3%	8.9%	9.3%	9.2%
TOTAL	**4.8%**	**5.2%**	**6.8%**	**7.2%**	**7.9%**	**8.5%**
Target Cities	4.4%	4.8%	6.2%	6.6%	7.3%	7.8%
Other	6.6%	7.0%	9.7%	9.8%	10.8%	11.2%

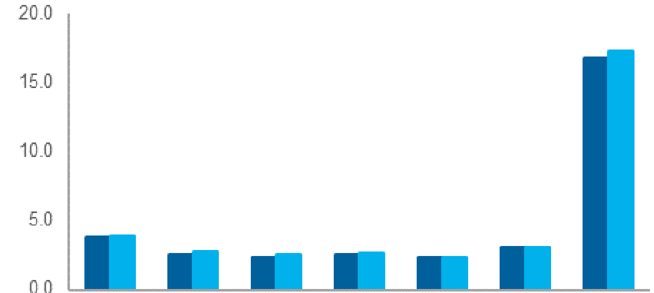
Expiries and reversion

Total portfolio (€m)



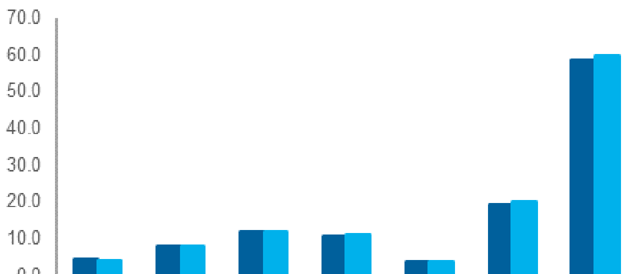
	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	9.6	12.4	15.1	14.2	8.1	27.0	86.4
ERV	9.5	12.0	15.3	14.7	7.9	27.8	87.3
# Contracts	467	162	139	123	106	128	855
Reversion	-1.1%	-2.7%	1.9%	3.4%	-1.5%	2.8%	1.1%

HNK portfolio (€m)



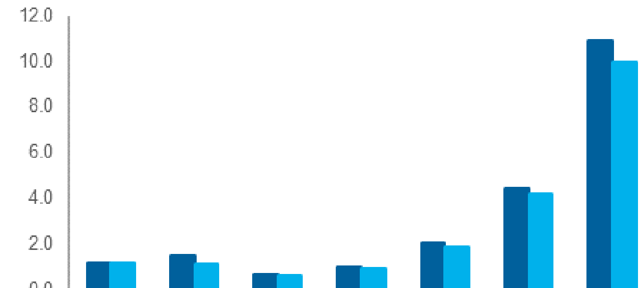
	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	3.8	2.6	2.4	2.5	2.3	3.1	16.8
ERV	3.9	2.8	2.6	2.6	2.3	3.1	17.3
# Contracts	374	61	45	40	23	29	572
Reversion	1.4%	8.6%	9.1%	2.6%	-0.1%	-0.5%	3.2%

Offices portfolio (€m)



	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	4.6	8.3	12.0	10.7	3.7	19.4	58.7
ERV	4.4	8.1	12.1	11.2	3.7	20.4	60.1
# Contracts	39	47	40	29	29	45	229
Reversion	-3.6%	-2.3%	1.2%	4.6%	1.3%	5.2%	2.3%

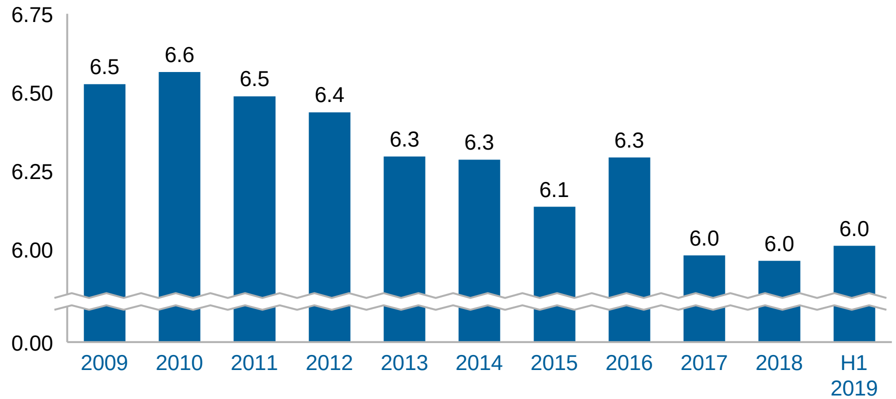
Other portfolio (€m)



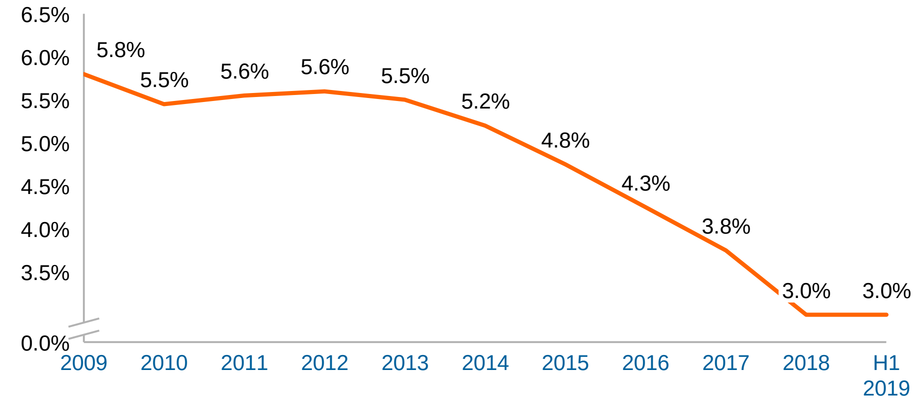
	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	1.2	1.5	0.7	1.0	2.0	4.5	10.9
ERV	1.2	1.1	0.6	0.9	1.9	4.2	10.0
# Contracts	54	54	54	54	54	54	54
Reversion	0.4%	-24.4%	-10.9%	-6.9%	-8.1%	-5.5%	-8.4%

Amsterdam office market

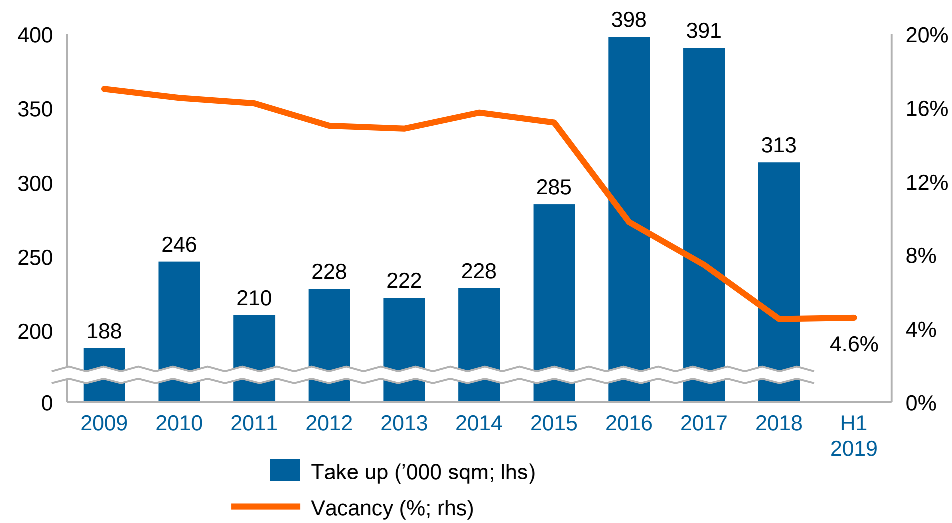
Stock



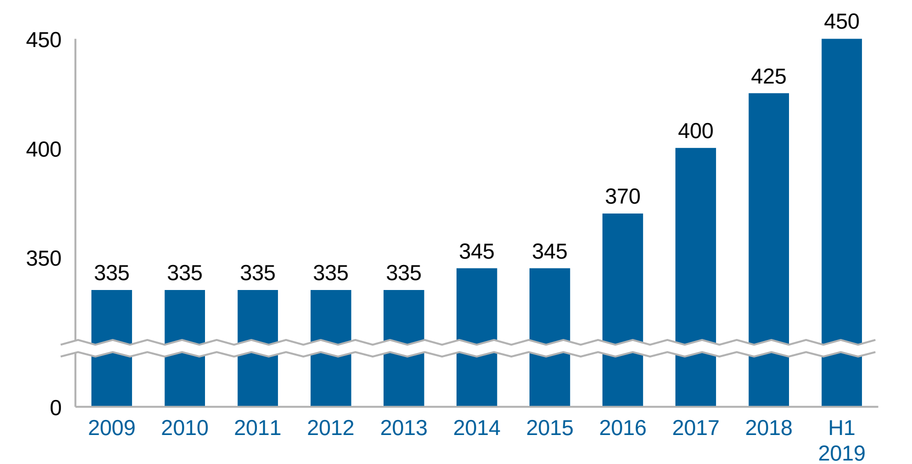
Prime yields



Vacancy rate and Take-up



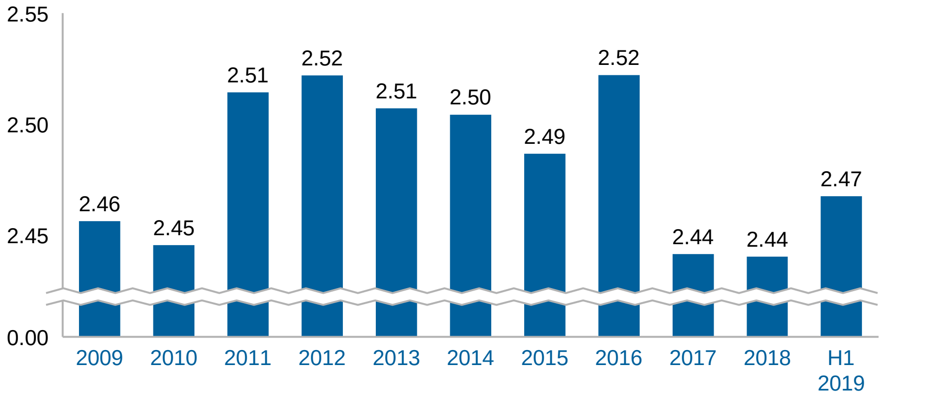
Prime rent (€)



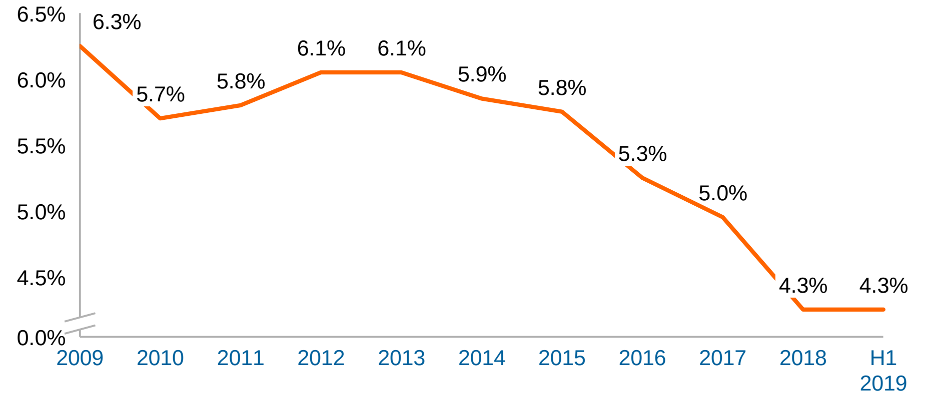
Source: JLL

Utrecht office market

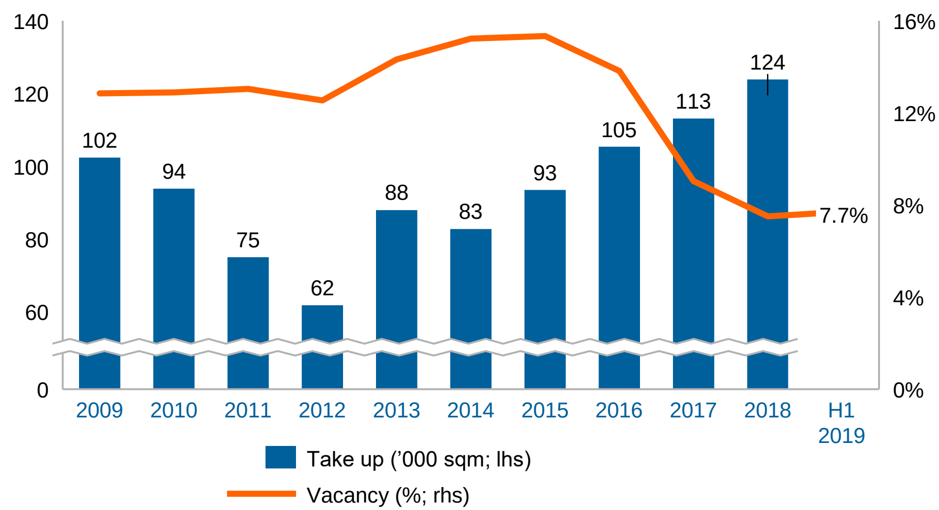
Stock



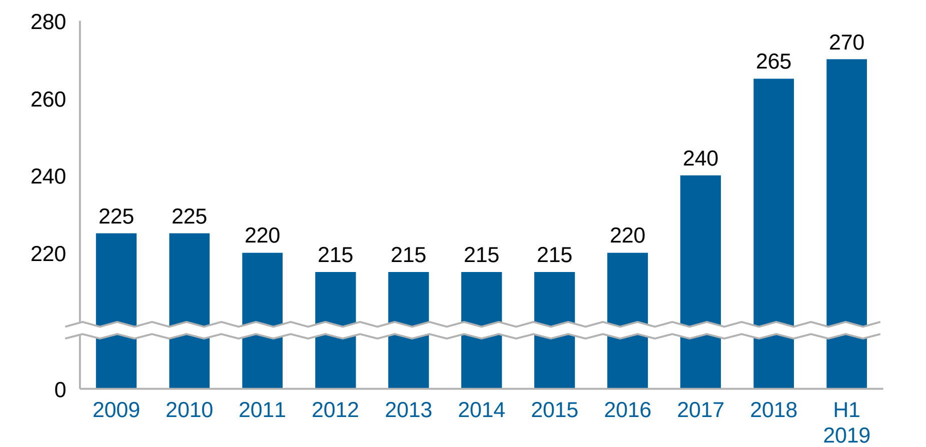
Prime yields



Vacancy rate and Take-up



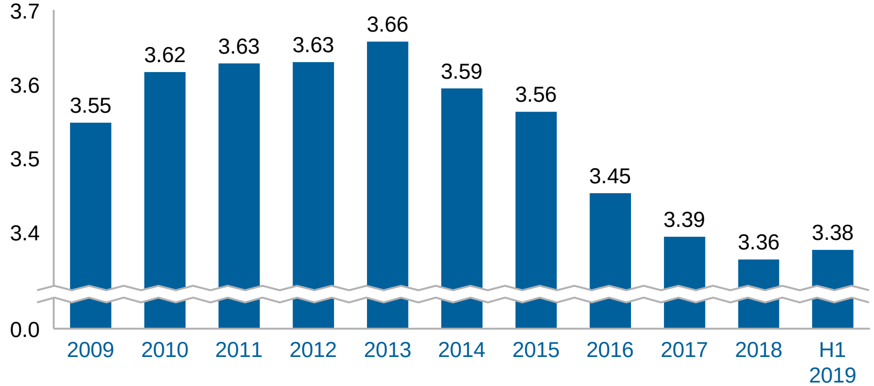
Prime rent (€)



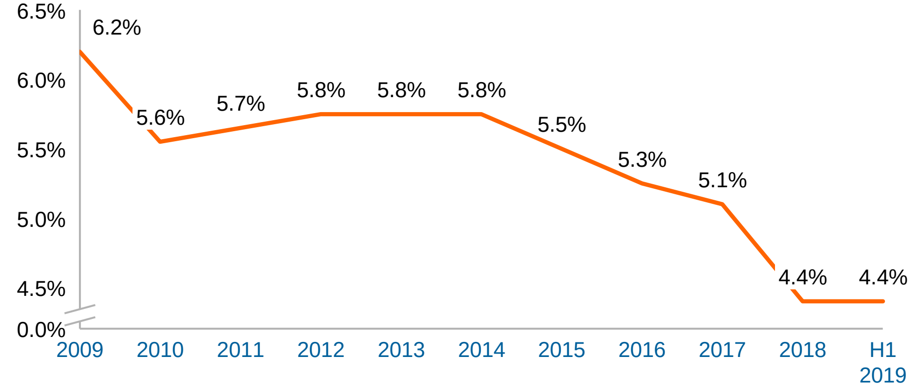
Source: JLL

Rotterdam office market

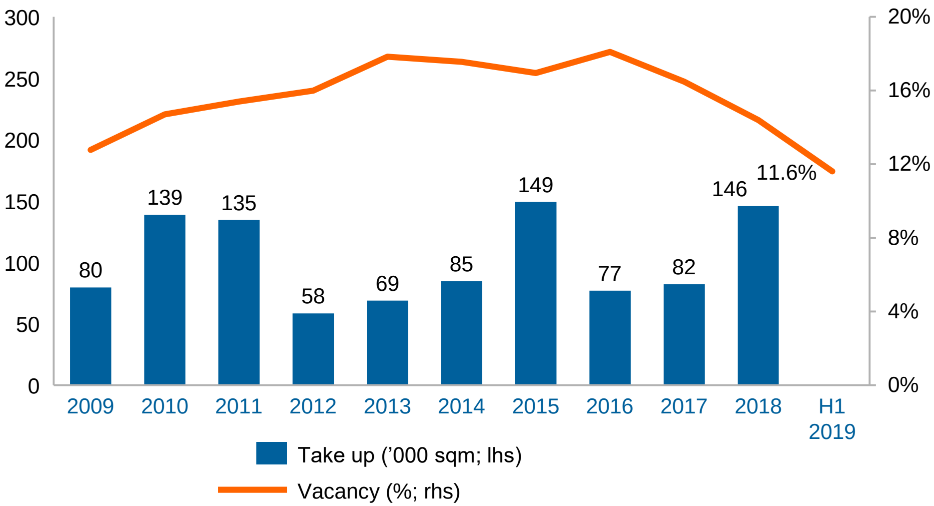
Stock



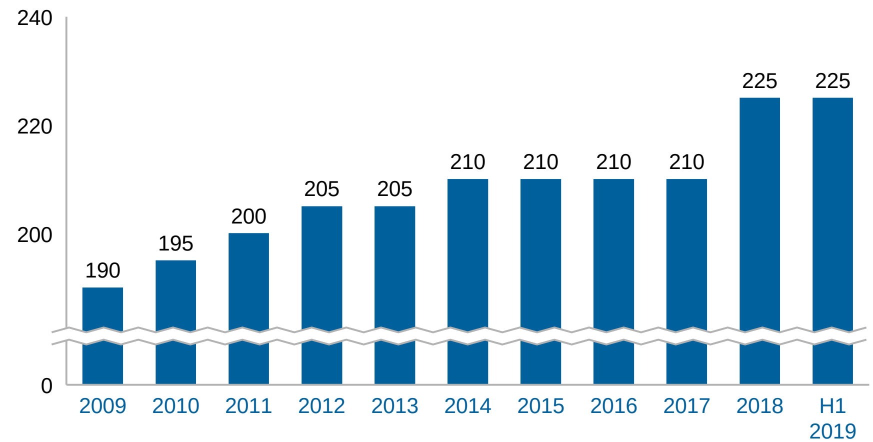
Prime yields



Vacancy rate and Take-up



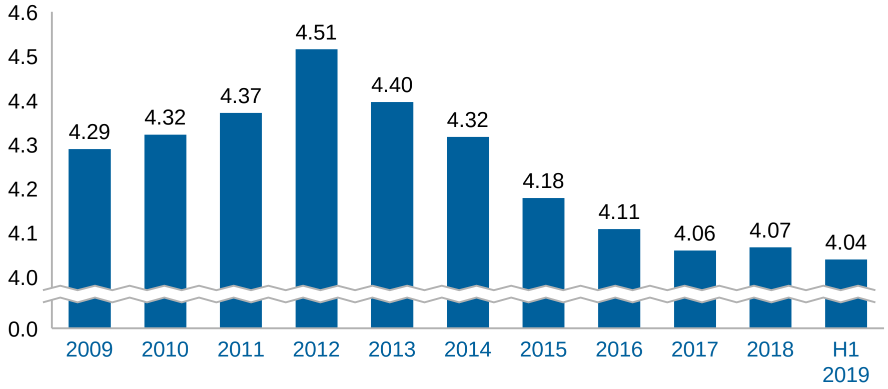
Prime rent (€)



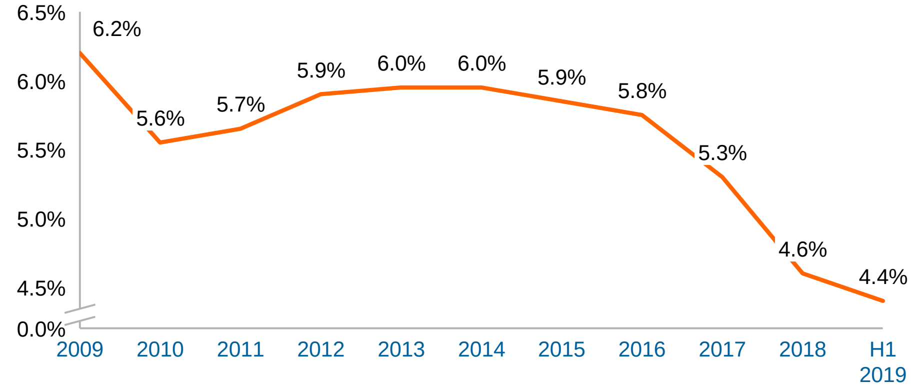
Source: JLL

The Hague office market

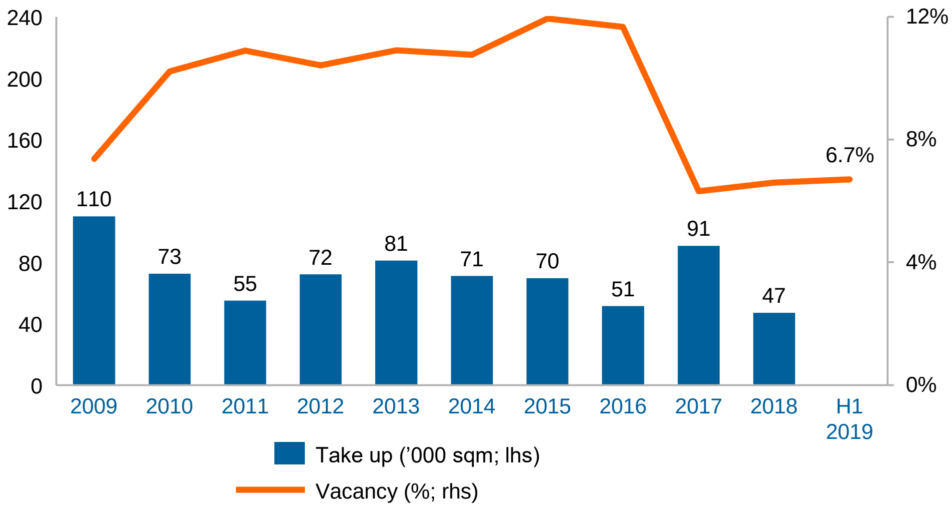
Stock



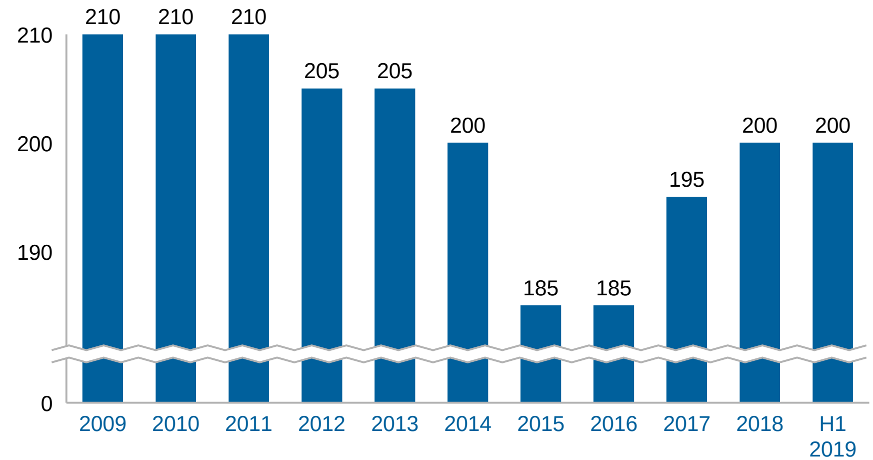
Prime yields



Vacancy rate and Take-up (‘000 sqm)



Prime rent (€)



Source: JLL

Segment information

Income statement June 2019

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Gross rental income	13,8	11,1	3,4	2,3	4,5	1,7	5,3		42,1
Service costs not recharged	-0,2	-0,2	-0	-0	-0,2	-0,2	-0,2		-1
Operating costs	-1,6	-2,8	-0,8	-0,4	-1,4	-0,6	-1,3		-9
Net rental income	**12,0**	**8,1**	**2,7**	**1,8**	**2,9**	**0,8**	**3,8**		**32,1**
Revaluation of investment property	18,5	18,6	2,5	14,4	14,0	4,1	-6,4		65,7
Net result on sale of investment property	1,4	1,0	2,4				-0,4		4,4
Net result from investment	**31,9**	**27,7**	**7,6**	**16,3**	**16,8**	**4,9**	**-3,0**		**102,2**
Administrative costs								-3,8	-3,8
Other income and costs								-0,2	-0,2
Net financing result								-10,3	-10,3
Result before tax	**31,9**	**27,7**	**7,6**	**16,3**	**16,8**	**4,9**	**-3,0**	**-14,3**	**87,9**
Corporate income tax								0	0
Total result for the year	**31,9**	**27,7**	**7,6**	**16,3**	**16,8**	**4,9**	**-3,0**	**-14,3**	**87,9**
Other comprehensive income									
Total comprehensive income for the year	**31,9**	**27,7**	**7,6**	**16,3**	**16,8**	**4,9**	**-3,0**	**-14,3**	**87,9**

1) The segment "Corporate" reflects costs and revenues that are not directly tied to properties

Balance sheet

(€ m)	30 June 2019	31 December 2018
Real estate investments	1,243	1,203
Assets classified as held for sale	23	4
Other assets	10	10
Cash and cash equivalents	28	-0,2
Total assets	**1,304**	**1,217**
Shareholders' equity	807	733
Interest bearing loans	456	436
Debts to credit institutions	0	10
Other liabilities	41	36
Total liabilities	**497**	**483**
Total shareholders' equity and liabilities	**1,304**	**1,217**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