# NSI Preliminary results

## Full Year 2017

30 January 2018

“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”

# Full Year 2017

## Revenue and earnings

| | 2017 | 2016 | Change % |
|---|---|---|---|
| Operating margin | 83.6% | 78.5% | +5.1pp |
| EPRA Vacancy | 18.4% | 21.4% | -3.0pp |
| Net rents like-for-like | 1.9% | -0.2% | 2.1pp |
| EPRA Earnings per share (€) | 2.72 | 2.64 | 3.0% |
| Dividend per share (€) | 2.16 | 2.16 | 0.0% |

## Balance sheet

| | 31 Dec 17 | 31 Dec 16 | Change % |
|---|---|---|---|
| Portfolio revaluation | 2.5% | -4.5% | |
| EPRA NAV per share (€) | 36.66 | 34.61 | 5.9% |
| EPRA NNNAV per share (€) | 36.53 | 33.56 | 8.8% |
| Average cost of debt | 2.3% | 2.8% | 0.5pp |
| LTV | 36.9% | 44.1% | -7.3pp |

# Progress

# Strategy update

## Corporate Highlights

| Year | Corporate Highlights | Investment Highlights |
|---|---|---|
| 1992 | NSI founded | |
| 1998 | NSI Listed | |
| 2000 | Dutch REIT status | |
| 2011 | Merger with Vastned O/I | |
| 2013 | Successful €300m re-capitalisation | Exit from Switzerland |
| 2015 | €550m Refinancing | Partial exit Belgian IOW stake; Acquisition of 8 office assets (total €169m) |
| 2016 | Significant reduction in secured assets | Sale of 85% of industrial assets (total €45m); Acquisition of Glass House (€61m) |
| 2017 | 8-year unsecured USPP implied investment grade credit rating | Sale of 60% of retail assets (total €225m); Acquisition of 5 office assets (total €139m); Development pipeline €300+ Cap ex |

## Investment Highlights

## Further progress

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

# Asset rotation 2017

**Disposals**

| | # Assets | # Tenants | Book Value | Net sales proceeds | Book profit / loss | Net contact rent Dec 2016 | NIY | WAULT Dec 2016 | EPRA Vacancy |
|---|---|---|---|---|---|---|---|---|---|
| Total Offices | 21 | 54 | 35.9 | 38.7 | 2.8 | 2.2 | 5.6% | 1.5 | 25.3% |
| Total Retail | 25 | 308 | 200.4 | 203.3 | 2.9 | 14.6 | 7.2% | 3.7 | 12.0% |
| **TOTAL** | **46** | **362** | **236.3** | **242.0** | **5.7** | **16.8** | **6.9%** | **3.4** | **25.3%** |

**Acquisitions**

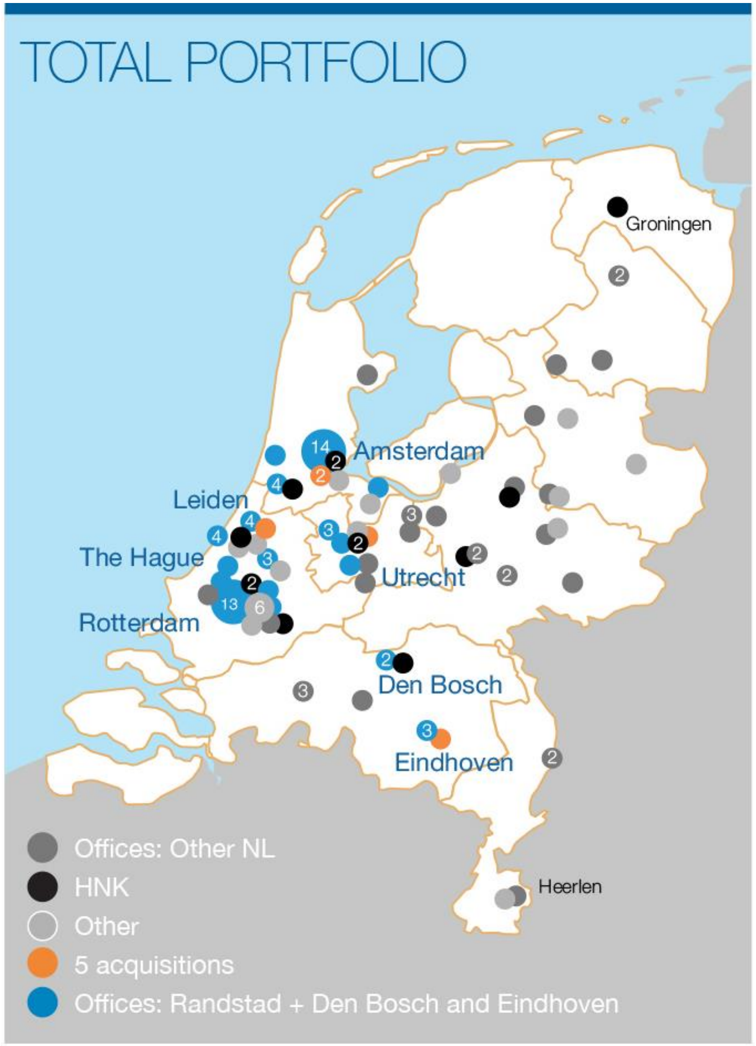
| | # Assets | # Tenants | Book Value Dec-17 | Total purchase cost | Book profit / loss | Net contract rent Dec 2017 | NIY | WAULT Dec 2017 | EPRA Vacancy |
|---|---|---|---|---|---|---|---|---|---|
| Total Offices | 5 | 15 | 145.4 | 139.4 | 6.0 | 9.8 | 7.0% | 3.2 | 0.0% |
| **TOTAL** | **5** | **15** | **145.4** | **139.4** | **6.0** | **9.8** | **7.0%** | **3.2** | **0.0%** |
| **Delta**(1) | **-41** | **-347** | **90.9** | **102.4** | **11.7** | **-7.0** | **0.1%** | **-0.2** | |

- A more concentrated, higher quality portfolio of larger assets
- Net disposals sets a strong base for future growth

Notes: 1) Total number of assets down 39 as two of the disposals involved part sales

# Heading to a more concentrated portfolio

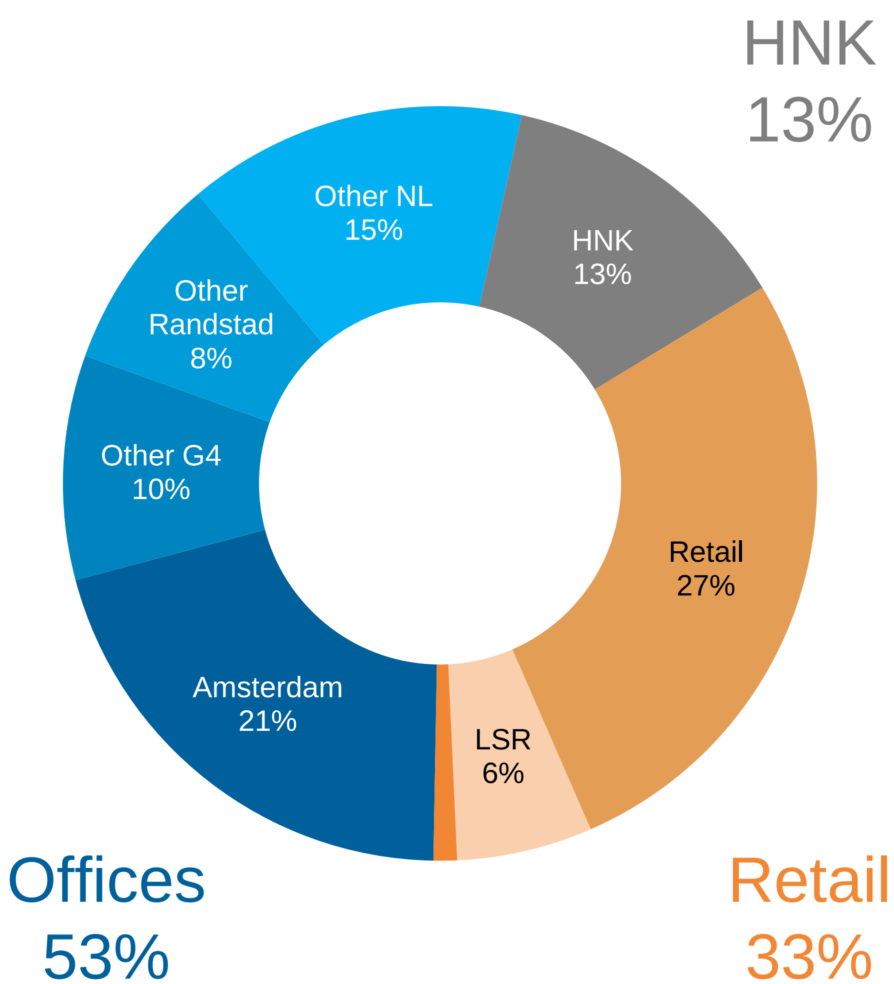
## Sector Split YE 2017 (portfolio value €1.1bn)



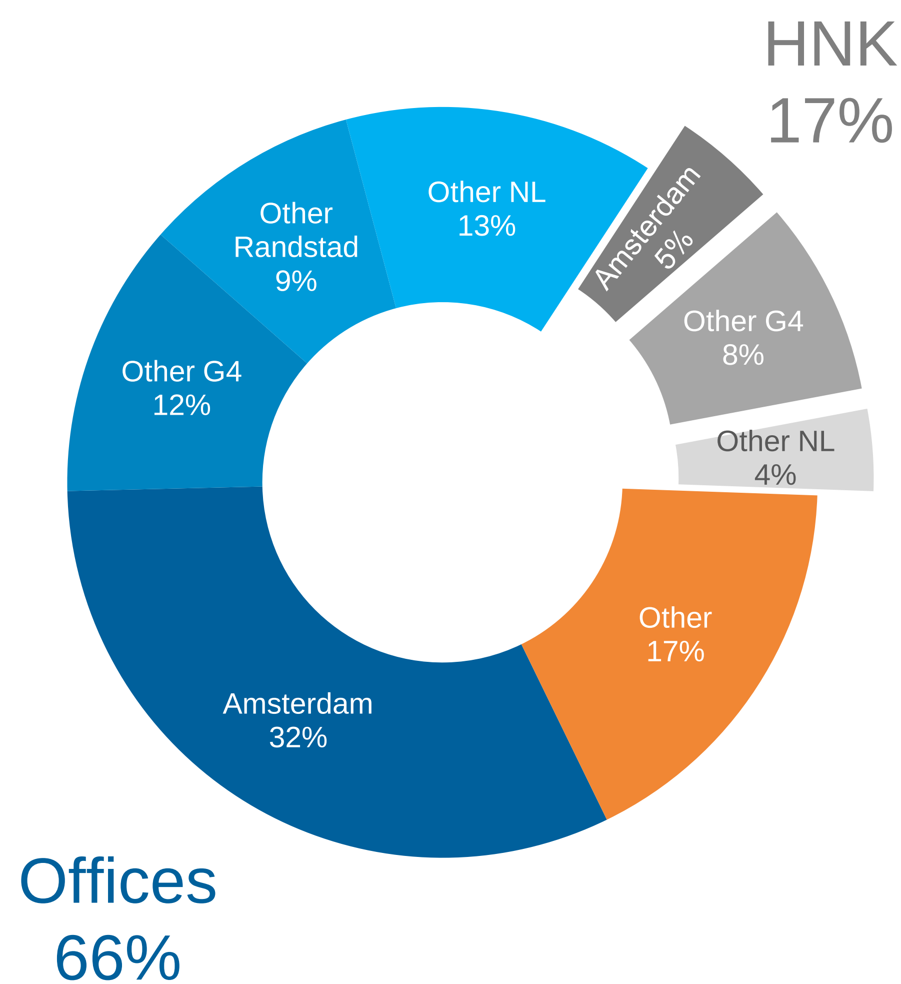

## Disposals 2017

# Sector split

## Sector Split YE 2016 (portfolio value €1.2bn)




## Sector Split YE 2017 (portfolio value €1.1bn)



# Portfolio update

# Acquisitions Q1 – Q3 2017

## Acquisitions in Q1-Q3 2017




| **Address** | **Uniceflaan 1** | **Bijlmerdreef 100** | **Parnassusweg 101** | **Archimedesweg 6** |
|---|---|---|---|---|
| City | Utrecht | Amsterdam | Amsterdam | Leiden |
| Area (sqm) | 12,079 | 13,300 | 11,700 | 7,239 |
| Tenant | Government | ING | Government | Janssen Vaccines |
| GIY | 10.3% | 7.6% | 7.2% | 8.9% |
| NIY | 9.0% | 6.8% | 6.2% | 7.7% |
| WAULT (yrs) | 4.1 | 3.8 | 4.3 | 5.0 |
| Energy | C | C | B | C |
| Acquisition price (€m) | 20.5 | 33.8 | 45.0 | 17.5 |

# Acquisition Q4 2017

## Kennedyplein, Eindhoven 101

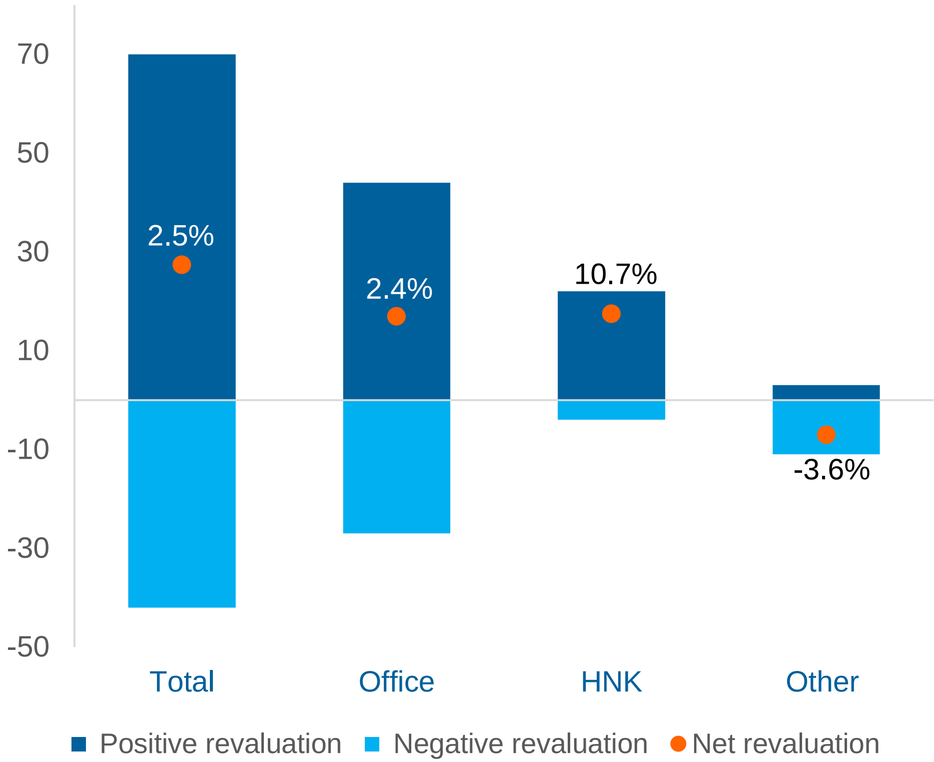
| | |
|---|---|
| Area: | 6,642 sqm |
| Tenant: | Multi-tenant |
| GIY / NIY: | 9.0% / 8.2% |
| WAULT: | 3.6 years |
| Energy label: | B |
| Acquisition price: | €13.6m |

## Location


## Impressions

# Revaluations 2017

## Full Year 2017 (€m)




**Positive revaluation in 2017**

- Total portfolio up 2.5%
- Driven by Offices in G4 and HNK

**Polarisation in Offices valuation continues**

- Positive revaluations Offices €44m of which €37m in Amsterdam
- G4 portfolio up 9%, Other Netherlands down 11%

**Same picture at HNK**

- HNK up €17m or 10.7%
- Positive revaluations of €22m in the G4

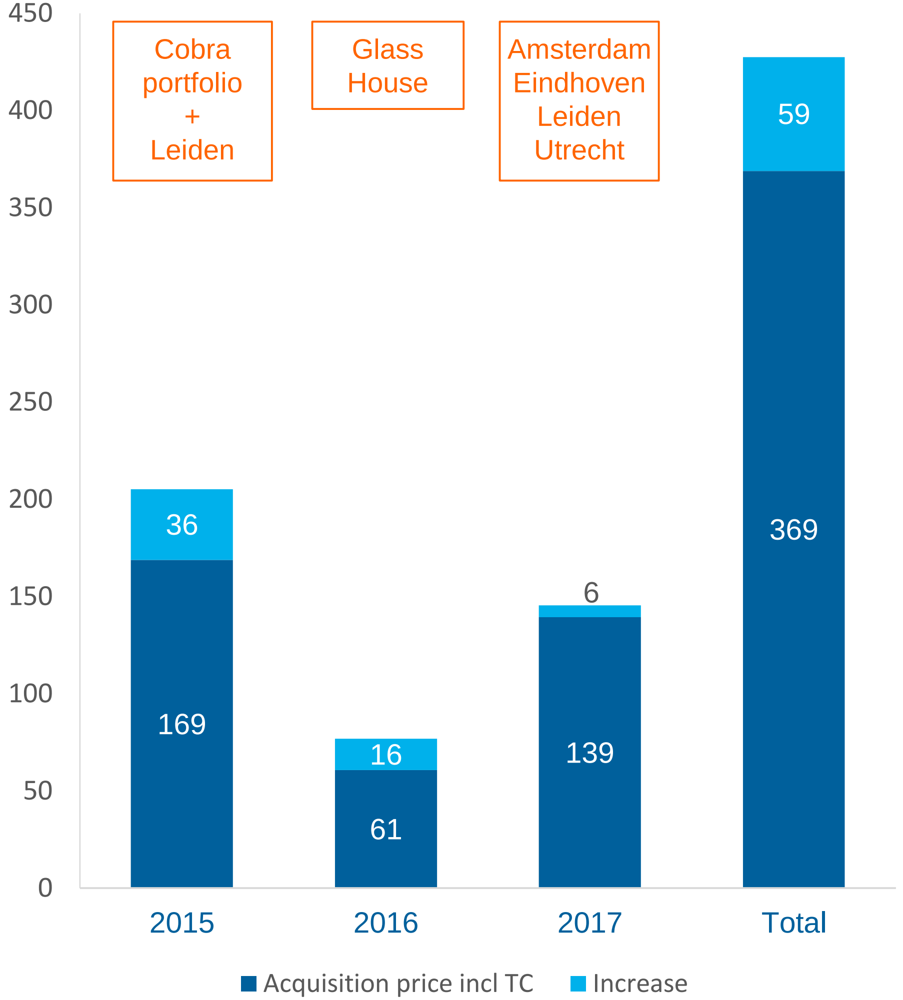
**Retail[1] small decline**

- Value down by 1.7%
- Negatively impacted by lower ERVs

Notes: 1) Retail reclassified as “Other” for FY17 results

# Strong track record acquisitions (2015 - 2017)

## Track record acquisitions by vintage 2015 – 2017 (€m)(1)




## Revaluations since 2015 (cumulative)

| | €m | € per share |
|---|---|---|
| Revaluation gain acquisitions | 81 | 4.4 |
| - related acquisition costs | -23 | -1.2 |
| Revaluation gain acquisitions - net of acq. costs | 59 | 3.2 |

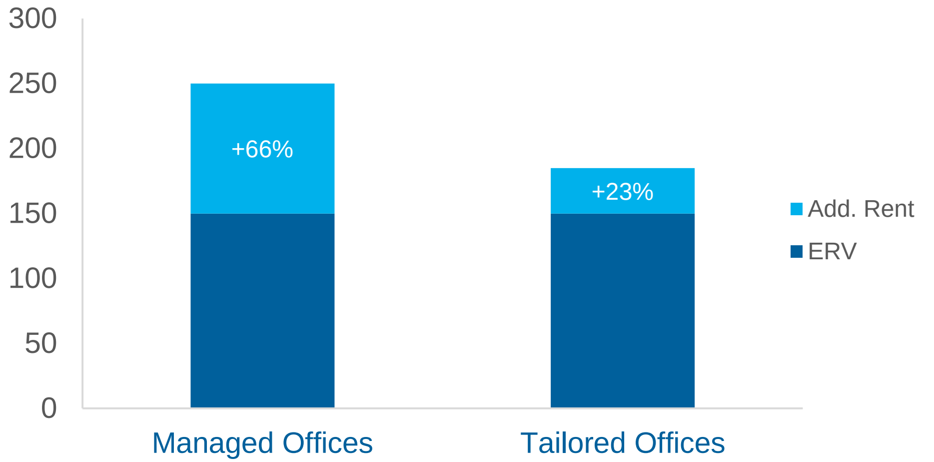
**IRR(2) on acquisitions of 22%**

**Contribution to indirect result €3.20 per share**

Notes: 1) Acquisition price includes €23m acquisition costs
2) Average investment period of acquisitions 1.5 years

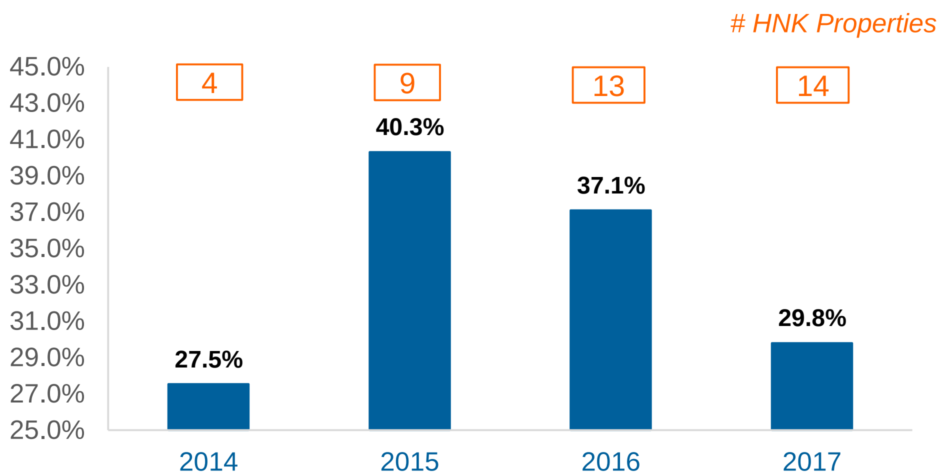
# HNK

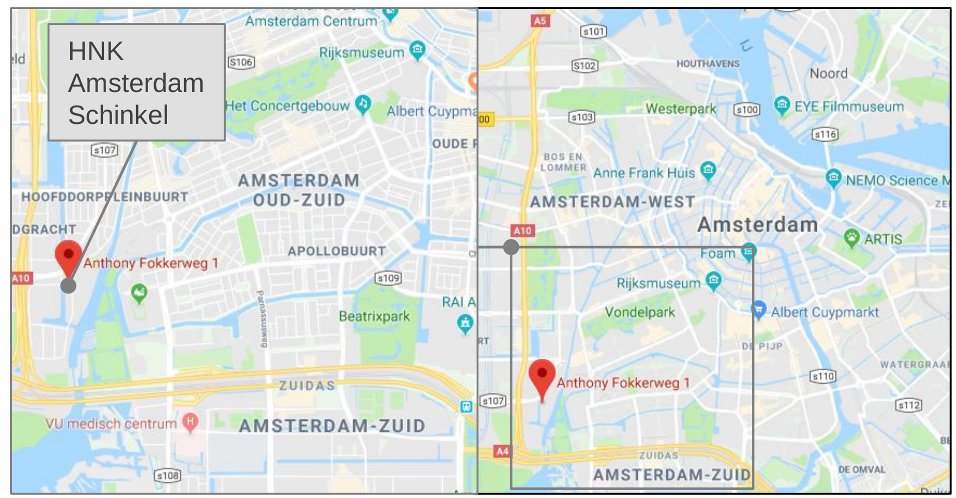
## HNK rents vs ERV (conventional offices) (€ psm)




## New opening of HNK Amsterdam Schinkel planned for Q2 '18

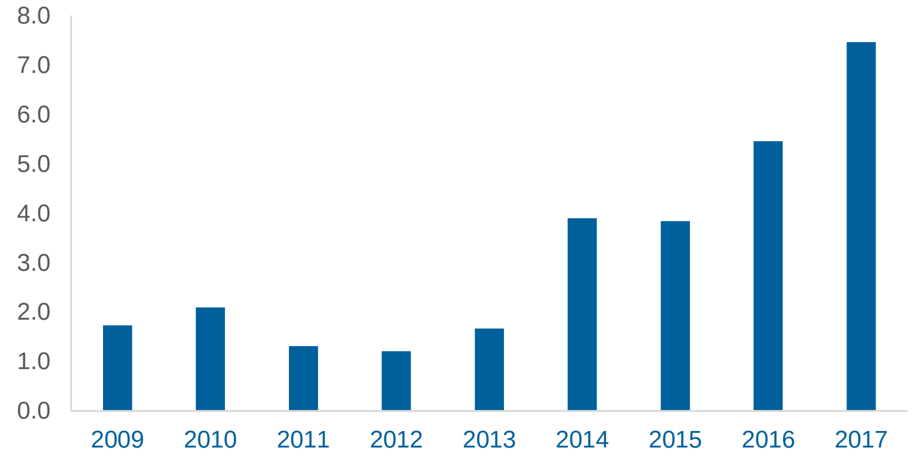
## EPRA Vacancy HNK



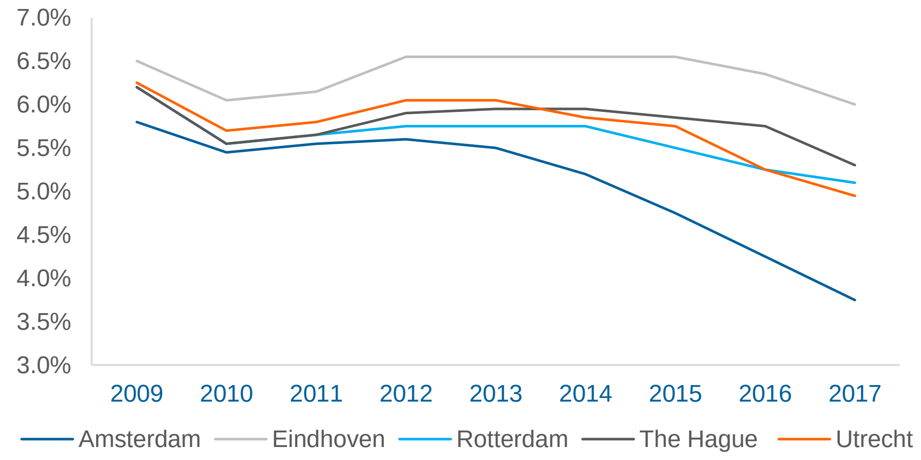



# Dutch office market

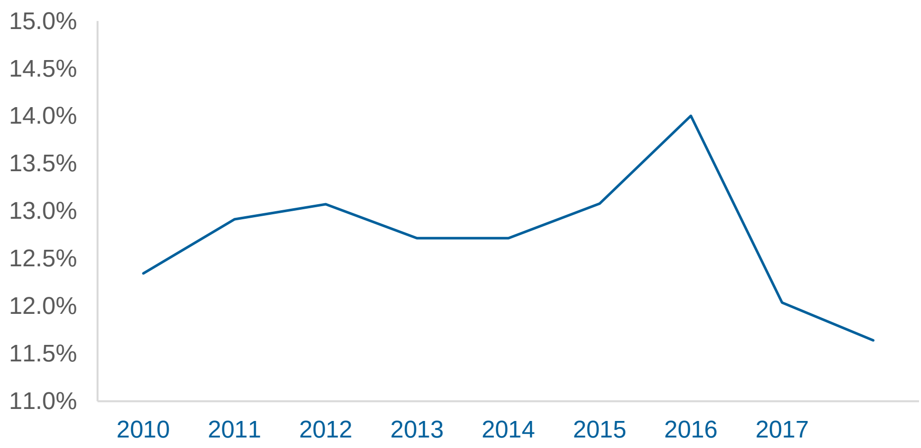
## Investment volumes Offices Netherlands (€bn)



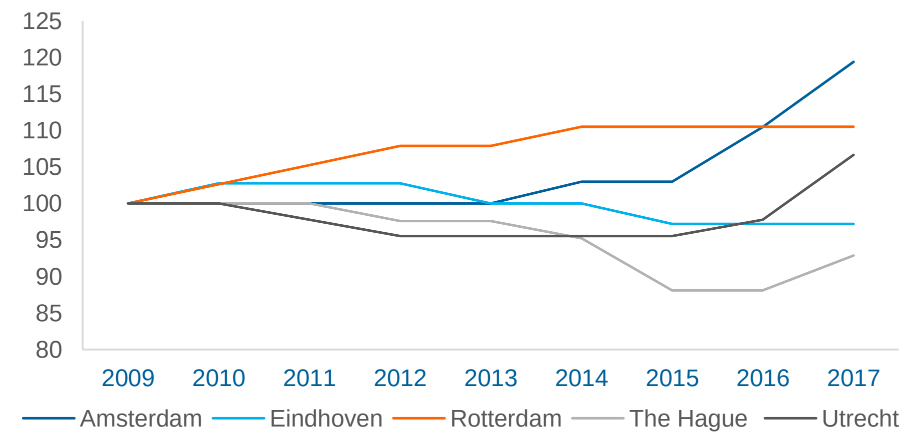

## Prime Yields




## Vacancy rate Offices Netherlands




## Prime rental growth(1)



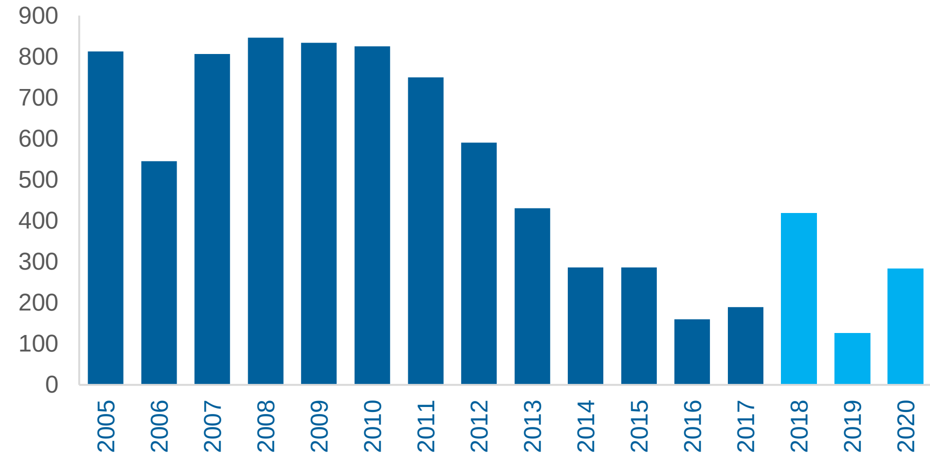

Notes: 1) Indexed (2009 = 100)
Source: JLL

# Strong internal growth prospects - Development opportunities

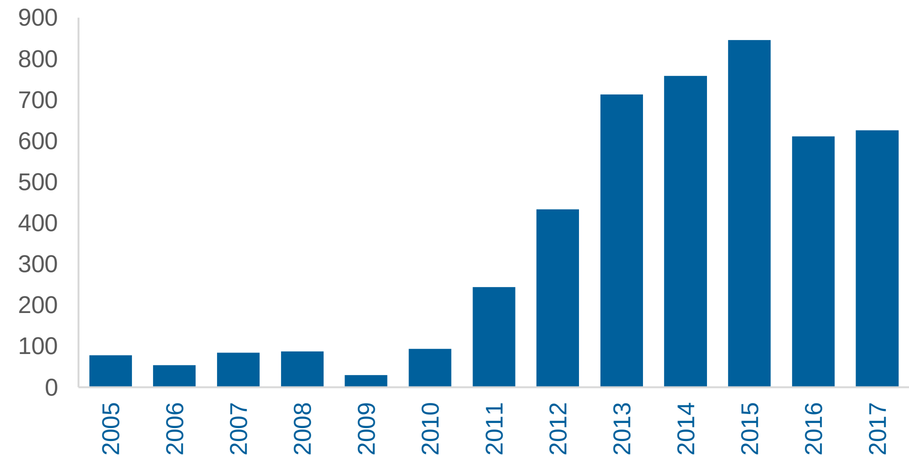
## Development opportunities

- Opportunities identified in Amsterdam, the Hague and Rotterdam
- Three opportunities in Amsterdam most advanced:
    - 12,000sqm development
    - 30,000sqm re-development
    - 40,000sqm re-development
- Earliest start date of first project – H2 2019
    - Subject to:
        - Planning
        - Pre-lets
        - Balance sheet capacity
        - View on the cycle
- **€300m of cap ex**
- **7% Yield-on-Cost**
- In addition 7 transformation opportunities

## Netherlands completions & development pipeline ('000 sqm)



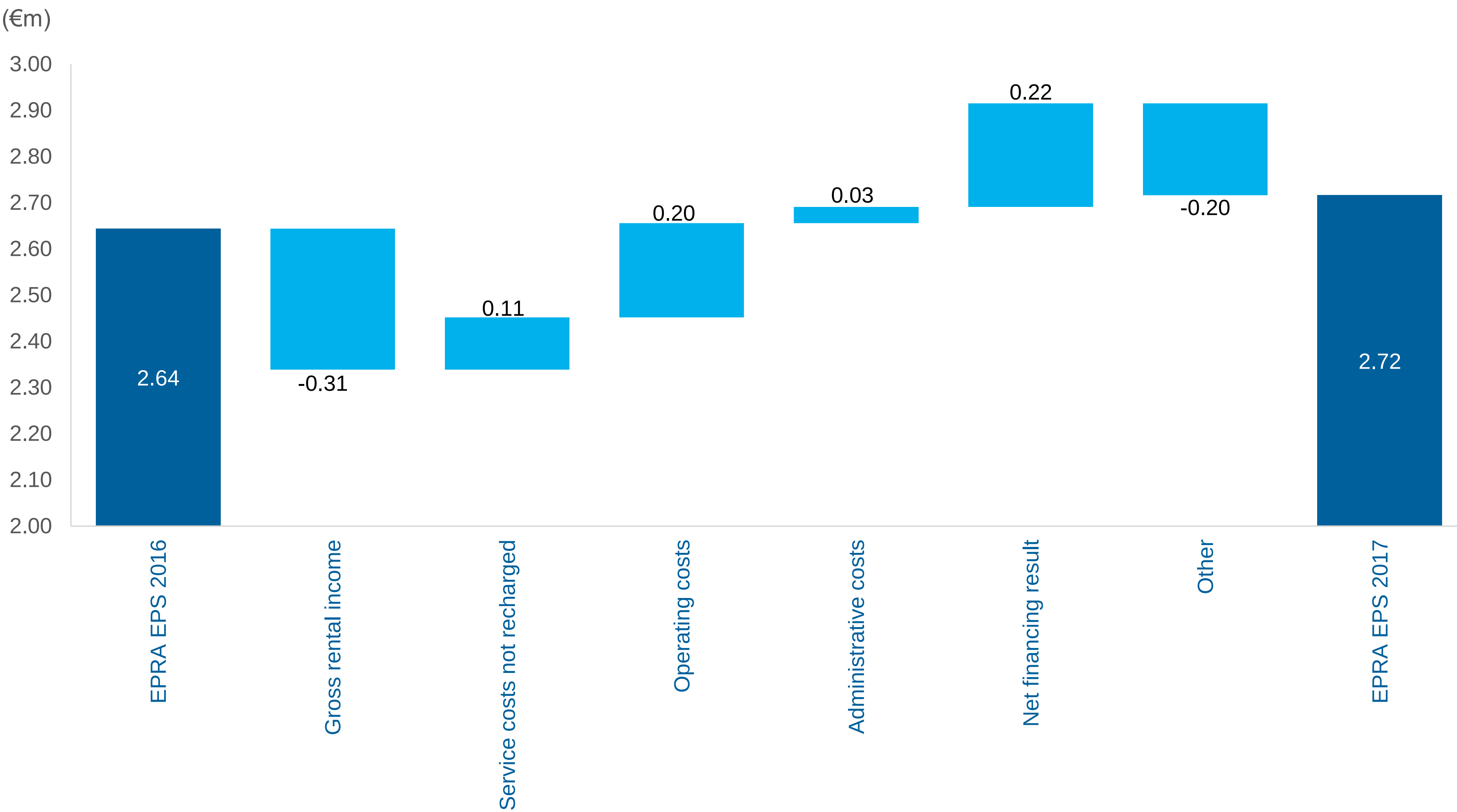

## Netherlands historic conversions ('000 sqm)




Source: JLL

# Financials

# EPRA Earnings (I)



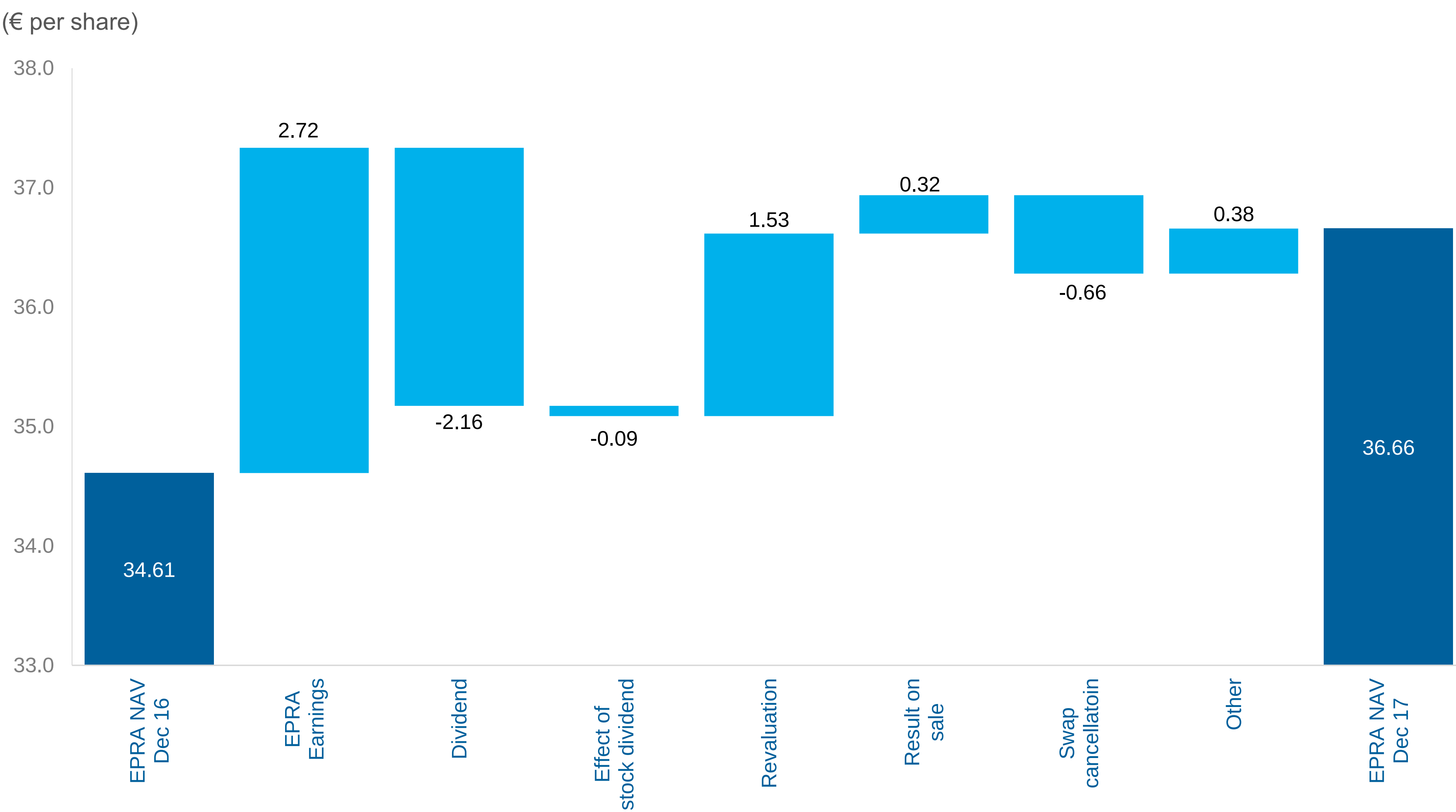

Notes: “Other” includes €0.12 one off tax provision, €0.03 income from IOW and €0.04 dilution due to stock dividend

# EPRA Earnings (II)

## Revenue and earnings (€ ‘000)

| | 2017 | 2016 | Change % | Comments |
|---|---|---|---|---|
| Gross rental income | 89,056 | 94,589 | -5.8% | lower due to net disposals |
| Service costs not recharged | -2,093 | -4,147 | -49.5% | |
| Operating costs | -12,479 | -16,179 | -22.9% | |
| **Net rental income** | **74,483** | **74,262** | **0.3%** | |
| Administrative costs | -9,247 | -9,879 | -6.4% | |
| Direct investment result from participations | | 565 | -100% | |
| Net financing result | -15,859 | -19,931 | -20.4% | lower LTV and lower interest rate |
| **Direct investment result before tax** | **49,377** | **45,017** | **9.7%** | |
| Corporate income tax | -12 | 2,308 | -100% | one off release of provision in 2016 |
| **Direct investment result / EPRA earnings** | **49,365** | **47,325** | **4.3%** | |
| | | | | |
| Direct investment result / EPRA earnings per share | 2.72 | 2.64 | -3.0% | one offs: €0.07 (2017), €0.06 (2016) |

# EPRA NAV


(€ per share)
38.0
37.0
36.0
35.0
34.0
33.0
34.61
2.72
-2.16
-0.09
1.53
0.32
-0.66
0.38
36.66
EPRA NAV Dec 16
EPRA Earnings
Dividend
Effect of stock dividend
Revaluation
Result on sale
Swap cancellatoin
Other
EPRA NAV Dec 17

# Balance sheet

## Balance sheet (€ '000)

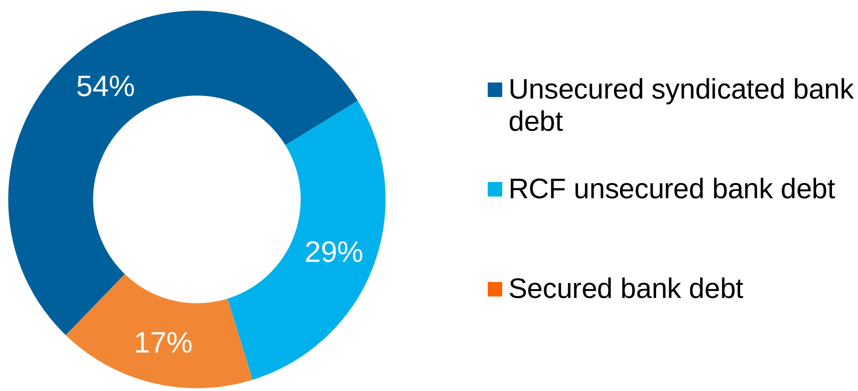
| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Real estate investments | 1,072,180 | 764,613 |
| Assets classified as held for sale | 28,791 | 389,923 |
| Other assets | 10,472 | 9,859 |
| Cash and cash equivalents | 6,827 | 2,066 |
| **Total assets** | **1,118,269** | **1,166,462** |
| | | |
| Shareholders' equity | 672,688 | 604,255 |
| | | |
| Interest bearing loans | 404,708 | 510,404 |
| Debts to credit institutions | 9,873 | 3,429 |
| Other liabilities | 31,001 | 48,374 |
| **Total liabilities** | **445,582** | **562,207** |
| | | |
| **Total shareholders' equity and liabilities** | **1,118,269** | **1,166,462** |

# Financing (I)

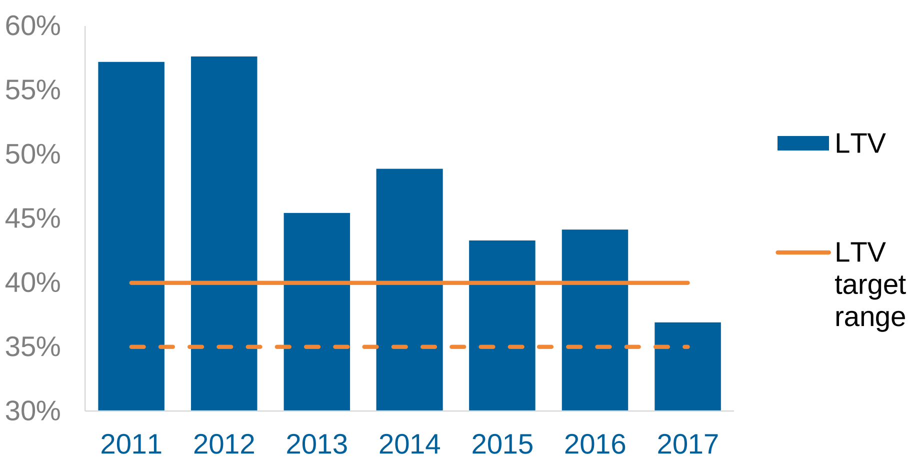
## Overview

| | 2013YE | 2014YE | 2015YE | 2016YE | 2017YE |
|---|---|---|---|---|---|
| LTV | 45.4% | 48.9% | 43.3% | 44.1% | 36.9% |
| Avg. cost of debt | 5.2% | 4.9% | 3.7% | 2.8% | 2.3% |
| Avg. debt maturity (yrs) | 2.3 | 1.7 | 3.9 | 4.2 | 3.1 |
| Net Debt (€m) | 544.9 | 538.1 | 542.3 | 512.3 | 408.5 |
| Hedging ratio | 63% | 64% | 73% | 77% | 77% |
| Avg. swap maturity (yrs) | 4.2 | 3.2 | 4.0 | 4.2 | 3.0 |
| ICR | 2.1x | 2.6x | 3.2x | 3.8x | 4.7x |

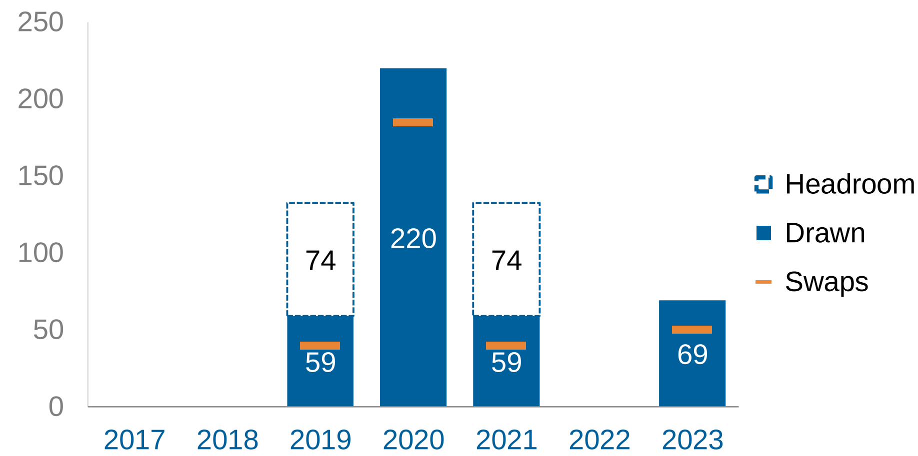
## Financing diversification




## Loan-to-value




## Loans and swaps maturity profile (€m)



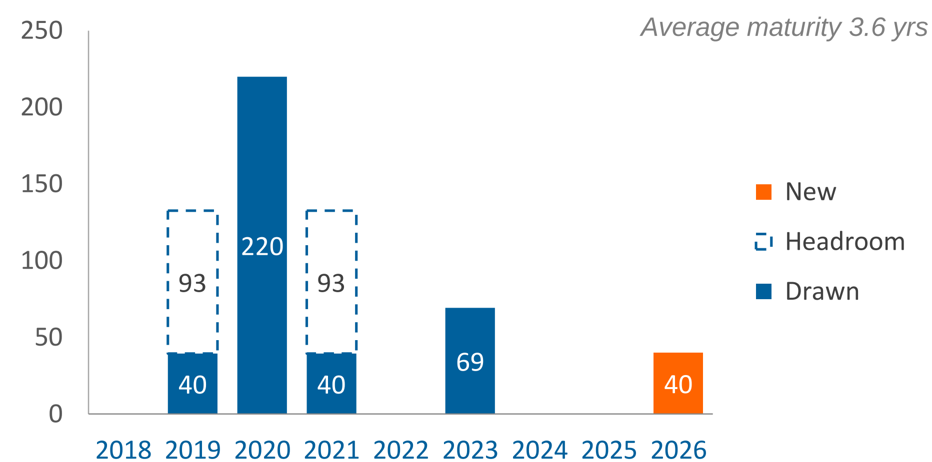
# Financing (II)

## Highlights 2017

- New 8 year unsecured facility with Pricoa
  - €40m initial draw
  - Implied investment grade credit rating
  - $100m total capacity
- €20m extra drawn on Berlin Hyp
  - 2023 maturity
  - Improved margin
- €60m AXA facility repaid
  - Minimal penalties
  - Breaking related expensive legacy swaps
- LTV down to 36.9%
- New LTV target range of 35-40% appropriate given:
  - Lower cost of capital
  - Higher operational risk
    - HNK
    - Above average vacancy rate
  - Development program
- Cost of debt down to 2.3% at year-end 2017

## Strategy 2018+

- Extend maturities
- Lower cost of debt
- Further diversify funding
- Prepare balance sheet for growth



# Outlook

# Final remarks

- Solid foundation for future growth
- Active asset rotation
- Attractive development program

- Lower EPRA EPS expected for 2018
- Dividend maintained at €2.16 per share

# Appendix

# Key portfolio metrics

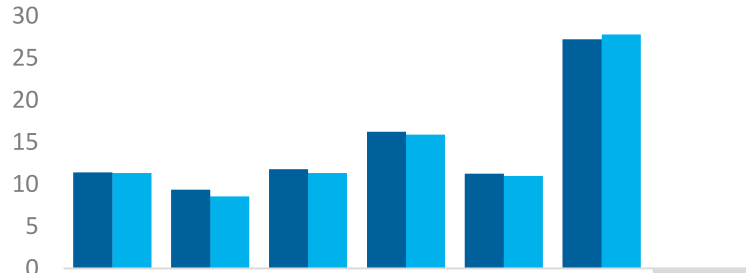
| | Dec 17 | | | | Dec 16 |
|---|---|---|---|---|---|
| | Offices | HNK | Other[1] | Total | Total |
| Number of properties | 93 | 14 | 19 | 126 | 165 |
| Market value (€m) | 736 | 181 | 191 | 1,108 | 1,160 |
| Contracted rent (€m) | 57 | 15 | 16 | 87 | 98 |
| ERV (€m) | 67 | 22 | 16 | 105 | 116 |
| Lettable area (‘000 sqm) | 436 | 128 | 113 | 676 | 870 |
| EPRA Vacancy rate | 15.9% | 29.8% | 14.0% | 18.4% | 21.4% |
| WAULT (years) | 5.0 | 2.9 | 5.0 | 4.7 | 4.7 |
| Average rent/sqm (€ p.a.) | 168 | 176 | 169 | 169 | 149 |
| EPRA net initial yield | 5.8% | 3.9% | 6.0% | 5.5% | 6.0% |

# Offices split

| | | G4 | Other Randstad | Other NL |
|---|---|---|---|---|
| Number of properties | (#) | 33 | 23 | 37 |
| Market value | (€m) | 484 | 104 | 148 |
| Annual contracted rent | (€m) | 33 | 10 | 13 |
| ERV | (€m) | 38 | 12 | 18 |
| Reversion | (%) | 4.2% | -6.5% | -9.5% |
| | | | | |
| Lettable area | (‘000 sqm) | 189 | 89 | 157 |
| EPRA Vacancy | (%) | 7.6% | 16.8% | 32.5% |
| | | | | |
| WAULT (years) | (yrs) | 5.9 | 4.1 | 3.7 |
| Average rent/sqm | (€ p.a.) | 198 | 144 | 133 |
| EPRA net initial yield | (%) | 5.3% | 7.6% | 6.5% |

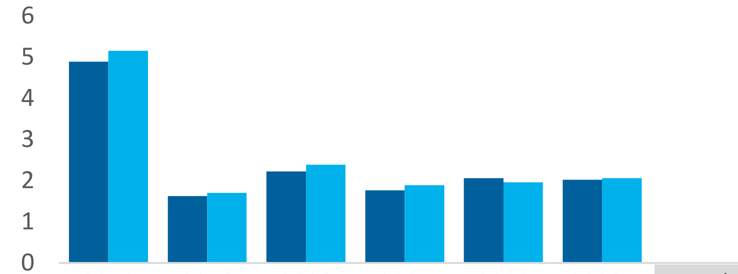
# Expiries and reversion

## Total portfolio (€m)



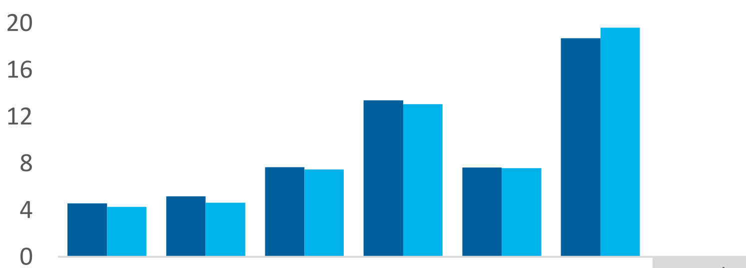

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023+ | Total |
|---|---|---|---|---|---|---|---|
| Ann. rent (€m) | 11.4 | 9.4 | 11.8 | 16.2 | 11.3 | 27.2 | 87.3 |
| ERV (€m) | 11.3 | 8.5 | 11.3 | 15.9 | 11.0 | 27.8 | 85.9 |
| # Contracts | 524 | 140 | 119 | 113 | 98 | 117 | 1,111 |
| Reversion % | -0.6% | -8.8% | -4.0% | -2.0% | -2.5% | 2.2% | -1.6% |

## HNK portfolio (€m)



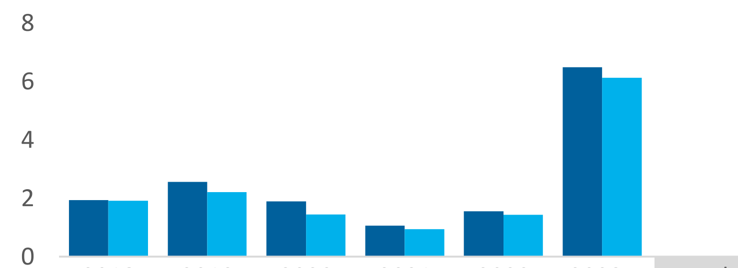

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023+ | Total |
|---|---|---|---|---|---|---|---|
| Ann. rent (€m) | 4.9 | 1.6 | 2.2 | 1.8 | 2.1 | 2.0 | 14.6 |
| ERV (€m) | 5.1 | 1.7 | 2.4 | 1.9 | 2.0 | 2.1 | 15.1 |
| # Contracts | 362 | 56 | 43 | 32 | 32 | 20 | 545 |
| Reversion % | 5.4% | 4.9% | 7.4% | 6.9% | -4.8% | 1.8% | 3.9% |

## Offices portfolio (€m)




| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023+ | Total |
|---|---|---|---|---|---|---|---|
| Ann. rent (€m) | 4.6 | 5.2 | 7.7 | 13.4 | 7.7 | 18.7 | 57.2 |
| ERV (€m) | 4.3 | 4.6 | 7.5 | 13.1 | 7.6 | 19.6 | 56.7 |
| # Contracts | 90 | 46 | 44 | 55 | 26 | 56 | 317 |
| Reversion % | -6.7% | -10.7% | -2.5% | -2.5% | -0.8% | 4.9% | -0.9% |

## Other portfolio (€m)




| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023+ | Total |
|---|---|---|---|---|---|---|---|
| Ann. rent (€m) | 1.9 | 2.6 | 1.9 | 1.1 | 1.6 | 6.5 | 15.5 |
| ERV (€m) | 1.9 | 2.2 | 1.4 | .9 | 1.4 | 6.1 | 14.1 |
| # Contracts | 72 | 38 | 32 | 26 | 40 | 41 | 249 |
| Reversion % | -1.5% | -13.6% | -23.5% | -10.7% | -7.7% | -5.5% | -9.1% |

# Yields

| | EPRA Net Initial Yield | | Reversionary Yield | |
|---|---|---|---|---|
| | 31-12-2017 | 31-12-2016 | 31-12-2017 | 31-12-2016 |
| Offices | 5.8% | 6.0% | 9.1% | 9.9% |
| HNK | 3.9% | 4.3% | 11.9% | 13.1% |
| Other | 6.0% | 6.6% | 8.6% | 8.9% |
| **Total** | **5.5%** | **6.0%** | **9.5%** | **10.0%** |

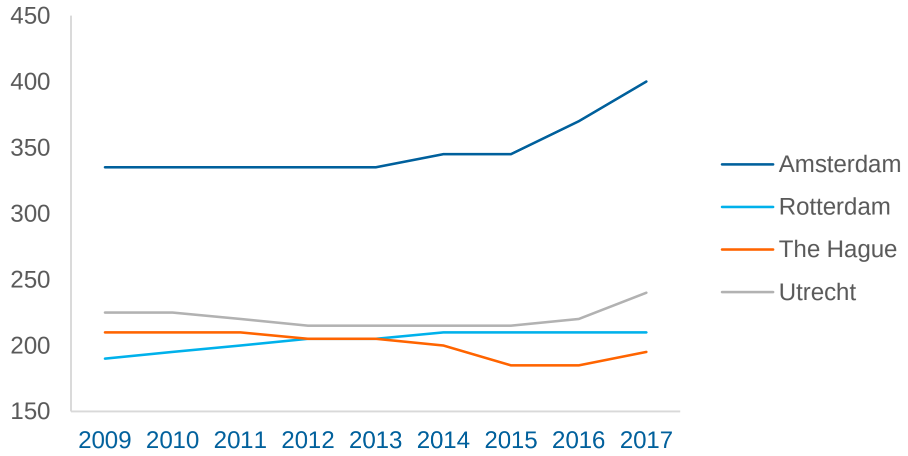
# Segment split and Bridge

## Profit and loss (€' 000)

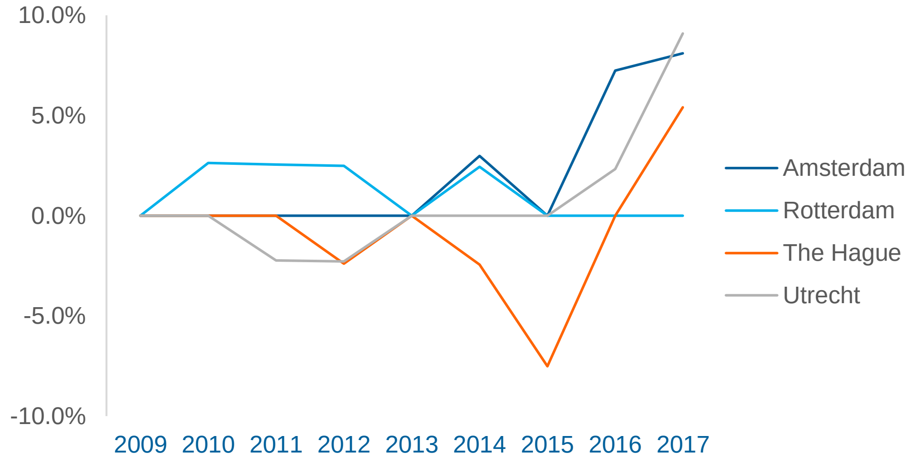
| | Continuing operations | | | | Discontinued operations | TOTAL |
|---|---|---|---|---|---|---|
| | Offices | HNK | Retail / Other | TOTAL | | |
| Gross rental income | 53,893 | 13,565 | 21,542 | 89,000 | 56 | 89,056 |
| Service costs recharged to tenants | 6,706 | 3,297 | 1,979 | 11,983 | 16 | 11,999 |
| Service costs | -8,281 | -4,209 | -1,568 | -14,058 | -35 | -14,092 |
| Service costs not recharged | -1,574 | -912 | 412 | -2,075 | -18 | -2,093 |
| Operating costs | -5,702 | -4,578 | -2,177 | -12,457 | -22 | -12,479 |
| **Net rental income** | **46,617** | **8,075** | **19,776** | **74,468** | **15** | **74,483** |
| Revaluation of investments | 18,695 | 15,875 | -6,242 | 28,329 | -970 | 27,359 |
| Net result on sale of investments | 3,144 | 0 | 2,920 | 6,064 | -326 | 5,738 |
| **Net result from investment** | **68,456** | **23,950** | **16,454** | **108,861** | **-1,280** | **107,580** |
| Administrative costs | -997 | -282 | -7,892 | -9,170 | -77 | -9,247 |
| Other income and costs | 5,646 | 14 | -113 | 5,548 | 9 | 5,557 |
| Financing income | 5 | 0 | 7 | 12 | 1 | 12 |
| Financing costs | -6 | 0 | -15,865 | -15,871 | -1 | -15,872 |
| Movement in market value of financial derivatives | | | 3,658 | 3,658 | | 3,658 |
| Net financing result | -1 | 0 | -12,200 | -12,201 | 0 | -12,201 |
| **Result before tax** | **73,105** | **23,682** | **-3,750** | **93,037** | **-1,348** | **91,689** |
| Corporate income tax | | -3 | -88 | -91 | 4 | -87 |
| **Total realised result** | **73,105** | **23,679** | **-3,838** | **92,946** | **-1,344** | **91,602** |
| Attributable to shareholders | 73,105 | 23,679 | -3,838 | 92,946 | -1,344 | 91,602 |

# Offices G4 rents

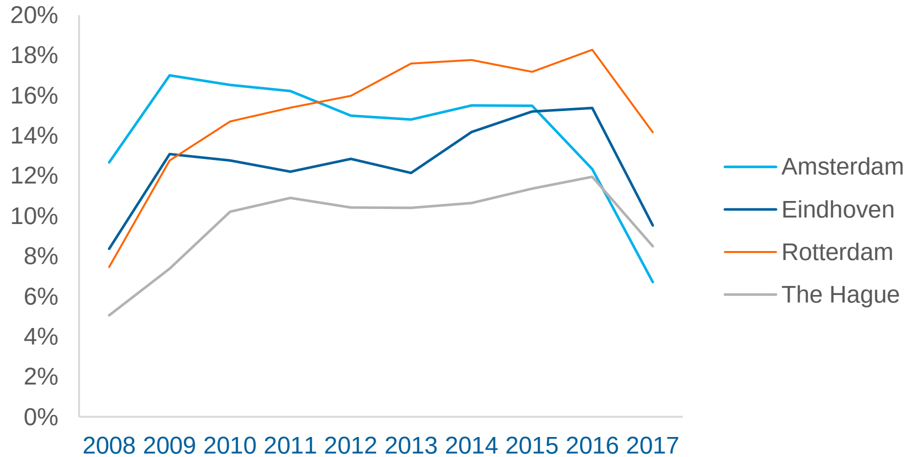
## Prime rents (psm)



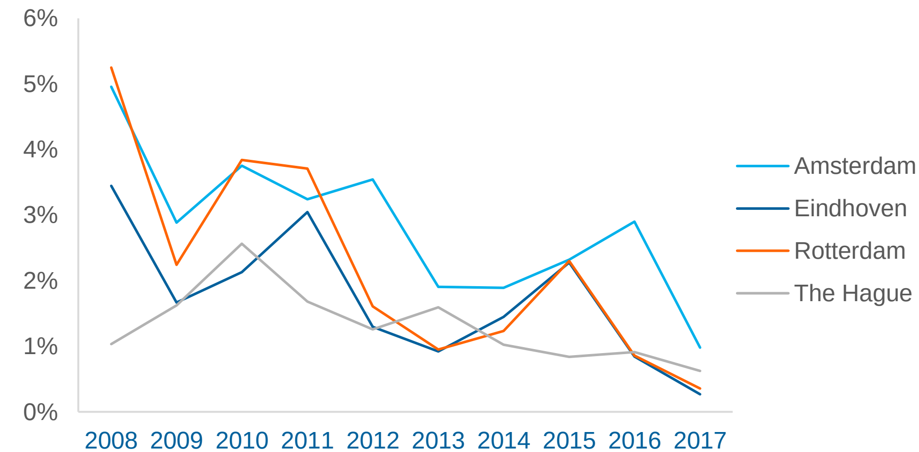

## Prime rental growth




## Total vacancy as % of total stock (psm)




## Total take up (psm) as % of total stock




Source: JLL