NSI Preliminary results

Full Year 2018

29 January 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 2018

Operational performance

- **EPRA Vacancy** – Down 4.6pp to 13.8%
- **EPRA Vacancy LFL** – Down 2.0pp (Offices and HNK down 2.3pp)
- **Asset rotation** – 4 acquisitions (€150m) and 35 disposals (€122m)
- **Development** – Negotiations with ING regarding Laanderpoort

Financial performance

- **Valuation result** – Positive uplift of 3.7% (G4 Offices up ca. 6%)
- **EPRA EPS** – €2.64 per share (net of €0.12 in net negative one-off effects)
- **EPRA NAV per share** – up 8.4% to €39.75
- **Dividend** – stable at €2.16 per share, final dividend proposed at €1.12 per share

Balance sheet management

- **Two US PP** – €50m & €40m notes reflecting implied investment grade credit rating
- **New syndicated loan facility** – Improved margins and maturity
- **Cost of debt** – down 0.3% to 2.0%
- **Debt maturity** – Up to 5.0 years up from 3.1 years at FY17

Strong operational and financial performance

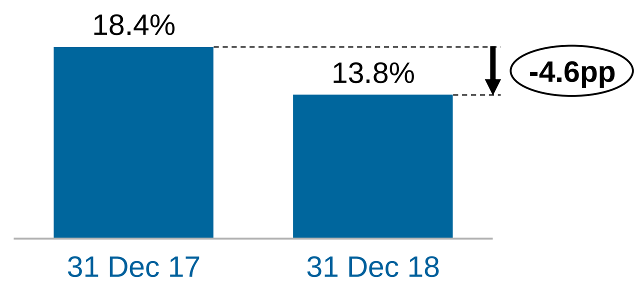
Key metrics

Revenue and earnings	31 Dec 18	31 Dec 17	Change %
Operating margin	82.7%	83.6%	-1.1pp
Net rents like-for-like[1]	-0.7%	1.9%	-2.6pp
EPRA Earnings per share[2] (€)	2.64	2.72	-3.1%
Dividend per share (€)	2.16	2.16	0.0%

Balance sheet	31 Dec 18	31 Dec 17	Change %
EPRA Vacancy	**13.8%**	**18.4%**	**-4.6pp**
Portfolio revaluation	3.7%	2.5%	0.7pp
EPRA NAV per share (€)	**39.75**	**36.66**	**8.4%**
EPRA NNNAV per share (€)	39.20	36.13	8.5%
Average cost of debt	2.0%	2.3%	-0.3pp
LTV	36.9%	36.9%	0.0pp

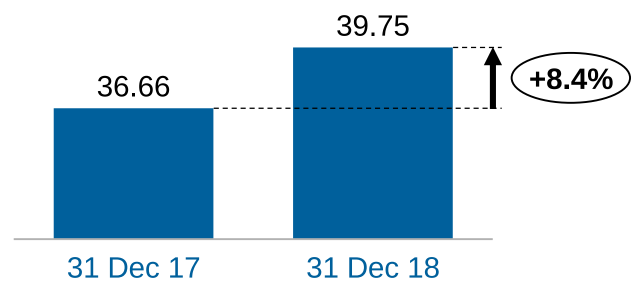
Improved occupancy

EPRA vacancy (%)



Enhanced NAV per share

EPRA NAV per share (€)



1: Like-for-like net rental growth excl one-offs positive 3.0%
2: EPRA Earnings per share 2018 including € 0.12 in net negative one-off effects

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Asset rotation 2018

Disposals

	# Assets	# Tenants	Book value	Net sales proceeds	Book profit/ (loss)	Net contract rent Dec-17	NIY	WAULT Dec-17	EPRA vacancy Dec-17
Total Offices	30	54	60.2	62.0	1.8	5.0	8.1%	3.1	44.2%
Total Other	5	23	59.7	58.8	-1.0	3.9	6.7%	4.6	21.0%
Total disposals	**35**	**77**	**119.9**	**120.7**	**0.8**	**8.9**	**7.4%**	**3.9**	**36.1%**

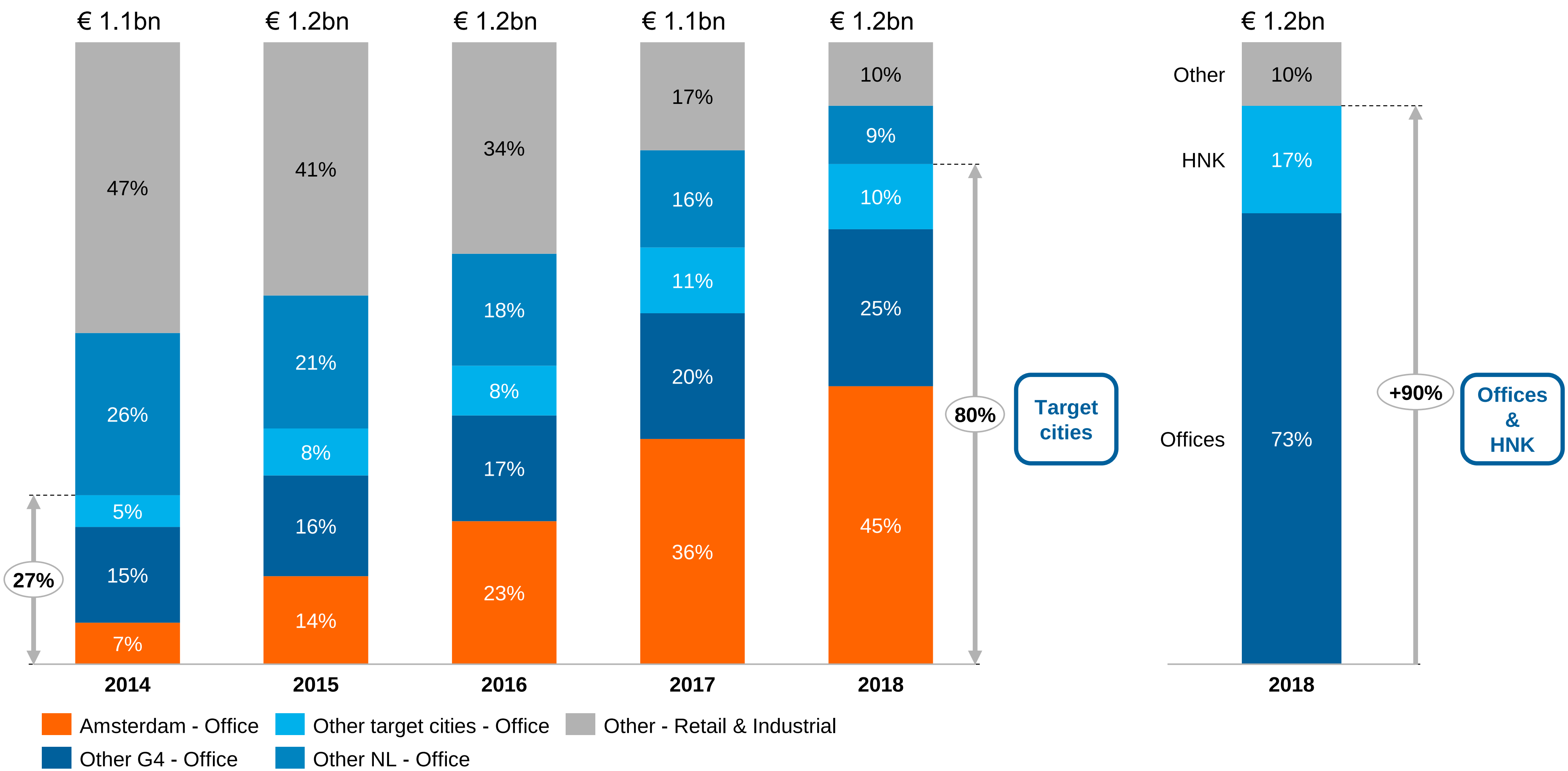
Acquisitions

	# Assets	# Tenants	Book value	Total purchase cost	Book profit/ (loss)	Net contract rent[1]	NIY[2]	WAULT	EPRA vacancy
Investment property	3	23	144.0	145.7	-1.8	6.0	4.1%	3.6	18.2%
(Re)developments	1	0	15.5	14.9	0.6	0.0	0.0%	0.0	100.0%
Total (Offices) acquisitions	**4**	**23**	**159.5**	**160.6**	**-1.1**	**6.0**	**3.7%**	**3.6**	**30.2%**
Delta	**-31**	**-54**	**39.5**	**39.9**	**-0.3**	**-2.9**	**-3.7%**	**-0.3**	

A more concentrated, higher quality portfolio of larger assets

1: Net contracted rent expected to increase to €9m when fully let
2: NIY when fully let 5.7%

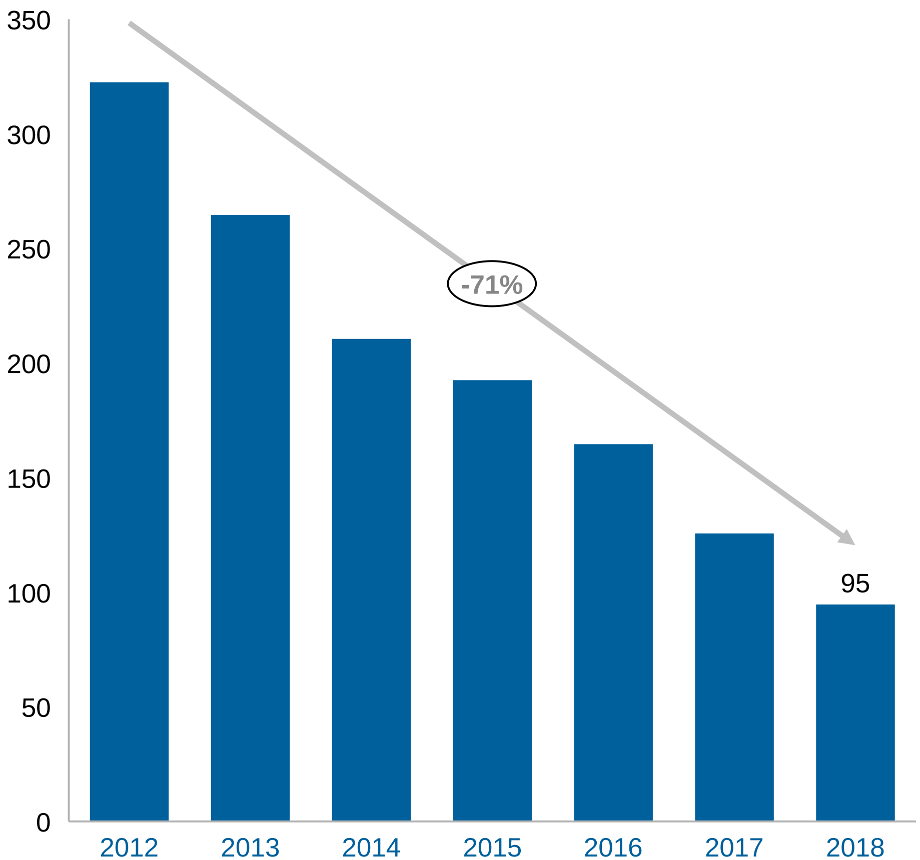
Dutch portfolio split since 2014



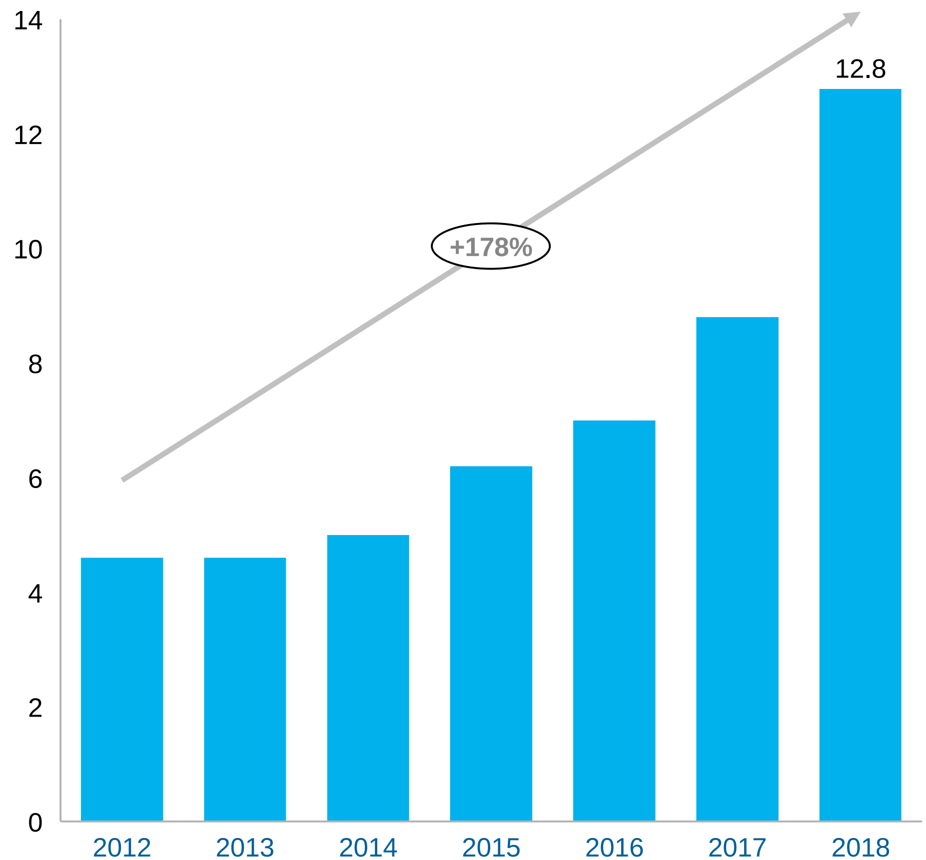
In recent years NSI has focused its portfolio, with a strong focus towards Amsterdam

Heading to a more concentrated portfolio

Number of assets



Average asset value (€m)



Heading to a more concentrated portfolio

Total portfolio

Disposals 2018

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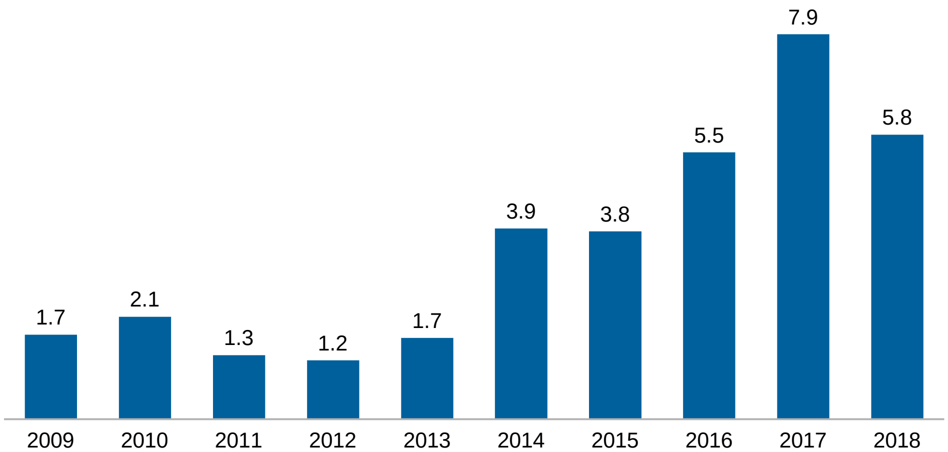
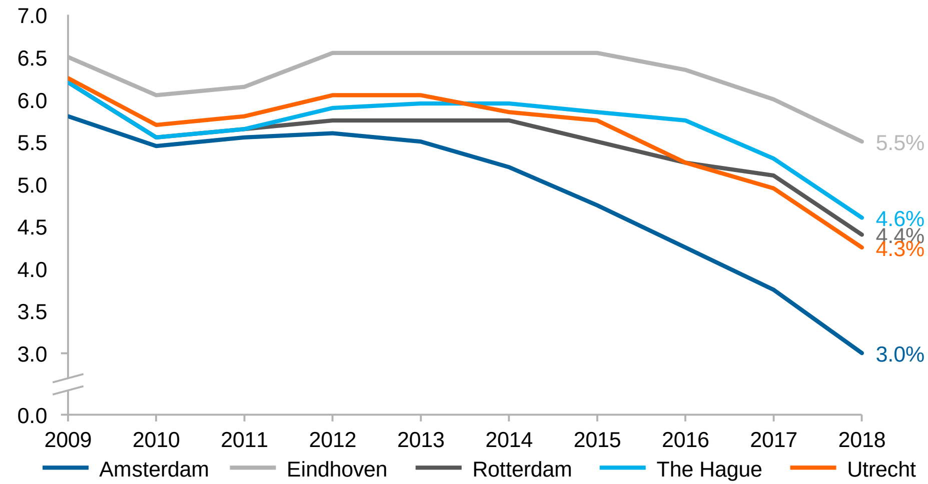
Dutch office market

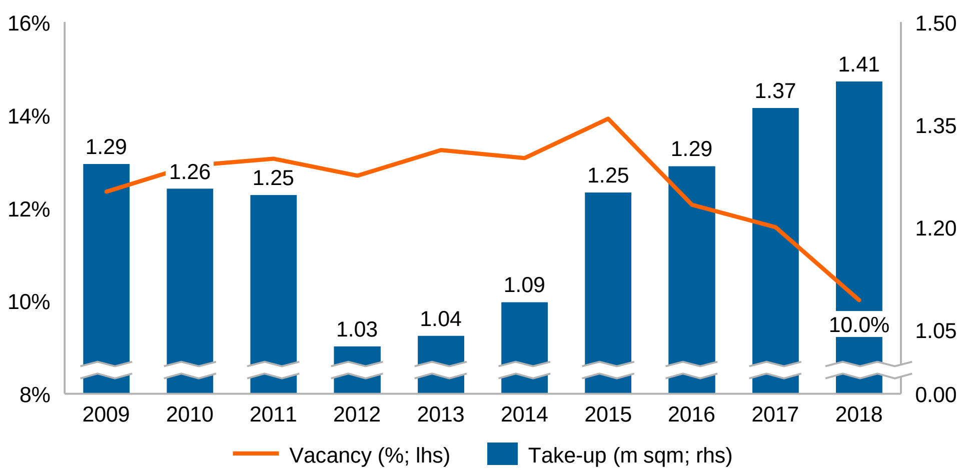
Investment volumes Offices Netherlands (€bn)



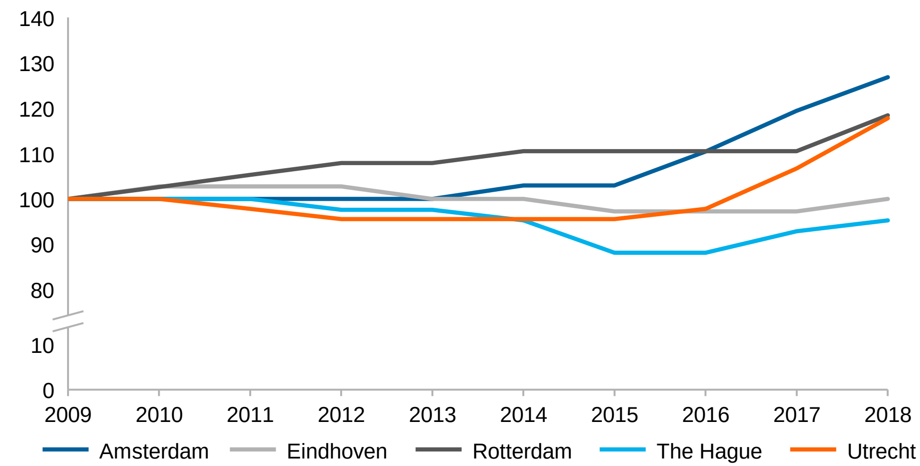
Prime Yields (%)



Vacancy rate and take-up Offices Netherlands



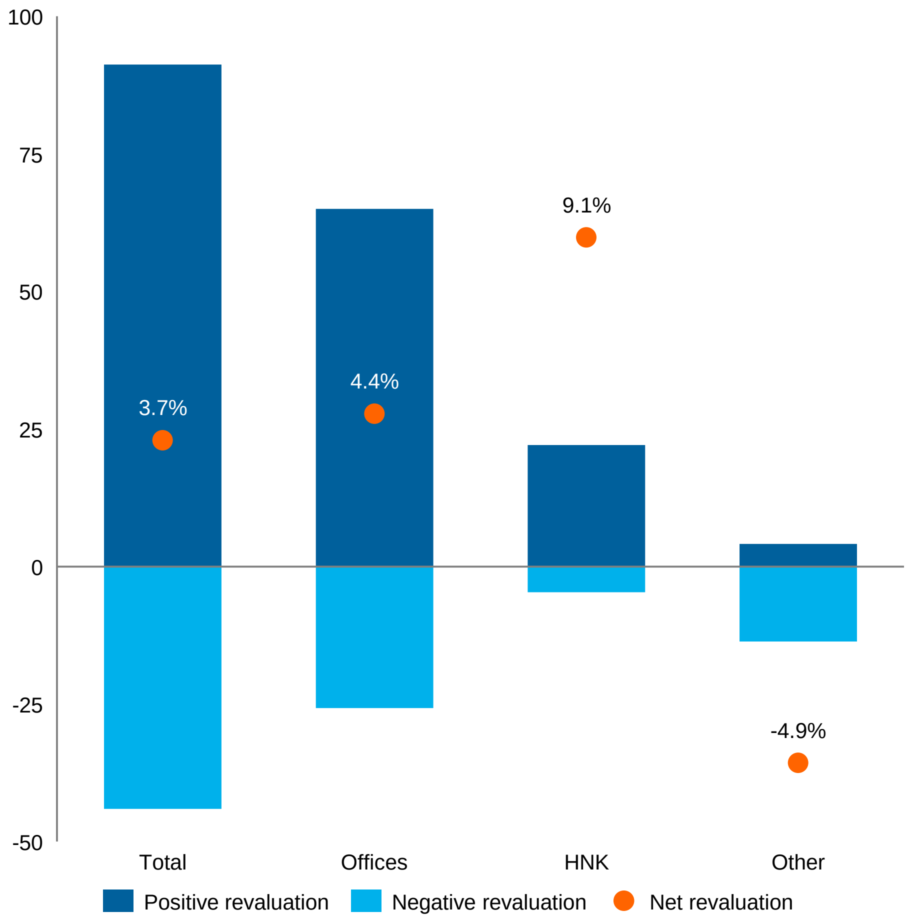
Prime rental growth(1)



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

Revaluations 2018

FY 2018 (€m)



Positive revaluation in 2018

- Total portfolio up 3.7%
- Positive revaluation Amsterdam Offices + HNK 9.1%
- Value growth in Rotterdam, The Hague and Utrecht accelerating ca. 6%
- HNK outperforming up 9.1%

Decline in "Other"

- Other segment down 4.9%
- Driven by continued weakness in Retail

Acquisitions 2018

Four acquisitions for €150m (excl. transfer costs)[1]




Address	Q-Port	Bentinck Huis	Motion Building	Jacobsweerd
City	Amsterdam	The Hague	Amsterdam	Utrecht
Area (sqm)	12,709	6,048	16,231	14,396
Tenant	Multi-tenant	Vacancy	Multi-tenant	Multi-tenant
GIY / NIY	6.6% / 5.9%[2]	YoC >7%[2]	7.2% / 5.9%[2]	6.0% / 5.3%
EPRA Vacancy	25%	100%	29%	0%
WAULT (yrs)	3.4	0.0	2.3	4.6
Energy	A	D	B	B
Acquisition price (€m)	36.8	13.9	47.3	52.1

Notes: 1) All figures at acquisition date
2) Assuming vacancy is let at ERV

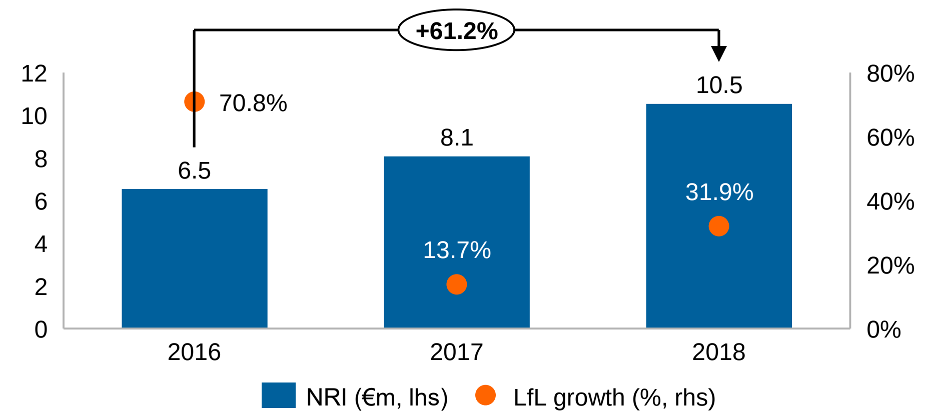
NSI value add: HNK

HNK HET NIEUWE KANTOOR

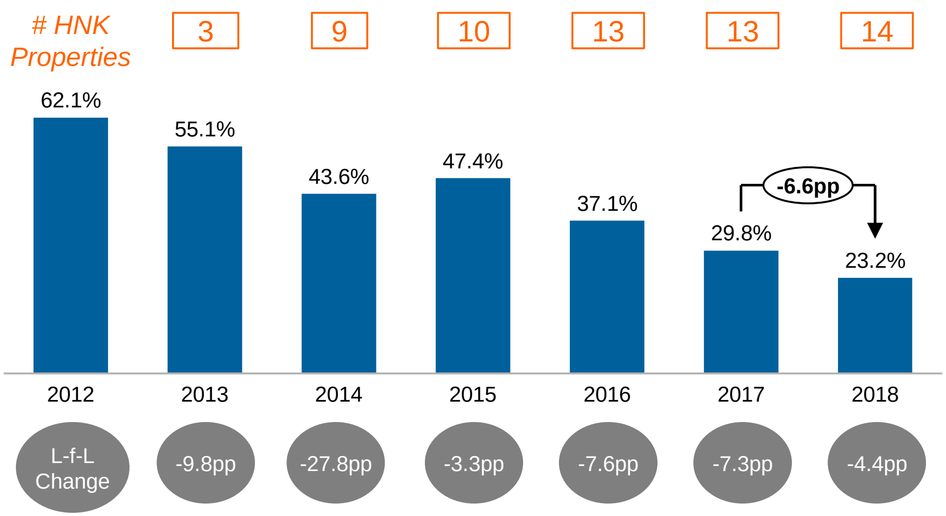
Overview

- EPRA vacancy down 4.4% on like-for-like basis compared to year end 2017
- 14th HNK (Schinkel in Amsterdam) opened in June 2018 with 55% vacancy and was fully let at Year End
- Investments in expanding the number of managed offices in Utrecht CS, Amsterdam Houthavens, The Hague and Ede
- Despite additional sqm the vacancy in the Managed Offices dropped to 11.6%

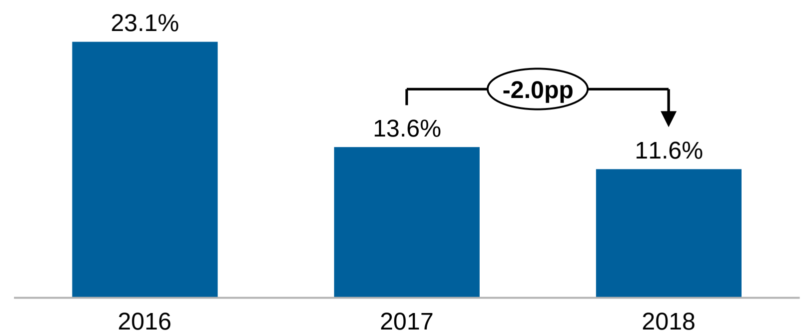
HNK net rental income



EPRA Vacancy rate HNK

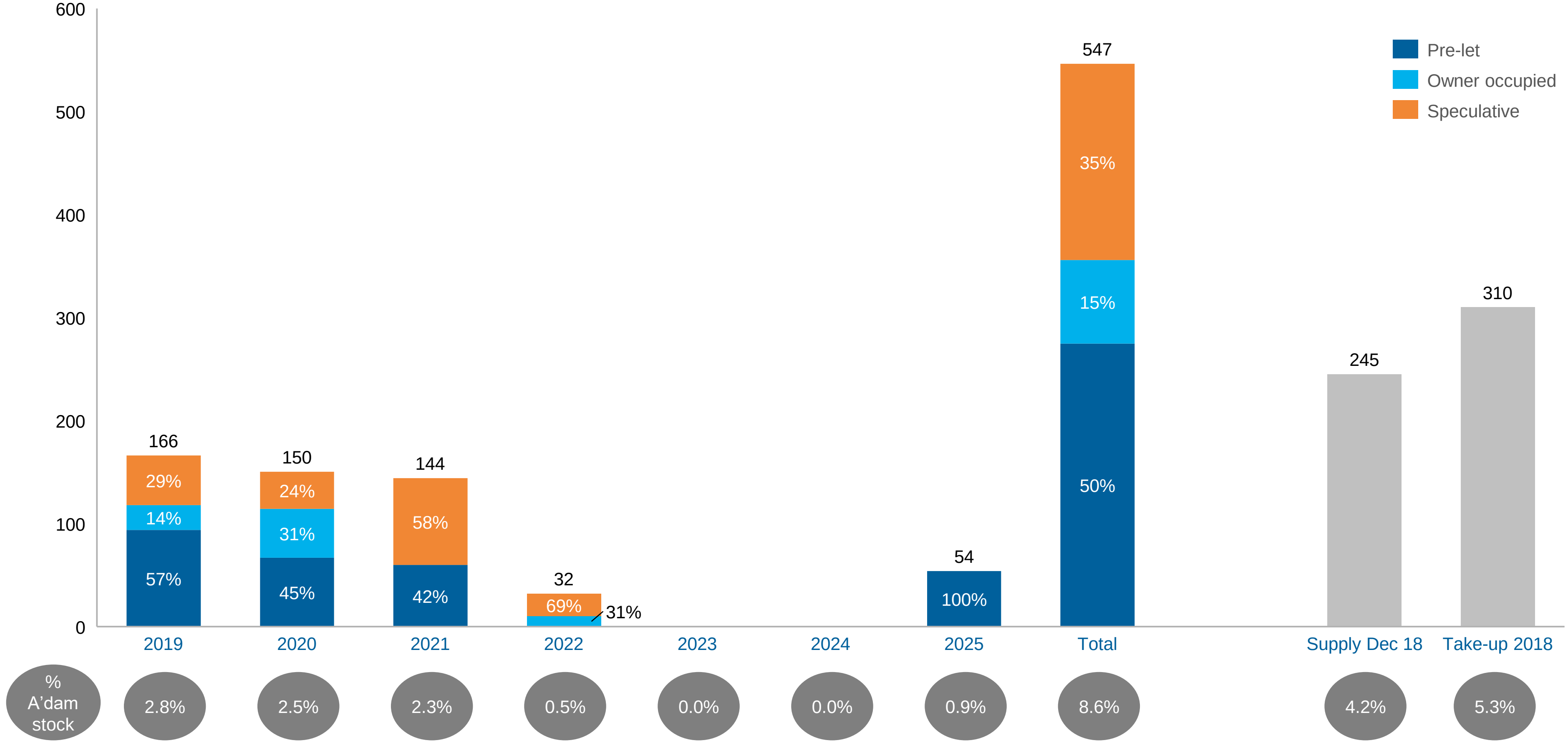


EPRA vacancy Managed offices



Limited development activity in Amsterdam

Amsterdam development pipeline[1] (‘000 sqm)



Additional 110,000 – 250,000 sqm planned which could be added to the development pipeline

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

Substantial long term development pipeline

Project	Location	Current sqm	To be developed sqm	Capex	Phase	Timing
Laanderpoort	Amsterdam Zuidoost	*13,000* [1]	30,000 – 35,000	€ 120m	Initiative & Definition	Earliest start Q2 2020
Centerpoint I & II	Amsterdam Zuidoost	*15,000* [1]	40,000 – 70,000	-	Exploration	-
Motion Building	Amsterdam Sloterdijk	16,500	15,000 – 27,000	-	Exploration	-

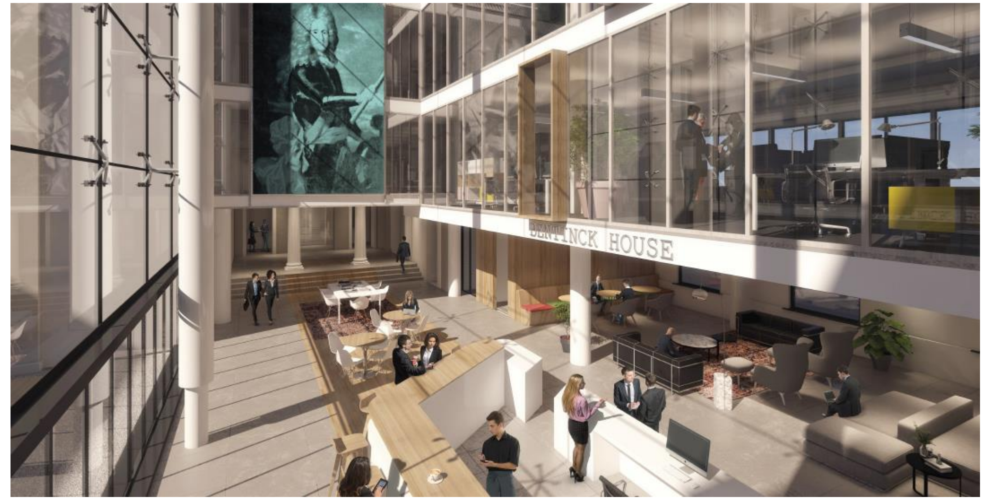
- Overall pipeline €300m+
- All projects subject to property cycle, overall business risk profile, balance sheet capacity, planning and significant pre-lets
- NSI is responsible for financing and leasing risk
- Execution risk (quality and costs) outsourced to third parties

1: Will be demolished

Bentinck Huis

Bentinck Huis

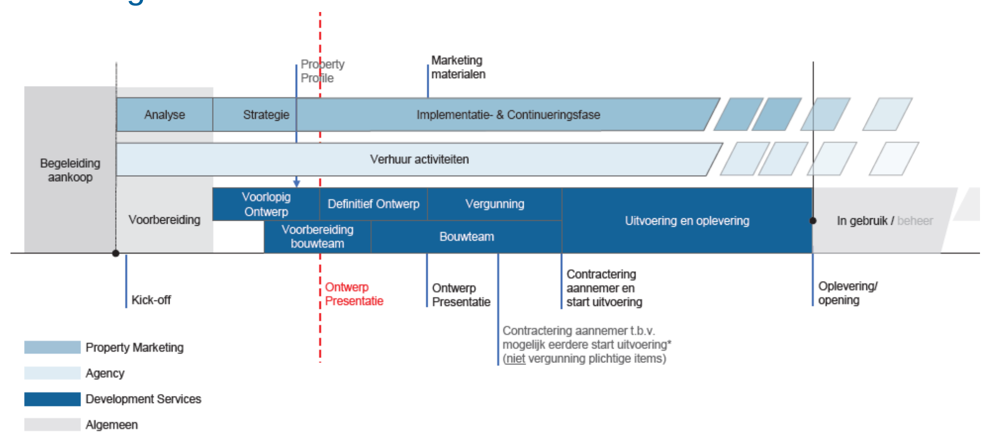
Artist impression



Lange Voorhout 7, Den Haag

- Acquisition date: Q3 2018
- Planned capex: € 5.4 m
- LFA: 6,048 sqm
- EPRA Vacancy: 100%
- Planned completion date: Q1 2020
- Leasing strategy: Creating high quality office supply, suitable for single and multi-tenant strategies

Planning



Bentinck Huis

Current state

Artist impression courtyard

Artist impression atrium

Artist impression rear side

Two potential development projects in Amsterdam South East

Laanderpoort & Centerpoint in strong location close to train station

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 2020
- Estimated capex € 120m

Look and feel

Current building

- Year of construction 1991
- Energy label C
- 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

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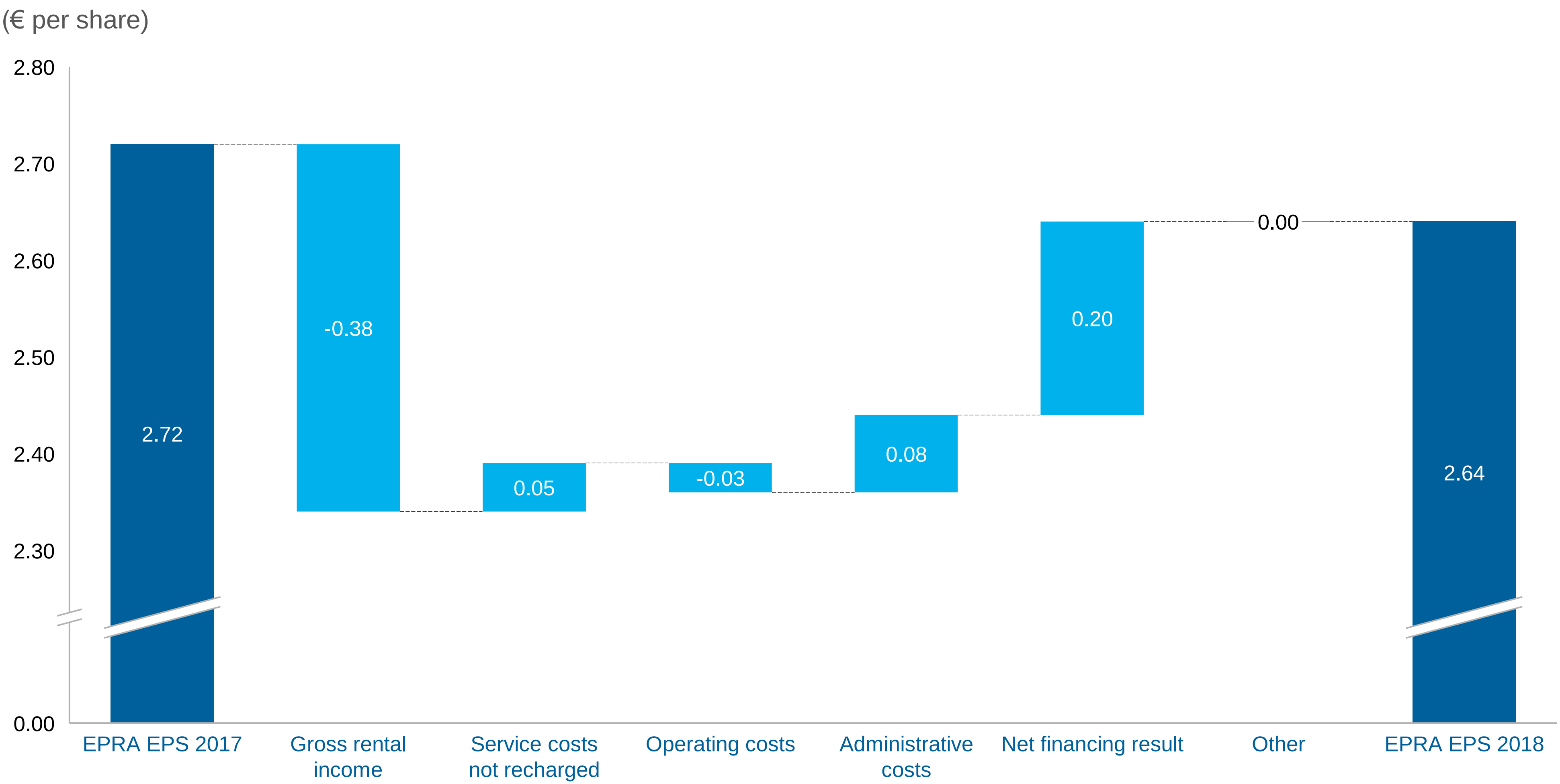
EPRA Earnings

Revenue and earnings (€ ‘000)

	2018	2017	Change %	Comments
Gross rental income	83,721	89,000	-5.9%	lower due to net disposals and negative €2.0m one-off lease termination fee
Service costs not recharged	-1,237	-2,075	-40.4%	lower due to lower vacancy and positive one-offs
Operating costs	-13,256	-12,457	6.4%	higher municipality taxes due to 2017 positive one-offs
Net rental income	**69,228**	**74,468**	**-7.0%**	
Administrative costs	-7,950	-9,170	-13.1%	Lower staff costs
Net financing result	-12,506	-15,859	-21.1%	lower LTV and lower interest rate, includes negative one off €2.1m write off due to IFRS 9
Direct investment result before tax	**48,773**	**49,438**	**-1.3%**	
Corporate income tax	-28	-15	80.9%	
Direct investment result - discontinued		-58	-100%	
Direct investment result / EPRA earnings	**48,745**	**49,365**	**-1.3%**	
Direct investment result / EPRA earnings per share	2.64	2.72	-3.1%	FY 18 includes negative one offs of €0.12

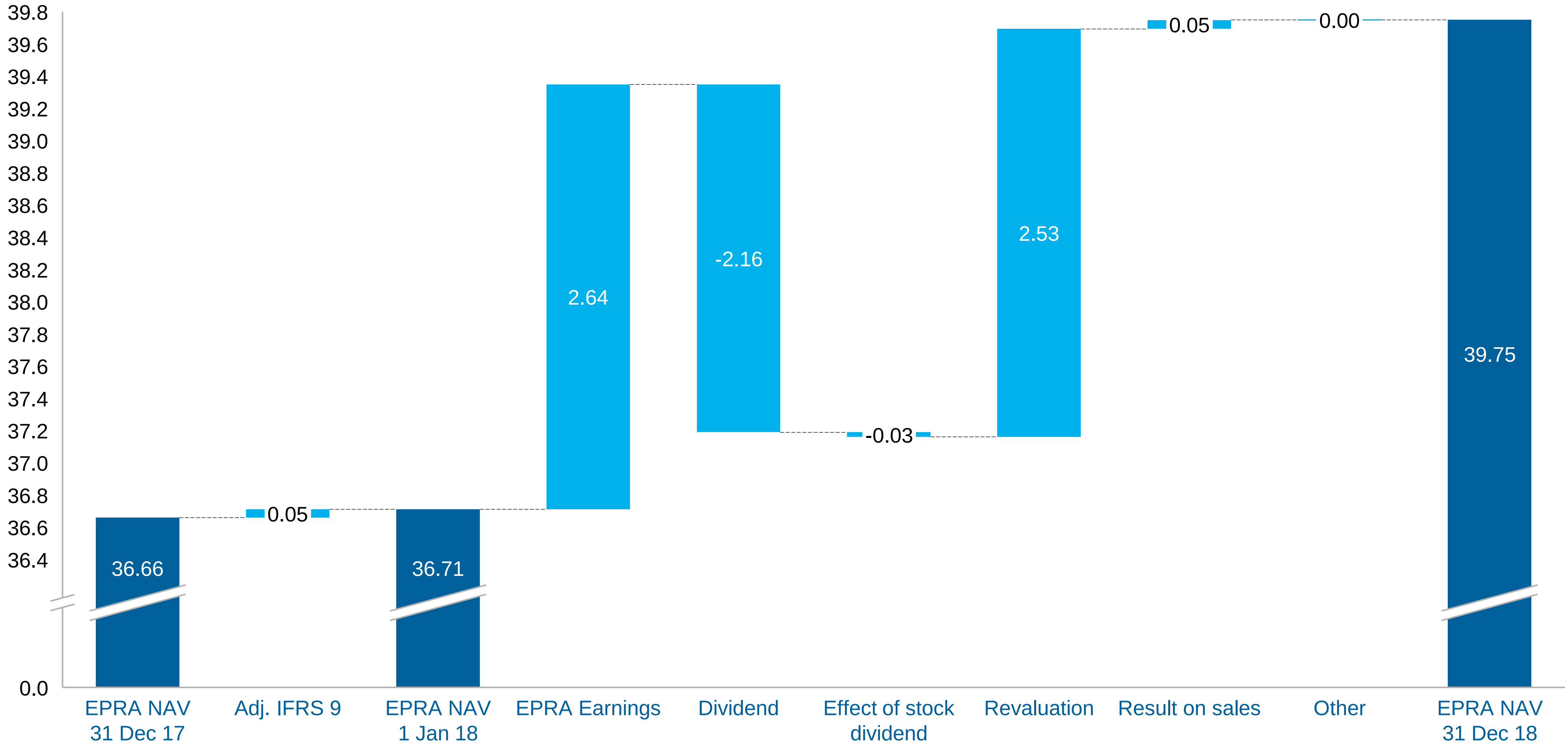
Lower EPRA EPS reflecting net disposals, improved portfolio quality, lower financing costs and €0.12 net one-offs

EPRA Earnings

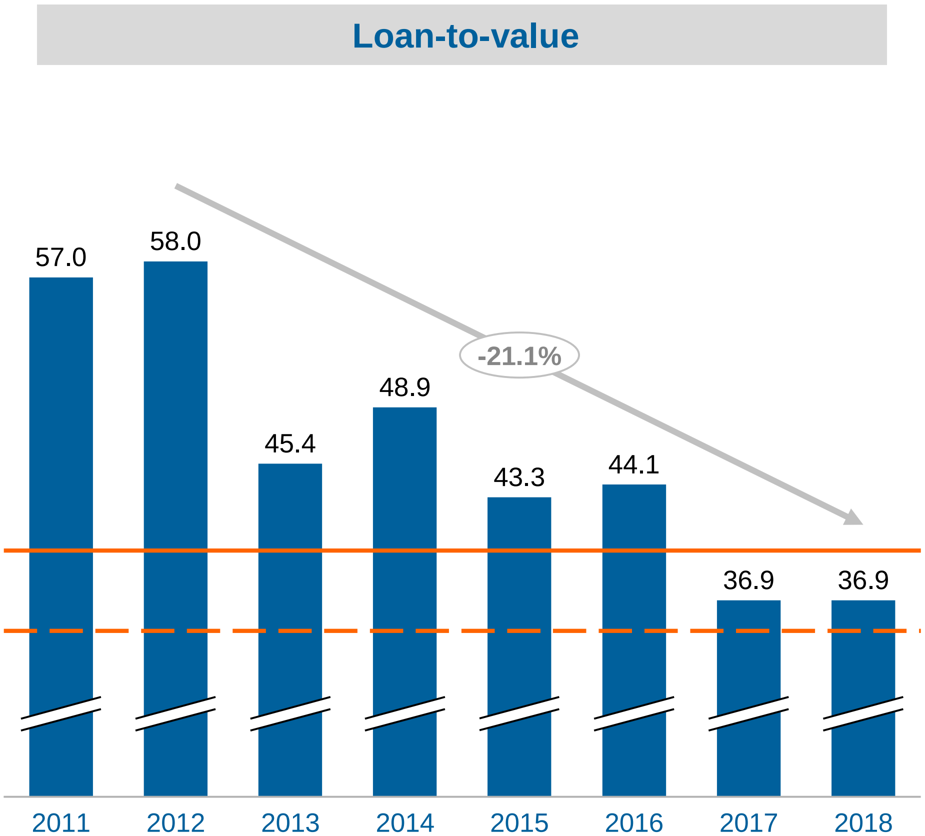


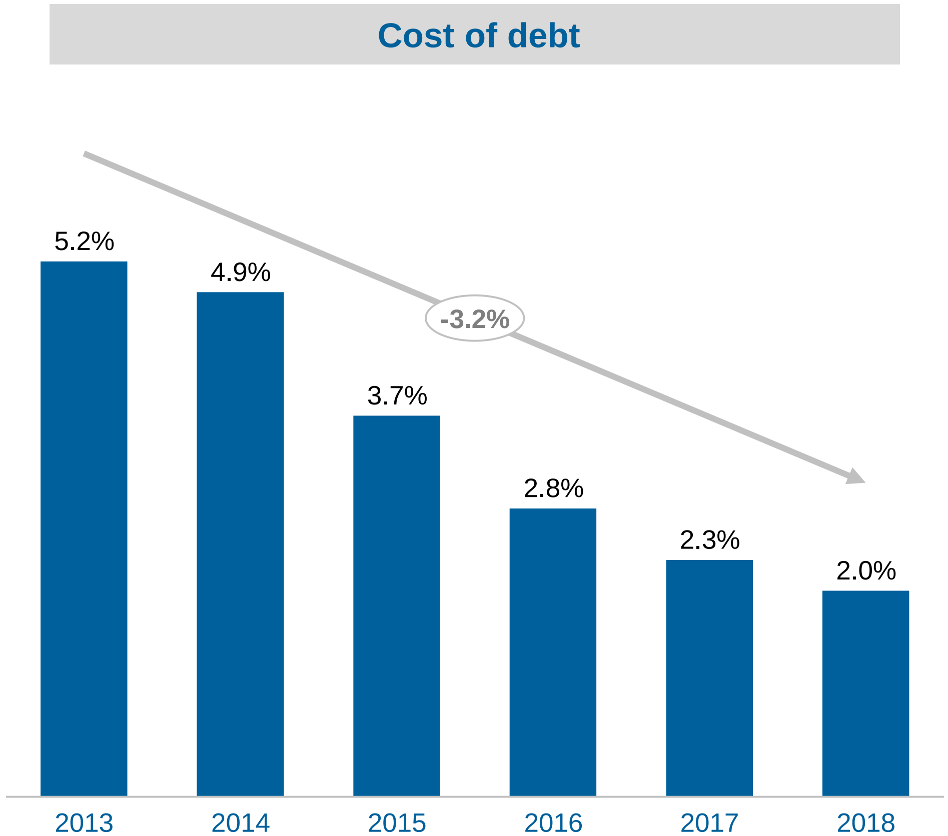
EPRA NAV

(€ per share)



Balance sheet de-risked, cost of debt down





Lower leverage and better quality portfolio resulting in lower financing costs

Extending maturities to prepare for next phase

Refinancing highlights 2018

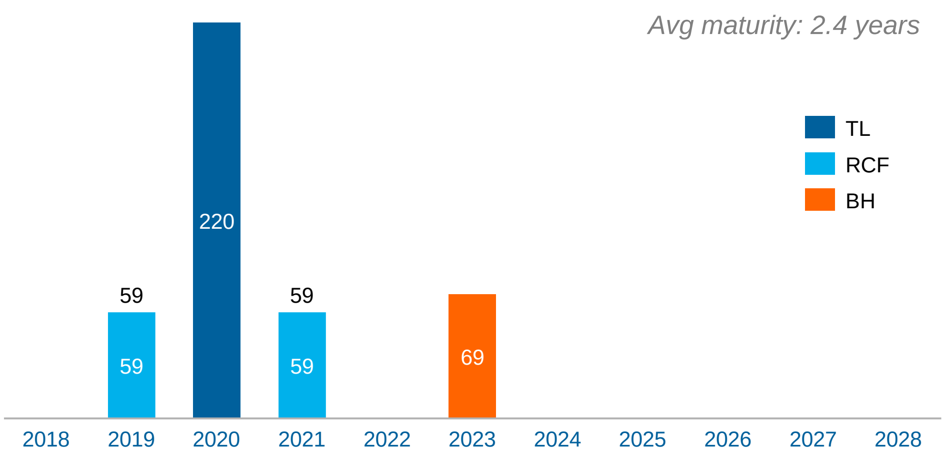
- Most debt refinanced in 2018
- New €40m 8 year unsecured facility with Pricoa signed Jan-18
- New €480m 5 year unsecured syndicated loan facility signed Apr-18
- New €50m 10 year unsecured facility with Barings signed in Oct-18

- Average loan maturity up to 5.0 yrs, no maturities until Apr-23
- Cost of debt down to 2.0%
- 98% fixed rate debt or hedged with swaps
- Committed undrawn facilities 31 Dec 2018: €215m
- Uncommitted undrawn facilities 31 Dec 2018: €270m

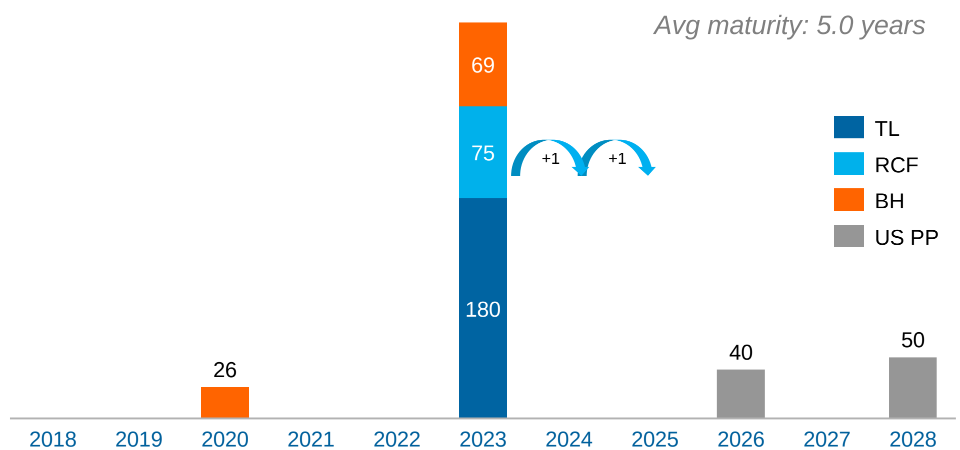
Strategy 2019+

- Extend RCF by 1 year (by using extension option)
- Retain/increase flexibility for asset rotation
- Further extend and diversify maturities
- Further diversify funding sources
- Prepare balance sheet for potential growth

Loans maturity profile Dec 2017 (€m)



Loans maturity profile Dec 2018 (€m)



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Final remarks

- Further asset rotation and vacancy improvements
- Prepare balance sheet for developments
- Strengthen HNK team and offering
- EPRA EPS 2019 €2.40 - €2.50

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Key figures Full Year 2018

€1.2bn
GAV

95
Assets

€84m
Revenue

€49m
EPRA Earnings

100%
Netherlands

€2.64
EPRA Earnings per share

€2.16
Dividend per share

36.9%
Net LTV

€738m
EPRA NAV

€39.75
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	2011	2013	2015	2016	2017	2018
Corporate Highlights	NSI founded	NSI Listed	Dutch REIT status	Merger with Vastned O/I	Successful €300m recapita-lisation	€550m Refinancing	Significant reduction in secured assets	8-year unsecured USPP; Implied IG[1] credit rating	Successful €480m refinanced syndicated loan facility
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)
						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)
									3 new developments introduced (€300m+)

Further progress

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

[1] IG = Investment Grade

Key portfolio metrics

	Dec 18				Dec 17
	Offices[1]	HNK	Other[1]	Total	Total
Number of properties	67	14	14	95	126
Market value (€m)	881	210	124	1,214	1,108
Market value (€ psm)[2]	2,233	1,639	1,520	2,012	1,639
Contracted rent (€m)[3]	59	17	11	87	87
ERV (€m)	68	23	11	102	105
Lettable area (‘000 sqm)	394	127	81	603	676
EPRA Vacancy rate	11.1%	23.2%	11.2%	13.8%	18.4%
WAULT (years)	4.6	3.2	5.1	4.4	4.7
Average rent/sqm (€ p.a.)	179	188	165	179	169
EPRA net initial yield	5.1%	4.6%	6.9%	5.2%	5.5%

1: Bentinck Huis, classified as development, excluded from ERV and EPRA vacancy
2: At market value; reported in the balance sheet at book value excluding lease incentives and part of NSI HQ in own use
3: Before rent free and other lease incentives

Offices split

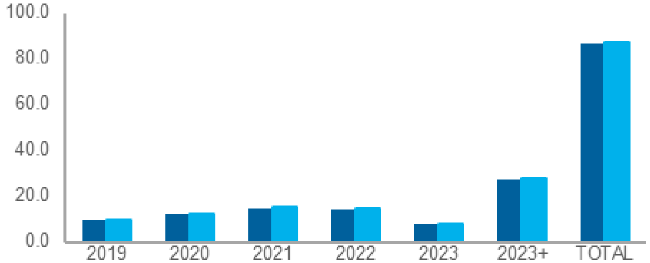
		G4	Other Randstad	Other NL
Number of properties	(#)	33	19	15
Market value	(€m)	677	103	101
Market value	(€ psm)	2,960	1,340	1,136
Annual contracted rent	(€m)	41	9	9
ERV	(€m)	47	10	10
Reversion	(%)	7.0%	-6.1%	-10.7%
Lettable area	('000 sqm)	229	77	89
EPRA Vacancy	(%)	7.2%	17.5%	22.4%
WAULT	(yrs)	4.9	4.0	3.7
Average rent/sqm	(€ p.a.)	201	149	138
EPRA net initial yield	(%)	4.7%	6.8%	6.4%

Yields

	EPRA Net Initial Yield		EPRA Gross Initial Yield		Reversionary Yield	
	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17
Offices	5.1%	5.8%	6.7%	7.8%	7.7%	9.1%
HNK	4.6%	3.9%	8.0%	8.0%	10.8%	11.9%
Other	6.9%	6.0%	8.9%	8.1%	9.2%	8.6%
Total	**5.2%**	**5.5%**	**7.1%**	**7.9%**	**8.4%**	**9.5%**

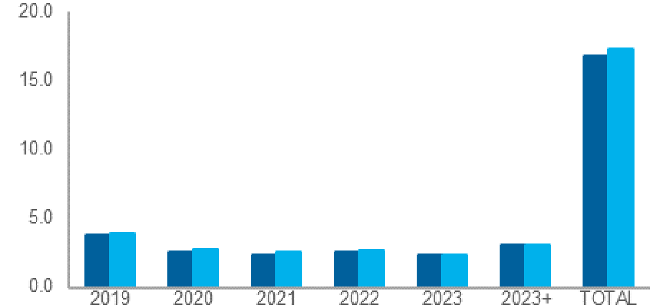
Expiries and reversion

Total portfolio (€m)



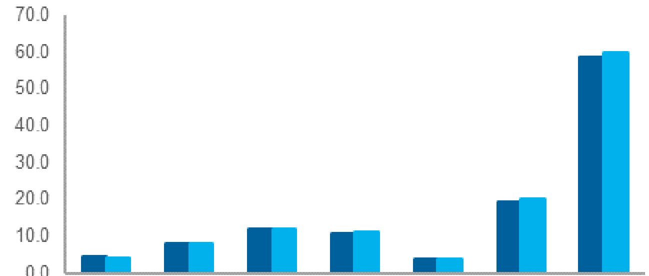
	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	9.6	12.4	15.1	14.2	8.1	27.0	86.4
ERV	9.5	12.0	15.3	14.7	7.9	27.8	87.3
# Contracts	467	162	139	123	106	128	855
Reversion	-1.1%	-2.7%	1.9%	3.4%	-1.5%	2.8%	1.1%

HNK portfolio (€m)



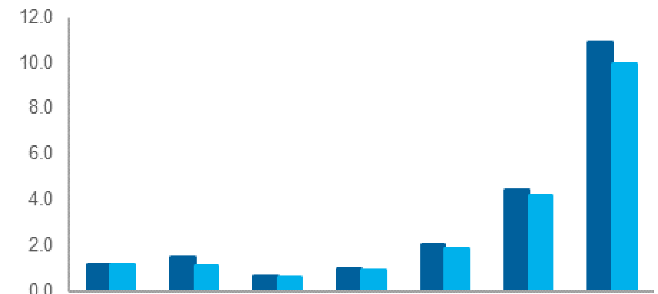
	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	3.8	2.6	2.4	2.5	2.3	3.1	16.8
ERV	3.9	2.8	2.6	2.6	2.3	3.1	17.3
# Contracts	374	61	45	40	23	29	572
Reversion	1.4%	8.6%	9.1%	2.6%	-0.1%	-0.5%	3.2%

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%

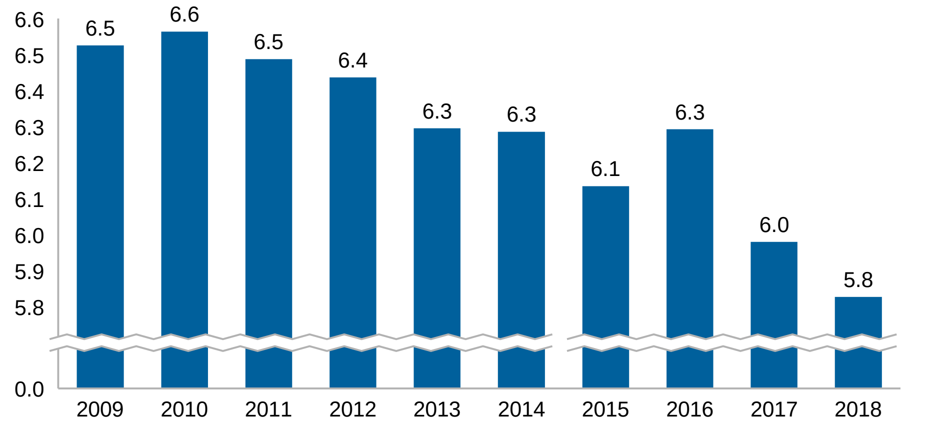
Other portfolio (€m)



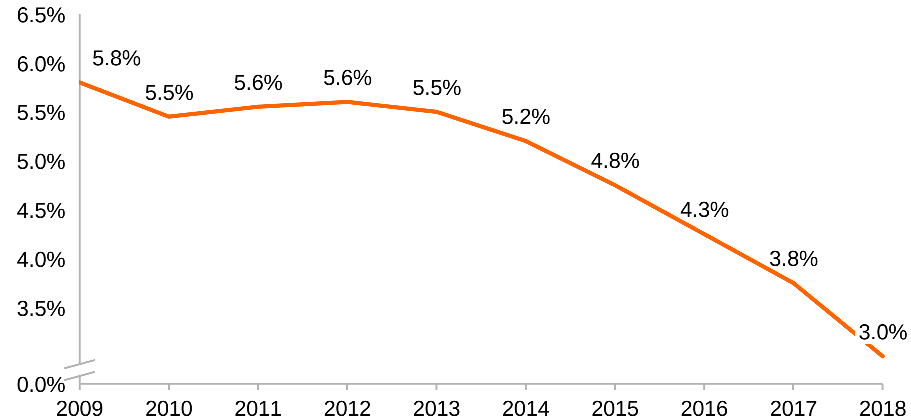
	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	1.2	1.5	0.7	1.0	2.0	4.5	10.9
ERV	1.2	1.1	0.6	0.9	1.9	4.2	10.0
# Contracts	54	54	54	54	54	54	54
Reversion	0.4%	-24.4%	-10.9%	-6.9%	-8.1%	-5.5%	-8.4%

Amsterdam office market

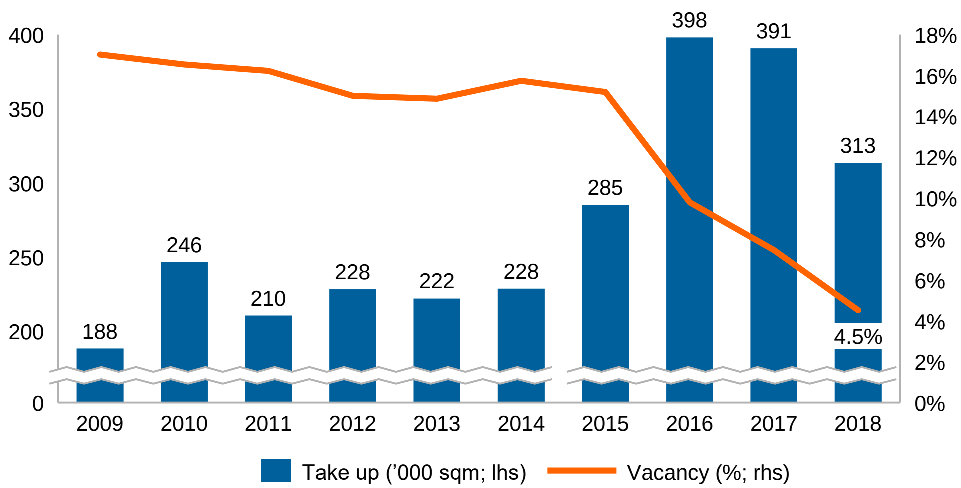
Stock (m sqm)



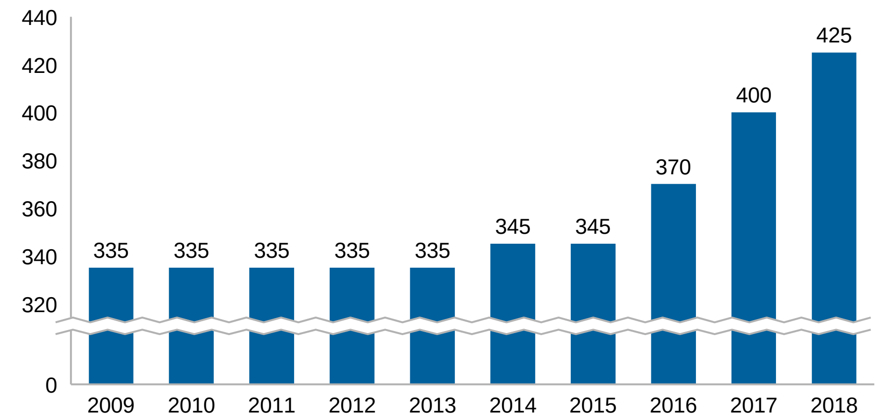
Prime yields



Vacancy rate and Take-up



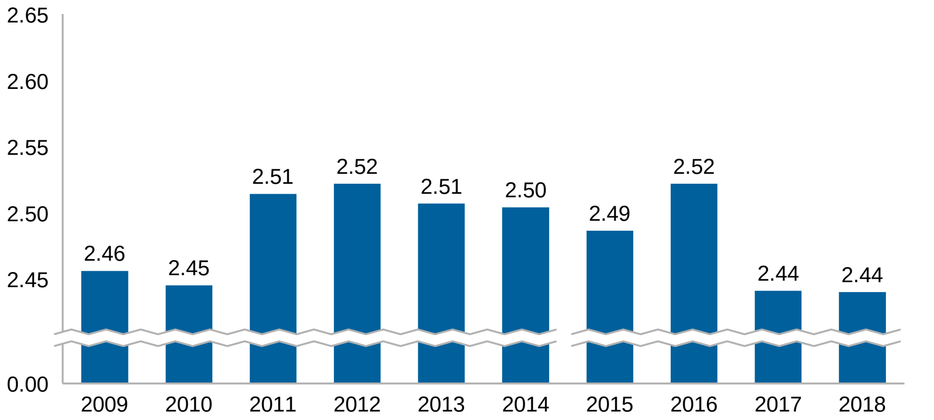
Prime rent (€)



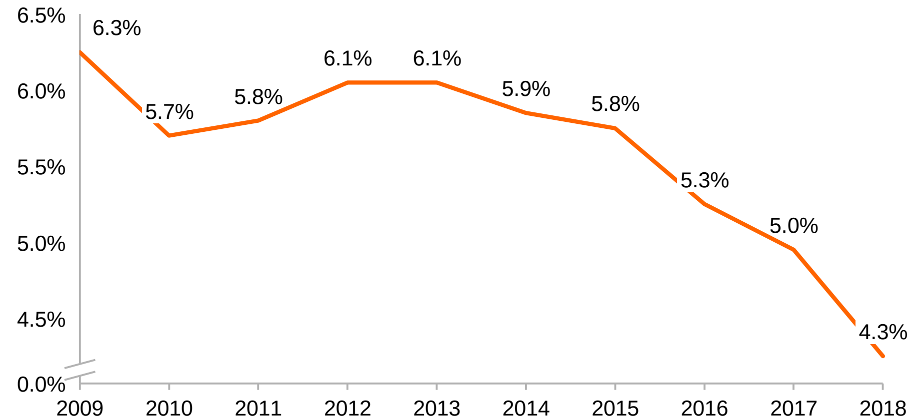
Source: JLL

Utrecht office market

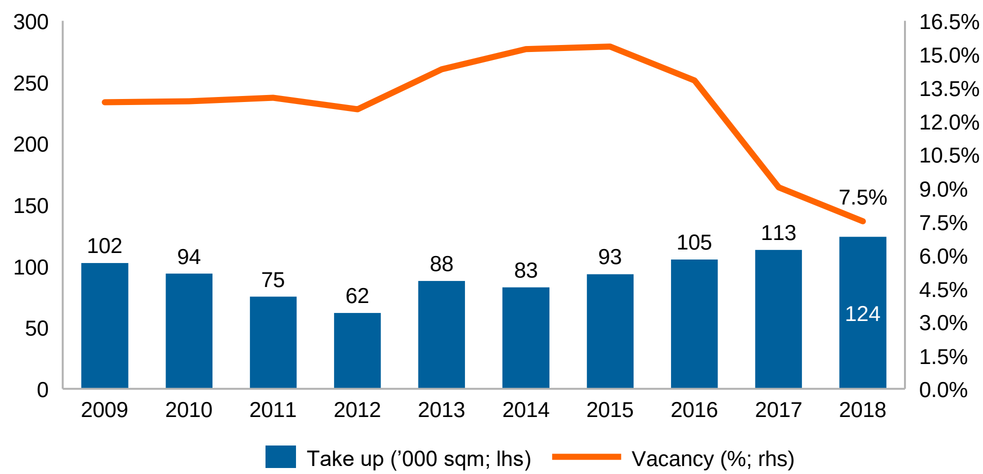
Stock (m sqm)



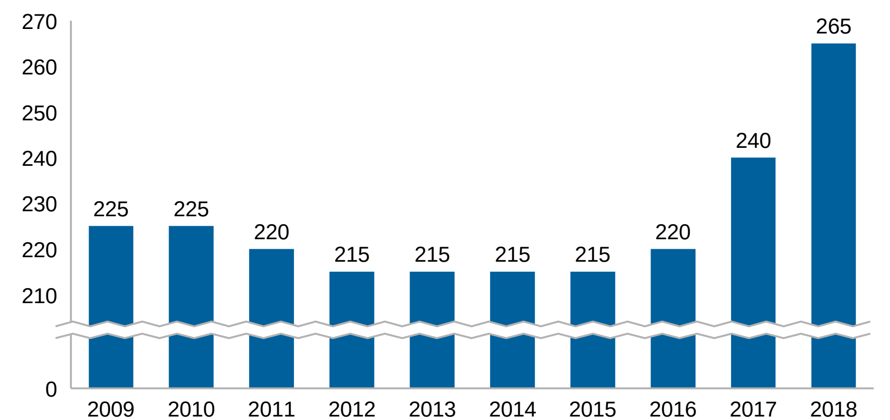
Prime yields



Vacancy rate and Take-up



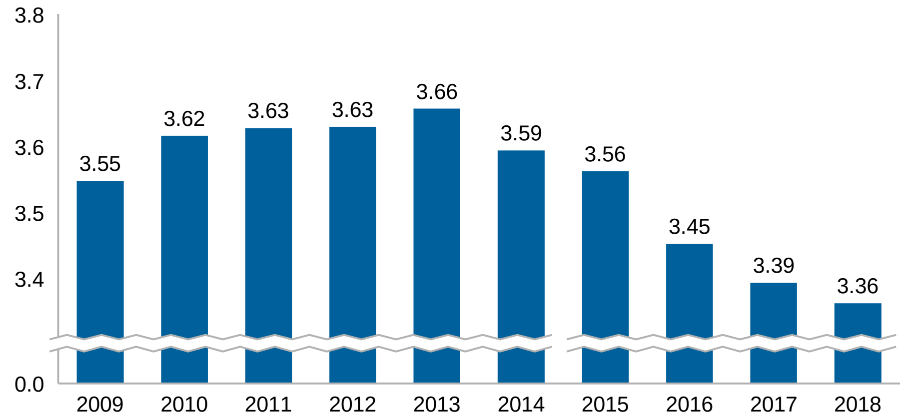
Prime rent (€)



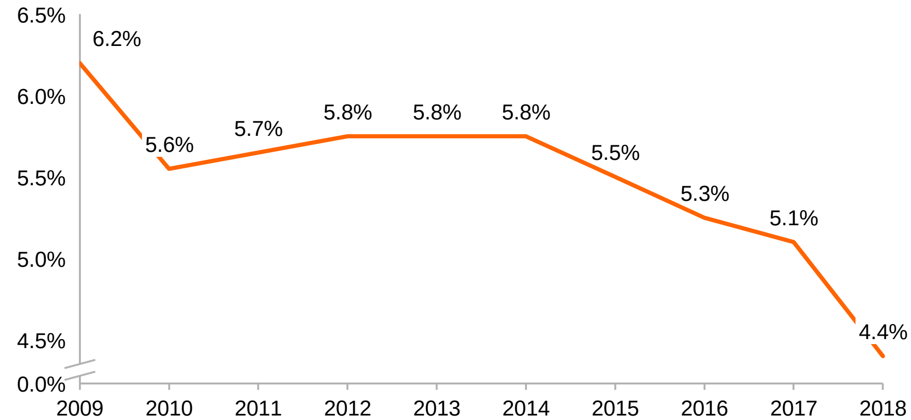
Source: JLL

Rotterdam office market

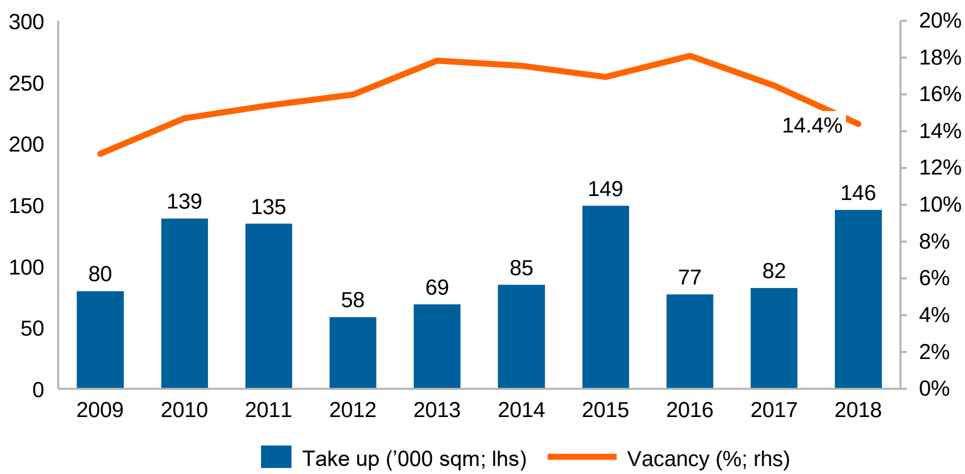
Stock (m sqm)



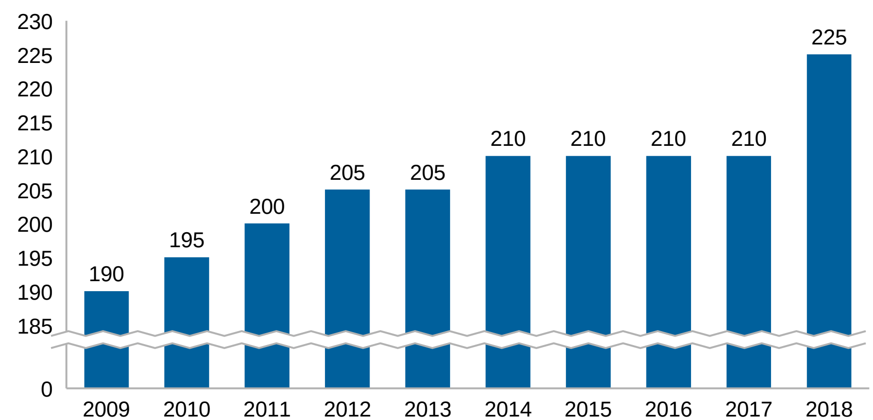
Prime yields



Vacancy rate and Take-up



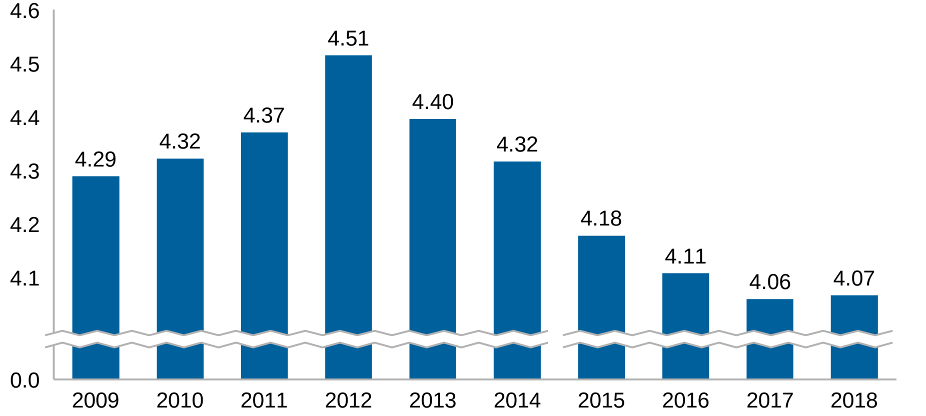
Prime rent (€)



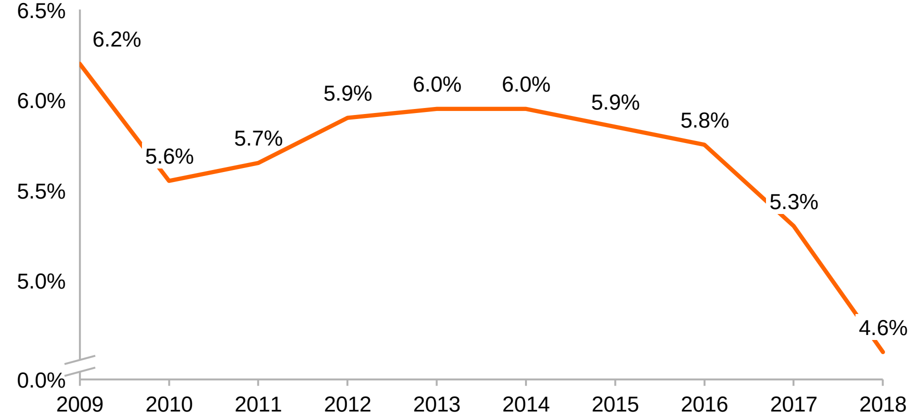
Source: JLL

The Hague office market

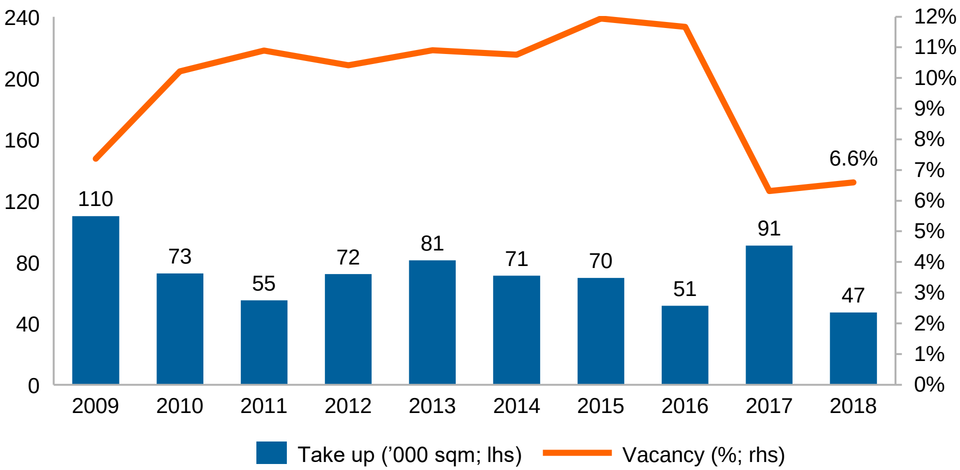
Stock (m sqm)



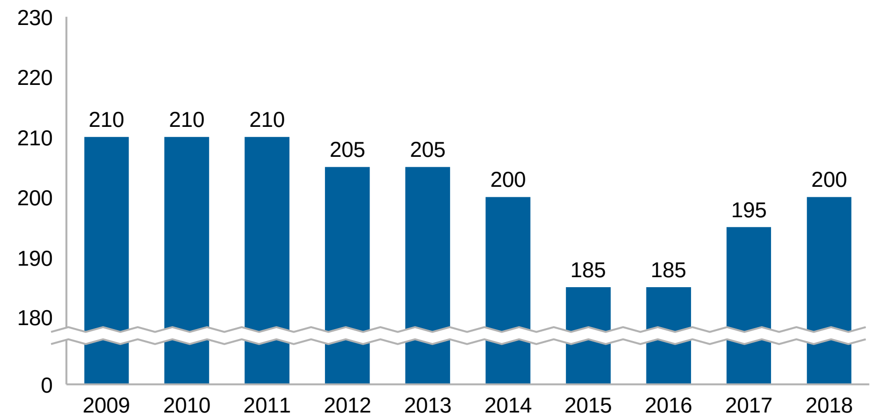
Prime yields



Vacancy rate and Take-up ('000 sqm)



Prime rent (€)



Source: JLL

Segment information

Segment split income statement 2018 (€ ‘000)

	Continuing operations				
	Offices	HNK	Other	Corporate[1]	TOTAL
Gross rental income	53,437	15,364	14,920		83,721
Service costs not recharged	-993	-61	-183		-1,237
Operating costs	-6,554	-4,771	-1,931		-13,256
Net rental income	**45,890**	**10,532**	**12,806**		**69,228**
Revaluation of investment property	39,225	16,978	-9,786		46,418
Net result on sale of investment property	1,790		-949		841
Net result from investment	**86,906**	**27,510**	**2,071**		**116,488**
Administrative costs				-7,950	-7,950
Other income and costs				18	18
Net financing result				-17,003	-17,003
Result before tax	**86,906**	**27,510**	**2,070**	**-24,933**	**91,553**
Corporate income tax				-28	-28
Total result for the year	**86,906**	**27,510**	**2,070**	**-24,961**	**91,525**
Other comprehensive income					
Total comprehensive income for the year	**86,906**	**27,510**	**2,070**	**-24,961**	**91,525**

1 The segment “Corporate” reflects costs and revenues that are not directly tied to properties

Balance sheet

Balance sheet (€ ‘000)

	31 December 2018	31 December 2017
Real estate investments	1,202,691	1,072,180
Assets classified as held for sale	3,940	28,791
Other assets	9,684	10,472
Cash and cash equivalents	245	6,827
Total assets	**1,216,559**	**1,118,269**
Shareholders' equity	733,283	672,688
Interest bearing loans	436,407	404,708
Debts to credit institutions	10,497	9,873
Other liabilities	36,373	31,001
Total liabilities	**483,277**	**445,582**
Total shareholders' equity and liabilities	**1,216,559**	**1,118,269**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