

nsi



Half Year Results

-29 July 2016-

nsi



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NSI – HIGHLIGHTS FIRST HALF 2016

Highlights

Strategy: continued focus on improving quality of portfolio

- Acquisition of office property Glass House (€ 57 mio)
 - Larger capital allocation in targeted cities (Amsterdam from 24% to 30%, G4 from 52% to 56%)
 - Increasing average size per property to increase effectiveness
- Sale of almost entire industrial portfolio and multiple office assets (€56.8 mio)
- Sale of the remaining interest (15.2%) in IOW
- Agreement to release securities related to bank funding (€450 mio) as per 1 September 2016

Financial

- Occupancy rate of total portfolio increases to 78.4% (31 March 2016: 78,1% m 30 June 2015: 77.8%)
- Direct Result Dutch activities increases 16% to €20.0 mio (30 June 2015: €17,0 mio), despite IFRIC
- Further reduction of financing costs to €10,1 mio (HY 2015: €13.7 mio)
- Stable development of valuations for third consecutive half year
- Interim dividend €0.13 per share; pay out of 90% of direct result

Operational

- HNK continues to perform strongly
- Offices and retail showed a slightly positive organic development on gross rent Q2 16 vs Q1 16, though negative HY16 vs HY 15 (l-f-l)
- New CEO to be appointed in EGM 25 August 2016



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STRATEGY – UPDATE ASSET ROTATION

Further implementation of asset rotation by dispositions of assets

- **Disposition of:**

- Remaining position IOW (15.2%) €53.5 mio
- Almost entire industrial portfolio €48.1 mio
- 4 smaller non strategic office buildings (Zoetermeer, Breda and two in Zwolle) € 8.1 mio

Dispositions



Disposition of assets

Proceeds and yields

Assets	sqm	Transfer date	# of assets	Sales proceeds in € mio	Book value	Sales/ book value	Gross rent in € mio	Gross rent / Book value
A. Industrial portfolio*	80,500	1-4-2016	20	48.1	53.2	90.4%	5.0	9.5%
B. Smaller assets	10,900	In H1-16	4	8.1	7.6	106%	1.1	14.4%
C. Other				0.6				
A + B + C	91,400		24	56.8	60.8	92.4%	6.1	10%

* including ground position Belgium

Risk and quality

- Investment focus on Dutch office market, improving quality of the portfolio
- Industrial portfolio:
 - 20 dated (on average small) buildings , EUR 4 million CAPEX required in the short term
 - WAULT : 3,1 year
 - Ca 30% of the rental income related to 1 tenant, will leave in 2018
- Smaller Assets:
 - 4 smaller assets , JLL score very low : overall 39,9%
 - Poor market conditions, not expected to improve
 - WAULT : 2,1 year

Further implementation of asset rotation by acquisition of assets

- **Acquisition of:**
 - Glass House

€57 mio (excluding purchasing costs)

Acquisition



Acquisition of assets

Investment and yields

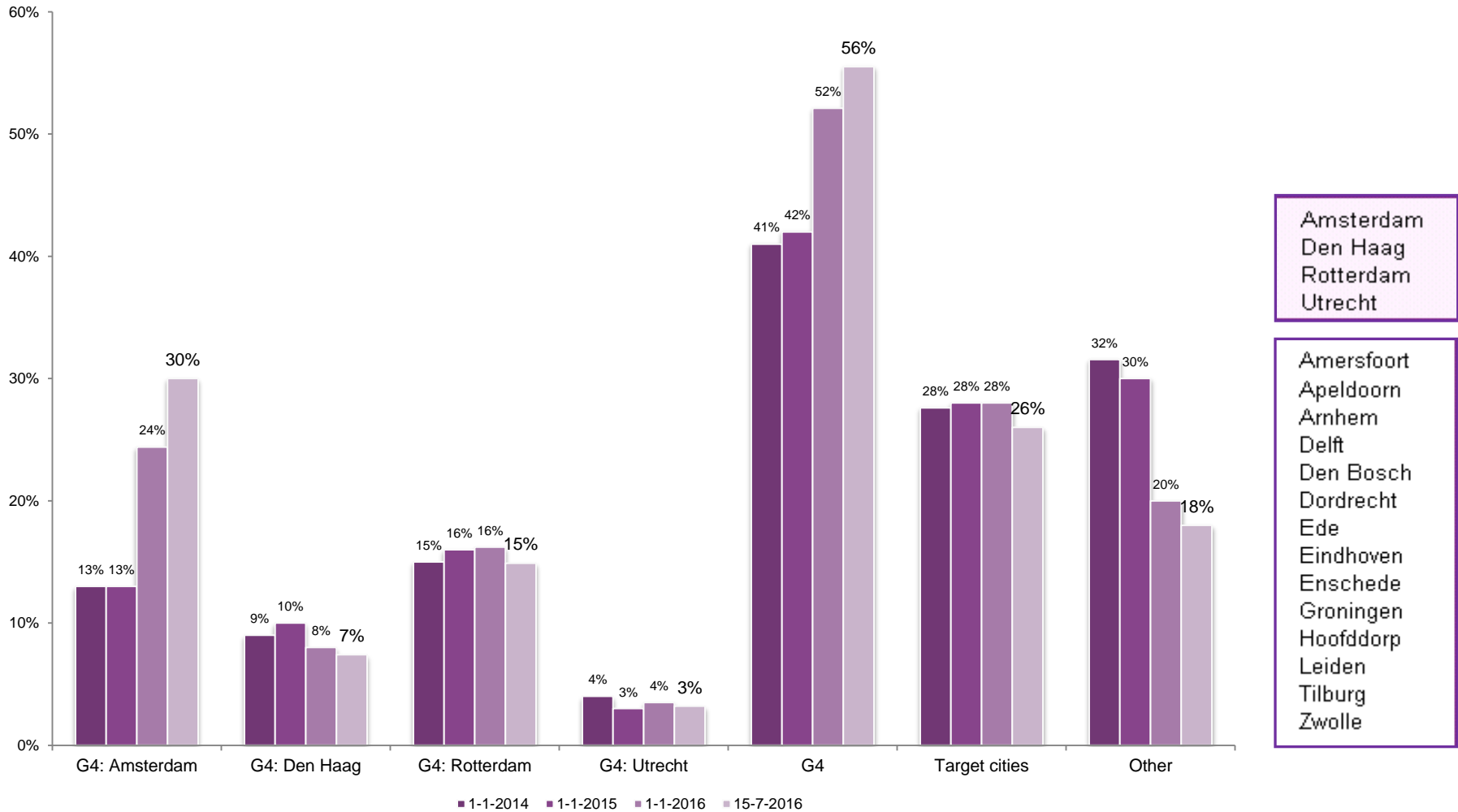
Assets	sqm	Transfer date	# of assets	Acquisition price in € mio	External valuation	Acquisition price / market value	Gross rent in € mio	Gross rent / Book value
Glass House	23,000	15-7-2016	1	57.0	60.0	95%	6.5	11.3%

- WAULT : 3,2 year
- Market rent is €4.6 mio
- Yield on market rent ca 8,1%
- Acquisition price + purchasing costs: € 60.7 mio

Risk and quality

- Strategic location next to train station Amsterdam Sloterdijk
- JLL score 63,6 %
- Fully leased to a solid tenant KPN
- Strong HNK potential
- Further strengthening focus on target cities , Amsterdam in particular

Migrating to targeted office locations (after Glass House)



3a

OPERATIONAL PERFORMANCE - OFFICES

Operational highlights total offices

Offices ((Including HNK)	Q2 2016	Q1 2016	Q2 2015	2015
Gross Rental income (€ million)	€15.2	€14.2	€12.6	€51.1
Occupancy rate in %	74.8%	74.3%	71.7%	73.6%
Effective rent level new leases (12 months rolling) in € per sqm	€156	€143	€123	€135
Effective rent level per sqm total portfolio (€ / sqm)	€155	€157	€145	€161
Like-for-like growth gross rental income in %	-3.3%	-5.0%	-6.7%	-6.9%

- Steadily improving occupancy rates total office portfolio
- Effective rent level new leases over 12 months of total offices on par with average effective rent level in portfolio

Operational highlights offices

Offices (Excluding HNK)	Q2 2016	Q1 2016	Q2 2015	2015
Gross Rental income (€ million)	€12.1	€11.5	€12.6	€43.1
Occupancy rate in %	78.8%	79.7%	73.8%	76.7%
Take up / supply ratio (12 months rolling in %)	13%	17.4%		18.5%
Effective rent level new leases (12 months rolling) in €/sqm	€116	€106	€107	€107
Effective rent level per sqm total portfolio (€ / sqm)	€151	€153	€144	€157
Like-for-like growth gross rental income in %	-6.2%	-9.1%	-7.8%	- 11.5%
WAULT	4.9y	5.1y	4.2y	5.1y

- Strong y-o-y improvement occupancy rate due to asset rotation;
- Stable development effective rent level new leases
- Negative l-f-l growth mainly due to expiries; positive organic GRI development in Q2 16 vs Q1 16
- 5% of the office contracts can expire in remaining months of 2016

Operational highlights HNK

HNK	Q2 2016	Q1 2016	Q2 2015	2015
Gross Rental income (€ million)	€3.1	€2.6	€2.3	€8.0
Occupancy rate in %	62.2%	57.0%	62.3%	59.6%
Take up / supply ratio (12 months rolling in %)	40%	39%	%	45%
Effective rent level new leases (12 months rolling) in € per sqm	€177	€166	€171	€165
Effective rent level per sqm total portfolio (€ / sqm)	€178	€180	€167	€188
Like-for-like growth gross rental income in %	20.9%	12.8%	29.7%	18.6%
WAULT	3.1y	3.2y	2.8y	3.1y

- HNK continues to perform strongly
 - Consistent strong take up at above market average rent levels
 - HNK Utrecht Central Station fully leased up in 9 months
- L-f-l growth in HNK expected to largely compensate negative l-f-l growth in traditional offices
- NSI expects to have 16 HNK's within 6-9 months
 - HNK Amsterdam Arena expected to open in 2nd half of 2016
 - More strict criteria for quality location
 - 3 more properties in current portfolio suitable for transformation in G4 cities
 - NSI is actively exploring opportunities to acquire properties for the HNK roll out in Utrecht and Amsterdam

3b

OPERATIONAL PERFORMANCE - RETAIL

Operational highlights Retail

Retail	Q2 2016	Q1 2016	Q2 2015	2015
Gross Rental Income (€ million)	€6.4	€6.4	€7.1	€27.9
Occupancy rate in %	85.1%	85.3%	87.1%	84.4%
Effective rent level new leases (12 months rolling) in € per sqm	€171	€199	€204	€215
Effective rent level per sqm total portfolio (€ / sqm)	€179	€179	€179	€178
Like-for-like growth gross rental income in %	-6.5%	-8.0%	3.1%	4.3%
WAULT	4.4y	4.4y	4.6y	4.6y

- Stable development occupancy rate and rent levels
- 4% of the retail contracts can expire in remaining months of 2016



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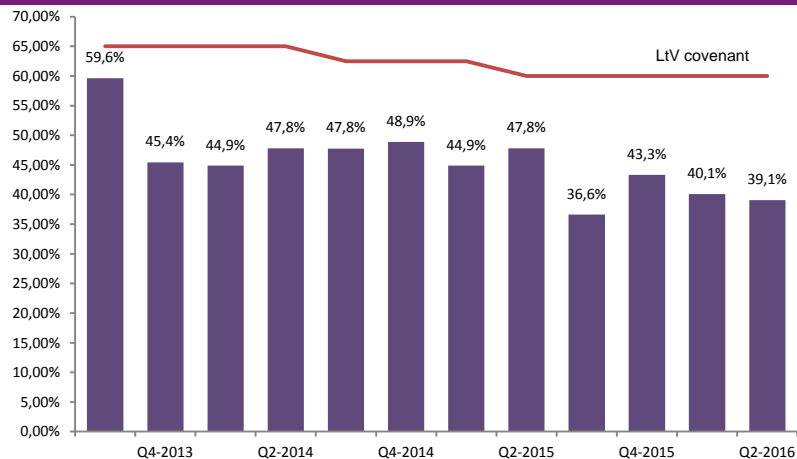
FINANCIAL

Strategic financing advancing according to plan: focus on flexibility, refinancing and reducing financing costs successfully concluded

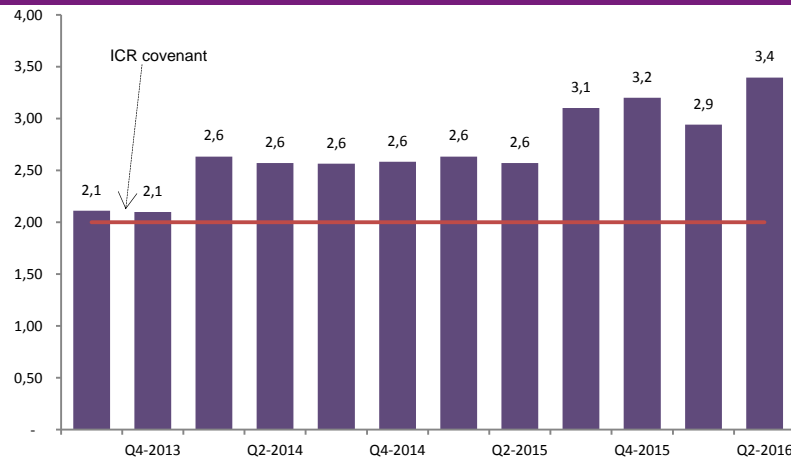
Status 30-06-2016	
Funding diversification	<ul style="list-style-type: none"> ▪ 22% of outstanding debt financed by institutional investors ▪ New 7-years Pfandbrief funding at a 1.67% margin
Reduce financing cost	<ul style="list-style-type: none"> ▪ Total financing cost H1-16 decreased with 29% compared to H1-15 and 34% compared to H1-14 ▪ Expected cost of debt towards 3.4% per Q3-16
Refinancing risk	<ul style="list-style-type: none"> ▪ Refinancing for the years 2016 and 2017 has been covered. First new refinancing momentum is Feb-2018 ▪ Maturity 4.2 years
Available committed facilities*	<ul style="list-style-type: none"> ▪ H1-2016: EUR 203 mln ▪ Current: EUR 95 mln + EUR 50 mln extension option
Move to unsecured financing	<ul style="list-style-type: none"> ▪ Per 1 September 2016 securities related to the bank funding (€450 million) be released. As a consequence, 28% of committed facilities will be secured by collateral.

Covenants and maturity profile

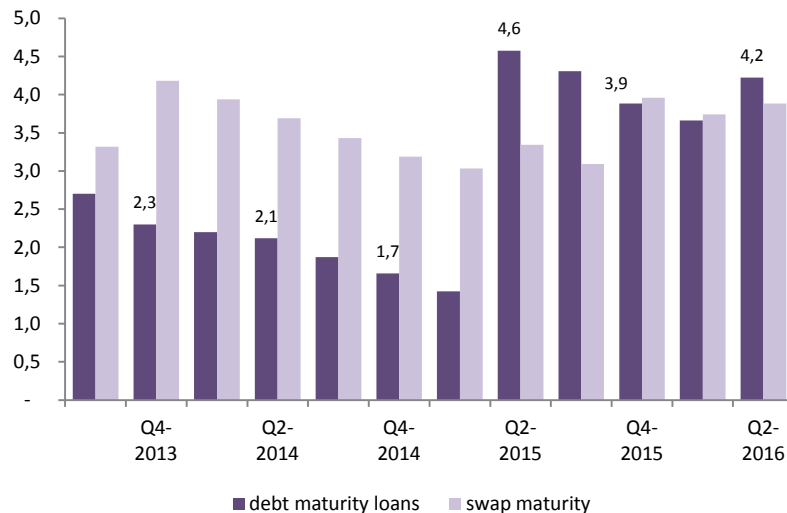
Loan-to-Value (LTV) (%)



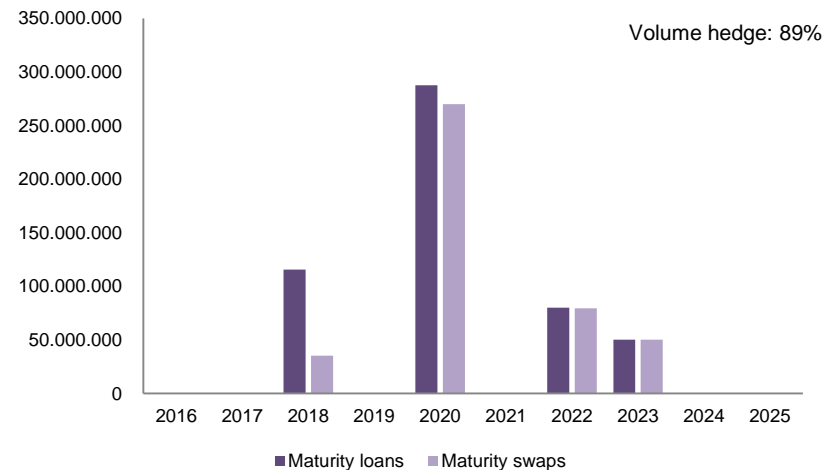
Interest coverage ratio



Historical average maturity loans and swaps (in years)

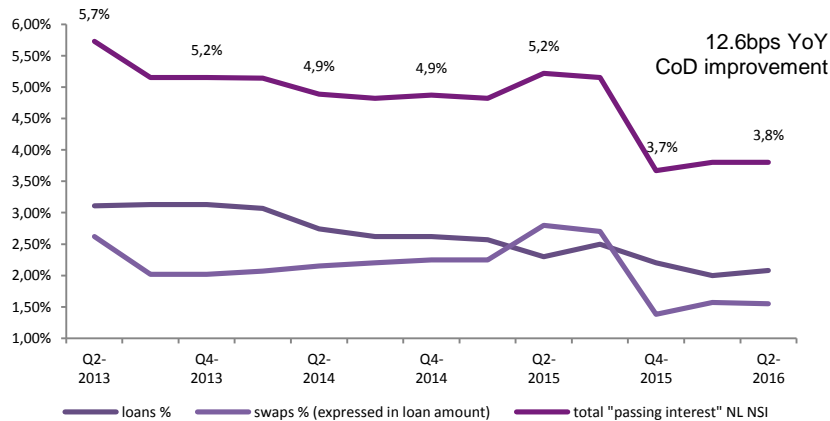


Actual maturity loans and swaps (in years)

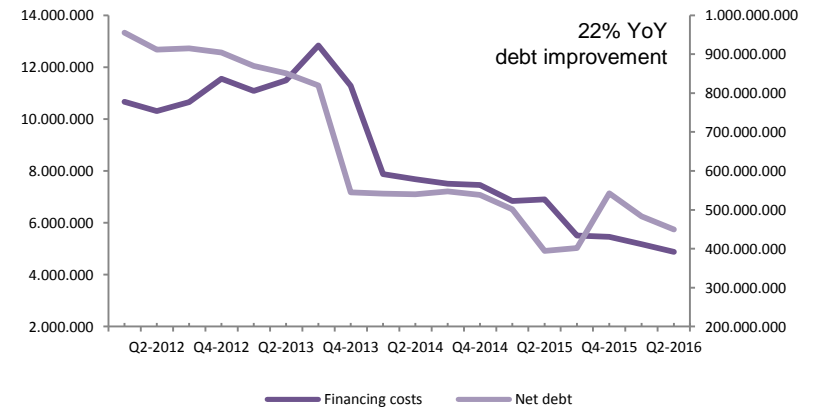


Finance costs development

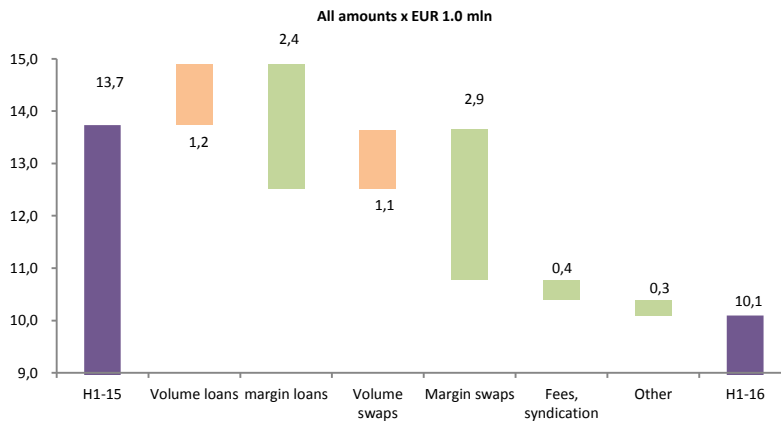
Total costs of debt and swaps (%)



Finance costs and net debt



Finance costs improved with EUR 3.6 mln over last four quarters



- Volume loans increased with EUR 105.0 mln due to a net amount of investments and divestments
- Volume swaps increased with nominal EUR 62.0 mln
- Cost of loans decreased with 32% from 3% to 2%
- Cost of swaps decreased with close to 45% from 3.5% to 1.9%
- Fees improved mainly due to release of upfront costs of the former syndication loans in 2015

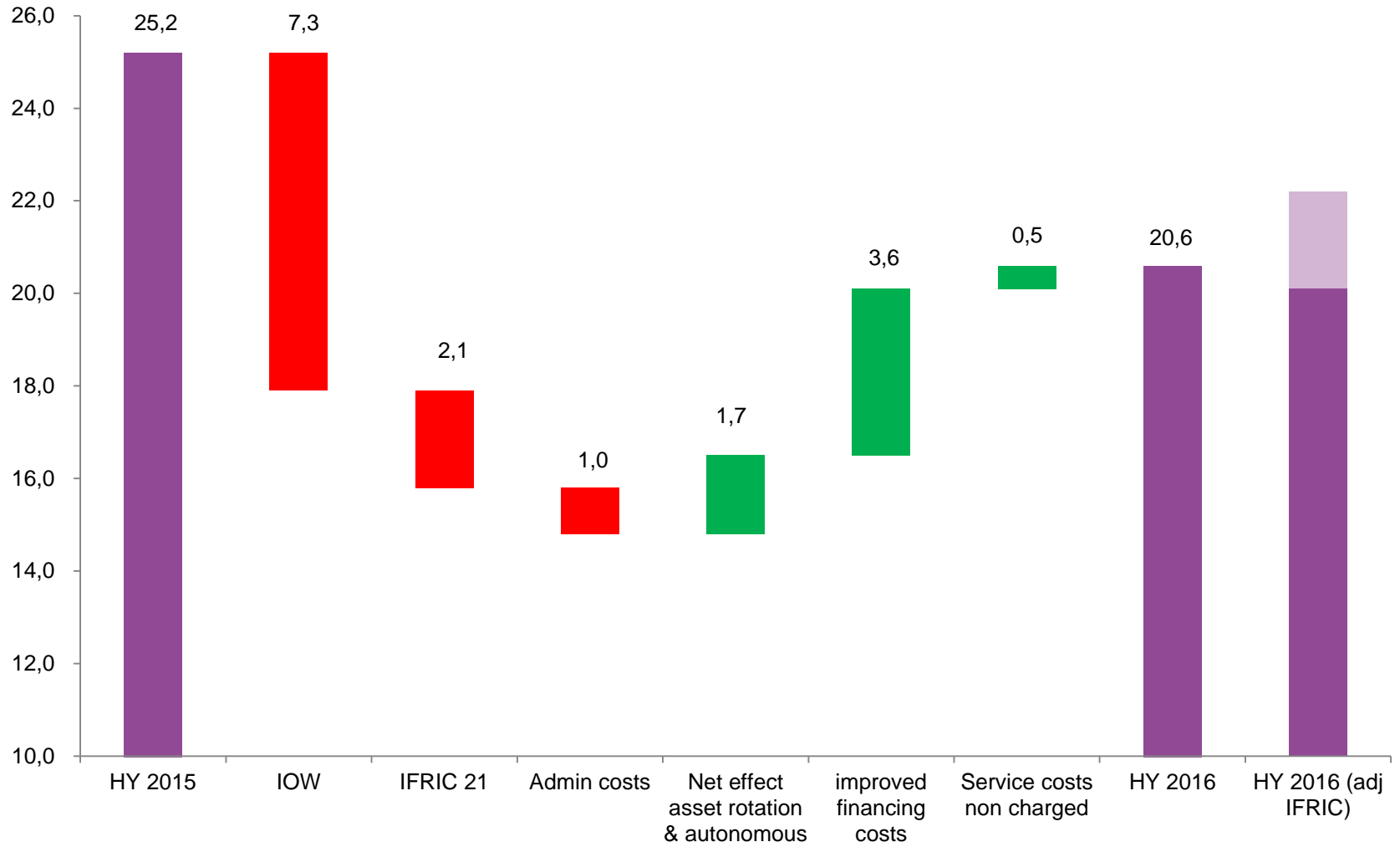
Financial highlights

- IOW is presented as discontinued operations in 2016 and 2016 financial statements

x€1,000	HY1 2016	HY1 2015
Gross rental income	46,861	45,109
Service costs not recharged to tenants	-2,277	-2,824
Operating costs	-10,490	-8,420
Net rental income	34,094	33,865
Administrative costs	-4,020	-2,953
Financing income	15	43
Financing costs	-10,055	-13,692
Direct investment result before tax	20,034	17,271
Corporate income tax	-5	8
Discontinued operations	565	7,878
Direct investment result	20,594	25,149
Indirect investment result	- 9,802	17,251
<i>Incl Discontinued operations</i>	<i>1,050</i>	<i>2,219</i>
Total result	10,792	42,400

- GRI growth due to acquisitions and HNK, offset by negative I-f-I in offices and retail
- Cost control and one-off of €0.2 million
- IFRIC21: shift of annual costs related to municipality taxes (approx. € 4.0 mio to Q1 instead of equal distribution)
- Impacted by one offs
- Lower debt position and improved conditions
- Contribution IOW now presented as 'discontinued operations'
- Stable revaluation result, offset by negative result on sales and lower value of derivatives
- Result on the sale of remaining 15.2% interest in IOW

Development Direct Result



Balance sheet highlights

x€1,000	30/6/16	31/12/15	30/6/15
Real estate investments	1,150,384	1,203,465	1,048,940
Total shareholders equity	651,466	660,720	657,951
Shareholders equity of NSI	651,494	660,748	657,979
Debt to credit institutions (excl. derivatives)	449,437	542,332	385,479
Average cost of debt (%)	3.8	3.7	5.1
Net loan to value (%)	39.1	43.2	35.1
Average debt maturity (years)	4.2	3.9	4.6
Fixed interest debt (%)	88.9	80.4	94.2
Interest coverage ratio	3.4	3.2	2.9
NAV (€/share)	4.54	4.61	4.59
EPRA NAV (€/share)	4.74	4.79	4.78

- Sale of industrial and multiple office assets (- € 60.7 mio), investments (€7.5 mio), revaluations (€0.1 mio). 2 office assets reclassified as 'held for sale' (€3.2 mio)
- Net decrease due to positive total result (€10.8 mio) and distribution of final 2015 dividend (€20,0 mio)
- Lower debt position due to asset sales; increased to approx. €510 mio after acquisition glass house.
- Due to temporary repayments RCF after asset sales; decreased to approx 3.4 % after acquisition glass house
- Due to asset sales; amounts to approx. 42% after acquisition glass house
- 7 years new financing of €70 mio with Berlin Hyp
- Minimum coverage policy = 70%
- Minimum ICR is 2



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CONCLUSION

Outlook

- NSI expects a direct result per share between €0.31- €0.33 for the full year 2016
 - NSI expects to improve the overall occupancy rate of the total portfolio;
 - Improvement of the occupancy rate of office portfolio
 - Relatively stable development of the occupancy rate in retail portfolio.
 - GRI of Dutch portfolio expected to show a slightly improving trend
 - HNK expected to largely compensate for negative I-f-I growth in traditional office portfolio
- Interim dividend of €0.13 per share – 90% pay out – reflecting upward trend based on a structural improved portfolio



APPENDIX

EPRA YIELDS

	EPRA gross yield 30-06-2016	EPRA net initial yield 30-06-2016	EPRA topped up net initial yield 30-06-2016	EPRA gross yield 31-12-2015	EPRA net initial yield 31-12-2015	EPRA topped up net initial yield 31-12-2015
Offices	8.0	6.5	6.9	7.6	6.1	6.7
HNK	6.8	4.6	5.1	7.6	5.1	5.8
Retail	6.8	5.7	5.8	6.8	5.7	5.8
LSR	8.0	6.9	7.1	7.7	6.6	7.1
Totaal	7.4	6.0	6.3	7.4	6.0	6.4