



nsi



Half-year results 2014

Analyst meeting

nsi



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STRATEGIC AND OPERATIONAL UPDATE

Dutch economy: lights turning green

- Dutch economy shows cautious growth: 0.75% forecasted for 2014 with improving underlying indicators:
 - Recovery across the board; almost all sectors benefit
 - Increasing investment volume
 - Decreasing bankruptcies
 - Unemployment rate is decreasing
 - Housing market is improving
 - Purchasing power is increasing
 - Consumer confidence is gaining
 - Consumer spending turned positive after years of decline

Real Estate: mixed picture

- Investment market clearly picking up:
 - Transaction volume year to date exceeds FY 2013*
 - €600 mio offices/ €650 mio residential/ €200 retail & industrial
 - More non-distressed transactions, also in mid segment at realistic prices

 - Letting market relentlessly challenging
 - **Offices:**
 - Oversupply
 - » Persisting high vacancy in Dutch office market of 15.7% **
 - Stable take-up HY14 compared with HY13**
 - » Effect from changes in tenant market expected to offset economic growth
 - » Decreasing sqm per employee
 - » New Way of working
 - » Hidden vacancy

} Effect vary per size and type of company

 - » Increase in office-based employment is expected to offset decrease in overall employment
 - Several market surveys forecast a further vacancy increase in the Dutch office market
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- **Retail:**
 - Consumer confidence and spending increasing, though at low levels still
 - Increasing share of internet sales
 - Resilience of supermarket-anchored convenience centres

Sources:
* vastgoedmarkt
** DTZ Research

Increased investment market activity

Source: NSI
1. Market estimates

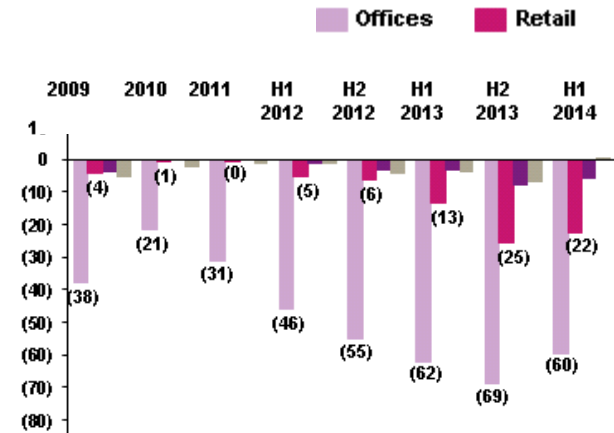
Property	Location	Date	Buyer	Value (€m) ¹	Size (sqm)	€/sqm
Multiple offices (8) CBRE Dutch Office fund	Multiple, incl Utrecht, Rotterdam, Den Haag, Heerlen, Maastricht, Zwolle.	July 2014	Lone Star	385	302,000	1,275
LaGuardia Plaza	Amsterdam Sloterdijk	July 2014	MPC Capital/ Sloterdijk Cons.	84	60,000	1,400
The Edge	Amsterdam Zuidas	June 2014	Deka Immobilien	200.0	40,000	5,000
Cisco Headquarters	Amsterdam (South East)	May 2014	ING	42.0	46,500	900
Equinox portfolio	Multiple locations	May 2014	Valad Europe	37.8	50,200	750
Kromme Schaft	Houten	June 2014	MMZ properties	15.7	12,600	1,250
Som & Ito	Amsterdam	April 2014	Union INvestment	245.0	52,000	4,700
Stiibbe tower	Amsterdam	Jan 2014	Union INvestment	54.0	13,500	4,000
Wilhelminatoren	Rotterdam	Jan 2014	PPF Real Estate Holding	29.0	16,200	1,800
Nauta Dutihl (Beethovenstraat)	Amsterdam	Dec 2014	HIH Investment	65.0	13,500	4,800
Multiple offices (8) CBRE Office fund	Amsterdam, Rotterdam, Den Bosch	Sep-2013	JV OVG/ Goldman Sachs	120.0	62,000	1,935
Sanoma pand	Hoofddorp	Sept 2013	PPF Real Estate Holding	47.0	30,000	1,550
HQ Siemens	The Hague	Sep-2013	PingProperties	61.3	30,000	2,040
Axa portefeuille	Multiple	Jun-2013	PPF Real Estate Holding	140.0	100,000	1,400
UBS Portfolio (EVA)	Multiple	April 2013	Victory	85.0	85,000	1,012

.. providing a more realistic benchmark

- Lone Star buying multiple DOF properties*
 - Average quality of assets seems to be comparable with NSI portfolio
 - Tenant risk profile, WALL and vacancy do not compare favourably
 - Price/ sqm of €1,275 per sqm significantly above average NSI (€1,012)

- La GuardiaPlaza
 - Location ranks 19th position in JLL office locations ranking
 - 4 towers, of which 2 vacant
 - Transaction price of €1,400 sqm in line with valuation NSI's core segment

- Equinox portfolio*
 - Average quality of assets below NSI portfolio: mix of non-core and value-add
 - High representation of government related tenants
 - Distressed seller led to low transaction price of €750 per sqm



Label	Occupancy rate <i>Financial occupancy</i>	Value <i>In € per sqm</i>
Core	79.9%	1,419
Value-add	71.2%	915
Non-core	26.5%	312
Total	72.6%	1,012

Time for acquisitions

* Based on research NSI and market data

Portfolio strategy: NSI's approach

Portfolio

- c€1,140 m portfolio in the Netherlands consisting of 147 office and 42 retail properties
- c€600m portfolio in Belgium consisting of 16 office and 17 logistics properties

Asset management

Segmentation

Split in core, value-add and non-core segments

Client focus

Customer-centric approach to optimise occupancy

Investment

Finance capex to facilitate customers and upgrade portfolio

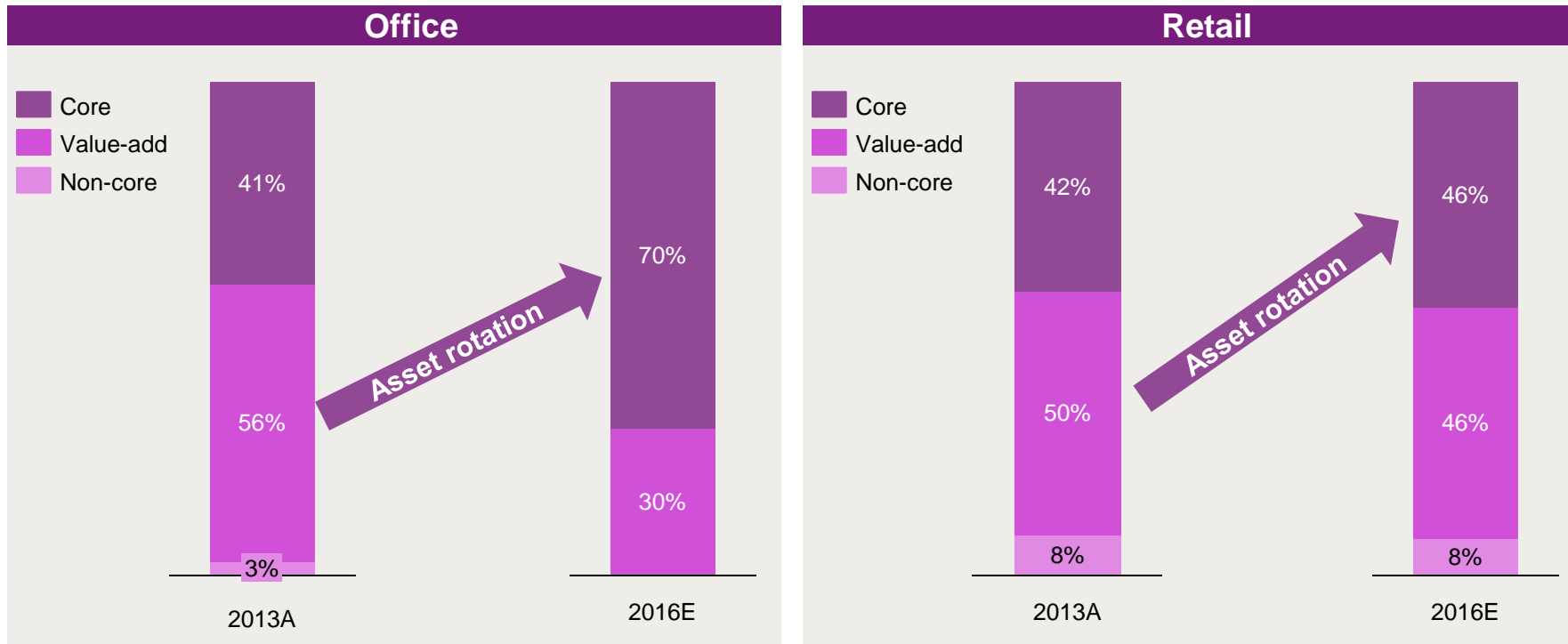
Asset rotation

Dispose of assets where maximum value is reached or that structurally underperform

Maximise total return

Creating value through asset rotation and operational excellence

Targets 2014 – 2016 clearly set in FY13 presentation



Occupancy 72% >80%

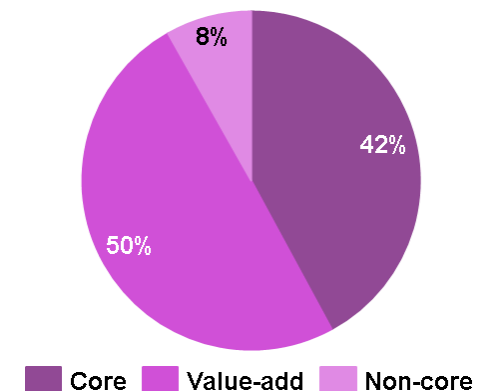
HNK 3 20

Occupancy 87% >90%

Retail portfolio- Asset Rotation & Operational Excellence

- Focus on convenience shopping centres
- The occupancy rate improved from 83.9% as per 31 March 2014 to 87.7%, (31/12/13: 87.8%), mainly due to Primark
- Like-for-like growth impacted by redevelopments
 - L-f-l excluding redevelopments -2.3%
 - L-f-l including redevelopments -10.1%
- Effective rent level new leases was €163 per sqm in the 1st half-year of 2014, compared with an average level of €187 for the total retail portfolio

Label	Occupancy rate <i>Financial occupancy</i>	Value (30/6/14) <i>In € per sqm</i>	Value (31/12/13) <i>In € per sqm</i>
Core	87.4%	2,252	2,383
Value-add	88.6%	1,586	1,628
Non-core	88.4%	834	924
Total	88.1%	1,676	1,752



Retail portfolio- Asset Rotation & Operational Excellence

Redevelopment Zevenkamp

- Investment of €0.5 million resulted in strong uplift: improved tenant mix, including Big Bazar

	Before	After	Improvement
Occupancy	78%	85%	7%
GRI	€1,282m	€1,360m	6%



Redevelopment Zuiderterras

- Investment of €5.2 million
- Proactively facilitating Primark, contract with Saturn terminated
- Redevelopment ground area and parking facilities

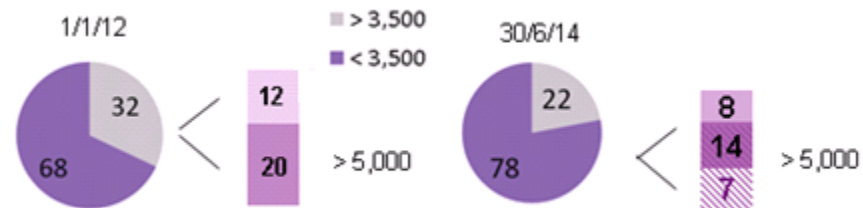
	Before	After	Improvement
Occupancy	69%	100%	31%
GRI	€1,328m	€1,752m	32%



Dutch office portfolio — Asset Rotation & Operational Excellence

Tenant & market focus

- Focus on SME is paying off
 - Proven track record to retain and attract SME's
 - More receptive for new products, concepts and services
 - SMEs growth engine Dutch economy
 - SME contracts produce more stable rental income;
 - GRI % since 1/1/2008 of contracts > 3,500 -29% vs -15% <3,500
 - Share of SME's increase in GRI of NSI



Strong platform through active management

- Continuous effort to further strengthen the letting platform
 - Further development of sales-driven organisation
 - Proven track record of outperforming the market
 - De-risking: expiry scheme

New Business

- HNK's continue to perform strongly



Dutch office portfolio - Asset Rotation & Operational Excellence

- HNK continue to perform strongly
- Outperforming traditional lease on all metrics: take-up, rent level, organic growth
- Roll out progresses according to plan:
 - HNK Amsterdam Houthavens & HNK Groningen opened this year
 - HNK The Hague & HNK Apeldoorn to be opened in H2
 - 7 HNK's in operation by year-end
(Rotterdam, Hoofddorp, Utrecht, Amsterdam, Groningen, Den Haag, Apeldoorn)
 - 75,000 sqm, representing 12% of Dutch office portfolio
- GRI from HNK increased to €1.9 million in HY 2014; 7% of GRI Dutch office portfolio
- Organic growth Q2 vs Q1 9.7%
- €1.4m invested in HY2014
(cumulative €7.8m out of 3 years plan of €31m)



<http://www.hetnieuwekantoor.com/#>

HNK | Powered by NSI

Direct Booking? Call +31 (0)10 310 3000

Direct reservation

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- HNK Amsterdam
- HNK Utrecht
- HNK Rotterdam
- HNK Groningen
- HNK Hoofddorp
- HNK Den Haag

Het Nieuwe Kantoor

Dutch office portfolio – Asset Rotation & Operational Excellence

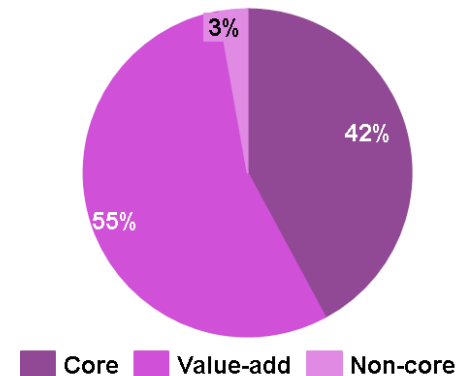
➤ Asset Rotation

- Sale of 5 assets in Dutch portfolio, 3 office assets
 - Non core:
Kobaltweg Utrecht
10,000 sqm, occupancy 19%, GRI €0.2 million
 - Value-add:
Luchthavenweg Eindhoven
2,000 sqm, occupancy 100% GRI €0.2
 - Max Euwelaan Rotterdam
650 sqm, occupancy 89% GRI €46k
- Two more assets sold
- Actively marketing non-core assets; serious interest from several parties

Dutch office portfolio - Asset Rotation & Operational Excellence

- Occupancy improved from 71.7% as per 31 March 2014 to 72.6% (31/12/13: 72.1%)
- Office asset Point West (7,500 sqm) leased out to Shi Hotel Group. The Shi Hotel Group will transform the asset into a hotel.
- Like-for-like rent development was -1.6% negative
- WALL: 3.7 years
- Effective rent level was €129 per sqm in 1st half-year of 2014, compared with an average level of €148 for the total Dutch office portfolio

Label	Occupancy rate <i>Financial occupancy</i>	Value (30/6/2014) <i>In € per sqm</i>	Value (31/12/13) <i>In € per sqm</i>
Core	79.9%	1,419	1,503
Value-add	71.2%	915	1,013
Non-core	26.5%	312	377
Total	72.6%	1,012	1,104





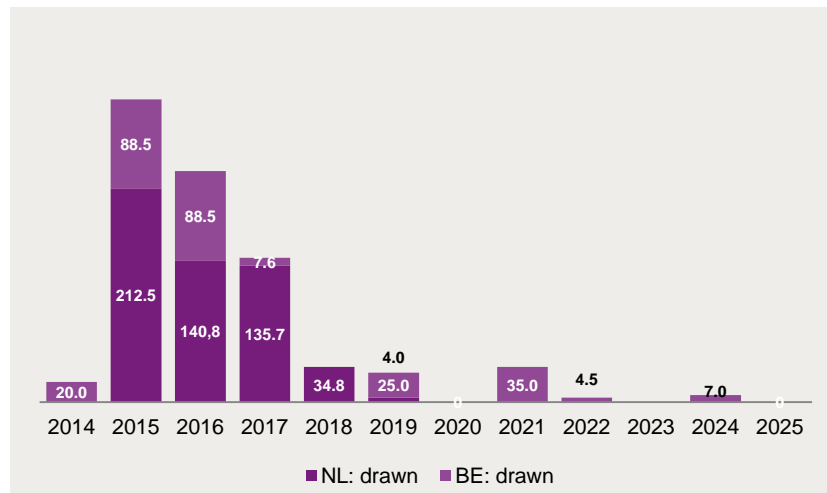
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FINANCIAL

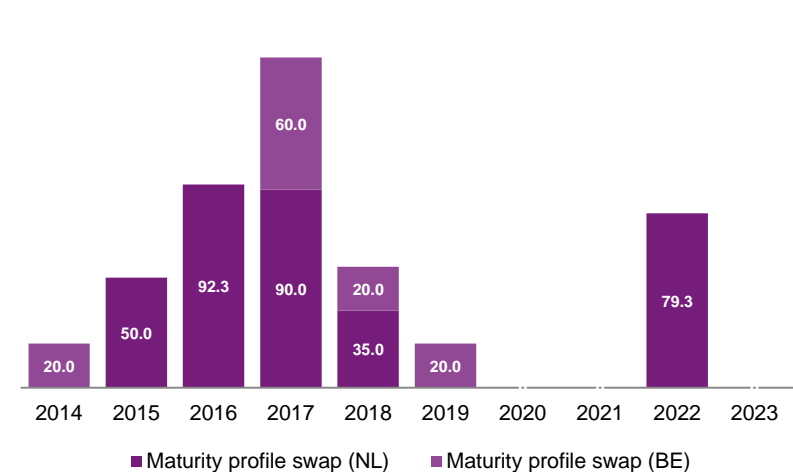
NSI's debt portfolio

- NSI debt portfolio is well diversified with not more than 25% dependence on one single creditor
- Majority is secured bank financing
- In 2014:
 - In April 2014, Intervest Offices & Warehouses successfully placed 2 bonds for in total €60 million to replace the current outstanding bond of 75 million which will be repaid on 29 June 2015.
 - In the Netherlands 2 agreements with pfandbriefe banks (total €43 million) extended
 - Average cost of debt reduced to 4.7%, including temporary effect of Belgian bond

Debt maturity calendar, average maturity 2.3 years



Swap maturity calendar, average maturity 3.4 years



	fixed interest	variable interest	total loans	credit institutions	Swaps	% fixed interest after swaps	interest % 30/6/2014	interest % 31/12/2013	interest % 30/6/2013
The Netherlands	160,787	367,318	528,105	48,750	346,625	88.0%	4.9%	5.2%	5.7%
Belgium	140,964	134,428	275,392	12,950	120,000	90.5%	4.2%	4.0%	3.8%
Total 2014	301,751	501,746	803,497	61,700	466,625	88.8%	4.7%	4.8%	5.2%

Strategic financing aims: focus on flexibility and 2015-2016 refinancing

	2014-2016
Funding diversification	<ul style="list-style-type: none">▪ Decrease dependency of only one source of funding
Reduce cost of debt	<ul style="list-style-type: none">▪ Increase number of (foreign) banks in syndications▪ Diversify source of funding
Refinancing risk	<ul style="list-style-type: none">▪ No more than 25% of loans maturing in any single year
Covenants	<ul style="list-style-type: none">▪ Aim to maintain LTV below 50%, peak-to-trough between 40-50%, with covenant at 60-65%▪ Maintain ICR > 2.0
Debt maturity	<ul style="list-style-type: none">▪ Extend and maintain average debt maturity to over 3 years
Move to unsecured financing	<ul style="list-style-type: none">▪ Anticipate move to unsecured in refinancing 2015 – 2016 maturities

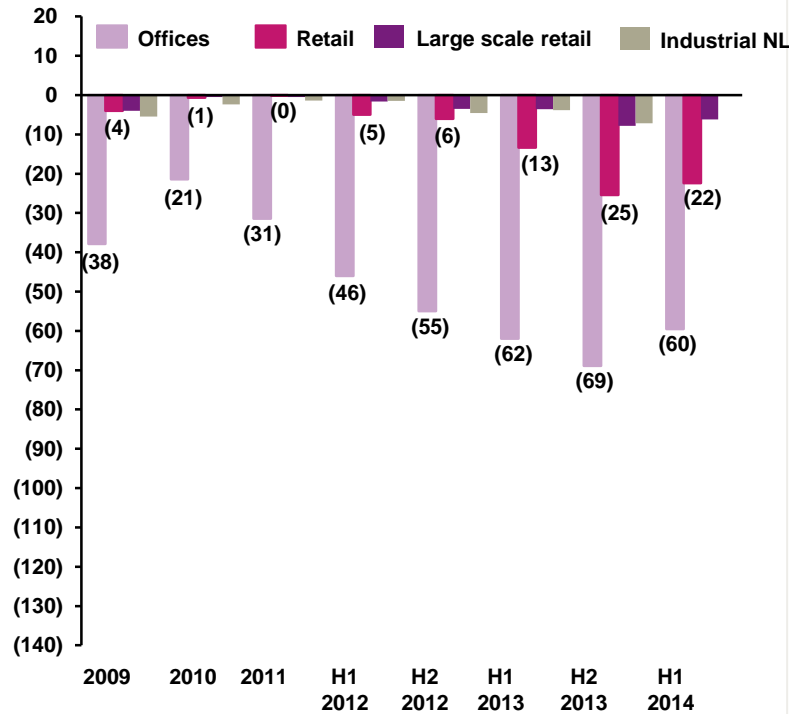
Financial highlights

x€1,000	HY 2014	HY2013	FY 2013
Gross rental income	67,003	73,612	144,564
Service costs not recharged to tenants	-2,926	-2,364	-4,723
Operating costs	-9,223	-8,782	-18,050
Net rental income	54,854	62,466	121,791
Administrative costs	-3,776	-3,087	-6,458
Financing income	123	156	477
Financing costs	-21,328	-28,340	-58,042
Direct investment result before tax	29,872	31,195	57,768
Corporate income tax	-67	-66	-121
Direct result att. to minorities	-5,316	-5,568	-11,375
Direct investment result	24,489	25,471	46,272
Indirect investment result	-93,487	-68,721	-180,347
Total result	-68,998	-43,250	-134,075

- GRI down due to asset disposals (€3.2m), vacancy and lower reversionary rent levels
- Service costs up, also due to final settlement related to preceding years (€0.3 m)
- Operating costs influenced by higher letting costs and a positive one-off (€0.5m) in 2013 comps in Belgium
- Operational margin: 81,4% (2013: 84%)
- Administrative costs includes one-off consultancy costs.
- Financing costs significantly down following the debt and derivative redemption after equity issue in November, somewhat offset due to temporary effect of Belgian bond (until June 2015)
- Indirect result reflects downward revaluations of -€90.0m (HY 13: -€79m) in real estate portfolio and -€3,9m of swaps (HY13:€17.6)

Property values Dutch portfolio

reevaluations in €m



- All assets revalued per 30/6/2014, 65% of total portfolio externally valued
- Offices: 73% due to yield changes
- Retail: 85% due to yield changes
- HNK properties showed positive revaluations

Balance sheet highlights

x€1,000	HY 2014	HY 2013	FY 2013
Real estate investments	1,722,744	1,948,626	1,808,768
Total shareholders equity	847,790	735,400	932,915
Shareholders equity of NSI	719,272	609,269	801,159
Debt to credit institutions (excl. derivatives)	823,139	1,148,577	821,854
Average cost of debt (%)	4.7	5.2	4.8
Net loan to value (%)	47.9	58.9	45.4
Average debt maturity (years)	2.3	2.6	2.2
Fixed interest debt (%)	88.8	91.1	82.4
Interest coverage ratio	2.6	2.2	2.1
NAV (€/share)	5.02	8.93	5.59
EPRA NAV (€/share)	5.31	9.85	5.85

- Value real estate portfolio down by €86.1m due to revaluations (-€90.0 m) sales (€7.5 million) and investments (€11.4 m)
- Net proceeds of equity issue (€288.9 million) used to reduce long-term debt, unwind derivatives and increase flexibility
- LtV significantly decreased, commitment to maintain below 50%
- Improved balance sheet resulted in more favourable financing terms to lower average costs of funds
- Outstanding shares increased by 75.0m from 68.2m HY2013 to 143.2m shares



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CONCLUSION

Conclusion

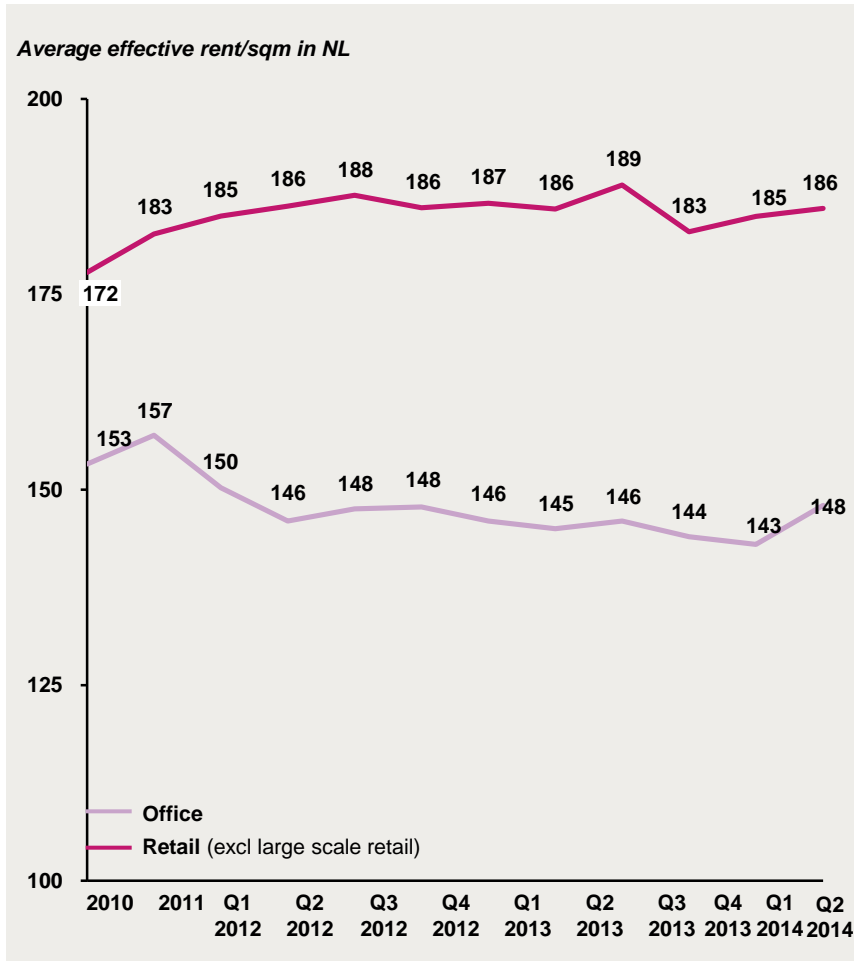
- **NSI still operates in challenging markets**
 - Decrease in NRI in 2014 to be compensated by lower financing costs
 - Direct result expected to at least equal to 2013 (€46.3 million)
- **Interim-dividend: €0.13 per share**
- **Investments market continues to pick up**
 - First steps in executing asset rotation strategy
 - sale of (non-core) assets remains one of priorities
 - Full focus on acquisitions



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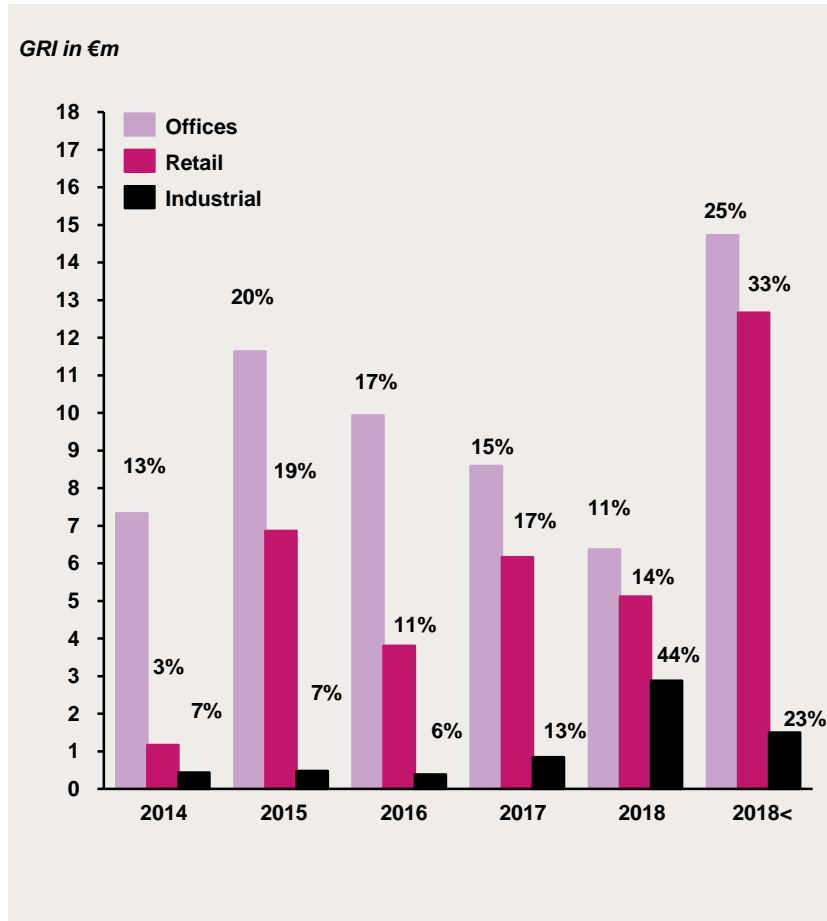
APPENDIX

Rent development Dutch portfolio



- Effective rents (adjusted for incentives) seem to stabilize:
 - New leases are coming in at levels below the portfolio average, but seems to stabilize (over last 6 months: office: €129 / retail €163)
- Alternative leasing strategies (e.g. HNK) aim at higher income per sqm

Lease expirations Dutch Portfolio



- Peak largest expiries at 31/12/14 include
 - Prorail (9,200 sqm)
 - RGD Goes (5,300 sqm)
 - ROC Amsterdam (5,000 sqm)