

nsi



# Roadshow London

-23 March 2016-

nsi



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# HIGHLIGHTS

# Highlights

## Higher direct result

- Direct result improved by 4.4% to €50.6 million (2014: €48,5 million), largely driven by lower financing costs; per share from €0.34 to €0.35
- Total investment result turned positive to €57.7 million (2014: - €137.5 million)
- Strong take up in both offices and HNK continued; almost doubling compared to 2014

## Turning point in revaluations sustained in 2<sup>nd</sup> half

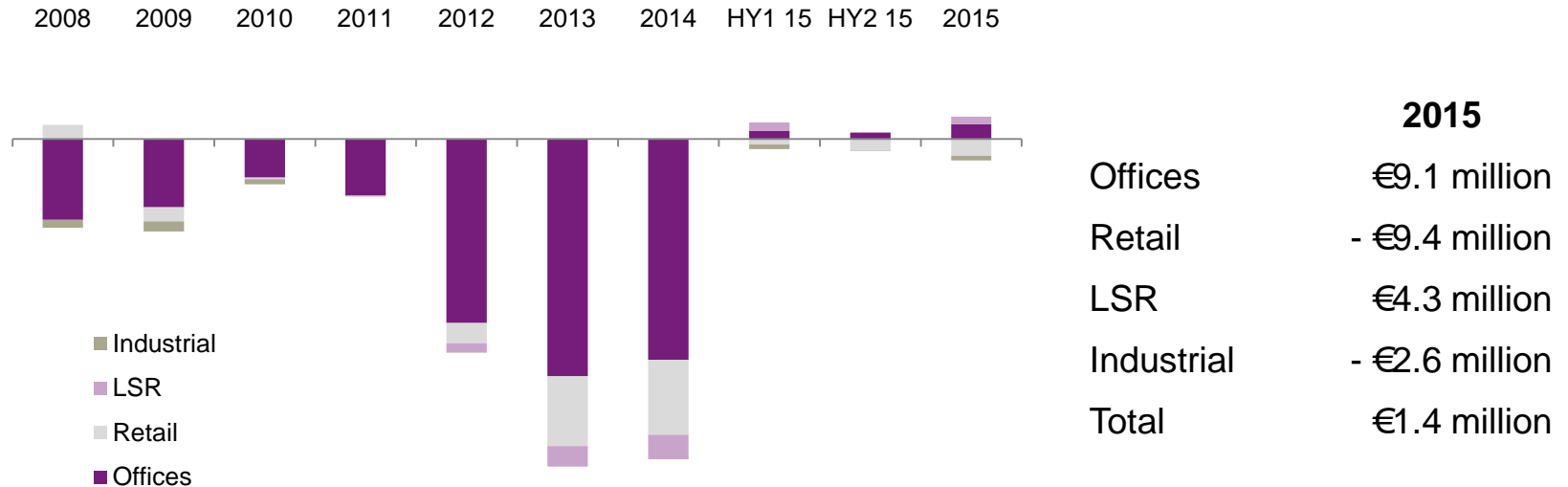
- Driven by positive revaluations in Dutch office portfolio:
  - as per 30 June and as per 31 December 2015, totalling to €9.1 million
  - offset by negative revaluation in Retail and other (€8.7 million)

## Significant quality improvement in portfolio through asset rotation

- Turning into investment mode after freeing up capital
  - Partial divestment of IOW
  - Disposal of €49.4 million of assets
  - Acquisition of 8 high quality office assets (€168.8 million)
- Asset rotation resulted in significant improvement in quality of the office portfolio
  - Share of core properties grew from 54% to 65%
  - Share of Randstad increased from 42.5% to 52.5%
  - Average quality (according to JLL ranking) improved from 49.3% to 57.8%

**NSI sold 35% as per 18 June 2015; and sold the remaining interest (15.2%) in 2016**

# Turning point in Dutch revaluations



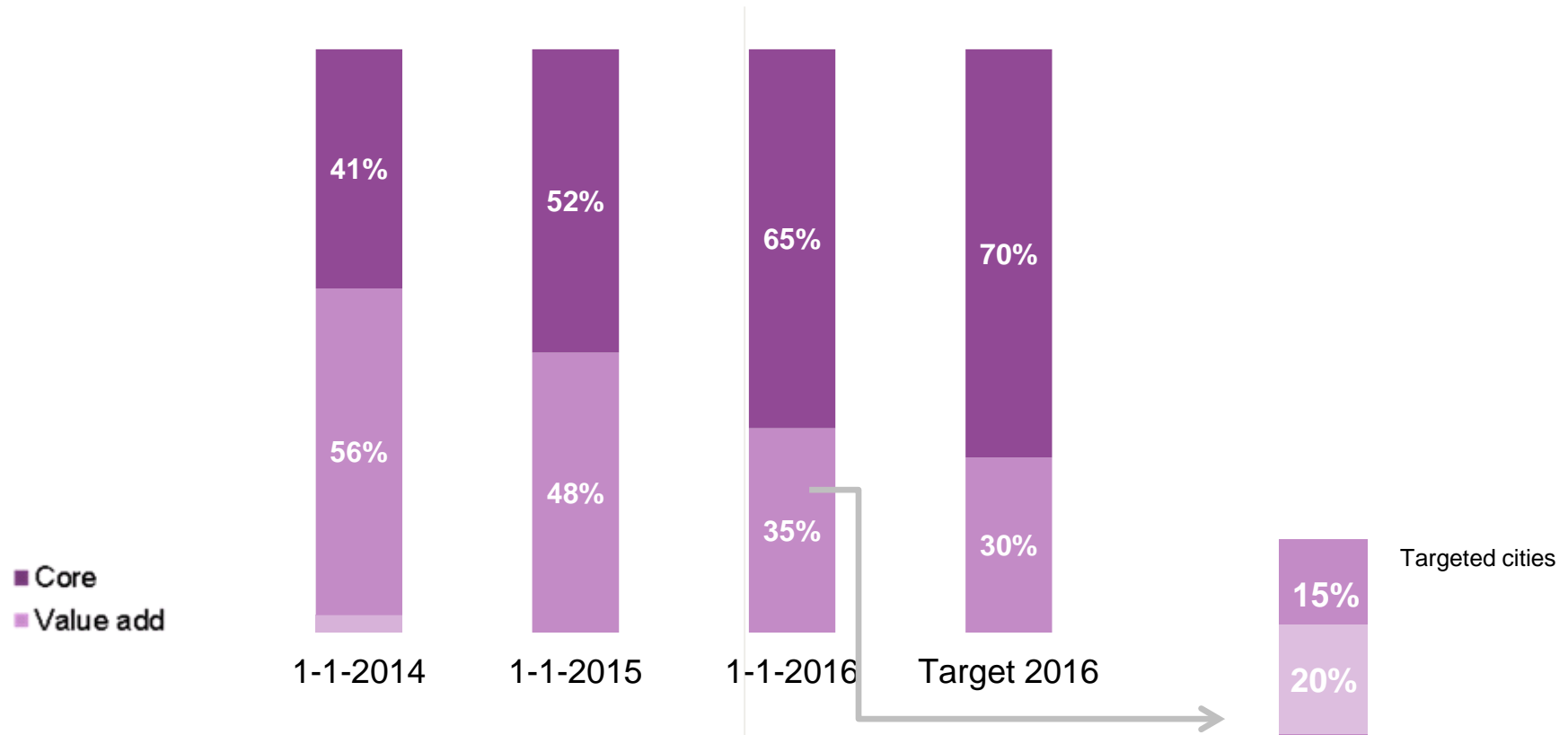
- Positive revaluation of the office portfolio sustained for second reporting period, after a long period of negative revaluations
  - to €9.1 million in total in 2015
  - driven by slight decrease in market yields and market rents
  - Includes transaction costs of acquisitions (cobra portfolio) of approx. €9 million
  
- Offset by negative revaluations in the retail portfolio
  - to €9.4 million in total in 2015
  - driven by increasing market yields
  
- The value of the large scale retail portfolio saw an increase of €4.3 million in total in 2015, the industrial portfolio decreased by €2.6 million in total in 2015



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## ASSET ROTATION UPDATE

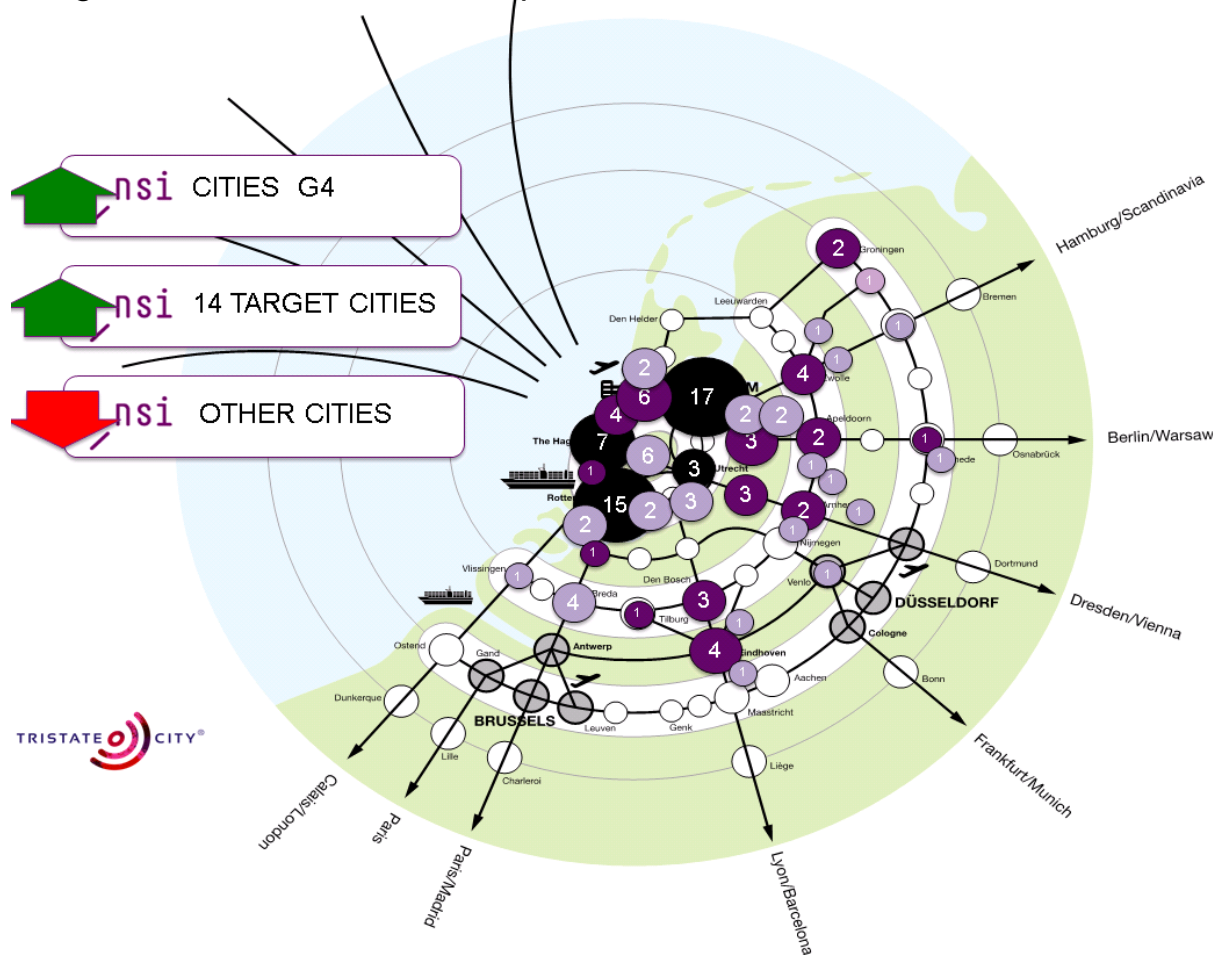
# Progressing towards 2016 targets



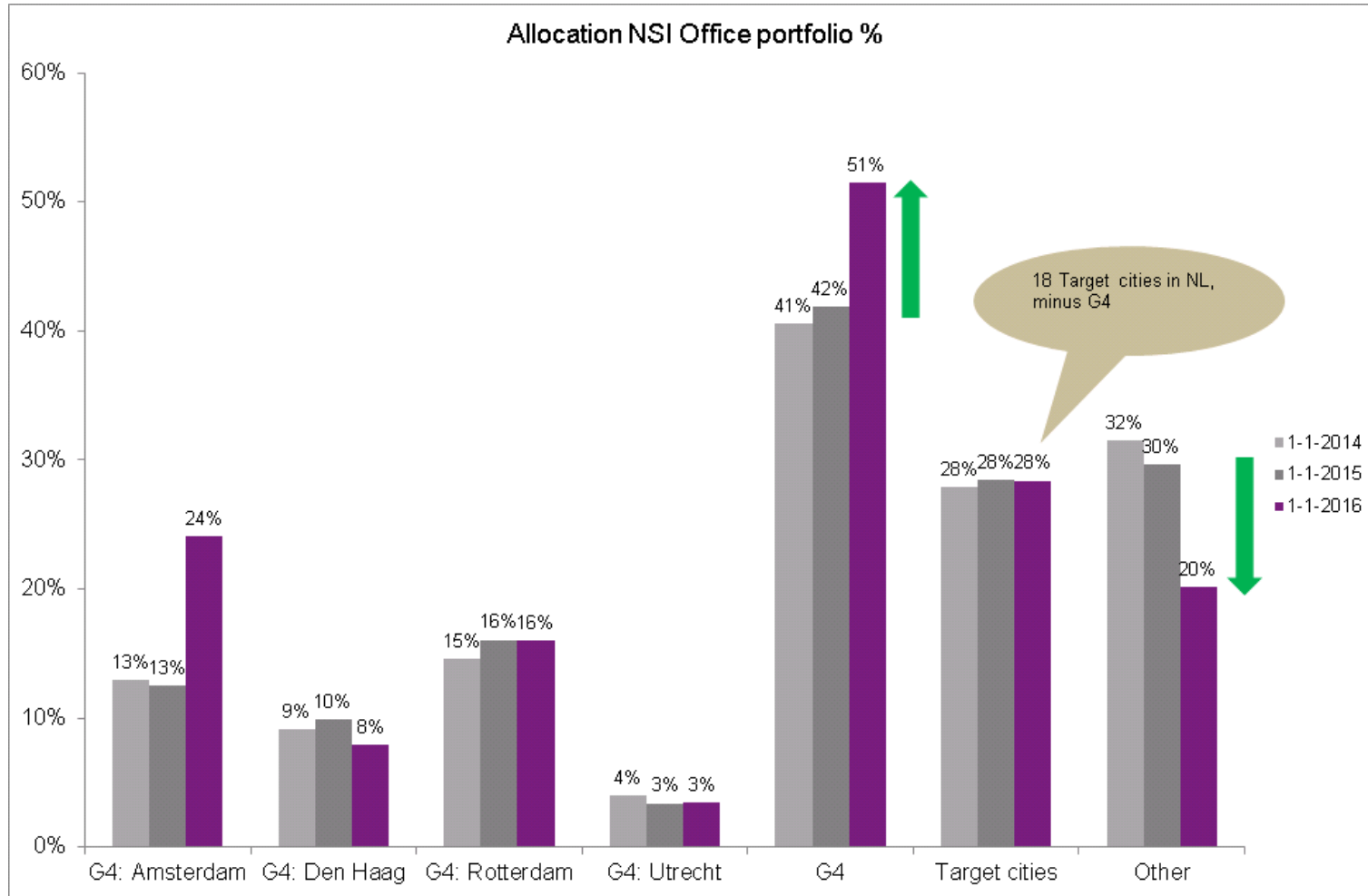
Financial Occupancy	72.1%	71.5%	73.6%	>80%
# HNK	3	7	10	20
JLL prop. quality score	49.0%	49.3%	57.8%	>55%

# Migrating to targeted cities

- Dutch office market is strongly positioned
- In addition to G4 (Amsterdam, Rotterdam, the Hague, Utrecht) strong office locations can be plotted along the lines of:
  - Strong infrastructure
  - Universities & research centers
  - Logistical axes to rest of Europe



# Migrating to targeted office locations

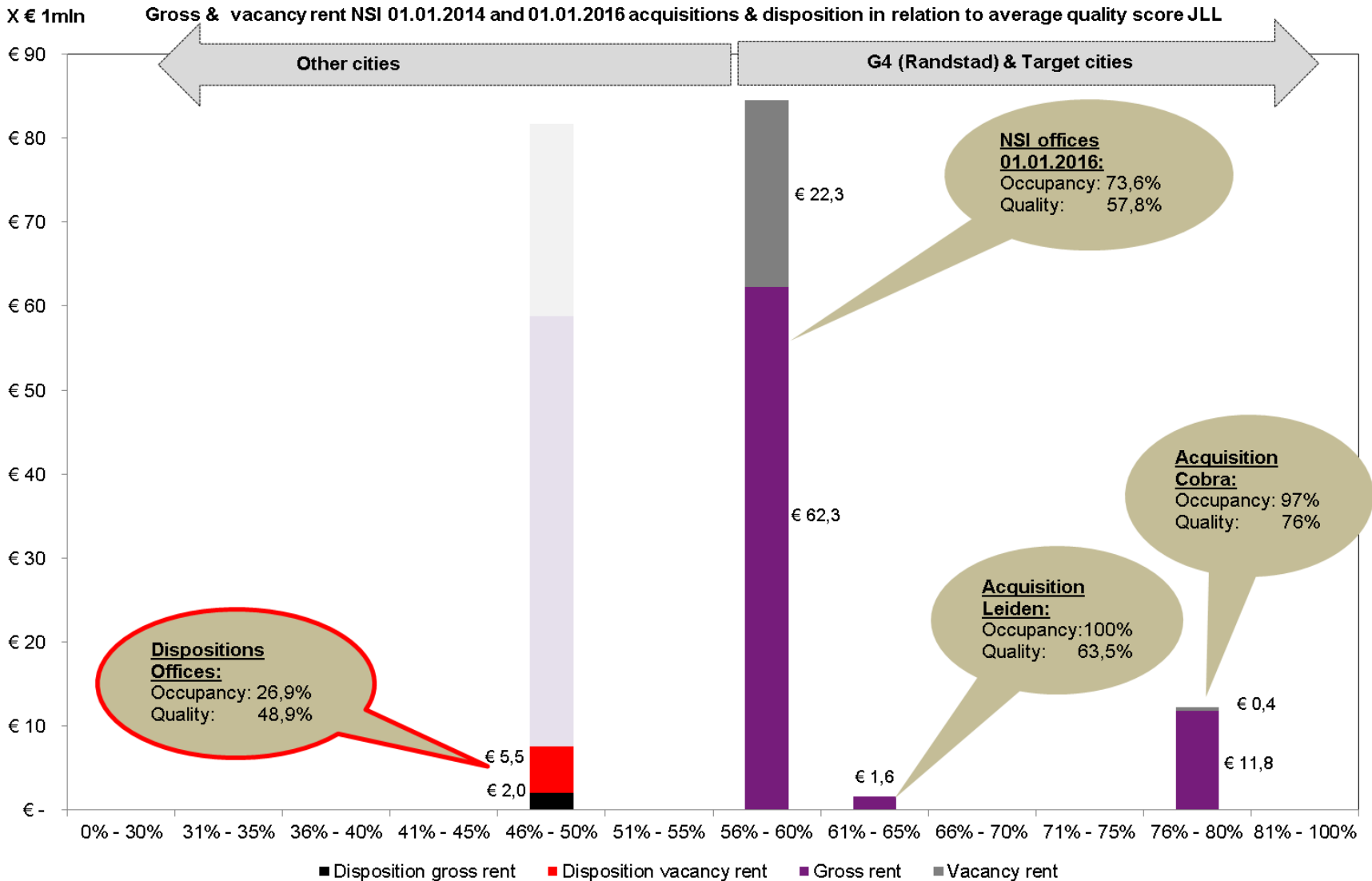


- Amsterdam
- Den Haag
- Rotterdam
- Utrecht

- Amersfoort
- Apeldoorn
- Arnhem
- Delft
- Den Bosch
- Dordrecht
- Ede
- Eindhoven
- Enschede
- Groningen
- Hoofddorp
- Leiden
- Tilburg
- Zwolle



# Asset rotation offices 2014-2015



# Asset rotation offices 2014-2015

Asset rotation	1-1-2014	Acquisitions 2014	Dispositions 2014	1-1-2015	Acquisitions 2015	Dispositions 2015	1-1-2016
Transaction price (incl costs)					€ 168.8 mio		
Market value	€ 668 mio		€ 4.2 mio	€ 561 mio	€ 167.8 mio	€ 43.4 mio	€ 714 mio
Gross rent *)	€ 59.3 mio		€ 0.4 mio	€ 53.2	€ 13.4 mio	€ 3.3 mio	€ 62.3 mio
Yield on gross rent	8.7%		9.5%	9.5%	8.0%	7.6%	8.7%
Total sqm	607,607		12,638	594,969	65,970	74,519	586,420
Average size per asset	4,133		4,213	4,132	8,246	3,240	4,546
Occupancy € %	72.1%		37.1%	71.5%	97.0%	24.9%	73.6%
NSI active in cities (#)	60			60			52
JLL Quality ranking	49.0%			49.3%			57.8%
*) Gross contracted annualized passing rent							

# Next phase in offices – focus on performance

- After big step up in 2014-2015; asset rotation is continuous part of strategy
  - Focus on improving performance
  - Full focus on Dutch high quality multi tenant offices in selected regions and neighbourhood shopping centers
  - Non strategic: Industrial (held for sale) and Large Scale Retail
- NSI leasing platform allows for further growth in offices
  - More focused portfolio and organisation
  - Leveraging gross to net
- Roll out HNK from 10 at present to 20 HNKs by year end 2016
  - Selective acquisitions to optimise nation-wide network

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## OPERATIONAL PERFORMANCE - OFFICES

# Operational highlights offices

Offices (Excluding HNK)	2015	2014
Gross Rental income (€ million)	43.1	54.7
Net Rental income(€ million)	32.2	
Occupancy rate	76.7%	77.4%
Take up	28.006	18.910
Take up / supply ratio	18.5%	10.5%
Organic net change in letting in sqm	-22,261	-39,641
Effective rent level new leases (12 months rolling) per sqm	€107	€113
Effective rent level per sqm total portfolio	€157	€143
Like-for-like growth gross rental income	- 11.5%	- 4.0%
WAULT	3.1	3.5

- Significant increase in take-up in 2015
- L-f-I growth strongly impacted by expiration of 3 large contracts as per 31 December 2014 (Prorail, RGD, ROC);
- Improving trend occupancy expected to continue
- Negative l-f-l growth will be offset by l-f-l growth in HNK
- Improved quality due to asset rotation will result in improved gross/net ratio
- 9% of office contracts expire in 2016



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## OPERATIONAL PERFORMANCE HNK

# Roll out to 20 HNKs by year end 2016

- Roll out from 10 to nation wide network of 20 HNK's

At present:	HNK	% of office portfolio	Target	% of office portfolio
Portfolio in sqm	100,000	17%	180,000	28%
Portfolio in €	123.2 mln	17%		
Annualised GRI	9.0 mln	14%		30%



- €21.8 million invested since start (November 2013)
  - Approx. €15 million additional investment to complete roll out in 2016

- Selective acquisitions

Input: Leiden		Invest	€ 375/ sqm	Invest	Output	
Initial Gross Yield:	10.3%				Exit Gross Yield:	8.5%
Leasable area:	9,500 sqm		IRR	12.5%		
WAULT:	4.2 years		GRI	+ 40%		

Input: Rotterdam		Invest	€ 255/ sqm	Invest	Output	
Initial Gross Yield:	12.8%				Exit Gross Yield:	8.5%
Leasable area:	9,500 sqm		IRR	10.2%		
WAULT:	3.1 years		GRI	+ 22%		

# Operational highlights HNK

	2015	2014
Gross rental income( € million)	8.0	5.4
Net rental income (€ million)	3.3	
Occupancy rate	59.6%	56.6%
Take up	21,139	4,855
Take up supply ratio	45%	26%
Effective rent level new leases (12 months rolling) per sqm	€165	€169
Effective rent level per sqm total portfolio	€188	€160
Like-for-like growth gross rental income	18.6%	25.5%
WAULT	3.1	2.4

- Strong take up continues
  - Boosted by successful start of HNK Utrecht Central Station in September 2015
- Gross to net reflect start-up phase; should evolve to 75-80% when fully leased up (occupancy 85-90%)
- Occupancy rate in Q4 2015 impacted by 2 'legacy' tenants in HNK The Hague and HNK Rotterdam
  - Occupancy rate does not reflect underlying trend due to roll out
  - All other individual HNKs showed increasing occupancy rates
- L-f-l growth in HNK expected to compensate negative l-f-l growth offices
- HNK won award "Best office landlord 2016"







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## OPERATIONAL PERFORMANCE - RETAIL

# NSI's retail focus: Convenience centres

- **Rapidly changing retail landscape**

- Changing consumer behavior
- Experience vs Convenience polarization trend continues
- Retailers need to reposition offline and online
  - Multiple bankruptcies of well-known retail chains in 2015
    - » 1,300 retail units > Limited impact NSI: 9 in NSI portfolio (€0.5 million)

- **NSI's capabilities: strongly geared towards 'convenience' shopping centers'**

- Require active management
- Adding value through services and facilities:
- Local entrepreneurs require support beyond the physical store
- NSIs tenant base perfectly fits 'convenience' consumer



*Experience*

*Convenience*



# Requires the next step in active management and adding value



# Operational highlights retail

	Retail		Local Convenience
	2015	2014	2015
Gross Rental Income	27.9	32.1	
Net Rental income	22.8		
Occupancy rate	84.8%	88.4%	89%
Effective rent level per sqm total portfolio per sqm	€178	€183	€173
Valuation development	-2.5%		1.0%
Like-for-like growth gross rental income	4.3%	- 11.0%	1.0%
WAULT	4.6	4.5	

- Retail market remains challenging despite improving consumer confidence & spending;
  - Multiple bankruptcies of well-known retail chains
  - Involving 1,300 retail units > only 9 in NSI retail portfolio
- Impact on NSI's retail portfolio was rather limited (€0.5 million)
  - Focus on daily good and local shopping centres
- Occupancy rate impacted by sale of fully occupied shopping centre and expired office space in retail centre
- Redevelopment Zuiderterras influenced l-f-l growth in both 2015 and 2014
- 7% of retail contracts expire in 2016

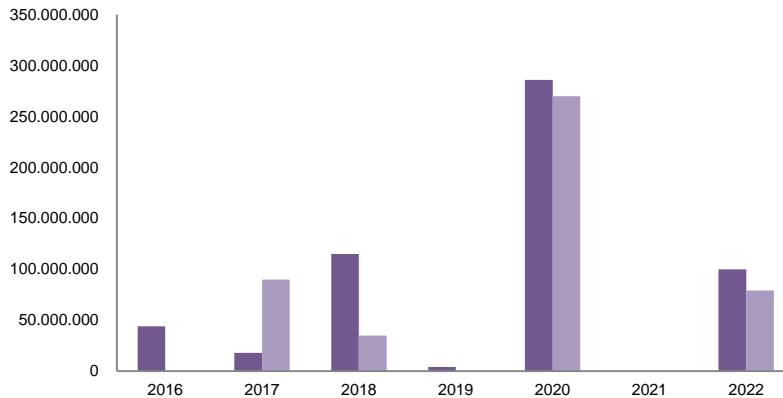


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FINANCIAL

# Maturity, net debt and financing costs

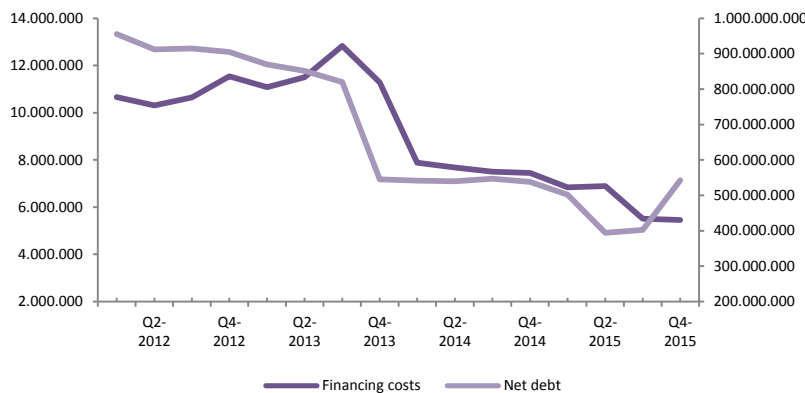
Outstanding loan and swap maturity



## Significant Maturity Increase

- Maturity Loans increased from 2 to 3,9 yr
- „ Derivatives increased from 3,1 to 3,9 yr
- Stable loan and swap maturity profile
- Institutional investor loan will mature in 2022
- In 2017 – 2018 €125m nominal hedges will expire

Financing costs and net debt



## Continuous reduction of Financing Costs

- The net debt per end of 2015 is slightly higher than end of 2014 due to net investments
- Continuous decrease of financing cost
  - 2015 vs 2014: -/- 19% (only NL), -27% incl BE
  - 2015 vs 2013: -/- 47%

# Interest % on loan, swap and total

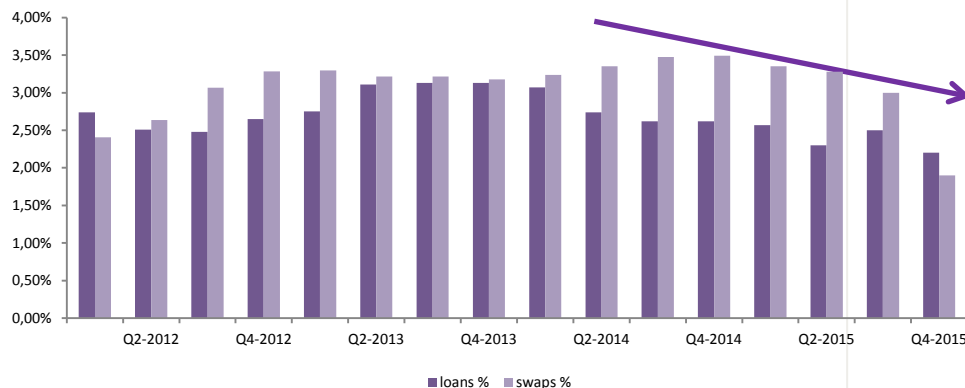
2014	Outstanding loans	Swap fixed interest	% Fixed rate	Interest % swaps	Interest% loans	Average Interest %
NL	524.334	346.625	88,50%	3,40%	2,60%	4,90%
BE	268.538	120.000	92,10%	2,00%	3,30%	4,00%
<b>Total</b>	<b>792.872</b>	<b>466.625</b>	<b>89,70%</b>	<b>3,10%</b>	<b>2,80%</b>	<b>4,60%</b>

2015	Outstanding loans	Swap fixed interest	% Fixed rate	Interest % swaps	Interest% loans	Average Interest %
NL	564.618	414.300	80,40%	1,90%	2,20%	3,70%

## Strong reduction of average funding costs

- Overall average interest % 2014 vs 2015 decreased with 25% from 4.9% to 3.7%
  - Improvement in margins on the refinancing
  - Maturing high yield derivatives
  - Lower market rate has positive effect on new derivatives

Loan % and swap % over time



- Over time the interest % on loans and derivatives decreased
- With the 2015 maturing high yield derivatives, average interest on derivatives is lower than average interest on loans



# Strategic financing aims well on track:

focus on flexibility, refinancing and reducing financing costs successfully concluded

	2014-2016																		
<b>Funding diversification</b>	<ul style="list-style-type: none"> <li>Decrease dependency of only one source of funding</li> </ul>		<ul style="list-style-type: none"> <li>18% of outstanding debt financed by institutional investors</li> <li>Conditions in loan documentation and opportunities in markets give room to increase diversification percentage</li> </ul>																
<b>Reduce financing cost</b>	<ul style="list-style-type: none"> <li>Decrease overall financing cost</li> </ul>		<ul style="list-style-type: none"> <li>Lower total net financing cost 2015 for the Netherlands compared to: <b>-/- 19,1%</b></li> </ul>																
<b>Refinancing risk</b>	<ul style="list-style-type: none"> <li>No more than 25% of loans maturing in any single year</li> </ul>		<ul style="list-style-type: none"> <li>Stable refinancing profile</li> <li>Refinancing in 2020 will most likely be refinanced far before maturity date with non bank funding</li> </ul>																
<b>Covenants</b>	<ul style="list-style-type: none"> <li>Aim to maintain LTV below 50%, peak-to-trough between 40-50%, with covenant at 60-65%</li> <li>Maintain ICR &gt; 2.0</li> </ul>		<ul style="list-style-type: none"> <li>Group LtV: 43.2%</li> <li>Group ICR: 3.2x</li> </ul>																
<b>Debt maturity</b>	<ul style="list-style-type: none"> <li>Extend and maintain average debt maturity to over 3 years</li> </ul>		<ul style="list-style-type: none"> <li>debt maturity: 3.9 yrs (2 yrs)</li> </ul>																
<b>Move to unsecured financing</b>	<ul style="list-style-type: none"> <li>In the 2015 refinancing loan documentation criteria for security release have been included</li> </ul>		<p>NSI to meet following criteria during 2 consecutive testing periods:</p> <table border="1"> <thead> <tr> <th></th> <th>Criteria</th> <th>2015</th> <th>H1-2015 YTD</th> </tr> </thead> <tbody> <tr> <td>Group LtV</td> <td>&lt; 45%</td> <td>43.3%</td> <td>35,1%</td> </tr> <tr> <td>Group ICR</td> <td>&gt; 2.5x</td> <td>3.2x</td> <td>2.9x</td> </tr> <tr> <td>Dutch Valuations ≥ €0</td> <td></td> <td>€1.4m</td> <td>€3.5m</td> </tr> </tbody> </table>		Criteria	2015	H1-2015 YTD	Group LtV	< 45%	43.3%	35,1%	Group ICR	> 2.5x	3.2x	2.9x	Dutch Valuations ≥ €0		€1.4m	€3.5m
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# Recognition of IOW stake

## – Recognition of NSI's remaining 15,2% share in IOW

- Significant influence in IOW
- Equity method to be used going forward
- Pro-rate share in net income to be recognized in NSI results on a quarterly basis
- Financial Fixed Asset, value based upon NAV + Future results to be added - future dividends to be deducted results in future NAV in NSI books

## – Impact on Balance sheet as per 31 December 2015:

- Decrease in value of real estate investments of € 635.7 million
- Balance sheet total decreased by € 656.1 million
- Debt to credit institutions decreased by € 320.4 million
- 15.2% share classified as “minority interest” at € 51.4 million: € 20,75/share

## – Impact on P&L

- Total DR HY1-15: 7,8 Million (incl one-off)
- Total DR HY2-15: 2,3 Million + reduction Interest costs @ 1,5-2%
- DR 2015: 10,2 million (2014: 12,6 million)
- Reinvestment after 1 quarter

# Financial highlights

x€1,000	FY 2015	FY 2014	HY2 2015	HY1 2015
Gross rental income	113,835	133,599	45,703	68,132
Service costs not recharged to tenants	-5,796	-5,828	-2,453	-3,343
Operating costs	-16,715	-18,611	-8,660	-8,055
<b>Net rental income</b>	<b>91,324</b>	<b>109,160</b>	<b>34,590</b>	<b>56,734</b>
Administrative costs	-6,914	-7,711	-3,075	-3,839
Financing income	2,541	176	2,494	47
Financing costs	-30,777	-42,391	-10,913	-19,864
Result minority interests	2,377	-	2,377	-
<b>Direct investment result before tax</b>	<b>58,511</b>	<b>59,234</b>	<b>25,433</b>	<b>33,078</b>
Corporate income tax	-125	-111	-7	-118
Direct result att. to minorities	-7,811	-10,672	-	-7,811
<b>Direct investment result</b>	<b>50,575</b>	<b>48,451</b>	<b>25,426</b>	<b>25,149</b>
<b>Indirect investment result</b>	<b>13,219</b>	<b>-185,348</b>	<b>-4,032</b>	<b>17,251</b>
<b>Total result</b>	<b>63,794</b>	<b>-136,897</b>	<b>21,394</b>	<b>42,400</b>

## €200 mln improvement year on year

Deconsolidation IOW, asset rotation and negative L-f-I of -€2,6mln,

Divestment non-core and cost control

Enlargement portfolio, + €2.5 mln one-off in BE Letting costs (Deloitte) in HY1

€2.5 mln one-off from settlement withholding tax Belgian Authority

IOW, Lower debt, improved conditions in refinancing agreement, changes in swap portfolio  
IOW result after deconsolidation

Minority share before sale to minority

Significant improvement on all elements: valuations, asset sales, IOW sale, value of derivatives

# Financial highlights - Netherlands

x€1,000	FY 2015	FY 2014
Gross rental income	90,796	93,333
Service costs not recharged to tenants	- 5,216	- 5,027
Operating costs	-17,377	- 16,253
<b>Net rental income</b>	<b>68,203</b>	<b>72,053</b>
Administrative costs	-6,018	-5,833
Financing income	2,540	112
Financing costs	-24,694	-30,509
<b>Direct investment result before tax</b>	<b>40,031</b>	<b>35,832</b>
Corporate income tax	18	-7
Direct result att. to minorities	-	-
<b>Direct investment result</b>	<b>40,048</b>	<b>35,816</b>
<b>Indirect investment result</b>	<b>10,366</b>	<b>-181,894</b>
<b>Total result</b>	<b>10,414</b>	<b>-146,078</b>

L-f-I in offices

Roll out HNK, sale non core and cost control

Maintenance and one-off higher contribution to associations of owners

Q1-16: IFRIC 21 Levies/property taxes

# Balance sheet highlights

x€1,000	31/12/15	30/6/15	31/12/14
Real estate investments	1,203,465	1,048,940	1,668,176
Total shareholders equity	660,748	657,951	788,302
Shareholders equity of NSI	660,720	657,979	632.112
Debt to credit institutions (excl. derivatives)	542,332	385,479	815,483
Average cost of debt (%)	3.7	5.1	4.6
Net loan to value (%)	43.2	35.1	48.9
Average debt maturity (years)	3.9	4.6	2.0
Fixed interest debt (%)	80.4	94.2	89,7
Interest coverage ratio	3.2	2.9	2.6
NAV (€/share)	4.61	4.59	4.41
EPRA NAV (€/share)	4.79	4.78	4.69

Deconsolidation of IOW (€ 636 mln), asset sales (€ 43,3mln), acquisitions (€ 169 mln), investments (€ 16,8 mln) and revaluations (€ 1,4 mln). Industrial portfolio (€ 61,2 mln) classified as held for sale

Minority stake - € 156 mln

Positive result (€ 63,8 mln) - dividend payments (€ 35.8 mln), value 15.2% stake IOW (€ 51.4 million)

Deconsolidation of net Belgian debt and net investment

As result of improved conditions in refinancing agreement, changes in derivative portfolio

Minimum coverage policy = 70%

Minimum ICR is 2

First increase in NAV since 2011



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## CONCLUSION

# Conclusion

- Direct result and indirect result increased in 2015
- Strong take up in 2015; started 2016 with confidence
  - Occupancy rate in offices expected to improve
  - Occupancy rate in retail expected to be stable
  - Overall occupancy rate total portfolio expected to improve
- Quality improvement through asset rotation continuous process
  - Focus on further performance improvement
  - Growing organically in office portfolio
- Roll out HNK to 20 properties



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Q & A