



nsi



space  
to perform

# Roadshow Netherlands

15 October 2015

nsi



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# INTRODUCTION CIO ANNE DE JONG

# Anne de Jong

- Started as CIO as per 1 May 2015

## Curriculum vitae

**2003 -2015**

### **ING Real Estate / CBRE Global Investors**

Portfolio Director CBRE Dutch Office Fund  
Portfolio Manager CBRE Dutch Office Fund (DOF)\*  
Sr Asset Manager Offices

**1994-2003**

### **Mn Services (pensionfund Metal industry)**

Head of Asset Management (Retail, Offices and Residential)  
Asset Manager Offices  
Asset Manager Residential  
Analyst (research)

**1988- 1994**

### **University of Amsterdam**

Econometrics/ Business Economics



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## HIGHLIGHTS HY 2015

# Ready for next phase: Growth

- **Significant step in execution asset rotation strategy; ready for growth in Dutch offices**
  - Approx. € 140 million capital released for growth in Dutch offices market:
    - Partial divestment of stake in IOW, above book value; gross proceeds approx. € 111 million
    - Asset sales in Dutch portfolio total € 28 million
  - Positive revaluation Dutch offices portfolio clearly marks tipping point
  
- **Operational performance is improving**
  - Offices
    - Positive trend in take up continues, take up/supply ratio of 25% compared to the market average of 12%
    - Slightly higher occupancy rate of 71.7% (71.4% per 31 March 2015)
    - L-f-I growth NL offices 4% Q2 2015 versus Q1 2015
  - HNK
    - The occupancy rate rose from 57.5% to 62.3%
    - L-f-I growth HNK 9.3% Q2 2015 vs Q1 2015
    - HNK represents 18% of the rental income of the total Dutch offices portfolio
  - Retail
    - Successful redevelopments; convenience shopping center Keizerslanden to be expanded
    - L-f-I growth of 3.1% HY 2015 versus HY 2014
    - Stable rental levels
  
- **Financial performance**
  - Direct result HY 2015 increased to € 25.1 million (HY 2014: € 24.5 million)
  - Interim dividend of € 0.13 per share
  - LTV decreased to 35.1% (ultimo 2014: 48.9%)

# Highlights post publication HY results

- **Representatives of HABAS sold entire stake in NSI in August 2015**
  - Approx. 8.5 million of shares sold to international institutional investors
  - Broadened NSI's investor base
  - Increased liquidity in NSI share
  
- **Continuation of divestment program of non-strategic and optimized assets**
  - Multiple small sized office assets
  - Optimized small retail asset
  
- **Opening 10<sup>th</sup> HNK on 14 October : HNK Utrecht Central Station**
  - 60% prelet

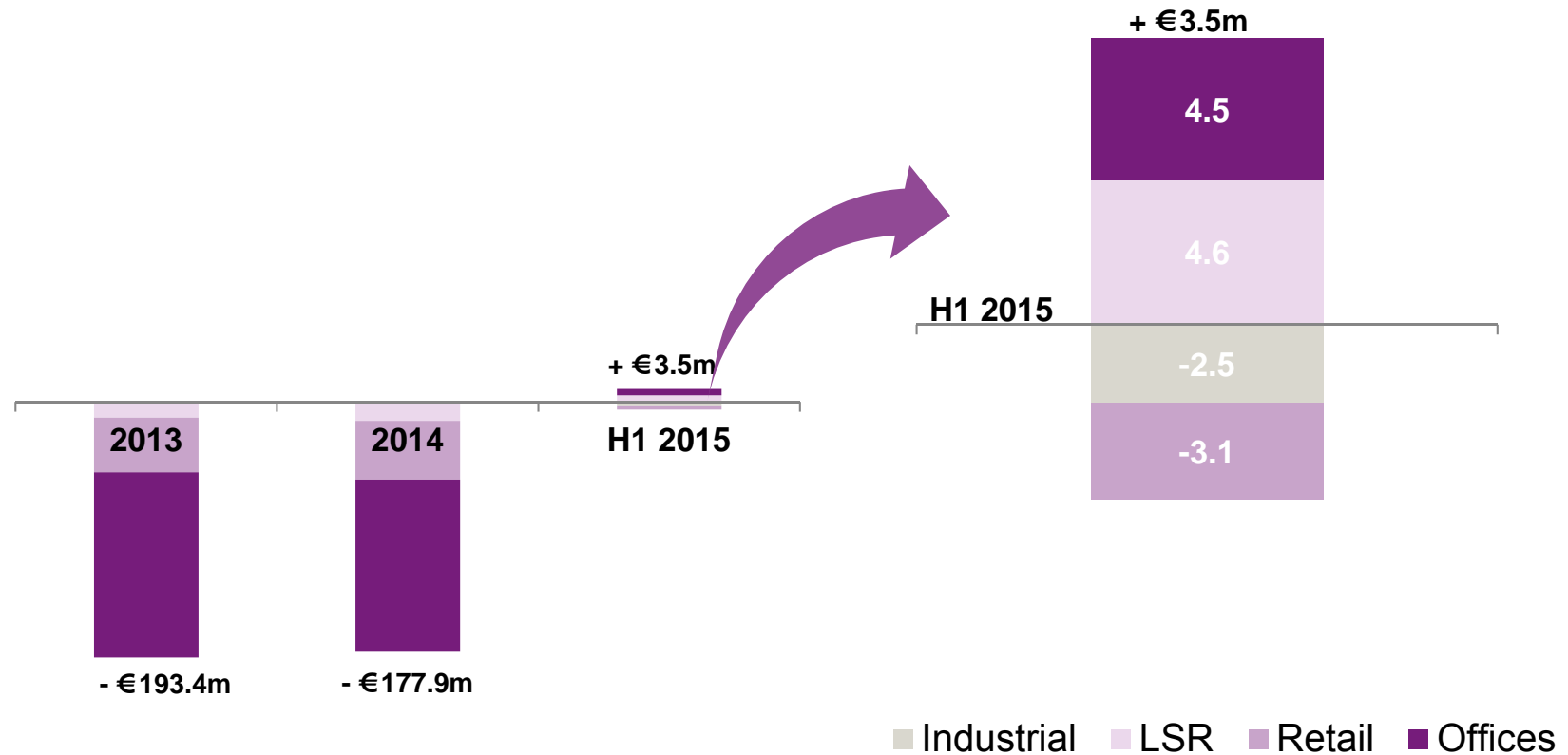
# Operational performance

	Offices NL*		HNK		Retail	
	Q2 2015	Q1 2015	Q2 2015	Q1 2015	Q2 2015	Q1 2015
<b>Occupancy</b>	71.7%	71.4%	62.3%	57.5%	87.1%	88.2%
<b>Take-up</b> take up/ supply rate	12,987 sqm 25%	9,090 sqm 21%	2,782 sqm 32%	4,250 sqm 36%	1,738 sqm 19%	831 sqm 13%
<b>Leases started (sqm)/ renewed (sqm)</b>	24,779 / 43,692		6,545 / 11,483		6,982 / 23,132	
<b>Retention rate</b>	64%		73%		78%	
<b>Effective Rent</b> New leases 12 months/ portfolio	€123/ €145	€130/ €146	€171/ €171	€175/ €167	€204/ €179	€178/ €180
<b>GRI</b>	€12,6 mio	€12.4 mio	€2,3 mio	€1.7 mio	€6,9 mio	€7.1 mio
<b>WALL</b>	3,6 years	3.8 years	2.8 years	2.5 years	4,4 years	4.6 years

\* Including HNK

# Revaluations Dutch portfolio

Tipping point is reached – upward revaluations in Dutch offices and LSR



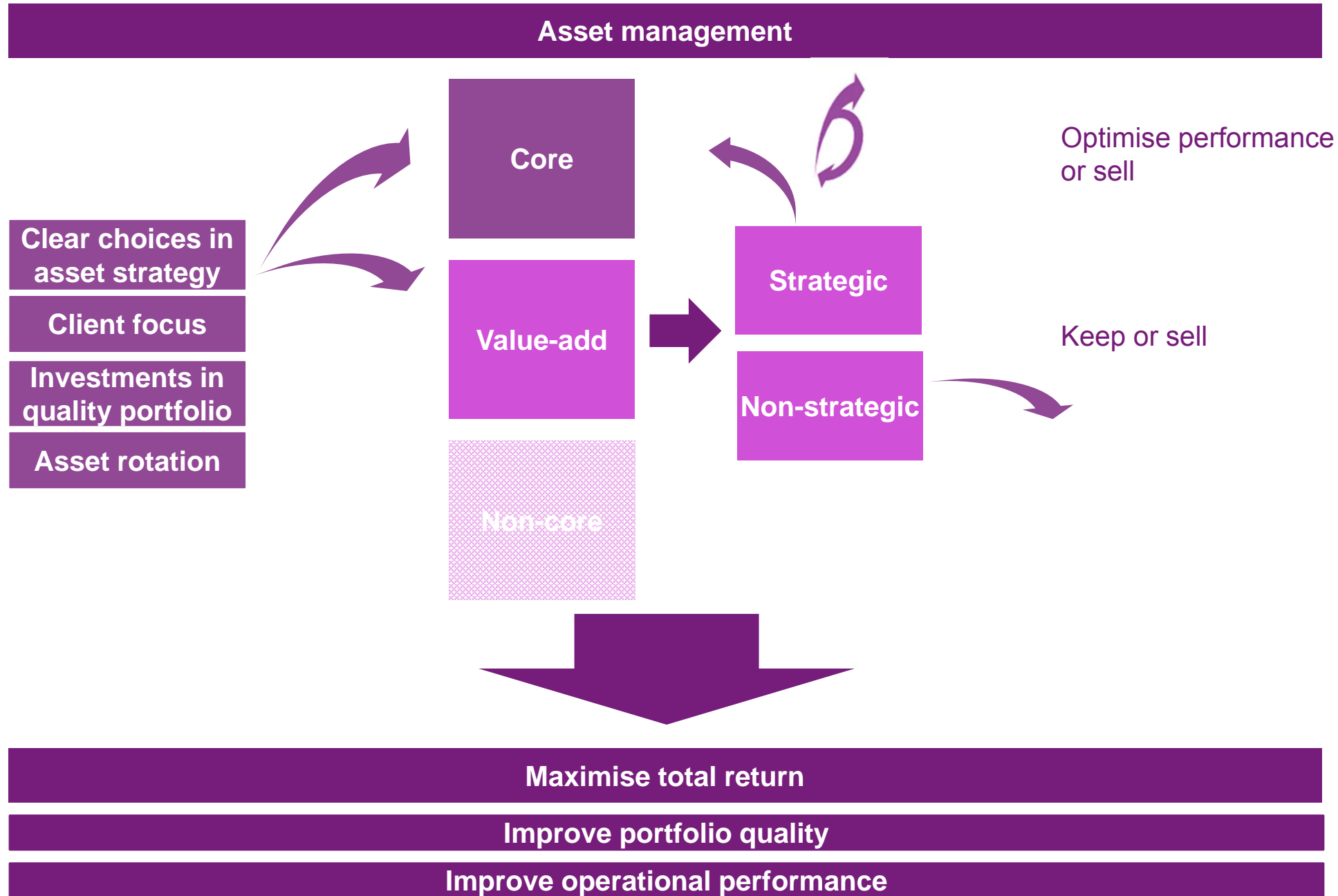




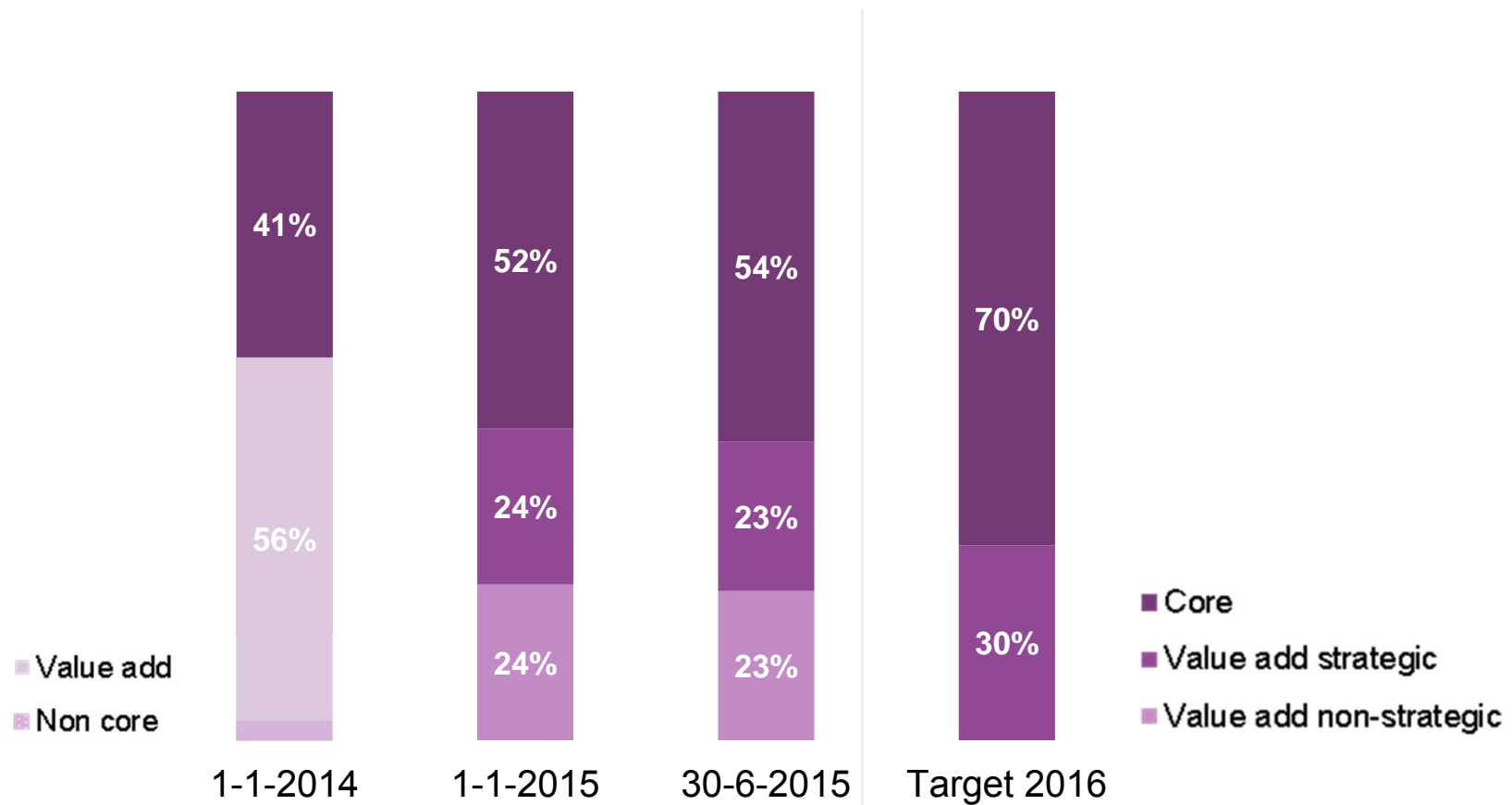
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## STRATEGY IN PROGRESS

# NSI's clear portfolio vision and strategy



# Progressing towards 2016 targets – Dutch offices

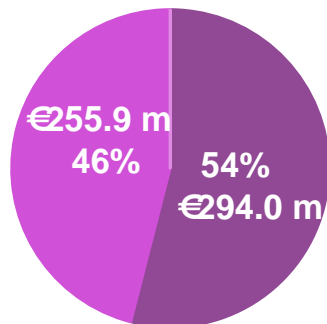


Financial Occupancy	72.1%	71.5%	71.7%	>80%
# HNK	3	7	9	20
JLL prop. quality score	49.0%	49.3%	49.3%	>55%

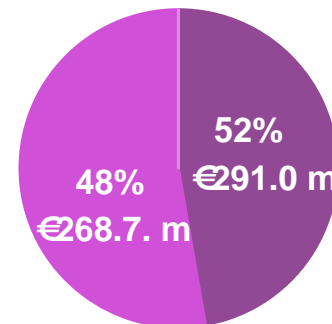
# Dutch Offices Portfolio: Overview as per 30 June 2015

Label	Portfolio NSI In #			Occupancy rate Financial occupancy			Value In € per sqm			Area In sqm.			Passing rent In €m p.y.		
	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14
Core	42	42	39	71.8%	71.9%	77.8%	1,319	1,230	1,503	222.9	233.9	184.4	24.2	24.5	23.3
Value-add	85	90	95	71.6%	70.6%	69.6%	838	815	1,013	305,3	326.8	376.1	27.4	28.3	35
Non-core	-	-	15	-	-	17.1%	-	-	377	-	-	54.9	-	-	1
<b>Total</b>	<b>127</b>	<b>132</b>	<b>149</b>	<b>71.7%</b>	<b>71.2%</b>	<b>72.1%</b>	<b>1,041</b>	<b>988</b>	<b>1,104</b>	<b>528.2</b>	<b>560.7</b>	<b>615,4</b>	<b>51.6</b>	<b>52.8</b>	<b>59.3</b>

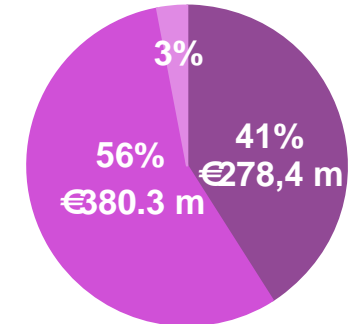
Total book value 30-6-15 = €549.9m



Total book value 1-1-15 = €559.7m

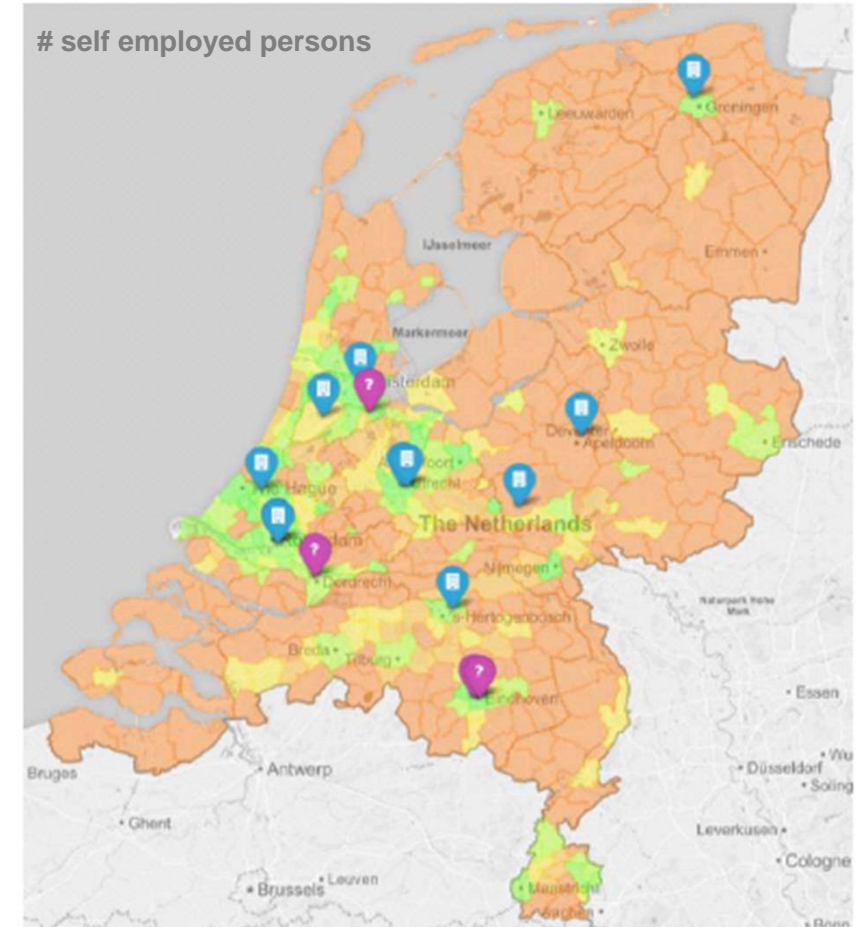
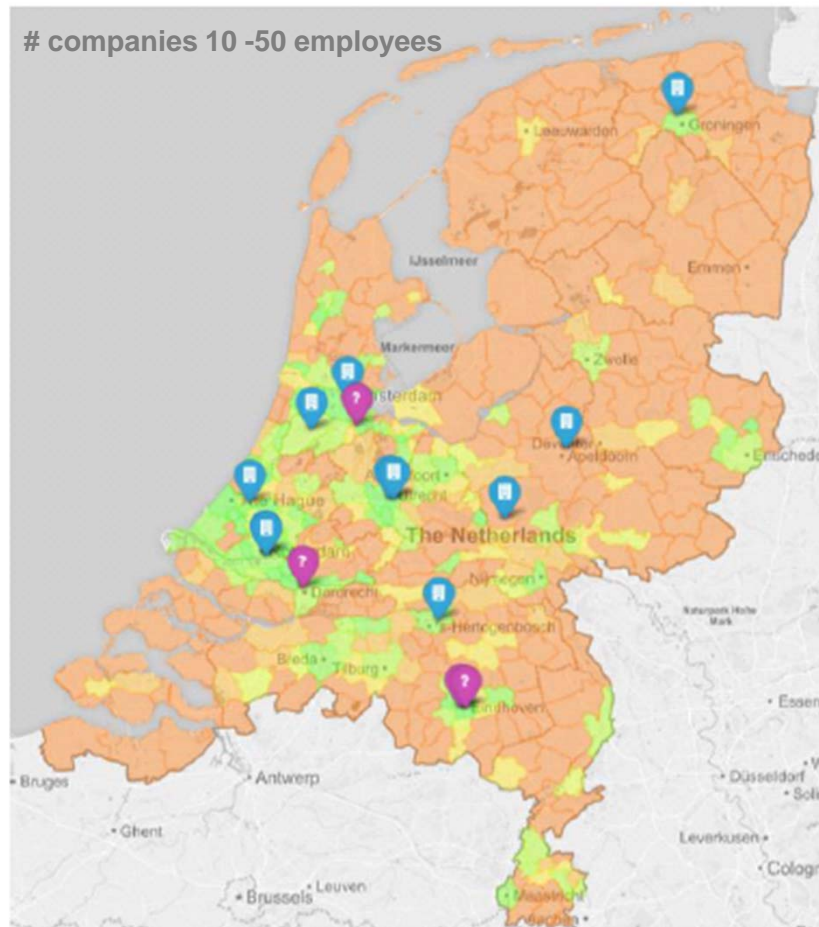


Total book value 1-1-14 = €679.2m



■ Core ■ Value-add

# Ready for growth in Dutch offices portfolio



Strategic choices combined with business intelligence determine focus, validated by financial criteria

- Focus on office properties in sustainable office market areas
- > 4,000 sqm
- Multi tenant

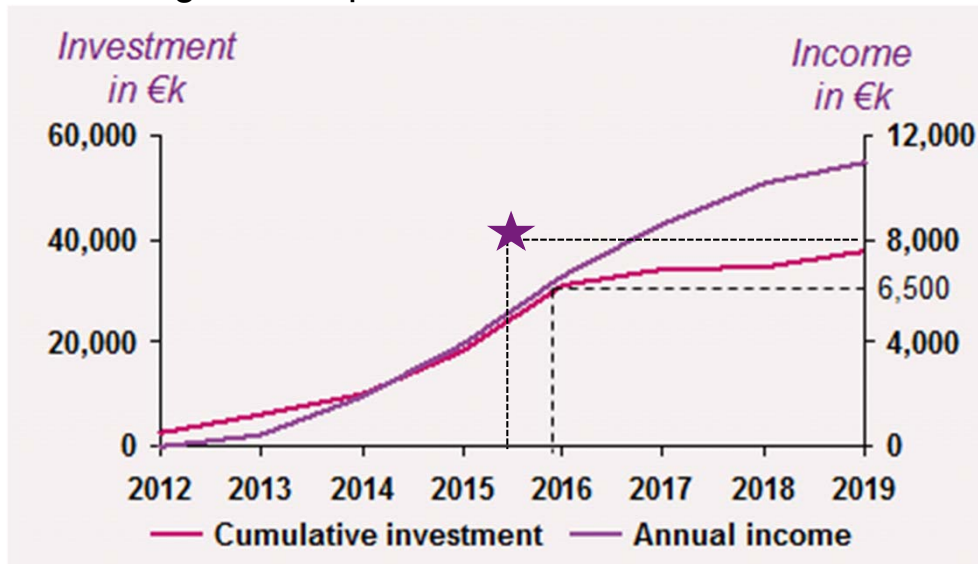
# HNK – roll out and performance

## HNK highlights

(€ million)	2013	2014	YTD 2015	2016 target
Investment	3.7	5.1	11.6	31.0
GRI	1.5	5.4	8.0*	6.5
# HNK's	3	4	9	20
% portfolio (sqm)	3%	12%	18%	25%

\* annualized

## Initial targets vs reported



Ede



Utrecht



### Opening soon:

- HNK Utrecht Central Station (2<sup>nd</sup> location Utrecht)
- HNK Amsterdam South-east (2<sup>nd</sup> location Amsterdam)
- 2<sup>nd</sup> location HNK Rotterdam
- HNK Dordrecht

# NSI's retail focus: Convenience centres

- **The 'convenience' centre**
  - Tenant base perfectly fits the 'convenience' consumer
    - strong mix of food, personal care and other daily goods
    - Complete range of product offering for daily needs
    - Mix of local entrepreneurs/ national brands (55%/45%)
- **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
- **Focus on convenience means:**
  - Full focus on local neighbourhood retail centres
    - Result in shift in portfolio segmentation; redefine non-strategic:
      - » Large Scale retail
      - » Shared ownership
    - Asset rotation function of redefined segmentation
  - **Requires the next step in active management and adding value**
    - Consumer focus
    - On-line strategy defined in 2014 > Roll-out in 2015

## Retail landscape is changing



V&D

BLOKKER

/// ACTION ///

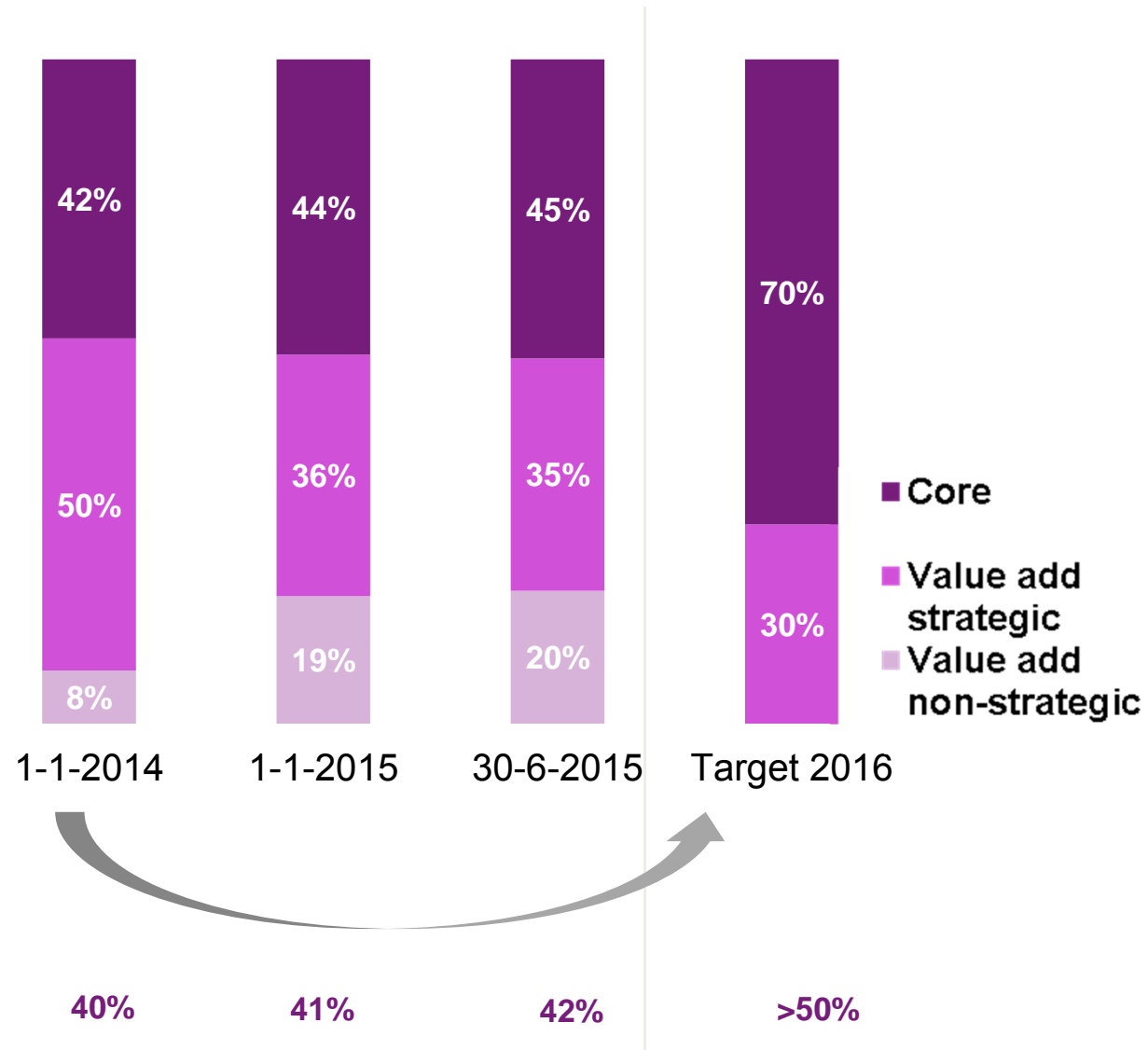


← Experience

Convenience →



# Redefined 2016 targets Retail



% of convenience shopping centers



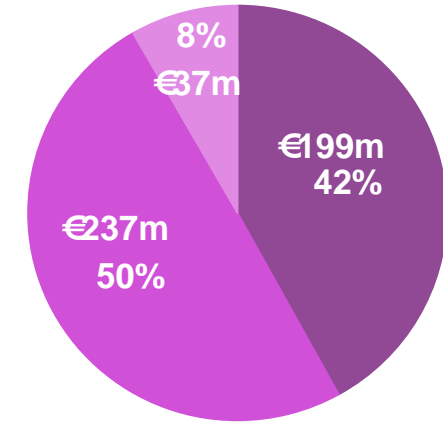
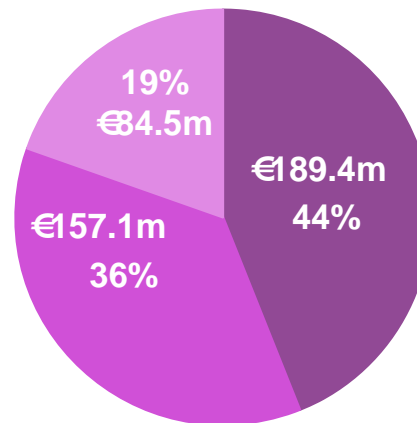
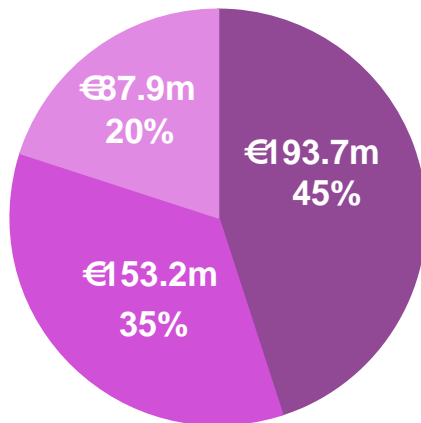
# Dutch Retail Portfolio: Overview as per 30 June 2015

Label	Portfolio NSI In #			Occupancy rate Financial occupancy			Value In € per sqm			Area In sqm.			Passing rent In €m p.y.		
	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14	30-6-15	1-1-15	1-1-14
Core	16	16	16	94.1%	93.9%	89.8%	2,283	2,232	2,383	84.9	84.2	83.7	14.9	14.9	14.2
Value-add strategic	15	20	20	84.2%	87.2%	84.3%	2,023	2,075	1,628	75.7	75.7	144.7	11.3	11.7	17.2
Value-add non-strategic	11	6	6	84.8%	78.1%	83.9%	782	752	924	112.5	112.5	42.1	8.9	7.4	3.5
<b>Total</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>88.3%</b>	<b>87.7%</b>	<b>87.2%</b>	<b>1,592</b>	<b>1,579</b>	<b>1,752</b>	<b>273.0</b>	<b>273.0</b>	<b>270.5</b>	<b>35.0</b>	<b>34.1</b>	<b>34.9</b>

Total book value 30-6-15 = €434.8 m

Total book value 1-1-15 = €431.1 m

Total book value 1-1-14 = €474,0 m



Core
  Value-add strategic
  Value-add non-strategic



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FINANCIAL

# Financial highlights

x€1,000	HY 2015	HY1 2014	FY 2014
Gross rental income	68,132	67,003	133,599
Service costs not recharged to tenants	-3,343	-2,926	-5,828
Operating costs	-8,055	-9,223	-18,611
<b>Net rental income</b>	<b>56,734</b>	<b>54,854</b>	<b>109,160</b>
Administrative costs	-3,839	-3,777	-7,711
Financing income	47	123	176
Financing costs	-19,864	-21,328	-42,391
<b>Direct investment result before tax</b>	<b>33,078</b>	<b>29,872</b>	<b>59,234</b>
Corporate income tax	-118	-67	-111
Direct result att. to minorities	-7,811	-5,316	-10,672
<b>Direct investment result</b>	<b>25,149</b>	<b>24,489</b>	<b>48,451</b>
<b>Indirect investment result</b>	<b>17,251</b>	<b>-93,487</b>	<b>-185,994</b>
<b>Total result</b>	<b>42,400</b>	<b>-68,998</b>	<b>-137,543</b>

NL: Negative L-f-I of -€ 1,3mIn, BE: growth through acquisitions

Service costs depend on m2 vacancy, which increased

Maintenance increased in both countries, but + € 2.5 mln one-off in BE Letting costs (Deloitte)

Lower consultancy costs vs higher appraisal costs

Significant decrease both in rates as well as outstanding amounts

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

**€111 mln improvement year on year**

# Balance sheet highlights

x€1,000	30/6/15	30/6/2014	31/12/14
Real estate investments	1,048,940	1,722,744	1,668,176
Total shareholders equity	657,951	847,790	788,302
Shareholders equity of NSI	657,979	719,272	632.112
Debt to credit institutions (excl. derivatives)	385,479	823,139	815,483
Average cost of debt (%)	5.1	4.7	4.6
Net loan to value (%)	35.1	47.9	48.9
Average debt maturity (years)	4.6	2.3	2.0
Fixed interest debt (%)	94.2	88,8	89,7
Interest coverage ratio	2.9	2.6	2.6
NAV (€/share)	4.59	5.02	4.41
EPRA NAV (€/share)	4.78	5.31	4.69

Deconsolidation of IOW (€ 636 mln), investments (€ 8,8mln), asset sales (€ 22,1mln) and revaluations (€ 3,6mln)

Minority stake - € 156 mln

Positive result HY1/15 (€ 42 mln) - final dividend (€ 17.2 mln)

Deconsolidation of net Belgian debt and redemption with proceeds of Belgian sale

Due to increased influence of swaps as a result of reduction outstanding debt

Leads to a lower LTV bracket in funding (<45%)

As a result of 2015 refinancing

Reduction of outstanding loans with stable derivative portfolio

Minimum ICR is 2

First increase in NAV since 2011



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## CONCLUSION

# Conclusion

- **Economic environment has clearly improved; take up has increased significantly, this trend is expected to continue**
- **Upward trend in revaluations and €140 million of capital release creates room for growth in Dutch offices**
- **For full year 2015 NSI expects a direct result per share between €0,31 and €0,33. This includes the net impact of the partial divestment of IOW of approximately - €0,025 per share (total - €3.5 million).**



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# APPENDIX

# Partial divestment IOW stake

## Transaction beneficial for both NSI and IOW

- **Successful accelerated private placement**
  - NSI sold 35% of outstanding shares of IOW
  - IOW Shares sold above net asset value
  - The amount of shares traded in the transaction equals 750 days of trading
- **Broader shareholder base and increased liquidity for IOW:**
  - The share price development of IOW shares regained momentum
  - Liquidity in IOW shares significantly increased
  - The broadened shareholder base gives IOW more room to execute its strategy
- **NSI enters next phase of strategy; focus on growth in Dutch offices :**
  - The transaction released € 111 million, available for investments
  - The transaction decreased LtV to 35,1%



# Result on partial divestment IOW stake

- **IOW was a fully consolidated subsidiary of NSI**
- **NSI held 50.2% of outstanding shares**
- **The sale of 35% of IOW shares leads to a number of IFRS specific elements that influence the financial representation**
  
- **Transaction result based upon 2 IFRS building blocks**
  - As if full 50,2% equity stake is sold @ 19,5 €/share
  - Recognition of 15,2% remaining as “RE-purchased on day of transaction”
  - Initial recognition price of this purchase is “cost price”, in casu first observable value after transaction  
This is the share price of IOW after transaction; 20,02 €/share
  - Difference between NAV IOW and IFRS Cost Price remains as semi-permanent difference in NSI books, comparable to goodwill. Published NAV = 19,08 €/share
  - Resulting in a € 3 mln profit on the transaction

# 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

## - Net impact on NSI's direct result is approximately €0.025 per share ( €3.5 million) for FY 2015:

- example operational impact based upon Q2\*2 =- € 4,5 mln (loss of GRI)
- Impact on financing costs of + € 1 mln  
(Cost of RCF reduction, minus commitment fees, plus LTV grid)

## - Impact on Balance sheet as per 30 June 2015:

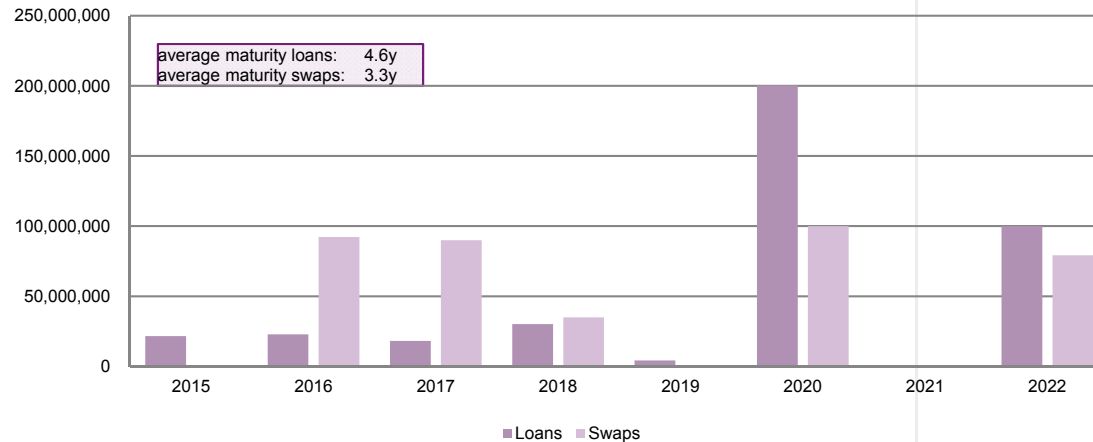
- Decrease in value of real estate investments of € 635.7 million
- Balance sheet total decreased by € 656.1 million
- Debt to credit institutions decreased by € 320.4 million
- Loan-to-value (LtV) decreased to 35.1%
- Shareholders' equity decreased by € 154.8 million

# Strategic financing aims well on track: focus on flexibility and refinancing 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>25% 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 H1 – 15 for the Netherlands compared to:               <ul style="list-style-type: none"> <li>H2-14: +/- 8,1%</li> <li>H1-12: +/- 11,7%</li> </ul> </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 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: 35.1%</li> <li>Group ICR: 2.9x</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 extended to 4.6 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>Criteria</th> <th>H1-2015</th> </tr> </thead> <tbody> <tr> <td>Group LtV &lt; 45%</td> <td>35,1%</td> </tr> <tr> <td>Group ICR &gt; 2.5x</td> <td>2.9x</td> </tr> <tr> <td>Valuations ≥ €0</td> <td>€1.2m</td> </tr> </tbody> </table>	Criteria	H1-2015	Group LtV < 45%	35,1%	Group ICR > 2.5x	2.9x	Valuations ≥ €0	€1.2m
Criteria	H1-2015									
Group LtV < 45%	35,1%									
Group ICR > 2.5x	2.9x									
Valuations ≥ €0	€1.2m									

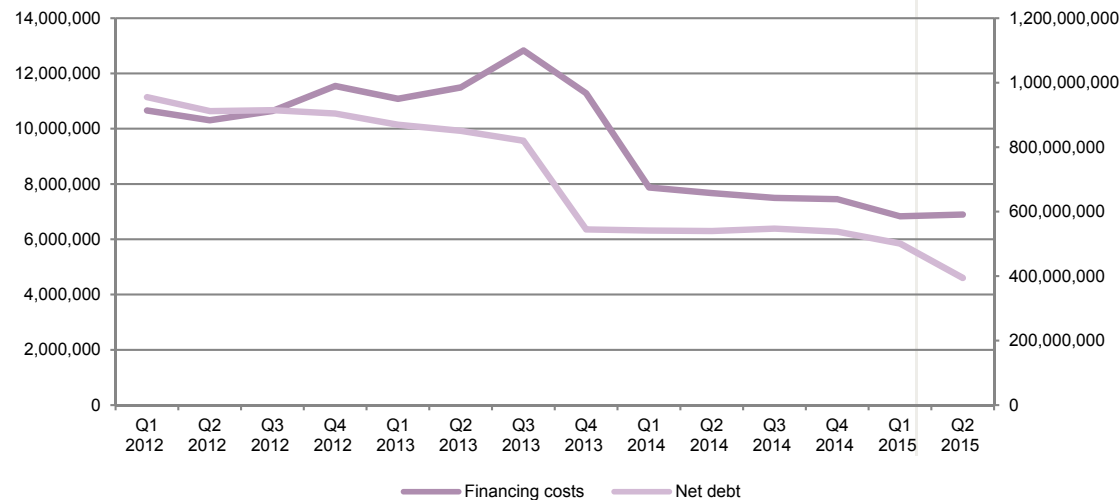
# Maturity, net debt and financing costs

Outstanding loan and swap maturity



- Extended loan maturity profile
- Institutional investor loan will mature in 2022
- In 2016 – 2017 €180m nominal hedges will expire

Financing costs and net debt



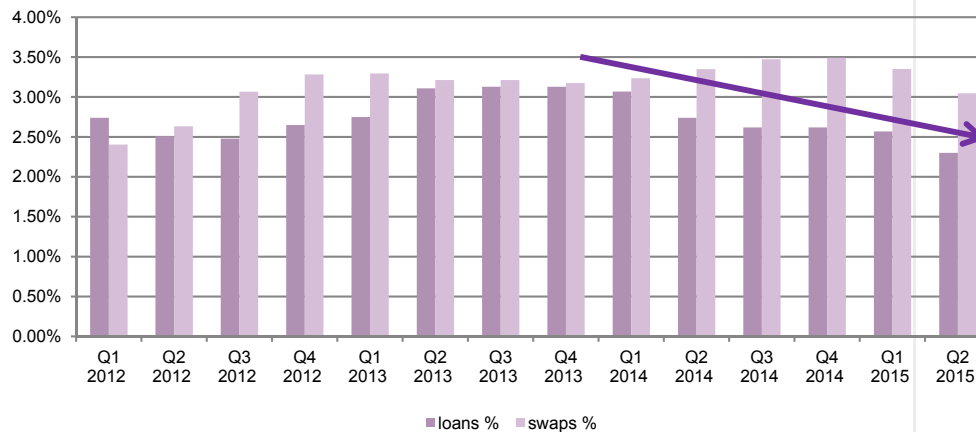
- Since Q1/12: 60% reduction of outstanding debt
- The net debt per H1-15 is more than 25% lower than per H1-14
- Over the same period, the total financing costs reduced with more than 11%
- The commitment fees of the available €250m RCFs are approx. €1.5m p.a. (35% of the applicable margin)

# Interest % on loan, swap and total

H2-14	Outstanding loans	Swap fixed interest	% Fixed rate	Interest % swaps	Interest% loans	Average Interest %
NL	524.334	346.625	88,5%	3,4%	2,6%	4,9%
BE	268.538	120.000	92,1%	2,0%	3,3%	4,0%
<b>Total</b>	<b>792.872</b>	<b>466.625</b>	<b>89,7%</b>	<b>3,1%</b>	<b>2,8%</b>	<b>4,6%</b>

H1-15	Outstanding loans	Swap fixed interest	% Fixed rate	Interest % swaps	Interest% loans	Average Interest %
NL	394.359	336.625	94,2%	3,0%	2,3%	5,1%

loan % and swap % over time



- Interest % of the Dutch loans has been reduced from 2.6% per end of 2014 to 2.3% per H1-2015:
  - improved margins of the refinancing
  - repayment of outstanding loans and
  - lower LtV
- Swap costs decreased from 3,4% to 3% during the same period
- Overall Dutch interest % increased from 4.9% (H2-14) to 5.1% (H1-15) because the significant reduction in outstanding loans caused a temporary increase of the relative effect of the swaps with a higher interest rate
- Overall average interest rate % to decrease to 4% HY1/17, but sooner in case of acquisitions
- If NSI would have invested € 140 million, the cost of debt would have decreased to 4.2%
- Over time the interest % on loans decreased
- Swap interest % still higher than loan interest %
- Redemption and renewal/extensions of swaps reduced the percentage to 3.0% per H1-15

# Main leasing activities

	New leases	#sqm	Renewals	#sqm
<b>Offices</b>	St. Volkshuisvesting Utrecht in Amsterdam	5,019	RDW in Zoetermeer	7,200
	NH Hotels in Hoofddorp	1,175	Rijksvastgoedbedrijf in Eindhoven	6,000
	Stichting de Viersprong in Rotterdam	824	Gemeente Venlo	2,167
<b>HNK</b>	Panasonic in Den Bosch	1,141	70 leases renewed (average 187 sqm)	13,117
	Rutgers in Utrecht	1,125		
	Leeuwendaalgroep in Den Haag/Utrecht	2,400		
	CTGB in Ede	3,004		
<b>Retail</b>	Blokker in Rijswijk	730	C&A in Heerlen	2,100
	Zeeman in Oldenzaal	746	C1000 in Rotterdam	869
<b>LSR</b>	VOF wooncentrum in Apeldoorn	8,345	Wooncentrum De Groot in Apeldoorn	5,340
	Plus 100 in Roosendaal	1,800	BCC in Middelburg	1,128