

BALANCE SHEET, NAV AND FINANCING

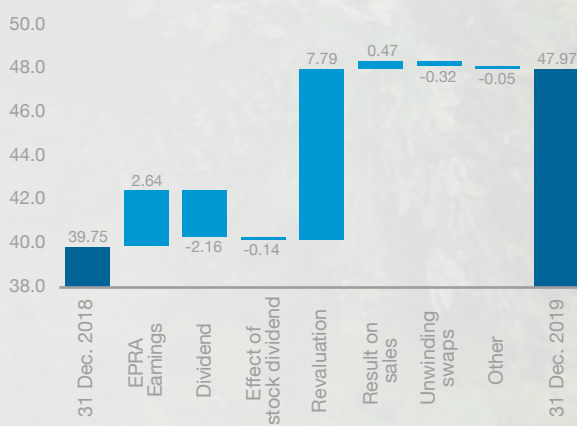
Balance sheet

At 31 December 2019 two office assets and one retail asset with a combined value of € 16 million are classified as held for sale.

Net asset value

The EPRA NAV at the end of December 2019 is € 907 million, an increase of 22.9% over the 12-month period (€ 738 million at year-end 2018). Due to a small rise in the number of shares following the issuance of stock dividend, the EPRA NAV per share increased by 20.7% from € 39.75 at the end of 2018 to € 47.97 at the end of 2019. The change in the NAV is explained in the following bridge.

EPRA NAV per share bridge



“We have prepared the balance sheet to support our development pipeline and selective acquisitions.”

Alianne de Jong
CFO

The gap between EPRA NAV and EPRA NNAV of € 0.57 per share reflects the negative fair value of derivatives and the market value of the debt.

The issue price of the stock dividend in May was € 39.20 on an ex-dividend basis, in line with the year-end 2018 NAV. The issue price of the stock dividend in August was € 42.64 on an ex-dividend basis, in line with the June 2019 NAV. The issuance of stock dividend has had a small negative impact of €0.14 per share on 2019 EPRA NAV.

Funding

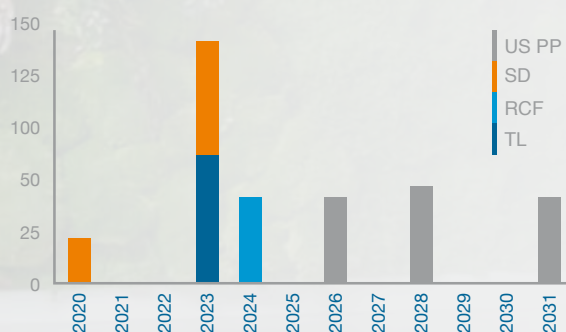
NSI refinanced most of its debt in 2018. The current treasury objectives are 1) to maintain sufficient flexibility and capacity in the debt structure to fund and de-risk both the development pipeline and potential acquisitions, 2) to take advantage of the current relatively flat interest curve by pushing out maturities and diversifying the maturity profile, and 3) to increase funding sources and diversify the investor base.

In line with the strategy, in April NSI agreed to extend the RCF by one year. As a result the € 300 million RCF, of which € 40 million was drawn by December 2019, is now set to mature in April 2024.

In August NSI issued € 40 million of 12-year unsecured notes to affiliates of Athene Asset Management, a subsidiary of Apollo Global Management. The notes are euro denominated and have a fixed coupon of 1.70%.

In December NSI repaid € 100 million of the Term Loan in order to diversify its funding sources and maturity profile, in line with treasury objectives.

Maturity profile of loans (€m million)



At 31 December 2019 the average loan maturity is 5.4 years (31 December 2018: 5.0 years). Of debt drawn 73% is unsecured (85% of available debt) and the cost of debt is 2.1%. The focus in 2020 will be to further extend maturities and further increase the funding diversification to reduce the reliance on bank financing and lower the risk of large maturities during the period of major development activity.

Net debt -2019 (€million)

	YE 19	YE 18	Δ
Debt outstanding	342.8	439.1	-96.3
Amortisation costs	-1.3	-1.4	0.0
Book value of debt	341.5	437.7	-96.3
Cash and cash equivalents	-1.4	-0.2	-1.2
Debts to credit institutions	12.6	10.5	2.1
Net debt	352.6	447.9	-95.4

Net debt is down by € 95.4 million in 2019. This is primarily driven by net disposals and retained earnings over the period. Taking into account debt to credit institutions our remaining committed undrawn credit facilities are circa € 250 million.

Leverage and hedging

The LTV is 27.4% at December 2019, down 9.5pp compared to December 2018 (36.9%). After the transfer of the assets held for sale the pro forma LTV will fall to 26.5%. As a result of lower financing costs the ICR increased to 6.8x at the end of December, well above the 2.0x covenant.

NSI is using swaps to hedge its interest rate risk on variable rate loans. The funds received from the issue of fixed rate notes, in combination with net disposal proceeds, were used to lower the RCF and Term loan, both of which have a variable rate. As a result the volume hedge ratio increased above NSI's internal limit of 100% in the 3rd quarter of 2019. To bring the volume hedge ratio below 100%, in September, € 127.5 million of swaps were broken at a cost of € 6.0 million. The maturity of derivatives and fixed rate debt is 5.2 years at 31 December 2019 and the maturity hedge is 98% (target range: 70-120%). The notional amount of swaps outstanding and fixed rate debt is € 343 million. The volume hedge at the end of the year is 100% (target range: 70-100%).

Covenants

	Covenant	YE 15	YE 16	YE 17	YE 18	YE 19
LTV	≤60%	43.3%	44.1%	36.9%	36.9%	27.4%
ICR	≥ 2.0x	3.2x	3.8x	4.7x	5.5x	6.8x