



PRELIMINARY RESULTS

FULL YEAR 2018

- Execution of strategy fully on track - strongly positioned for multiple opportunities ahead
- Vacancy rate of 13.8% (down 4.6% versus year-end 2017)
- EPRA NAV of € 39.75 per share (up 8% versus year-end 2017)
- EPRA EPS of € 2.64 per share (including € 0.12 in net negative one-off effects)
- A healthy balance sheet with an LTV of 36.9%
- Stable dividend of € 2.16 per share, with final dividend proposed at € 1.12 per share

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Financial calendar

Publication annual report 2018	6 March 2019
Publication trading update Q1 2019	17 April 2019
Publication annual half year results 2019	18 July 2019
Publication trading update Q3 2019	17 October 2019
Publication final results 2019	28 January 2020
AGM	17 April 2019
Ex-dividend date (final dividend 2018)	23 April 2019
Record date	24 April 2019
Stock dividend election period	25 April - 9 May 2019
Payment of final dividend	14 May 2019
Ex-dividend date (Interim dividend 2019)	22 July 2019

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NSI KEY FIGURES

Key financial metrics¹

Revenues and earnings (€ '000)

	2018	2017	Change (%)
Gross rental income	83,721	89,000	-5.9% ²
Net rental income	69,228	74,468	-7.0% ²
Direct investment result	48,745	49,365	-1.3%
Indirect investment result	42,780	42,237	1.3%
Total investment result	91,525	91,602	-0.1%
Earnings per share	4.95	5.05	-1.9%
EPRA earnings per share	2.64	2.72	-3.1%
Dividend per share ³	2.16	2.16	0.0%
EPRA cost ratio A (incl. direct vacancy costs)	26.5%	26.5%	0.0 pp
EPRA cost ratio B (excl. direct vacancy costs)	25.0%	24.3%	0.7 pp

Balance sheet (€ '000)

	31 December 2018	31 December 2017	Change (%)
Investment property	1,202,691	1,072,180	12.2%
Assets held for sale	3,940	28,791	-86.3%
Net debt	-447,909	-408,453	9.7%
Equity	733,283	672,688	9.0%
IFRS equity per share	39.48	36.63	7.8%
EPRA NAV per share	39.75	36.66	8.4%
EPRA NNNAV per share	39.20	36.13	8.5%
Net LTV	36.9%	36.9%	0.0 pp
Number of ordinary shares outstanding	18,574,298	18,364,998	1.1%
Weighted average number of ordinary shares outstanding	18,473,101	18,133,178	1.9%

Key portfolio metrics

	31 December 2018			TOTAL	31 December 2017
	Offices ⁴	HNK	Other		
Number of properties	67	14	14	95	126
Market value (€m) ⁵	881	210	124	1,214	1,108
Annual contracted rent (€m) ⁶	59	17	11	87	87
ERV (€m)	68	23	11	102	105
Lettable area (k sqm)	394	127	81	603	676
EPRA Vacancy Rate	11.1%	23.2%	11.2%	13.8%	18.4%
WAULT (years)	4.6	3.2	5.1	4.4	4.7
Average rent psm (€ p.a.)	179	188	165	179	169
EPRA net initial yield	5.1%	4.6%	6.9%	5.2%	5.5%

¹ Based on unaudited figures

² On a like-for-like basis GRI growth is 0.0% and NRI growth is -0.7%

³ Dividend proposal for 2018, of which €1.04 already paid as interim dividend in August 2018

⁴ Lange Voorhout, classified as investment property under construction, excluded from ERV and EPRA vacancy

⁵ At market value; reported in the balance sheet at book value excluding lease incentives and part of NSI HQ in own use

⁶ Before rent free and other lease incentives

CEO COMMENTS

We are now two years into the new strategy we announced in early 2017, to become the leading specialist in the Dutch office market with a strong platform, pro-active asset management, value-add initiatives and active capital recycling.

During these two years we completed €300m in acquisitions and €363m in disposals and are down to around €200m (17% of assets) in remaining non-core assets, which we intent to gradually exit in the coming years. The portfolio is now 80% located in our focus markets, with 45% situated in Amsterdam. Meanwhile, we have significantly improved the operational performance and have built up a promising pipeline of developments and value-add initiatives.

2018: Fully on track

We have made good progress in reducing the vacancy. The 13.8% vacancy rate at year-end 2018 is down 4.6% over the year, including a 2.0% like-for-like contribution. The vacancy rate remains a key focus. We continue to aim for below market vacancy in the medium term and an overall vacancy rate of below 10% by 2020. The vacancy for the office portfolio is already down to 11.1% at year-end 2018 and for the G4 it is already close to equilibrium at 7.2%.

The FY 2018 EPRA EPS of € 2.64 is substantially impacted by the high level of asset rotation, with a concentration of disposals near the year-end, but also by a large number of positive and negative one-offs. The net effect of all these one-offs is € 0.12 (negative) and includes a paid lease termination fee, the service cost reconciliation, the release of provisions and a IFRS9 impact relating to refinancing.

In 2018 we sold 35 assets for €122m, including 18 assets with an asset value below €2m, and have exited another 18 cities. We acquired four assets and are now down to 95 assets in total. Both the number of assets and cities will see a further decline in 2019. We still own 35 assets with a value below €5m, so there is still room to rationalise and improve the operating efficiency of the portfolio.

The property cycle & balance sheet discipline

The Dutch office cycle is maturing. The market for prime assets is still healthy and liquid, with capital values well underpinned due to a continued influx of - mainly - foreign money on relatively modest return requirements. Having said that, the yield shift appears to be coming to an end and the outlook for capital values is now increasingly reliant on the outlook for rental growth.

The divergence between prime and secondary assets is set to widen in 2019, as financing for secondary assets in provincial locations is proving harder to obtain and if available, more expensive. This underpins our case to further geographically focus the portfolio.

Whilst we still see opportunities to acquire interesting assets at what we believe are attractive IRRs, we remain disciplined and expect the balance of our deal volume to shift to disposals in 2019. This should see us move the LTV to below 35%, from 36.9% at year-end 2018.

We believe a lower LTV is warranted at this time, to offset the higher balance sheet risk related to an increasing exposure to development cap ex in the period ahead. This will come at a cost to EPS in the short run, but ultimately create a more stable business in the long run and should also result in development profits to compensate.

Development update

The discussions with ING on the redevelopment of Laanderpoort are ongoing. A mid 2020 start date to create 30,000 - 35,000sqm of new offices is still achievable. The renovation of Bentinck Huis in The Hague is on track for delivery Q1 2020 and we are already seeing good indicative interest for all or part of the project. We are making very preliminary preparations for a potential redevelopment at Centerpoint in Amsterdam, although at this stage it is still uncertain whether this is a project for this cycle or the next.

We have the balance sheet capacity to absorb the potential €120m+ capex for Laanderpoort, even before further disposals of additional retail assets and provincial offices in 2019. The Laanderpoort project will have to be substantially de-risked, however, before any further projects can and will be committed to.

Cost ratio and scalability

We have the team in place and the business is increasingly moving to where we want it to be in terms of portfolio focus, balance sheet, operating performance and embedded value-add potential.

With a successful restructuring now behind us the business is clearly scalable from here. We could easily accommodate a doubling in the size of the portfolio to more than €2bn without any significant expansion of the team. Having said that, growth for the sake of growth makes no sense and is not our objective.

There are, however, some clear benefits to scale. Our EPRA cost ratio will only fall materially from here if we can spread the costs over a larger asset pool. In addition, a larger portfolio would allow us to consider a larger absolute development or value-add programme, take on larger assets, further reduce funding costs and improve the still relatively modest liquidity in the shares.

The current EPRA cost ratio of 26.5% may appear high relative to some of our listed European peers, but this is almost entirely due to the relatively small portfolio size of NSI and the exposure to HNK, our flex office service concept.

Outlook 2019

We are really pleased that we have managed to keep EPRA EPS more or less stable in recent years, even though we have substantially upgraded the quality of the portfolio and significantly reduced the risk profile - moving NSI from a passive dividend distribution model to a more pro-active total return model.

As we continue to optimise the portfolio in 2019, we will be selling off more of our remaining non-core assets, including some high yielding provincial assets. We are unlikely to compensate entirely for the resulting income loss with our operating performance (i.e. vacancy reduction and efficiency gains). We anticipate an EPRA EPS for 2019 in the range of € 2.40 - 2.50. The actual outcome will depend on the timing and size of any acquisitions or disposals.

Given the good health of the business and the positive outlook we will propose that the AGM keep the dividend level over 2018 stable at € 2.16, meaning a final dividend of € 1.12 per share.

Bernd Stahli

IN FOCUS: FLEX OFFICES/HNK & SUSTAINABILITY

Flex offices

In the product life cycle of flex offices, we are now in the growth stage. Whilst the barriers to entry remain low, we see hardly any new entrants with a new innovative product or concept anymore. Most operators now offer more or less the same product, albeit with an individual twist. Many of the larger traditional landlords have stepped up and now also offer an in-house flex office product or are in the process of establishing one.

Once a product or service becomes commoditised the only way to really compete is on price. There is, however, limited competition on price at this point. This is probably because the flex market is still growing in a strong economic environment and because pricing is non-transparent as everyone includes different types and levels of services in the price. Price differentiation and transparency will improve as the flex office industry eventually becomes more mature.

For some operators the game will be to grow and gain market share as quickly as possible, establish brand value and then exit. Some are genuinely in it for the long run. We expect consolidation in the flex industry, especially in the next down cycle. The viable flex business models will come out stronger and this will allow the industry to move to a form of equilibrium, both for the flex office market itself and in relation to the more traditional office market. Asset-rich flex operators with a strong balance sheet are likely to come out on top.

In time the boundaries between the flex office market and the more traditional office market will blur. In fact, they are already blurring, as flex offices are no longer just used by start-ups or scale-ups, but also by larger corporates or temporary project teams at these larger corporates. In addition, many flex office users tend to stay much longer than one would expect from a short term flex lease, sometimes nearing or exceeding the traditional 5-year lease term.

What does this mean for HNK?

NSI has six years of in-house experience and data from running flex offices through its HNK brand, learning some valuable lessons along the way. We have seen customer demand evolve and have adopted our HNK offering accordingly. We have stopped the sizeable roll-out plans we had in 2015/16 and are now very selective in where we open new HNKs. Our focus is first and foremost on the G4 markets.

In recent years we have been adjusting the mix of flex space and more traditional leased floors to accommodate the growing demand for managed offices. We are now also seeing an increase in demand for fully serviced larger floors, mostly from larger corporates. Being the owner and operating the entire building is proving a key benefit relative to flex operators that only run a few floors in a building, as we can be more flexible in meeting changes in demand.

In 2019 we will continue to review and improve our HNK offering and the organisational set-up. One of the questions that need to be answered this year is how our strategy of focussing only on seven cities fits with our existing wider network of HNK locations. We will have to judge if provincial HNK locations contribute to the franchise value and generate sufficient excess return to compensate for what otherwise will be a modest property return, relative to our focus markets.

Sustainability initiatives

Since announcing the new strategy at the start of 2017 we have been active on all fronts to improve the business. In communications to date the focus has been on our strategy and progress, so as to not dilute the message. We have not been very vocal about our sustainability initiatives, except for stating that we are well on track to meet the minimum C-label EPC energy certificate requirement by 2023.

In 2018 we started to work on a future proof ESG programme. As NSI is a small organisation we have used an external advisor to provide the relevant support and manpower to help put together a detailed and ambitious programme.

Everyone at NSI has been involved in establishing the ESG programme. We have considered the UN Sustainable Development Goals and have engaged with external stakeholders to come up with what we believe is a well-rounded programme. The three overarching sustainability priorities we have identified are: Future Proof Buildings, Energy & Carbon and Health and Well-Being.

Our sustainability ambitions clearly go much further than scoring on government-imposed minimum energy labels. To measure and judge our programme and impact we have decided to focus on the GRESB benchmark. We will publish our first GRESB score in 2019. This will provide us with a base score and allow us to set a clear and realistic path for the years ahead, in line with our ambitions.

The team fully recognises that this programme and our participation in GRESB will take time and effort to fully implement and see effects, but it is a way of working that we have already fully embraced. Our recent initiatives reflect this.

Over the past four years we have fully renovated around 80,000 sqm of office space, including a full upgrade of the lighting with 25,000 LED units with motion sensors. We have also started to minimise gas usage and over 40% of the portfolio by sqm is using sustainable district heating, heating pumps or ATES systems. We are committed to increasing the use of sustainable solar energy but due to our recent disposals only 2.4% of our electricity usage is currently generated this way.

The forthcoming 2018 annual report will include more details about our sustainability ambitions.

INCOME, COST AND RESULTS

Introduction

EPRA EPS for FY 2018 is € 2.64, a 3.1% decline versus last year. The result is nine cents above the upper limit of the guidance range primarily due to positive one-off service charge reconciliations from prior years (€1.3m) incurred in Q4 2018. The combined effect of all the positive and negative one-offs in 2018 is a negative €0.12 per share.

The indirect result is €42.8m or €2.32 per share. A €47.2m positive revaluation of investment property is the largest contributor. A €4.5m movement in the market value of financial derivatives has the biggest negative impact.

Rental income

Gross rental income is down by 5.9%, largely due to the effect of net disposals in 2017. On a like-for-like basis GRI is flat, negatively impacted by a one-off lease termination fee.

In October a €2m lease termination fee was paid to a tenant in Amsterdam. This has a negative impact on the direct results as it is part of GRI. However, this cost is entirely compensated for by an indirect revaluation result of €3.1m for this asset in 2018, having in effect terminated a 25-year lease contract that was at a rent level far below ERV.

Net rent declined 7.0% due to a deterioration of the NRI margin because of higher operating costs. On a like-for-like basis net rents fell 0.7% (-€0.3m) due to the one-off lease termination fee in Q4 and a relatively high level of positive one-offs in 2017.

Service costs

Non-recoverable service costs are down €0.8m (40%) due to a lower overall vacancy rate, better cost controls and one-off releases of provisions of previous years.

Operating costs

Operating costs are up €0.8m (6.4%) compared to FY 2017. The NRI margin of 82.7% is 1% lower than last year. Higher municipality costs negatively impacted the operating costs, mainly because of positive one-offs (€1.0m) in 2017.

The NRI margin is better than expected due to lower maintenance costs. Some maintenance has been deferred into 2019 due to longer waiting times for contractors. This could impact the margin in 2019.

Administrative costs

Administrative costs are down 13.3% to €8.0m. The majority of the savings comes from lower staff costs (-20.3%). The restructuring and cost cutting is now largely complete and efficiencies going forward have to come from scaling up the business.

Net financing costs

Net direct financing costs are down by €3.4m (21.1%) due to lower interest rates post the refinancing. The cost of debt fell from 2.3% at the end of 2017 to 2.0% at the end of 2018. These costs include a negative IFRS 9 one-off of €2.1m following the refinancing of the syndicated bank facility in April. Hence with similar debt levels we expect financing costs to drop further in 2019.

Post-closing events and contingencies

Since the year-end smaller office assets in Capelle a/d IJssel, Ridderkerk and Zoetermeer (2x) and a small retail asset in Zutphen have been sold unconditionally. The transfer of all these assets, with a combined value of €14m, will take place in Q1 and Q2 2019. These assets are, on average, sold at a premium to the book value per December 2018.

Income segment split FY 2018 (€ '000)

	Offices	HNK	Other	Corporate	TOTAL 2018	TOTAL 2017
Gross rental income	53,437	15,364	14,920		83,721	89,000
Service costs not recharged	-993	-61	-183		-1,237	-2,075
Operating costs	-6,554	-4,771	-1,933		-13,256	-12,457
Net rental income	45,890	10,532	12,806		69,228	74,468
Administrative costs				-7,950	-7,950	-9,170
Earnings before interest and taxes	45,890	10,532	12,805	-7,949	61,279	65,297
Net financing result				-12,506	-12,506	-15,859
Direct investment result before tax	45,890	10,532	12,805	-20,455	48,773	49,438
Corporate income tax				-28	-28	-15
Direct investment result after tax	45,890	10,532	12,805	-20,483	48,745	49,423
Direct investment result - discontinued						-58
Direct investment result / EPRA earnings	45,890	10,532	12,805	-20,483	48,745	49,365

NETHERLANDS PROPERTY MARKET OVERVIEW

2018: Another record year for investments

The Dutch property investment market witnessed another record year of transactions in 2018, with around €21.0bn of deals. The deal volume for offices was lower at €5.8bn (€7.7bn in 2017).

There were fewer large office transactions in 2018 compared to 2017, both individual transactions and with regard to portfolios, particularly in the Amsterdam market, largely as a result of a reluctance by owners to sell in a market that is still improving. As a result, investor interest has spilled over into Rotterdam and The Hague, both of which have seen a significant pick up in volume.

Investors are also moving to provincial locations in search of returns that are no longer attainable in Amsterdam or in the G4, in the expectation that the office market recovery will broaden and that tenant demand will start to pick up in these locations as well.

The investment market is set to become increasingly polarised in 2019. In addition to the normal economic divergence between the G4 and provincial locations, driving rental divergence, there is now also a clear divergence in the financing market. Q3 2018 saw some local Dutch banks restrict their lending capacity for smaller provincial non-institutional investment product. This is not a temporary restraint on the side of the banks, in our view.

Office market review and outlook

The Dutch office stock is estimated at 53.5m sqm at year-end 2018, with a vacancy rate of circa 10.0%. This is down from 11.5% in 2017. The net effect of withdrawals, conversions and new supply has been relatively modest, so the fall in the vacancy rate reflects positive net absorption.

The vacancy rate in the G4 is currently around 6.5%, with Amsterdam, The Hague and Utrecht clearly stronger than Rotterdam. Outside the Randstad urban area there are few pockets of growth, such as Eindhoven, but in most provincial markets it very much remains difficult with limited net new tenant demand.

Amsterdam

The office market ends 2018 on a high, with yields at record lows and rents at a high. 2018 brought a further yield shift as investors have started to price in further rental growth. With new supply slow to come through, as construction costs remain high and planning difficult, the outlook for rents is favourable indeed.

It will be interesting to see how and if the expected rental growth will drive yields and capital values going forward, as part of this growth has already been priced in. There is still an influx of foreign investors with relatively modest return requirements in search of the relative safety of limited supply in combination with healthy demand. This will keep capital values underpinned.

The vacancy rate in the Amsterdam market has fallen to 5.1%, with prime rents having surpassed €500psm in both the city centre and the Zuidas business district. At the end of 2018 Amsterdam has only three buildings with 5,000sqm of supply immediately available. Larger tenants now need to plan substantially ahead.

Utrecht

The Utrecht CBD office market is by far the strongest after Amsterdam, well ahead of The Hague or Rotterdam. This market has historically been largely dependent on public sector-related users, but its appeal has substantially widened in recent years, attracting a large number of corporates, who recognise and appreciate its very central location, its proximity to Amsterdam and its excellent public transport infrastructure.

The dynamics of this market are set to change substantially in the next few years, as the current relatively modest office stock of 0.8m sqm will expand by 0.2m sqm, with a significant development programme in place around the Utrecht CS train station. Utrecht can easily absorb this space, with a part of it already pre-let. We are concerned that this will weaken demand for more suburban markets.

Prime office rents in the CBD are circa €275psm, up from €225psm a year ago. Office rents for the immediate vicinity have increased to nearer €225psm. The vacancy rate in the CBD market is circa 5.3%. The prime yield in Utrecht now is nearing 4.5%.

Rotterdam

The Rotterdam office market sprung back to life in 2018. A pick up in tenant demand led the way, with net absorption in 2018. Transaction levels are also up as owners were offered acceptable prices from buyers, either believing in the recovery or under pressure to invest. This trend is likely to continue in 2019.

Rotterdam remains a market for smaller local occupiers. Many larger corporates have moved out in the past two decades and have not been replaced. A combination of further office conversions and more residential development, with circa 18,000 residential units foreseen, should see Rotterdam become a more balanced, structurally sound market in the coming years.

At the end of 2018 the vacancy rate is still relatively high at circa 11.4%, down from nearer 15% a year ago. ERVs are flat, at €225psm for prime space, but incentives are starting to come down marginally. Prime office yields are circa 4.5%.

The Hague

The office market has had a good 2018. Confidence has returned, as a number of investment and letting transactions confirmed the health of the market. Rents are up, to circa €225psm, the vacancy rate is down to circa 6.1% and yields are now below 5% for prime assets.

There are substantial plans to add a large number of residential units around the two major train stations. These are long term plans, many of which will happen in the next cycle, but it signals a positive trend in which The Hague will eventually become a more vibrant and interesting market, much less dependent on the public sector as the major driver of activity.

Retail

The retail market remains difficult. Healthy demand for prime assets remains, but tenant and investment demand for secondary product is limited so tenants and buyers can afford to be selective.

REAL ESTATE PORTFOLIO

NSI sold 35 assets and acquired four in 2018, reducing the number total of assets to 95. In total 30 offices, four retail assets and one industrial asset were sold. On balance NSI was a net buyer of assets with disposals of €122m and acquisitions of €150m (excl. costs).

Disposals were sold on average at a 2% premium to book value. Non-core assets are down to circa €200m. These assets are retail assets and offices which are too small or not in one of NSI's target cities.

Asset rotation (€m)^{7,8}

	# Assets	Net sales proceeds / total purchase cost	Book profit / (loss)	Net contract rent Dec 17
Offices disposals	30	70.9	1.7	5.0
Other disposals	5	49.9	-0.9	3.9
Total disposals	35	120.7	0.8	8.9
Offices acquisitions	4	160.6	-1.1 ⁹	6.0 ¹⁰
Total acquisitions	4	160.6	-1.1	6.0
Delta	-31	-39.9	-0.3	-2.9

At the end of 2018 Offices and HNK make up 90% of the value of the portfolio. The average asset value now stands at €12.8m, up 45% from 31 December 2017. At the year-end NSI has two unconditional disposals on its books shown as "Assets held for sale". Both are office assets, one in Arnhem and the other in Rotterdam.

Portfolio breakdown - 31 Dec 2018

	# assets	Value €m	Value %
Offices	65	877	73%
HNK	14	208	17%
Other	14	124	10%
Total investment properties	93	1,209	100%
Held for sale	2	4	0%
Total portfolio	95	1,213	100%

Vacancy

The EPRA vacancy rate is 13.8%, down 4.6% from the end of 2017. The drop is the result of a mix of net lettings, asset rotation and ERV changes. The improvement in the like-for-like for offices fully reflects the efforts of the new team. In HNK the 2.2% non like-for-like change is due to HNK Schinkel which opened in June 2018 and is not included in the like-for-like for 2018.

EPRA vacancy

	Q4-17	LFL	Non-LFL	Dec 18
Offices	15.9%	-1.7%	-3.0%	11.1%
HNK	29.8%	-4.4%	-2.2%	23.2%
Other	14.0%	0.3%	-3.1%	11.2%
Total portfolio	18.4%	-2.0%	-2.6%	13.8%
Offices + HNK	19.2%	-2.3%	-2.7%	14.2%

⁷ Acquisitions at Dec-18 book value

⁸ Including sales and acquisition costs

⁹ Small loss, net effect of transfer costs and revaluation result at Year End

¹⁰ Net contracted rent expected to increase to € 9m when fully let

Rents

Net rents are down 0.7% on a like-for-like basis. A negative one-off lease termination fee of €2m in one of our Amsterdam offices has a significant negative impact. Excluding one-offs like-for-like net rental growth would have been positive 3.0%. The margin excluding one-offs is 80.5%.

For HNK the 31.9% increase in like-for-like rents is due to the high operational leverage of this business and strong improvements in occupancy levels over the past year. This will have a positive effect on LFL net rental growth in 2019.

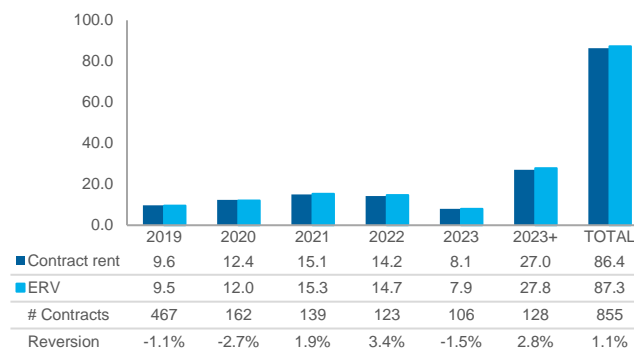
Net rent growth like-for-like

	YTD 2018 (€m)	YTD 2017 (€m)	Change (€m)	L-f-l (YTD) %
Offices	29.4	32.1	-2.7	-8.4%
HNK	10.5	8.0	2.5	31.9%
Other	9.0	9.2	-0.2	-2.2%
Total portfolio	48.9	49.2	-0.3	-0.7%

Reversionary potential / ERV bridge

The portfolio is 1.1% reversionary, having turned positive for the first time since the downcycle. The reversion in Offices (now 2.3% reversionary) will continue to improve through further rental growth and asset rotation in particular, as offices in our non-target cities are still 15% over-rented. The over-renting of "Other" assets has slightly improved due to asset rotation, with ERVs continue to fall on a like-for-like basis as a result of a difficult retail market.

Annual expirations and reversion (€m)



Reversion¹¹

	Dec 17	Dec 18
Offices	-0.9%	2.3%
HNK	3.9%	3.2%
Other	-9.1%	-8.4%
Total portfolio	-1.6%	1.1%

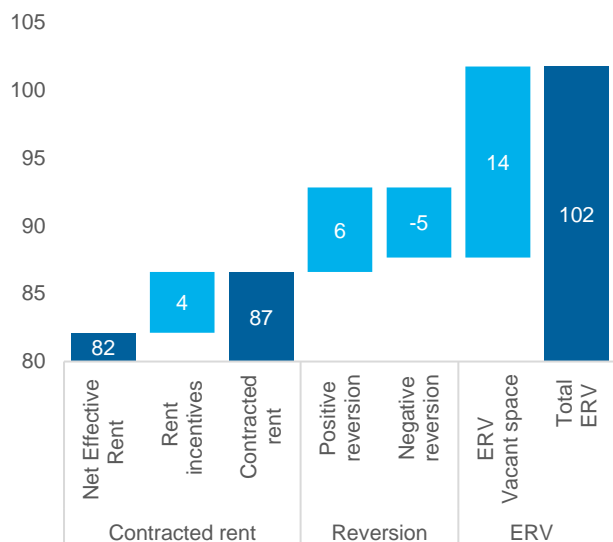
¹¹ Reversion = ERV let space / contractual rent

ERV like-for-like

	Dec 17 (€m)	Dec 18 (€m)	Change (€m)	Change %
Offices	56.3	56.7	0.4	0.8%
HNK	20.2	21.3	1.0	5.2%
Other	11.2	11.1	-0.1	-0.5%
Total portfolio	87.7	89.2	1.4	1.6%

ERVs are up 1.6% on a like-for-like basis, the following ERV bridge confirms that the vacancy in the portfolio represents both the main opportunity and challenge for the business.

Bridge Contracted rent to ERV – Dec 2018 (€m)



EPRA yields

The yield on the portfolio is down 30bps to 5.2%, due to the effects of asset rotation and a 3.7% increase in capital values. The yield for HNK is up due to an increase in the contracted rent and Other assets because of asset rotation and a fall in the market value.

Yields¹²

	EPRA Net Initial Yield		Gross Initial Yield		Reversionary Yield	
	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17
Offices	5.1%	5.8%	6.7%	7.8%	7.7%	9.1%
HNK	4.6%	3.9%	8.0%	8.0%	10.8%	11.9%
Other	6.9%	6.0%	8.9%	8.1%	9.2%	8.6%
Total portfolio	5.2%	5.5%	7.1%	7.9%	8.4%	9.5%

Valuations

The entire portfolio is appraised externally twice a year. Some assets saw a change in external appraiser, in accordance with our standard appraiser rotation process.

Capital values are up on average by 3.7%. Valuations in Amsterdam and the other G4 cities are up by ca. 6%. Following years of outperformance, it appears capital growth in Amsterdam is slowing, whilst in the other G4 markets it is accelerating. Office assets in

¹² Reversionary yield = ERV / Market Value

Other Netherlands are still underperforming with a negative 6.3% revaluation result.

The HNK valuation is up by 9.1%, a strong improvement once again following a more than 10% uplift in 2017. This is particularly driven by HNK assets in the G4. Assets in the segment Other are down by 4.9% as the Dutch retail investment market remains difficult.

Revaluations – Dec 2018 (€m)¹³

	Valuation		Revaluation		Total	% YTD
	Dec 18	Positive	Negative	Total		
Offices	881	65.0	-25.7	39.3	4.4%	
HNK	210	22.1	-4.7	17.4	9.1%	
Other	124	4.1	-13.6	-9.5	-4.9%	
Total portfolio	1,214	91.2	-44.0	47.2	3.7%	

Capital expenditure

We continue to invest in the portfolio. Capital expenditure in 2018 is €17.9m. Most of the offensive capex is invested in HNK Schinkel, which opened in June, and selectively in other HNKs, including The Hague, Rotterdam, Amsterdam and Ede. Offensive capex in Offices relates to Bentinck Huis in The Hague and in Other to Keizerslanden Shopping Centre, which transferred to the new owner in December and Lageland Shopping Centre in Rotterdam. Defensive capex is €4.7m in 2018.

Capital expenditure YTD 2018 (€m)

	Offensive	Defensive	Total
Offices	0.3	4.3	4.6
HNK	11.2	0.0	11.2
Other	1.8	0.4	2.5
Total	13.2	4.7	17.9

Developments & renovation

NSI currently has one asset classified as development ("Investment property under construction", Bentinck Huis in The Hague). Negotiations with ING for the potential redevelopment of Laanderpoort is ongoing. A mid-2020 start date for this 30,000-35,000 sqm project is still feasible.

Two further potential new developments have also been announced in 2018, including the redevelopment of Centerpoint in Amsterdam South East into a 40–70k sqm mixed use project. The other development relates to a potential new 15–27k sqm office tower adjacent to the Motion Building in Amsterdam Sloterdijk, which was acquired in H2 2018. Both projects are still very much in the exploration phase. The extensive refurbishment of Bentinck Huis is progressing well. The design phase will be finalised in the first quarter. Works will start in Q2 with completion set for Q1 2020.

Project	Location	Current sqm	Final sqm	Capex	Phase	Timing
Bentinck Huis	The Hague	6k	6k	€5.4m	Design	Q2 2019
Laanderpoort	A'dam	13k	30k – 35k	€120m	Initiative	Earliest Q2 2020
Centerpoint	A'dam	15k	40k – 70k		Exploration	
Motion Building	A'dam	0	15k – 27k		Exploration	

¹³ Total revaluation excluding movement of lease incentives

Offices

The Offices portfolio is down to 67 assets, 26 less than a year ago. The average asset size for offices is up from €7.9m in 2017 to €13.1m now and is bound to increase further. In the G4 the average asset size is already above €20m.

With 30 office disposals 2018 has been an active year. The focus has been on selling small assets in secondary locations, not the easiest part of the portfolio to sell. This is reflected in the reduction of 22 offices in Other NL. The average lot size of office disposals is €2.1m.

The EPRA vacancy rate is down to 11.1%, rapidly dropping to a level below the national average. Whilst we still have some legacy lease expiries ahead, we expect further asset rotation and net lettings to continue to drive the vacancy rate to a structurally lower level. At the same time, going into 2019, we are looking proactively at extending lease contracts early where possible.

Key Offices metrics

	Dec 17	Sep 18	Dec 18
Number of properties	93	83	67
Market value (€m)	736	844	881
Market value (€ psm)	1,690	1,950	2,233
Annual contracted rent (€m)	57	59	59
ERV (€m)	67	71	68
Lettable area (k sqm)	436	433	394
EPRA Vacancy	15.9%	13.8%	11.1%
WAULT (years)	5.0	4.6	4.6
Average rent psm (€ p.a.)	168	171	179
EPRA net initial yield	5.8%	5.2%	5.1%

The G4 portfolio is valued on a 4.7% EPRA net initial yield, down from 5.3% at year-end 2017. This 60bps gap is not like-for-like and reflects the acquisition of Q-port and the Motion Building with their above average vacancy as well as a 6.1% uplift in capital values, with Amsterdam up 6.2%.

The office exposure to non-target cities is declining. Leiden already represents over half of the value of Other Randstad and Eindhoven and Den Bosch over 75% of the value of Other Netherlands.

Key Offices metrics - geographical breakdown

	G4	Other Randstad	Other NL
Number of properties	33	19	15
Market value (€m)	677	103	101
Market value per asset (€m)	21	5	7
Market value (€ psm)	2,960	1,340	1,136
Annual contracted rent (€m)	41	9	9
ERV (€m)	47	10	10
Reversion	7.0%	-6.1%	-10.7%
Lettable area (k sqm)	229	77	89
EPRA Vacancy	7.2%	17.5%	22.4%
WAULT (years)	4.9	4.0	3.7
Average rent psm (€ p.a.)	201	149	138
EPRA net initial yield	4.7%	6.8%	6.4%

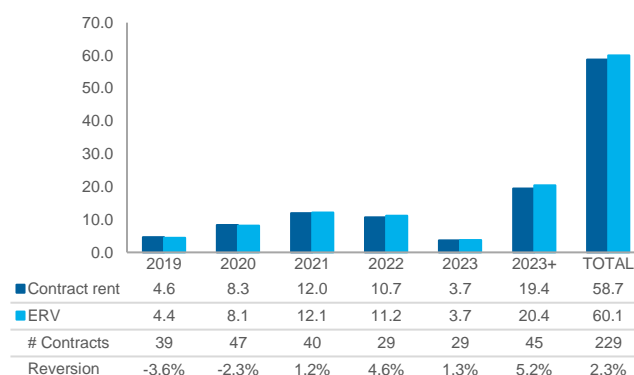
The like-for-like NRI is negative 8.4%, largely due to the €2.0m one-off lease termination cost. Excluding this cost like-for-like NRI is -1.8%, due to higher maintenance and letting costs, the mark-to-market on some legacy leases that were renewed in both 2017 and 2018 and some sizeable positive one-offs in 2017.

Like-for-like¹⁴

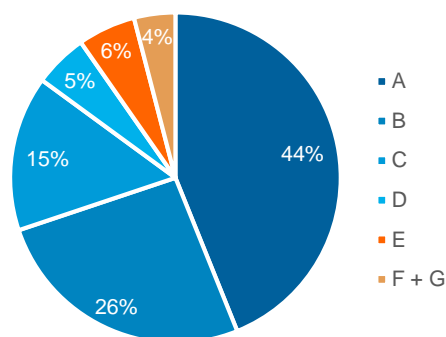
	NRI growth %	Revaluation %	ERV growth %
G4	-9.4%	6.1%	3.1%
Other Randstad	-7.5%	3.6%	0.2%
Other Netherlands	-6.1%	-2.8%	-6.3%
Total	-8.4%	4.4%	0.8%

Following extensive asset rotation and ERV growth of 0.8% during the year, the office portfolio is now 2.3% reversionary. This is up from -0.9% at the end of 2017 and -8.3% at the end of 2016.

Offices - Annual expirations and reversion (€m)



Portfolio breakdown of energy labels by value



We aim to have our entire Offices & HNK portfolio meet the minimum C label energy certificate requirement well before the government-imposed deadline of 2023. By value 85% of our portfolio already has a C energy label or better. We aim to include an upgrade to an A label on all larger-scale capex projects currently planned. We estimate the costs of upgrading all assets in target cities to an A label at around €6m.

¹⁴ NRI like-for-like FY 2018 compared to FY 2017, only includes assets in portfolio throughout 2018 and 2017, transformation and development projects are excluded. Revaluation and ERV growth relate to assets in portfolio on 31 December 2018 and 31 December 2017.

HNK

HNK had another successful year in 2018. The EPRA vacancy rate fell by 6.6% to 23.2% (FY17: 29.8%). Amsterdam Schinkel, our fourteenth HNK, which opened in June with 55% vacancy had an exceptional start and was fully let at the end of 2018. This shows that demand for our HNK formula is strong if in the right location. We also see strong interest in the other G4 markets and selective other HNKs and we expect a similar or better take-up in 2019, which should see the vacancy rate drop to well below 20%.

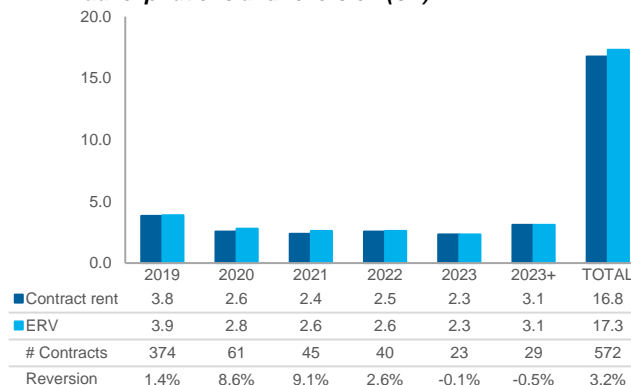
We continue to invest in our assets to upgrade conventional space into managed offices where demand warrants. A further 1,600 sqm of MO space is added, a 15% increase, primarily at HNK Rotterdam Centrum, HNK Utrecht CS and HNK The Hague. At HNK Schinkel 500 sqm of MO space is realised and let. Despite the addition of new space the EPRA vacancy rate for MO space reduced from 13.6% at 31 December 2017 to 11.6% at the end of the year.

Key HNK metrics

	Dec 17	Sep 18	Dec 18
Number of properties	14	14	14
Market value (€m)	181	204	210
Market value (€ psm)	1,419	1,595	1,650
Annual contracted rent (€m)	15	16	17
ERV (€m)	22	22	23
Lettable area (k sqm)	128	127	127
EPRA Vacancy	29.8%	25.8%	23.2%
WAULT (years)	2.9	3.0	3.2
Average rent psm (€ p.a.)	176	184	188
EPRA net initial yield	3.9%	4.0%	4.6%

The EPRA net initial yield is up to 4.6%, as a result of a 15% increase in contracted rent. With vacancy rapidly declining, positively impacting non-recoverable service charges, net rents for HNK are normalising. The EPRA NIY of HNK is slowly nearing the yield for Offices. HNK still offers a lot of scope for growth as the reversionary yield remains high at 10.9%.

HNK - Annual expirations and reversion (€m)



Other

The Other segment comprises our remaining retail exposure and one small industrial asset. In 2018 circa 30% of the Other portfolio is sold, comprising four retail assets and one industrial asset. The combined disposal price of €59m was 0.7% below the book value.

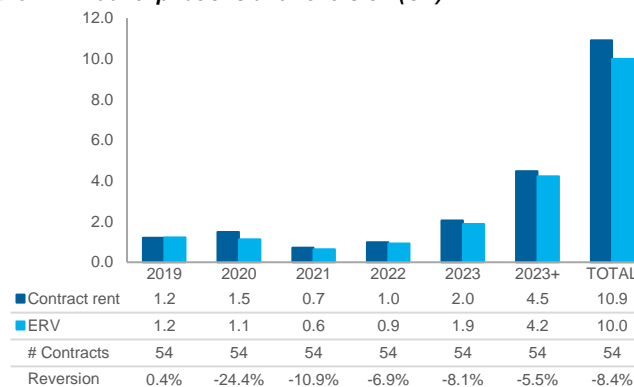
We continue to actively manage the portfolio to maximise value. At Zuidplein shopping centre in Rotterdam, the single largest remaining retail asset, an agreement with the co-owners to collectively invest circa €20m (NSI share ca. €4m) to upgrade the centre should further enhance the attractiveness of the asset, which already attracts circa 11 million visitors per annum. In Rijswijk a new master plan for the In de Boogaard shopping centre is presented to the municipality authority, proposing an upgrade involving part of the centre being transformed into residential and office space.

Key Other metrics

	Dec 17	Sep 18	Dec 18
Number of properties	19	17	14
Market value (€m)	191	174	124
Market value (€ psm)	1,689	1,637	1,520
Annual contracted rent (€m)	16	15	11
ERV (€m)	16	15	11
Lettable area (k sqm)	113	107	81
EPRA Vacancy	14.0%	13.0%	11.2%
WAULT (years)	5.0	5.4	5.1
Average rent psm (€ p.a.)	169	172	165
EPRA net initial yield	6.0%	6.3%	6.9%

In 2018 the retail portfolio saw a further drop in capital values, whilst the value of the last remaining industrial asset is up. The revaluation of the Other segment is a negative 4.9% in 2018, pushing the EPRA net initial yield up to 6.9%. The vacancy rate remained relatively stable on a like-for-like basis and improved by 2.8% because of disposals.

Other - Annual expirations and reversion (€m)



BALANCE SHEET, NAV AND FINANCING

Balance sheet

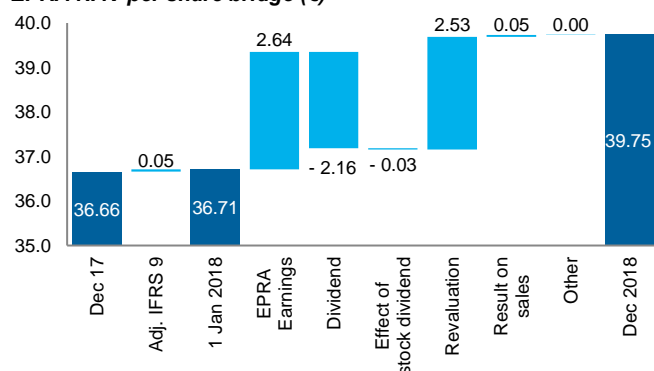
At the end of 2018 two smaller office are assets held for sale, in Arnhem and Rotterdam, both of which will be transferred in Q1 2019.

Net asset value

The EPRA NAV at the end of 2018 is €738.3m, an increase of 9.7% compared to 12 months ago (€673.2m at YE 2017). Due to a small rise in the number of shares following the issuance of stock dividend the EPRA NAV per share increased by 8.4% from €36.66 at the end of 2017 to €39.75 at 31 December 2018. The change in the NAV is explained in the bridge below.

Following the introduction of IFRS 9, NSI has retrospectively calculated the impact on the refinancing of the syndicated bank facility (Nexus) in 2016. NSI qualifies this refinancing as a modification and has adjusted the opening balance sheet for 2018.

EPRA NAV per share bridge (€)



The gap between the EPRA NAV and EPRA NNAV of €39.21 per share is €0.55 and reflects the negative fair value of our derivatives and the market value of the debt.

The issue price of the stock dividend in May was €38.08 on an ex-dividend basis in line with June 2018 EPRA NAV. In August stock dividend was issued at €37.44 per share, a 2.6% discount to June 2018 EPRA NAV. The issue of stock dividend has a negative impact on EPRA NAV of 3 cents in 2018.

Funding

NSI refinanced most of its debt in the first half of 2018. First NSI agreed an 8-year €40m unsecured US private placement (USPP) with Pricoa in January with a coupon reflecting an implied investment grade credit profile.

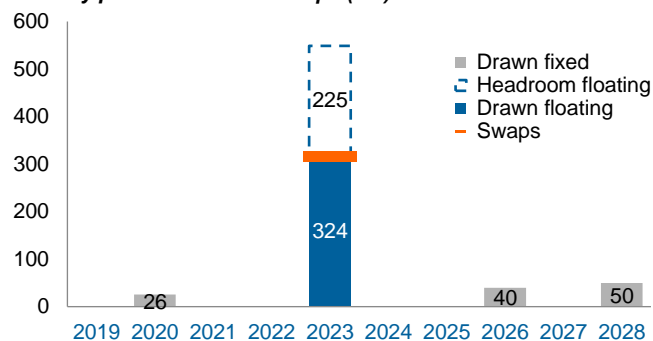
In April NSI refinanced its syndicated bank facility with a new 5 year €480m loan, split in a €180m Term Loan and a €300m revolving credit facility at lower margins. The new financing triggered a €2.1m one-off (non-cash) financing cost in accordance with IFRS 9.

In October €50m of unsecured 10 year notes were issued in a private placement to Barings, further confirming the implied investment grade status and adding an additional sizable funding partner to the investor base.

As part of the acquisition of the Jacobsweerd office asset in Utrecht a €25.7m secured loan with Berlin Hyp was taken over from the previous owner. This loan will expire in July 2020.

At the end of 2018 the average loan maturity is 5.0 years (December 2017: 3.1 years), 79% of debt drawn is unsecured (86% of available debt) and the cost of debt is down to 2.0%, from 2.3% at the end 2017. The focus in 2019 will be on further extending maturities and further increasing the funding diversification.

Maturity profile loans and swaps (€m)



Net debt is up by €39.4m in 2018. This is primarily driven by net acquisitions of €39.9m including costs. Taking into account debt to credit institutions our remaining committed undrawn credit facilities are circa €215m.

Net debt - Dec 2018 (€m)

	Dec-18	Dec-17	Change
Debt outstanding	439.1	407.2	31.9
Amortisation costs	-1.4	-1.8	0.4
Book value debt	437.7	405.4	32.3
Debt to credit institutions	10.5	9.9	0.6
Cash	-0.2	-6.8	6.6
Net debt	447.9	408.5	39.4

Leverage and hedging

The LTV is 36.9% at December 2018, stable compared to December 2017 (36.9%), as the increase in net debt is compensated by a positive revaluation result of the assets. As a result of lower financing costs the ICR increased to 5.5x, well above the 2.0x covenant.

The maturity of derivatives is 5.1 years at the end of 2018 and the maturity hedge is 100% (target range: 70-120%). The notional amount of swaps outstanding and fixed rate debt at the end of 2018 is €430m. The volume hedge is 98% (target range: 70-100%).

Covenants

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

CONSOLIDATED FINANCIAL INFORMATION

Consolidated statement of comprehensive income

	FY 2018	FY 2017
Gross rental income	83,721	89,000
Service costs recharged to tenants	13,465	11,983
Service costs	-14,702	-14,058
Service costs not recharged	-1,237	-2,075
Operating costs	-13,256	-12,457
Net rental income	69,228	74,468
Revaluation of investment property	46,418	28,329
Net result on sale of investment property	841	6,064
Net result from investments	116,488	108,861
Administrative costs	-7,950	-9,170
Other income and costs	18	5,548
Financing income	27	12
Financing costs	-12,532	-15,871
Movement in market value of financial derivatives	-4,497	3,658
Net financing result	-17,003	-12,201
Result before tax	91,553	93,037
Corporate income tax	-28	-91
Result from continuing operations after tax	91,525	92,946
Result from discontinued operations after tax		-1,344
Total result for the year	91,525	91,602
Exchange rate differences on foreign participations	0	
Other comprehensive income	0	
Total comprehensive income for the year	91,525	91,602
Total comprehensive income attributable to:		
Shareholders	91,525	91,602
Total comprehensive income for the year	91,525	91,602
Data per average outstanding share:		
Diluted as well as non-diluted result after tax - continuing operations	4.95	5.13
Diluted as well as non-diluted result after tax - discontinued operations		-0.07
Diluted as well as non-diluted result after tax	4.95	5.05

Consolidated statement of financial position

	31 December 2018	31 December 2017
Assets		
Investment property	1,202,691	1,072,180
Financial fixed assets	0	0
Derivative financial instruments	323	1,162
Tangible fixed assets	777	787
Intangible fixed assets	510	560
Other non-current assets	6,319	6,134
Non-current assets	1,210,619	1,080,822
Debtors and other receivables	1,755	1,829
Cash and cash equivalents	245	6,827
Assets held for sale	3,940	28,791
Current assets	5,940	37,447
Total assets	1,216,559	1,118,269
Shareholders' equity		
Issued share capital	68,353	67,583
Share premium reserve	920,935	921,715
Other reserves	-347,531	-408,212
Total result for the year	91,525	91,602
Shareholders' equity	733,283	672,688
Liabilities		
Interest bearing loans	436,407	404,708
Derivative financial instruments	5,327	1,712
Other non-current liabilities	4,080	3,540
Non-current liabilities	445,813	409,959
Redemption requirement interest bearing loans	1,250	700
Derivative financial instruments	43	
Creditors and other payables	25,602	24,855
Debts to credit institutions	10,497	9,873
Liabilities directly associated with assets held for sale	71	195
Current liabilities	37,464	35,623
Total liabilities	483,277	445,582
Total shareholders' equity and liabilities	1,216,559	1,118,269

Consolidated cash flow statement

	FY 2018	FY 2017
Result from operations after tax	91,525	92,946
Adjusted for:		
Revaluation of investment property	-46,418	-28,329
Net result on sale of investment property	-841	-6,064
Net financing result	17,003	12,201
Corporate income tax	28	91
Depreciation and amortisation	223	162
	-30,005	-21,939
Movements in working capital:		
Debtors and other receivables	-88	764
Creditors and other payables	1,015	-3,744
	927	-2,980
Cash flow from operating activities	62,447	68,027
Financing income received	27	12
Financing costs paid	-9,750	-15,093
Tax paid	-57	-78
Cash flow from continuing operating activities	52,666	52,868
Cash flow from discontinued operating activities		-49
Cash flow from operating activities	52,666	52,819
Purchases of investment property and subsequent expenditure	-178,539	-155,195
Proceeds from sale of investment property	120,139	240,623
Investments in tangible fixed assets	-58	-76
Disinvestments in tangible fixed assets		15
Investments in intangible fixed assets	-104	-466
Disinvestments in intangible fixed assets		12
Cash flow from continuing investment activities	-58,563	84,912
Cash flow from discontinued investment activities		1,394
Cash flow from investment activities	-58,563	86,306
Dividend paid to the company's shareholders	-31,887	-23,169
Proceeds from interest bearing loans	519,712	99,000
Transaction costs interest bearing loans paid	-1,297	
Repayment of interest bearing loans	-487,838	-205,550
Settlement of derivatives		-11,089
Cash flow from continuing financing activities	-1,309	-140,808
Cash flow from financing activities	-1,309	-140,808
Net cash flow continuing operations	-7,206	-3,027
Net cash flow from discontinued operations		1,345
Net cash flow	-7,206	-1,683
Cash and cash equivalents and debts to credit institutions - balance as per 1 January	-3,046	-1,363
Exchange rate differences	0	0
Cash and cash equivalents and debts to credit institutions - balance as per 31 December 2017 / 31 December 2018	-10,252	-3,046

Consolidated statement of movement in shareholders' equity

Development shareholders' equity 2018

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 31 December 2017	67,583	921,715	-408,212	91,602	672,688
Retrospective adjustment IFRS 9			956		956
Balance as per 1 January 2018	67,583	921,715	-407,256	91,602	673,644
Total result for the year				91,525	91,525
Other comprehensive income			0		0
Total comprehensive income for the year			0	91,525	91,525
Profit appropriation - 2017			91,602	-91,602	
Distribution final dividend - 2017	402	-407	-16,407		-16,412
Interim dividend - 2018	368	-373	-15,469		-15,474
Contributions from and to shareholders	770	-780	59,725	-91,602	-31,887
Balance as per 31 December 2018	68,353	920,935	-347,531	91,525	733,283

Development shareholders' equity 2017

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 1 January 2017	65,873	923,435	-367,220	-17,833	604,255
Total result for the year				91,602	91,602
Other comprehensive income			0		0
Total comprehensive income for the year			0	91,602	91,602
Profit appropriation - 2016			-17,833	17,833	
Distribution final dividend - 2016	872	-877	-12,355		-12,360
Interim dividend - 2017	839	-844	-10,804		-10,809
Contributions from and to shareholders	1,710	-1,720	-40,992	17,833	-23,169
Balance as per 31 December 2017	67,583	921,715	-408,212	91,602	672,688

Segment information

Segment split income statement 2018

	Continuing operations					Discontinued operations	TOTAL
	Offices	HNK	Other	Corporate ¹⁵	TOTAL		
Gross rental income	53,437	15,364	14,920		83,721		83,721
Service costs recharged to tenants	7,814	4,002	1,649		13,465		13,465
Service costs	-8,807	-4,062	-1,832		-14,702		-14,702
Service costs not recharged	-993	-61	-183		-1,237		-1,237
Operating costs	-6,554	-4,771	-1,931		-13,256		-13,256
Net rental income	45,890	10,532	12,806		69,228		69,228
Revaluation of investment property	39,225	16,978	-9,786		46,418		46,418
Net result on sale of investment property	1,790		-949		841		841
Net result from investment	86,906	27,510	2,071		116,488		116,488
Administrative costs				-7,950	-7,950		-7,950
Other income and costs				18	18		18
Financing income				27	27		27
Financing costs				-12,532	-12,532		-12,532
Movement in market value of financial derivatives				-4,497	-4,497		-4,497
Net financing result				-17,003	-17,003		-17,003
Result before tax	86,906	27,510	2,070	-24,933	91,553		91,553
Corporate income tax				-28	-28		-28
Total result for the year	86,906	27,510	2,070	-24,961	91,525		91,525
Other comprehensive income				0	0		0
Total comprehensive income for the year	86,906	27,510	2,070	-24,961	91,525		91,525
Attributable to shareholders	86,906	27,510	2,070	-24,961	91,525		91,525

Segment split balance sheet 2018

	Continuing operations					Discontinued operations	TOTAL
	Offices	HNK	Other	Corporate	TOTAL		
Investment property	872,159	206,987	123,544		1,202,691		1,202,691
Other assets	4,651	1,333	336	3,609	9,929		9,929
Assets held for sale	3,940				3,940		3,940
Total assets	880,750	208,320	123,880	3,609	1,216,559		1,216,559
Non-current liabilities	1,285	2,338	457	441,733	445,813		445,813
Current liabilities	1,288	407	1,613	34,084	37,392		37,392
Liabilities directly associated with assets held for sale	71				71		71
Total liabilities	2,645	2,745	2,069	475,818	483,277		483,277
Purchases of investment property and subsequent expenditures	165,163	11,150	2,226				

¹⁵ The segment Corporate reflects costs and revenues that are not directly tied to properties.

Segment split income statement 2017

	Continuing operations				TOTAL	Discontinued operations	TOTAL
	Offices	HNK	Other	Corporate			
Gross rental income	53,866	13,339	21,795		89,000	56	89,056
Service costs recharged to tenants	6,706	3,297	1,979		11,983	16	11,999
Service costs	-8,281	-4,209	-1,568		-14,058	-35	-14,092
Service costs not recharged	-1,574	-912	412		-2,075	-18	-2,093
Operating costs	-5,702	-4,578	-2,177		-12,457	-22	-12,479
Net rental income	46,590	7,848	20,030		74,468	15	74,483
Revaluation of investments	18,695	15,875	-6,242		28,329	-970	27,359
Net result on sale of investments	3,144	0	2,920		6,064	-326	5,738
Net result from investment	68,429	23,724	16,708		108,861	-1,280	107,580
Administrative costs				-9,170	-9,170	-77	-9,247
Other income and costs				5,548	5,548	9	5,557
Financing income				12	12	1	12
Financing costs				-15,871	-15,871	-1	-15,872
Movement in market value of financial derivatives				3,658	3,658		3,658
Net financing result				-12,201	-12,201	0	-12,201
Result before tax	68,429	23,724	16,710	-15,826	93,037	-1,348	91,689
Corporate income tax				-91	-91	4	-87
Total result for the year	68,429	23,724	16,710	-15,917	92,946	-1,344	91,602
Other comprehensive income							
Total comprehensive income for the year	68,429	23,724	16,710	-15,917	92,946	-1,344	91,602
Attributable to shareholders	68,429	23,724	16,710	-15,917	92,946	-1,344	91,602

Segment split balance sheet 2017

	Continuing operations				TOTAL	Discontinued operations	TOTAL
	Offices	HNK	Other	Corporate			
Investment property	731,583	178,859	161,738		1,072,180		1,072,180
Other assets	4,859	913	362	11,165	17,299		17,299
Assets held for sale			28,791		28,791		28,791
Total assets	736,442	179,771	190,891	11,165	1,118,269		1,118,269
Non-current liabilities	1,302	1,631	607	406,419	409,959		409,959
Current liabilities	2,125	-98	854	32,547	35,428		35,428
Liabilities directly associated with assets held for sale			195		195		195
Total liabilities	3,427	1,533	1,655	438,966	445,582		445,582
Purchases of investment property and subsequent expenditures	142,725	5,831	6,640		155,195		155,195

EPRA KEY PERFORMANCE MEASURES

Key performance indicators

	Note	FY 2018		FY 2017	
		€ ' 000	per share (€)	€ ' 000	per share (€)
EPRA earnings	1	48,745	2.64	49,365	2.72
EPRA cost ratio (incl. direct vacancy costs)	5	26.5%		26.5%	
EPRA cost ratio (excl. direct vacancy costs)	5	25.0%		24.3%	
Property related capex	6	178,539		155,195	

	Note	31 December 2018		31 December 2017	
		€ ' 000	per share (€)	€ ' 000	per share (€)
EPRA NAV	2	738,330	39.75	673,238	36.66
EPRA NNNNAV	2	728,076	39.20	663,592	36.13
EPRA net initial yield (NIY)	3	5.2%		5.5%	
EPRA topped-up net initial yield	3	5.6%		5.9%	
EPRA vacancy rate	4	13.6%		18.4%	

Notes to the EPRA key performance indicators

1. EPRA earnings

	FY 2018	FY 2017
Gross rental income	83,721	89,056
Service costs not recharged	-1,237	-2,093
Operating costs	-13,256	-12,479
Net rental income	69,228	74,483
Administrative costs	-7,950	-9,247
Net financing result	-12,506	-15,859
Direct investment result before tax	48,773	49,377
Corporate income tax	-28	-12
Direct investment result / EPRA earnings	48,745	49,365
Direct investment result / EPRA earnings per share (€)	2.64	2.72

2. EPRA NAV

	31 December 2018		31 December 2017	
	€ ' 000	per share (€)	€ ' 000	per share (€)
Equity attributable to shareholders	733,283	39.48	672,688	36.63
Fair value of derivative financial instruments	5,047	0.27	550	0.03
EPRA NAV	738,330	39.75	673,238	36.66
Fair value of derivative financial instruments	-5,211	-0.28	-560	-0.03
Fair value of debt	-5,043	-0.27	-9,085	-0.49
EPRA NNNNAV	728,076	39.20	663,592	36.13

3. EPRA yield

	31 December 2018	31 December 2017
Investment property including assets held for sale	1,214,430	1,108,393
Developments	-15,500	-800
Property investments	1,198,930	1,107,593
Allowance for estimated purchasers' costs	83,943	77,532
Gross up completed property portfolio valuation	1,282,855	1,185,125
Annualised cash passing rental income	82,118	83,479
Annualised property outgoings	-15,150	-17,896
Annualised net rent	66,968	65,583
Notional rent expiration of rent free periods or other lease incentives	4,491	3,794
Topped-up annualised net rent	71,459	69,377
EPRA net initial yield	5.2%	5.5%
EPRA topped-up net initial yield	5.6%	5.9%

4. EPRA vacancy rate

	31 December 2018	31 December 2017
Estimated rental value of vacant space	14,085	19,398
Estimated rental value of the whole portfolio	103,227	105,288
EPRA vacancy	13.6%	18.4%

5. EPRA cost ratio

	FY 2018	FY 2017
Administrative costs	7,950	9,247
Service costs not recharged	1,237	2,093
Operating costs	13,256	12,479
Leasehold	-245	-213
EPRA costs (including direct vacancy costs)	22,196	23,607
Direct vacancy costs	-1,237	-1,976
EPRA costs (excluding direct vacancy costs)	20,960	21,631
Gross rental income	83,721	89,056
EPRA gross rental income	83,721	89,056
EPRA cost ratio (incl. direct vacancy costs)	26.5%	26.5%
EPRA cost ratio (excl. direct vacancy costs)	25.0%	24.3%

6. Property related capex

	FY 2018	FY 2017
Acquisitions	161,397	139,472
Development (ground-up/green field/brown field)	175	
Like-for-like portfolio	15,101	10,557
Other	1,867	5,167
Capital Expenditure	178,539	155,195

GLOSSARY

Assets held for sale

Investment property are reclassified to assets held for sale if it is expected that the carrying amount will be recovered principally through disposal rather than from continued use. This is the case if the investment property concerned is available for immediate sale in its present condition, taking into account the common terms for sale of such property and probability of a sale being high. This means the property must be actively marketed for sale at a price that is reasonable compared to its current market value and the sale should be expected to take place within one year from the date of reclassification.

Cost ratio (EPRA)

EPRA costs include all administrative costs, net service costs and operating expenses as reported under IFRS, but do not include ground rent costs. These costs are reflected including and excluding direct vacancy costs. The EPRA cost ratio is calculated as a percentage of gross rental income less ground rent costs.

Dutch REIT (FBI-regime)

NSI qualifies as a Dutch Real Estate Investment Trust (*fiscale beleggings-instelling or FBI*) and as such is charged a corporate income tax rate of 0% on its earnings. The tax regime stipulates certain conditions, such as a maximum ratio of 60% between debt and the book value of real estate, maximum ownership of shares by one legal entity or natural persons, and the obligation to pay out the annual profit by way of dividends within eight months after the end of the financial year.

Before 2014, activities permitted under FBI legislation were limited to portfolio investments activities only. Effective 1 January 2014, new legislation allows FBI's to perform enterprise-type business activities within certain limits. These activities must be carried out by a taxable subsidiary and must support the operation of the FBI's real estate business.

Earnings (EPRA)

EPRA earnings is a measure of operational performance and represents the net income generated from operational activities. It excludes all components not relevant to the underlying net income performance of the portfolio.

Earnings per share (EPRA EPS)

Indicator for the profitability of NSI; portion of the EPRA earnings attributable to shareholders allocated to the weighted average number of ordinary shares.

European Public Real Estate Association (EPRA)

Association of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors.

Estimated rental value (ERV)

The estimated amount at which a property or space within a property, would be let under the market conditions prevailing on the date of valuation.

G4

G4 refers to the locations Amsterdam, The Hague, Rotterdam and Utrecht, being the largest cities in the Netherlands.

HNK

HNK stands for 'Het Nieuwe Kantoor', ("The New Office"). HNK is NSI's flexible office concept and offers an inspiring environment with stylish workplaces, office spaces, meeting areas, catering facilities and a variety of ancillary services. HNK offers different propositions, including memberships (flexible workstations), managed offices (fully equipped offices), bespoke offices and meeting rooms.

Interest coverage ratio (ICR)

Debt ratio and profitability ratio used to measure a company's ability to pay interest on outstanding debt. The interest coverage ratio is calculated by dividing net rental income during a given period by net financing expenses during the same period.

Investment Result - Direct

The direct result reflects the recurring income arising from core operational activities. The direct result consists of gross rental income minus operating costs, service costs not recharged to tenants, administrative costs, direct financing costs, corporate income tax on the direct result, and the direct investment result attributable to non-controlling interests.

Investment Result - Indirect

The indirect result reflects all income and expenses not arising from day-to-day operations. The indirect result consists of revaluations of property, net result on sales of investment, indirect financing costs (movement in market value of derivatives and exchange rate differences, corporate income tax on the indirect result, and the indirect investment result attributable to non-controlling interests.

Investment Result - Total

The total result reflects all income and expenses; it is the total of the direct and the indirect investment result.

Lease incentives

Adjustments in rent granted to a tenant or a contribution to tenants' expenses in order to secure a lease. The impact of lease incentives on net rental income is straightlined over the firm duration of the lease contract under IFRS.

Like-for-like rental income

Like-for-like growth figures aim at assessing the organic growth of NSI. In the case of like-for-like rental income the aim is to compare the rental income of all or part of the standing portfolio over a certain period with the rental income for the same portfolio over a previous period (i.e. year-on-year and/or quarter-on-quarter). In order to calculate like-for-like growth, the nominal increase in rent is adjusted for the impact of acquisitions, divestments and properties transferred to and from the development portfolio and between segments (e.g. office to HNK).

Loan to value (LTV, net)

The LTV ratio reflects the balance sheet value of interest-bearing debts plus short term debts to credit institutions, net of cash and cash equivalents, expressed as a percentage of the total real estate investments, including assets held for sale.

Market value of investment property (fair value)

The estimated amount for which a property should change hands on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein each party had acted knowledgeably, prudently, and without compulsion. The market value does not include transaction costs.

Net asset value (NAV)

The net asset value represents the total assets minus total liabilities. At NSI this equates to the shareholders' equity (excluding non-controlling interests as stated in the balance sheet). The NAV is often expressed on a per share basis; in this calculation the number of shares outstanding at reporting date is used rather than the average number of shares.

Net asset value (NAV, EPRA definition)

The EPRA NAV reflects fair value of net assets on an ongoing, long-term basis. Assets and liabilities do not impact the company in the long-term, as the fair value of financial derivatives and deferred taxes, are therefore excluded.

Net margin

The net margin measures operating efficiency; it indicates how effective NSI is in managing its expense base. It is calculated as net rental income as a percentage of gross rental income.

Net result on sales of investment property

The net result on sales of investment property reflects the disposal price paid by a third party for a property minus the value at which the respective property was recorded in the accounts at the moment of sale, net of sales costs made. The sales costs include costs of real estate agents and legal costs, but can also include internal costs made which are directly related to transaction.

Randstad

The Randstad is the central-western area of the Netherlands, consisting primarily of the four largest Dutch cities (Amsterdam, Rotterdam, The Hague and Utrecht) and their surrounding areas.

Rent - effective rent

The effective rent reflects the contractual annual rent after straight-lining of rent free periods and rental discounts.

Rent - gross rental income (GRI)

Gross rental income reflects the rental income from let properties, after taking into account the net effects of straightlining for lease incentives and key money, including turnover rent and other rental income (e.g. specialty leasing and parking income).

Rent - net rental income (NRI)

Gross rental income net of (net) costs directly attributable to the operation of the property (non-recoverable service charges and operating costs). Income and costs linked to the ownership structure, such as administrative expenses, are not included.

Rent - passing (cash) rent / contracted rent

The estimated annualised cash rental income as at reporting date, excluding the net effects of straight-lining of lease incentives. Vacant units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent.

Reversionary potential

This ratio compares the minimum guaranteed rent and the turnover rent to the estimated rental value and as such indicates whether a unit or property is underlet or over-rented.

Reversionary rate (result from re-lettings and renewals)

The reversionary rate measures the rental gain/loss of a deal as the difference between the new rent (after the deal) and the old rent (before the deal).

Standing portfolio

Standing portfolio is used in like-for-like calculations and concerns the real estate investments at a specific date that have been consistently in operation as part of NSI's portfolio during two comparable periods.

Note that an investment property can be considered both standing and at the same time non standing, depending on the comparison periods used (e.g. year-on-year and quarter-on-quarter).

Triple net asset value (EPRA NNNAV)

The EPRA NNNAV is designed to provide a spot measure of NAV including all assets and liabilities at fair value. This measure adjusts the EPRA NAV for the market to market of the financial instruments, debt and deferred taxes.

Vacancy rate (EPRA)

Vacancy rate (EPRA): reflects the loss of rental income against ERV as a percentage of ERV of the total operational portfolio.

Weighted average unexpired lease term (Wault)

This ratio is used as an indicator of the average length of leases in portfolios. It can be calculated over the full lease term of the contracts either up to expiration date or up to break option date.

Yield

Yield can generally be defined as the income or profit generated by an investment expressed as a percentage of its costs or the total capital invested.

- EPRA net initial yield: annualised net effective cash passing rent (including estimated turnover rent and other recurring rental income) net of non-recoverable property operating expenses as a percentage of the gross market value of the real estate investments in operation;
- EPRA topped-up net initial yield¹: EPRA net initial yield adjusted for expiring lease incentives;
- Reversionary yield: the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.