QUARTERLY TRADING UPDATE

Q1 2017

- **Positive momentum in execution of new strategy**
- **EPRA EPS growth of 30% to €0.07 (Q1 2016: €0.05)**
- **Strong like-for-like NRI growth, up 5% vs Q1 2016**
- **EPRA cost ratio reduced to 29.0% (Q1 2016: 32.2%)**

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Definitions

EPRA
European Public Real Estate Association - Please refer for all EPRA definitions to www.epra.com/bpr

ERV
The estimated rental value (ERV) is the valuer's estimate of the open market rent that a property in its current state can be reasonably expected to achieve given its characteristics, condition, amenities, location and local market conditions.

Theoretical rent
The contractual rent for let space plus the ERV for vacant units.

G4
G4 refers to the locations Amsterdam, Den Haag, Rotterdam en Utrecht.

ICR
NSI calculates its interest coverage ratio for a given period by expressing the net rental income as a multiple of the net financing expenses.

Net LTV
The loan to value ratio is calculated by expressing the balance sheet value of interest bearing debts plus short term debts to credit institutions, net of cash and cash equivalents, as a percentage of the total real estate investments, including assets held for sale.

FINANCIAL CALENDAR

Annual General Meeting	21 April 2017
Publication half year results	25 July 2017
Publication trading update Q3 2017	26 October 2017
AGM decision on final dividend 2016	21 April 2017
Ex-dividend date	25 April 2017
Record date	26 April 2017
Dividend election period	27 April – 10 May 2017
Payment of final dividend	15 May 2017

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NSI HIGHLIGHTS

Key financials metrics[1]

€k	1 Jan – 31 Mar 17	1 Jan – 31 Mar 16	1 Jan – 31 Mar 17	1 Jan – 31 Mar 16	Change (%)
Revenues and Earnings	Supplemental reporting[2]		IFRS[3]		
Gross rental income	23,468	22,811	15,808	15,142	4.4%
Net rental income	16,097	15,106	10,938	9,802	11.6%
Direct result			10,152	7,771	30.6%
Indirect result			2,227	-3,406	
Profit attributed to NSI shareholders			12,379	4,366	183.6%
EPRA earnings per share (€)			0.07	0.05	30.6%
EPRA cost ratio A (%)[4]			29.0%	32.1%	-3.1pp
EPRA cost ratio B (%)[5]			25.8%	26.6%	-0.8pp

€k	31 Mar 17	31 Dec 16	Change (%)
Balance Sheet			
Investment property	794,632	770,434	3.1%
Assets held for sale	385,437	389,923	-1.2%
Net Debt	519,920	512,266	1.5%
Equity	616,632	604,254	2.0%
IFRS Equity per share (€)	4.31	4.22	2.0%
EPRA NAV per share (€)	4.40	4.33	1.6%
EPRA NNNAV per share (€)	4.28	4.20	2.1%
Net LTV (%)	44.1%	44.1%	0.0pp
Number of ordinary shares outstanding[6]	143,201,841	143,201,841	
Weighted average number of ordinary shares outstanding	143,201,841	143,201,841	

Key portfolio metrics[7]

	31 Mar 17					31 Dec 16
	Offices	HNK	Retail	Other[8]	Total	Total
Number of properties	108	13	40	3	164	165
Market value (€m)	635	150	383	12	1,180	1,160
Annual contracted rent (€m)[9]	52	13	32	1	98	98
ERV (€m)	63	20	34	1	118	116
Lettable area (k sqm)	459	125	270	15	869	870
EPRA Vacancy	23.0%	34.6%	12.4%	16.5%	21.9%	21.4%
WAULT (years)	5.3	3.1	4.4	2.2	4.7	4.7
Average rent/sqm (€/p.a.)	158	171	139	98	152	149
EPRA net initial yield	5.8%	4.5%	6.4%	8.8%	5.9%	6.0%

1 Based on unaudited results, 2016 numbers are adjusted to align with the following elements as reported in the 2016 year end results: 1) Lease incentives amortization from NRI to GRI, 2) Allocation of overhead from indirect to direct result, 3) Rent of NSI Head Office eliminated in GRI and admin expenses
2 Figures with only IOW as discontinued (sold), Retail and Belgium direct asset(s) as per historic reporting included in operational figures
3 Retail, Belgium direct and Intervest (IOW) operations accounted for as discontinued operations under IFRS regulations as adopted by the EU
4 EPRA Cost ratio (A) including vacancy costs, Q1 2016 excluding IOW, municipality taxes paid in Q1 straight lined
5 EPRA Cost ratio (B) excluding vacancy costs, Q1 2016 excluding IOW, municipality taxes paid in Q1 straight lined
6 Excluding 140,837 treasury shares (not entitled to dividend and voting)
7 Excluding land. Assets held for sale included in respective sectors
8 Incudes two industrial assets and one office asset in Belgium
9 Before rent free and other rent incentives

CEO COMMENTS

The strategic update, as announced on February 14, has set a clear destination for NSI for the years ahead. NSI wants to be the leading Dutch office investor and operator, maximising returns for its shareholders through pro-active asset management, value-add initiatives, disciplined asset rotation and prudent balance sheet management. The strength of a message is in its repetition.

The team is working diligently on achieving our objectives and the fruits of these efforts are starting to be visible. In early March we acquired an attractive office asset with strong asset management potential in central Utrecht for €20.5m on a 10.3% yield. Also, our key operating metrics have improved markedly in Q1 2017, in part due to accounting changes, cost controls (both operations and overhead) and the strength of our HNK business.

We are currently in discussions on the potential sale of some of our retail assets. We will update you as and when transactions materialise.

Operating performance

We are still actively managing our cost base down, whilst at the same time spending significant resources on strengthening our internal processes, our management information systems and our teams.

The 5% increase in like-for-like net rents in Q1 2017 is particularly strong when considering as of this quarter we have re-allocated certain cost items from overhead costs to operating costs.

This strong increase in like-for-like net rents masks an unfortunate 1.5% increase in the vacancy rate in the office portfolio versus Q4 2016, as three sizeable legacy leases expired in Q1 2017. One of these has already been re-let, whilst the other two major lease expiries are outside of the Randstad market and will take longer to re-lease.

In general the performance of our G4 and wider Randstad office business is strong and improving, whilst outside the Randstad the outlook remains more challenging. This is not much different from what we see happening in the wider Dutch office market.

Outlook 2017

We are pleased with the execution of the new strategy so far. The continued asset rotation contributes to the overall quality and efficiency of the portfolio, whilst at the same time improving the total return prospects for the business.

It is still too early to provide guidance on EPS and DPS for 2017. Further asset rotation may still have a significant impact on the outlook for this year. Having said that, we are confident that the positive effect of lower operating costs, lower overhead costs and lower financing costs will help to limit the potential negative impact of net disposals on EPRA EPS for the year.

Bernd Stahli

INCOME, COST AND RESULTS

In the interest of continuity and clarity of our reporting, in this section the retail portfolio is treated as if it has not been discontinued.

Introduction

EPRA earnings for Q1 2017 of €10.2m are up significantly versus Q1 2016 (€7.8m). This reflects a better operating margin as a result of lower operating costs and service costs, a lower run rate for administrative costs and lower funding costs. Furthermore, the results are impacted by various one-offs, both positive and negative.

The indirect result for Q1 2017 is €2.3m, mostly due to a positive non-cash market-to-market gain on the derivatives portfolio.

Rental income

Rents for the first quarter are up by 2.9% compared to the same period last year, mainly due to the acquisition of Glass House in July 2016 and Uniceflaan in March 2017.

On a like-for-like basis gross rents are up €0.7m (3.7%), reflecting indexation (€0.1m), higher HNK rents (€0.1m), lower incentives (€0.5m), the market-to-market on lease expiries (-€0.2m), a change in occupancy (-€0.1m), one-offs negatively influencing GRI in Q1 2016 (€0.2m) and other (€0.1m). Due to stable like-for-like costs the operating margin is higher, resulting in a net like-for-like rental growth of 5.0%.

Service costs

Non-recoverable service charges in Q1 2017 are down to €0.8m (vs €1.3m in Q1 2016). Cost savings and continued asset rotation into better, more efficient, assets explain most of the reduction (€0.3m). The remainder is due to positive one-offs (€0.2m) related to properties that have been disposed off.

Operating costs

Operating costs in the first quarter are 2.8% (€0.1m) higher than in 2016. This is caused by a change in the allocation of our property management expenses, fees to Cushman & Wakefield to assist in the property management of the retail portfolio and a €0.1m one-off for the termination of a service contract.

The operating margin in Q1 has improved to 68.6%, up 2.4pp on Q1 2016 (66.2%). The margin for the first quarter is typically lower than for other quarters, as under IFRICS21 yearly municipality taxes are all charged in the quarter they are incurred and are not straight lined over the year. If these costs were to be straight lined the operating margin would be 79.9% versus 77.3% in the first quarter last year.

Administrative expenses

Administrative expenses are €2.1m, a €0.4m decrease versus Q1 2016. Most of the decrease is related to higher one-off costs during Q1 2016.

The initiatives to reduce the run rate of administrative expenses have already resulted in a reduction of 3.1pp on the EPRA cost ratio to 29.0% in Q1 2017 (2016 Q1: 32.1%). This ratio is expected to reduce further in the coming periods.

Net financing expenses

The effects of all our finance-related activities in 2016, including the refinancing and swap restructuring in December, are now fully visible. The net effect is a 29% (€1.5m) reduction in net financial expenses for Q1 2017 (vs Q1 2016), despite a higher level of net debt over the period.

The average cost of debt is 2.8%, stable versus year-end 2016.

Revaluation

The derivatives portfolio shows a positive revaluation of €2.3m in the first quarter, as a consequence of the shorter duration of the legacy swaps and a change in the yield curve. Investment properties show a small revaluation of -€0.1m.

Post-closing events

On 7 April 2017 NSI sold an €0.8m office asset in Groningen at book value.

EPRA Earnings, segment split and bridge to IFRS discontinued Q1 2017 (€k)

	Continued			Discontinued		TOTAL	Adj.	TOTAL
	Offices	HNK	Other	Belgium	Retail			
Gross rental income	12,375	3,241	193	17	7,643	23,468	-7,660	15,808
Non recoverable service charges	-401	-277	101	-8	-227	-811	234	-577
Property operating expenses	-2,787	-1,510	4	-16	-2,251	-6,560	2,266	-4,293
Net rental income	**9,187**	**1,453**	**297**	**-7**	**5,166**	**16,097**	**-5,159**	**10,938**
Administrative expenses	-231	-43	-1,845	-4	-138	-2,261	142	-2,119
Earnings before interest and taxes	**8,956**	**1,410**	**-1,547**	**-11**	**5,028**	**13,836**	**-5,017**	**8,819**
Net financing result	-1	0	-3,684		2	-3,683	-2	-3,685
Direct investment result before tax	**8,955**	**1,410**	**-5,231**	**-11**	**5,030**	**10,153**	**-5,019**	**5,134**
Corporate income tax		-1				-1		-1
Direct investment result after tax	**8,955**	**1,409**	**-5,231**	**-11**	**5,030**	**10,152**	**-5,019**	**5,133**
Direct investment result discontinued							5,019	5,019
Direct investment result	**8,955**	**1,409**	**-5,231**	**-11**	**5,030**	**10,152**		**10,152**
Revaluation of investments	-134	19			49	-66	-49	-115
Result from sale of investments	75	0				75		75
Other indirect expenses and income	-30				-3	-33	3	-30
Net financing result			2,251			2,251		2,251
Indirect investment result before tax	**-89**	**19**	**2,251**		**46**	**2,227**	**-46**	**2,181**
Corporate income tax								
Indirect investment result after tax	**-89**	**19**	**2,251**		**46**	**2,227**	**-46**	**2,181**
Indirect investment result discontinued							46	46
Indirect investment result	**-89**	**19**	**2,251**		**46**	**2,227**		**2,227**
Total investment result after tax	**8,866**	**1,429**	**-2,980**	**-11**	**5,076**	**12,379**	**-5,065**	**7,314**
Investment result discontinued							5,065	5,065
Total investment result	**8,866**	**1,429**	**-2,980**	**-11**	**5,076**	**12,379**		**12,379**

REAL ESTATE PORTFOLIO

Portfolio split

	# assets	Value x €m	% Value
Offices[10]	107	635	54%
HNK[11]	13	150	13%
Other	2	9	1%
Total investment properties	**123**	**794**	**67%**
Held for sale	42	386	33%
Total portfolio	**164**	**1,180**	**100%**

The share of Offices and HNK is 67% of the portfolio by value in Q1 2017.

Vacancy

At the end of the quarter the EPRA vacancy rate for the portfolio is 21.9%, a 0.5% increase compared to year-end 2016. This is primarily due to 3 large lease contracts which expired and were not renewed. Two of these are related to offices outside of the Randstad, where the leasing market continues to be challenging. The third, an attractive office asset in Rotterdam, has already been re-leased from July 2017 onwards. HNK continues to show a strong level of take-up, with 2.5% like-for-like vacancy reduction in Q1 2017. The vacancy for Retail and 'other' are flat for the quarter.

EPRA Vacancy

	Q4-16	*LFL*	*Disposals/ Acquisitions*	Q1-17
Offices	21.3%	*2.5%*	*-0.8%*	23.0%
HNK	37.1%	*-2.5%*	*0.0%*	34.6%
Retail	12.5%	*0.1%*	*-0.2%*	12.4%
Other	16.5%	*0.0%*	*0.0%*	16.5%
Total	**21.4%**	***0.9%***	***-0.4%***	**21.9%**

Rents

Net rents on a like-for-like basis for Q1 2017 are up 5.0% if compared to the same period last year. The majority of the growth comes from a better operating margin. Like-for-like GRI growth over the same period was 3.7%.

Net rent like-for-like growth year-on-year

	Q1-17 (€m)	Q1-16 (€m)	Change (€m)	L-f-l (%)
Offices	8.0	7.7	0.3	3.5%
HNK	1.4	0.9	0.4	64.8%
Retail	5.1	5.2	0.0	-2.5%
Other	0.2	0.2	0.0	2.9%
Total LFL	**14.7**	**14.1**	**0.7**	**5.0%**

The average lease maturity for the portfolio is stable versus December 2016 at 4.7 years. This is a comfortable level, particularly when taking into account the typically shorter leases at HNK.

Disposals and acquisitions

During the quarter one office and an adjacent retail asset in Heerlen were sold at book value for a combined amount of €5.5m and one office asset was acquired on Uniceflaan in Utrecht for a total investment, excluding purchase costs, of €20.5m.

Offices

With the acquisition of Uniceflaan in Utrecht NSI continues to add exposure to the G4 markets. As per the end of Q1 2017 the G4 makes up 58% of the office portfolio, up from 54% at Q4 2016 and 49% at Q4 2015. After post-closing transactions the G4 share as percentage of the office portfolio has increased to 63%.

Key metrics - Offices

	Q1-16	Q4-16	Q1-17
Number of properties	111	108	108
Market value (€m)	552	617	635
Annual contracted rent (€m)	50	53	52
ERV (€m)	59	61	63
Lettable area (k sqm)	441	457	459
EPRA Vacancy	22.4%	21.3%	23.0%
WAULT (years)	5.1	5.3	5.3
Average rent/sqm (€/p.a.)	157	156	158
EPRA net initial yield	6.5%	6.0%	5.8%

During the quarter €0.5m new lease contracts started. Net like-for-like rental growth is 3.5%. In the G4 (9.1%) and Other Randstad (13.0%) positive momentum continues. The section "Other Netherlands" bears under the two large expiries at the end of January representing 13% of the contracted rent outside the Randstad area. The EPRA vacancy rate increase in the office portfolio is primarily due to a deterioration in occupancy in the "Other Netherlands" segment, a consequence of the expiries discussed earlier. This underpins NSI's strategy to focus on the larger cities within the Randstad.

Geographical split

	Weighting As % of value	Like-for-like change In EPRA Vacancy Mar-17[12]	Like-for-like NRI growth Mar-17[13]
G4	52%	1.3%	10.7%
Other Randstad	30%	0.4%	16.0%
Other Netherlands	18%	5.8%	-14.6%
Total offices	**100%**	**2.5%**	**3.5%**

[10] Excludes 1 office held for sale in Groningen
[11] Includes HNK Hoofddorp 100%; in balance sheet 50% reported in PPE

[12] EPRA Vacancy like-for-like change between 31 December 2016 and 31 March 2017
[13] NRI like-for-like only assets in portfolio for 12 months to 31 March 2016 and 31 March 2017

HNK

The strong positive momentum in our HNK business is maintained in Q1 2017. The vacancy rate in Q1 is down 2.5% on a like-for-like basis compared to Q4 2016, driven by a 8% fall in the vacancy rate at HNK Amsterdam Houthavens and a 7% fall in the vacancy rate at HNK Rotterdam Westblaak and in HNK Groningen. At HNK Ede the vacancy rate increased by 20% as Rijksvastgoedbedrijf (Central Government Real Estate Agency) vacated 1,800 sqm. This space will be modernised for flexible use and is expected to be ready in July. As we are seeing good demand for managed offices in Ede we are positive about the outlook.

Key metrics - HNK

	Q1-16	Q4-16	Q1-17
Number of properties	14	13	13
Market value (€m)	156	149	150
Annual contracted rent (€m)	11	12	13
ERV (€m)	18	20	20
Lettable area (k sqm)	134	125	125
EPRA Vacancy	49.2%	37.1%	34.6%
WAULT (years)	3.2	3.1	3.1
Average rent/sqm (€/p.a.)	174	167	171
EPRA net initial yield	3.8%	4.3%	4.5%

Given a higher level of operational leverage in the HNK business these occupancy improvements have a strong positive effect on net operating income. Non recoverable service charges are down by 55%. A more pro-active management approach to renting out our meeting rooms at HNK has resulted in an increase in turnover for this part of the business of 25% year on year. Consequently HNK's Q1 EPRA earnings have tripled compared to the same quarter last year.

Retail

Following the strategic decision to sell the entire retail portfolio, as announced with the preliminary results for 2016 back in February, the focus has been to prepare the assets for sale. NSI is currently in various discussions with potential buyers for some of our retail assets.

Key metrics - Retail

	Q1-16	Q4-16	Q1-17
Number of properties	42	41	40
Market value (€m)	425	382	383
Annual contracted rent (€m)	32	31	32
ERV (€m)	37	34	34
Lettable area (k sqm)	272	273	270
EPRA Vacancy	13.6%	12.5%	12.4%
WAULT (years)	4.3	4.3	4.4
Average rent/sqm (€/p.a.)	140	137	139
EPRA net initial yield	5.9%	6.4%	6.4%

At the Keizerslanden shopping centre in Deventer the first 4 units in the redevelopment are handed over to the tenants. Construction has started to extend the AH supermarket. Works are due to complete in the 3rd quarter.

At shopping centre Lage Land in Rotterdam the AH supermarket has been extended and delivered to the tenant. A new lease contract for an extension to the second supermarket let to JUMBO has been signed and works will start in the second quarter.

FINANCING

Funding

Following the refinancing at the end of last year NSI has a strong balance sheet with a LTV of 44.1%. The first loan maturity is now the November 2019 RCF A. With €166m drawn from the RCFs, which can be paid back and drawn without paying any penalties, there is sufficient flexibility to facilitate the asset rotation strategy.

Net debt at the end of March 2017 is €519.9m, a small increase of €7.7m compared to December 2016. This is mainly driven by positive cash flow from operations, the divestment of two assets in Heerlen and the acquisition of Uniceflaan in Utrecht.

The cost of debt remained stable at 2.8% at the end of March compared to the end of 2016. The average loan maturity at the end of March is 3.9 years.

NSI is using swaps to hedge its interest rate risks. The maturity hedge is 104% and the volume hedge is 76%.